
ANNUAL FINANCIAL REPORT UNION COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



ANNUAL FINANCIAL REPORT
UNION COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

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Audit Highlights
Annual Financial Report
Union County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Union County as of and for the year ended June 30, 2012.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include two component units whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in 17 findings and recommendations, which we have reviewed with Union County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings and Best Practice

The following are summaries of the audit findings and best practice:

OFFICE OF COUNTY MAYOR

- ◆ The office had not established a formal purchase order system.
- ◆ An accounting firm did not file a report on its work as required by the engagement letter.

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ Personnel records were not maintained adequately.
- ◆ The office had not established a formal purchase order system.
- ◆ Competitive bids were not solicited for the demolition and removal of a house.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Material audit adjustments were required for proper financial statement presentation of the General Purpose School Fund.

- ◆ A travel allowance was paid to the director of schools while he was on administrative leave.
 - ◆ School Department personnel were not adequately familiar with requirements of the contract or with actual operating procedures of the virtual education program.
 - ◆ The virtual school program was not operated under a budget approved by the Board of Education and the County Commission.
 - ◆ Transactions of the virtual education program were not reflected on the accounting records of the School Department.
 - ◆ Expenditures of the virtual school program were not reviewed and approved by School Department management, and documentation of expenditures was not maintained at the School Department.
 - ◆ Disbursements for the virtual school program were made from an outside checking account instead of issuing warrants drawn on the county trustee.
 - ◆ School Department inventories did not include computers purchased from virtual education program revenues.
 - ◆ The contract for services and the related purchase of materials, supplies, and computers for the virtual education program were not awarded on a competitive basis.
 - ◆ The office had deficiencies in purchasing procedures.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not prorate new construction.
-

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, SHERIFF, AND AMBULANCE SERVICE

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Union County does not have an Audit Committee. The Division of Local Government Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

INTRODUCTORY SECTION

Union County Officials

June 30, 2012

Officials

Micheal Williams, County Mayor
Clayton Helms, Highway Superintendent
James Carter, Interim Director of Schools
Gina Buckner, Trustee
Donna Jones, Assessor of Property
Pam Ailor, County Clerk
Barbara Williams, Circuit and General Sessions Courts Clerk
Beulah Warwick, Clerk and Master
Mary Kitts, Register
Earl Loy, Jr., Sheriff

Board of County Commissioners

| | |
|----------------------------|-------------------|
| Micheal Williams, Chairman | Jonathan Goforth |
| Sheila Buckner | Brenda Jessee |
| Dean Hill | R.L. Jones |
| J.M. Bailey | Janet Holloway |
| Bill Cox | Joyce Meltabarger |
| Stanley Boles | Mike Sexton |
| Dawn Flatford | Wayne Roach |
| Jeffrey Brantley | Doyle Welch |
| Chris Upton | Gary England |

Highway Commission

| | |
|-------------------------|------------------|
| Allen Collins, Chairman | Harold Brantley |
| Darrell Dyer | Chester Sturgeon |
| Troy Muncey | Jimmy DeVault |
| James Breeding | |

Board of Education

| | |
|----------------------|---------------|
| Brian Oaks, Chairman | David Coppock |
| Billy Sexton | Gerald Smith |
| Mark DeVault | Danny Collins |
| Don Morgan | |

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

October 9, 2012

Union County Mayor and
Board of County Commissioners
Union County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Union County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union County's management. Our responsibility is to express opinions on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Union County Emergency Communications District and the

Union County Solid Waste Authority, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Union County, Tennessee, as of June 30, 2012, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Tennessee, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012, on our consideration of Union County's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

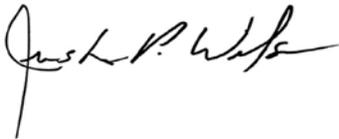
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 63 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Union County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Union County School Department (a discretely presented component unit), and the miscellaneous 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Union County, Tennessee
Statement of Net Assets
June 30, 2012

| | <u>Primary Government Governmental Activities</u> | <u>Component Unit Union County School Department</u> |
|--|---|--|
| <u>ASSETS</u> | | |
| Cash | \$ 3,250 | \$ 5,048,357 |
| Equity in Pooled Cash and Investments | 4,838,640 | 1,930,747 |
| Accounts Receivable | 461,414 | 0 |
| Allowance for Uncollectibles | (270,049) | 0 |
| Due from Other Governments | 611,014 | 694,141 |
| Due from Primary Government | 0 | 1,837 |
| Property Taxes Receivable | 3,854,402 | 2,654,446 |
| Allowance for Uncollectible Property Taxes | (175,736) | (121,025) |
| Prepaid Items | 45,491 | 0 |
| Notes Receivable - Current | 22,921 | 0 |
| Notes Receivable - Long-term | 48,835 | 0 |
| Capital Assets: | | |
| Assets Not Depreciated: | | |
| Land | 566,080 | 1,598,528 |
| Assets Net of Accumulated Depreciation: | | |
| Buildings and Improvements | 2,124,792 | 17,987,867 |
| Infrastructure | 3,075,026 | 13,650 |
| Other Capital Assets | 590,293 | 406,438 |
| Total Assets | <u>\$ 15,796,373</u> | <u>\$ 30,214,986</u> |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 89,559 | \$ 6,556,675 |
| Accrued Payroll | 13,318 | 0 |
| Accrued Interest Payable | 89,676 | 0 |
| Payroll Deductions Payable | 11,377 | 100 |
| Due to Component Units | 1,837 | 0 |
| Due to State of Tennessee | 1,395 | 0 |
| Other Current Liabilities | 0 | 278,576 |
| Deferred Revenue - Property Taxes | 3,446,708 | 2,373,676 |
| Noncurrent Liabilities: | | |
| Due Within One Year | 1,531,615 | 22,921 |
| Due in More Than One Year | 13,426,235 | 1,387,717 |
| Total Liabilities | <u>\$ 18,611,720</u> | <u>\$ 10,619,665</u> |

(Continued)

Exhibit A

Union County, Tennessee
Statement of Net Assets (Cont.)

| | <u>Primary Government Governmental Activities</u> | <u>Component Unit Union County School Department</u> |
|---|---|--|
| <u>NET ASSETS</u> | | |
| Invested in Capital Assets, Net of Related Debt | \$ 5,708,413 | \$ 19,934,727 |
| Restricted for: | | |
| Highways | 667,249 | 0 |
| Debt Service | 999,352 | 0 |
| Capital Projects | 77,001 | 9,671 |
| Finance | 76,810 | 0 |
| Administration of Justice | 87,175 | 0 |
| Public Safety | 39,958 | 0 |
| Public Health & Welfare | 85,979 | 0 |
| Education | 0 | 381,995 |
| Unrestricted | <u>(10,557,284)</u> | <u>(731,072)</u> |
| Total Net Assets (Deficit) | <u>\$ (2,815,347)</u> | <u>\$ 19,595,321</u> |

The notes to the financial statements are an integral part of this statement.

Exhibit B

Union County, Tennessee
Statement of Activities
For the Year Ended June 30, 2012

| Functions/Programs | Net (Expense) Revenue and Changes in Net Assets | | | | | |
|---|--|-------------------------|--|--|---------------------------------------|--------------------------------|
| | Component | | | Unit | | |
| | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | County School Department |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 995,697 | \$ 337,082 | \$ 57,913 | \$ 0 | \$ (600,702) | \$ 0 |
| Finance | 756,093 | 397,955 | 0 | 0 | (358,138) | 0 |
| Administration of Justice | 517,746 | 346,908 | 4,500 | 0 | (166,338) | 0 |
| Public Safety | 2,680,480 | 506,207 | 12,600 | 69,836 | (2,091,837) | 0 |
| Public Health and Welfare | 1,743,995 | 1,086,099 | 137,653 | 79,327 | (440,916) | 0 |
| Social, Cultural, and Recreational Services | 236,099 | 1,239 | 12,382 | 0 | (222,478) | 0 |
| Agriculture and Natural Resources | 80,753 | 0 | 0 | 0 | (80,753) | 0 |
| Other Operations | 1,352,616 | 0 | 67,788 | 898,918 | (385,910) | 0 |
| Highways | 2,211,508 | 26,828 | 1,376,735 | 150,422 | (657,523) | 0 |
| Support Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on Long-term Debt | 426,659 | 0 | 0 | 0 | (426,659) | 0 |
| Debt Service | 22,877 | 0 | 0 | 0 | (22,877) | 0 |
| Total Primary Government | \$ 11,024,523 | \$ 2,702,318 | \$ 1,669,571 | \$ 1,198,503 | \$ (5,454,131) | \$ 0 |
| Component Unit: | | | | | | |
| Union County School Department | \$ 33,308,964 | \$ 386,433 | \$ 3,819,819 | \$ 0 | \$ 0 | \$ (29,102,712) |
| Total Component Unit | \$ 33,308,964 | \$ 386,433 | \$ 3,819,819 | \$ 0 | \$ 0 | \$ (29,102,712) |

(Continued)

Exhibit B

Union County, Tennessee
Statement of Activities (Cont.)

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | |
|--|------------------|-------------------------|--|--|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Component Unit | |
| | | | | | Primary Governmental Activities | Union County School Department |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes Levied for General Purposes | | \$ | 2,416,901 | \$ | 2,449,132 | |
| Property Taxes Levied for Ambulance Service | | | 370,616 | | 0 | |
| Property Taxes Levied for Highways | | | 268,856 | | 0 | |
| Property Taxes Levied for Debt Service | | | 506,228 | | 0 | |
| Local Option Sales Taxes | | | 297,397 | | 930,361 | |
| Wheel Tax | | | 459,235 | | 0 | |
| Business Tax | | | 82,811 | | 0 | |
| Wholesale Beer Tax | | | 130,600 | | 0 | |
| Mineral Severance Tax | | | 92,544 | | 0 | |
| Litigation Tax - General | | | 30,135 | | 0 | |
| Litigation Tax - Special Purpose | | | 28,768 | | 0 | |
| Litigation Tax - Jail, Workhouse, or Courthouse | | | 10,759 | | 0 | |
| Other Local Taxes | | | 31,760 | | 1,105 | |
| Grants and Contributions Not Restricted to Specific Programs | | | 1,711,582 | | 24,527,132 | |
| Unrestricted Investment Income | | | 65,103 | | 0 | |
| Miscellaneous | | | 108,751 | | 0 | |
| Total General Revenues | | | \$ 6,612,046 | | \$ 27,907,730 | |
| Change in Net Assets | | | \$ 1,157,915 | | \$ (1,194,982) | |
| Net Assets (Deficit), July 1, 2011 | | | (3,973,262) | | 20,790,303 | |
| Net Assets (Deficit), June 30, 2012 | | | \$ (2,815,347) | | \$ 19,595,321 | |

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

Union County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2012

| | Major Funds | | | | Nonmajor Funds | | Total Governmental Funds |
|--|---------------------|-------------------|------------------------|----------------------|--------------------------|--------------------------|--------------------------|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | General Capital Projects | Other Governmental Funds | |
| ASSETS | | | | | | | |
| Cash | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 3,250 | \$ 3,250 |
| Equity in Pooled Cash and Investments | 2,969,404 | 206,688 | 448,570 | 783,897 | 335,904 | 94,177 | 4,838,640 |
| Accounts Receivable | 44,811 | 416,603 | 0 | 0 | 0 | 0 | 461,414 |
| Allowance for Uncollectibles | 0 | (270,049) | 0 | 0 | 0 | 0 | (270,049) |
| Due from Other Governments | 195,632 | 0 | 269,933 | 0 | 145,449 | 0 | 611,014 |
| Due from Other Funds | 592,283 | 0 | 0 | 32,833 | 0 | 0 | 625,116 |
| Property Taxes Receivable | 2,618,084 | 399,985 | 290,899 | 545,434 | 0 | 0 | 3,854,402 |
| Allowance for Uncollectible Property Taxes | (119,368) | (18,237) | (13,263) | (24,868) | 0 | 0 | (175,736) |
| Prepaid Items | 0 | 0 | 0 | 45,491 | 0 | 0 | 45,491 |
| Notes Receivable - Current | 0 | 0 | 0 | 22,921 | 0 | 0 | 22,921 |
| Advances to Other Funds | 0 | 0 | 0 | 167,167 | 0 | 0 | 167,167 |
| Notes Receivable - Long-term | 0 | 0 | 0 | 48,835 | 0 | 0 | 48,835 |
| Total Assets | \$ 6,300,846 | \$ 734,990 | \$ 996,139 | \$ 1,621,710 | \$ 481,353 | \$ 97,427 | \$ 10,232,465 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable | \$ 32,519 | \$ 94 | \$ 55,446 | \$ 0 | \$ 0 | \$ 1,500 | \$ 89,559 |
| Accrued Payroll | 0 | 13,318 | 0 | 0 | 0 | 0 | 13,318 |
| Payroll Deductions Payable | 11,377 | 0 | 0 | 0 | 0 | 0 | 11,377 |
| Due to Other Funds | 0 | 32,833 | 0 | 2,196 | 586,837 | 3,250 | 625,116 |
| Due to Component Units | 0 | 0 | 0 | 1,837 | 0 | 0 | 1,837 |
| Due to State of Tennessee | 1,395 | 0 | 0 | 0 | 0 | 0 | 1,395 |
| Advances Payable to Other Funds | 0 | 167,167 | 0 | 0 | 0 | 0 | 167,167 |
| Deferred Revenue - Current Property Taxes | 2,341,160 | 357,677 | 260,129 | 487,742 | 0 | 0 | 3,446,708 |
| Deferred Revenue - Delinquent Property Taxes | 150,543 | 23,000 | 16,728 | 31,363 | 0 | 0 | 221,634 |
| Other Deferred Revenues | 45,511 | 62,979 | 125,146 | 0 | 0 | 0 | 233,636 |
| Total Liabilities | \$ 2,582,505 | \$ 657,068 | \$ 457,449 | \$ 523,138 | \$ 586,837 | \$ 4,750 | \$ 4,811,747 |

(Continued)

Union County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

| | Major Funds | | | | Nonmajor Funds | | Total Governmental Funds |
|--------------|-------------|-------------------|------------------------|----------------------|--------------------------|--------------------------|--------------------------|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | General Capital Projects | Other Governmental Funds | |
| \$ | 0 | 0 | 0 | 45,491 | 0 | 0 | 45,491 |
| 76,810 | 0 | 0 | 0 | 0 | 0 | 0 | 76,810 |
| 87,175 | 0 | 0 | 0 | 0 | 0 | 0 | 87,175 |
| 24,282 | 0 | 0 | 0 | 0 | 0 | 15,676 | 39,958 |
| 0 | 0 | 538,690 | 0 | 0 | 0 | 0 | 538,690 |
| 0 | 0 | 0 | 1,012,174 | 0 | 0 | 0 | 1,012,174 |
| 0 | 0 | 0 | 0 | 0 | 0 | 77,001 | 77,001 |
| 0 | 77,922 | 0 | 0 | 0 | 0 | 0 | 77,922 |
| 0 | 0 | 0 | 40,907 | 0 | 0 | 0 | 40,907 |
| 492,962 | 0 | 0 | 0 | 0 | 0 | 0 | 492,962 |
| 60,015 | 0 | 0 | 0 | 0 | 0 | 0 | 60,015 |
| 2,977,097 | 0 | 0 | 0 | 0 | (105,484) | 0 | 2,871,613 |
| \$ 3,718,341 | \$ 77,922 | \$ 538,690 | \$ 1,098,572 | \$ (105,484) | \$ 92,677 | \$ 5,420,718 | |
| \$ 6,300,846 | \$ 734,990 | \$ 996,139 | \$ 1,621,710 | \$ 481,353 | \$ 97,427 | \$ 10,232,465 | |

LIABILITIES AND FUND BALANCES (Cont.)

| | |
|--|--|
| Fund Balances | |
| Nonspendable: | |
| Prepaid Items | |
| Restricted: | |
| Restricted for Finance | |
| Restricted for Administration of Justice | |
| Restricted for Public Safety | |
| Restricted for Highways/Public Works | |
| Restricted for Debt Service | |
| Restricted for Capital Projects | |
| Committed: | |
| Committed for Public Health and Welfare | |
| Committed for Debt Service | |
| Assigned: | |
| Assigned for General Government | |
| Assigned for Administration of Justice | |
| Unassigned | |
| Total Fund Balances | |

Total Liabilities and Fund Balances

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

Union County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2012

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

| | | |
|---|------------------|------------------------------|
| Total fund balances - balance sheet - governmental funds (Exhibit C-1) | | \$ 5,420,718 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Add: land | \$ 566,080 | |
| Add: buildings and improvements net of accumulated depreciation | 2,124,792 | |
| Add: other capital assets net of accumulated depreciation | 590,293 | |
| Add: infrastructure net of accumulated depreciation | <u>3,075,026</u> | 6,356,191 |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Less: notes payable | \$ (1,856,103) | |
| Less: other loans payable | (1,639,355) | |
| Less: bonds payable | (11,385,916) | |
| Less: other postemployment benefits liability | (15,315) | |
| Less: compensated absences | (61,161) | |
| Less: accrued interest on bonds, notes, and other loans | <u>(89,676)</u> | (15,047,526) |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | <u>455,270</u> |
| Net assets (deficit) of governmental activities (Exhibit A) | | <u><u>\$ (2,815,347)</u></u> |

The notes to the financial statements are an integral part of this statement.

Exhibit C-3

Union County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

| | Major Funds | | | | Nonmajor Funds | | Total Governmental Funds |
|---|---------------------|---------------------|------------------------|----------------------|--------------------------|--------------------------|--------------------------|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | General Capital Projects | Other Governmental Funds | |
| Revenues | | | | | | | |
| Local Taxes | \$ 3,253,606 | \$ 368,446 | \$ 359,822 | \$ 962,505 | \$ 0 | \$ 0 | \$ 4,944,379 |
| Licenses and Permits | 56,280 | 0 | 0 | 0 | 0 | 0 | 56,280 |
| Fines, Forfeitures, and Penalties | 100,903 | 0 | 0 | 0 | 0 | 7,656 | 108,559 |
| Charges for Current Services | 184,976 | 1,078,780 | 0 | 0 | 0 | 3,152 | 1,266,908 |
| Other Local Revenues | 144,918 | 1,322 | 51,329 | 65,103 | 0 | 1,935 | 264,607 |
| Fees Received from County Officials | 717,170 | 0 | 0 | 0 | 0 | 0 | 717,170 |
| State of Tennessee | 1,648,620 | 0 | 1,537,602 | 0 | 0 | 0 | 3,186,222 |
| Federal Government | 625,373 | 0 | 79,327 | 0 | 375,473 | 35,696 | 1,115,869 |
| Other Governments and Citizens Groups | 0 | 0 | 0 | 500,000 | 0 | 0 | 500,000 |
| Total Revenues | \$ 6,731,846 | \$ 1,448,548 | \$ 2,028,080 | \$ 1,527,608 | \$ 375,473 | \$ 48,439 | \$ 12,159,994 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General Government | \$ 961,911 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 961,911 |
| Finance | 758,060 | 0 | 0 | 0 | 0 | 0 | 758,060 |
| Administration of Justice | 511,002 | 0 | 0 | 0 | 0 | 3,152 | 514,154 |
| Public Safety | 2,671,139 | 0 | 0 | 0 | 0 | 41,389 | 2,712,528 |
| Public Health and Welfare | 280,230 | 1,556,665 | 0 | 0 | 0 | 0 | 1,836,895 |
| Social, Cultural, and Recreational Services | 233,673 | 0 | 0 | 0 | 0 | 0 | 233,673 |
| Agriculture and Natural Resources | 80,753 | 0 | 0 | 0 | 0 | 0 | 80,753 |
| Other Operations | 681,393 | 0 | 0 | 0 | 512,773 | 0 | 1,194,166 |
| Highways | 12,041 | 0 | 1,854,710 | 0 | 0 | 0 | 1,866,751 |
| Debt Service: | | | | | | | |
| Principal on Debt | 0 | 0 | 22,899 | 1,401,414 | 0 | 0 | 1,424,313 |
| Interest on Debt | 0 | 0 | 1,661 | 425,976 | 0 | 0 | 427,637 |
| Other Debt Service | 0 | 0 | 0 | 22,877 | 0 | 0 | 22,877 |
| Capital Projects | 0 | 0 | 0 | 0 | 248,843 | 0 | 248,843 |
| Total Expenditures | \$ 6,190,202 | \$ 1,556,665 | \$ 1,879,270 | \$ 1,850,267 | \$ 761,616 | \$ 44,541 | \$ 12,282,561 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 541,644 | \$ (108,117) | \$ 148,810 | \$ (322,659) | \$ (386,143) | \$ 3,898 | \$ (122,567) |

(Continued)

Exhibit C-3

Union County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

| | Major Funds | | | | | Nonmajor Funds | | Total Governmental Funds |
|---------------------------------------|--------------|-------------------|------------------------|----------------------|--------------------------|--------------------------|--------------------|--------------------------|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | General Capital Projects | Other Governmental Funds | Governmental Funds | |
| <u>Other Financing Sources (Uses)</u> | | | | | | | | |
| Other Loans Issued | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 488,000 | \$ 0 | \$ 0 | \$ 488,000 |
| Insurance Recovery | 6,236 | 0 | 0 | 0 | 0 | 0 | 0 | 6,236 |
| Total Other Financing Sources (Uses) | \$ 6,236 | \$ 0 | \$ 0 | \$ 0 | \$ 488,000 | \$ 0 | \$ 0 | \$ 494,236 |
| Net Change in Fund Balances | \$ 547,880 | \$ (108,117) | \$ 148,810 | \$ (322,659) | \$ 101,857 | \$ 3,898 | \$ 3,898 | \$ 371,669 |
| Fund Balance, July 1, 2011 | 3,170,461 | 186,039 | 389,880 | 1,421,231 | (207,341) | 88,779 | 88,779 | 5,049,049 |
| Fund Balance, June 30, 2012 | \$ 3,718,341 | \$ 77,922 | \$ 538,690 | \$ 1,098,572 | \$ (105,484) | \$ 92,677 | \$ 92,677 | \$ 5,420,718 |

The notes to the financial statements are an integral part of this statement.

Exhibit C-4

Union County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

| | | |
|---|------------------|---------------------|
| Net change in fund balances - total governmental funds (Exhibit C-3) | | \$ 371,669 |
| (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows: | | |
| Add: capital assets purchased in the current period | \$ 417,120 | |
| Less: current-year depreciation expense | <u>(359,798)</u> | 57,322 |
| (2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets. | | |
| Less: net book value of assets disposed | | (158,450) |
| (3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2012 | \$ 455,270 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2011 | <u>(439,062)</u> | 16,208 |
| (4) The issuance of long-term debt (e.g., bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. | | |
| Add: principal payments on notes | \$ 328,895 | |
| Add: principal payments on other loans | 263,645 | |
| Add: principal payments on bonds | 831,773 | |
| Less: note proceeds | <u>(488,000)</u> | 936,313 |
| (5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Change in accrued interest payable | \$ 978 | |
| Change in compensated absences payable | (61,161) | |
| Change in other postemployment benefits liability | <u>(4,964)</u> | <u>(65,147)</u> |
| Change in net assets of governmental activities (Exhibit B) | | <u>\$ 1,157,915</u> |

The notes to the financial statements are an integral part of this statement.

Exhibit D

Statement of Fiduciary Assets and Liabilities
June 30, 2012

| | <u>Agency Funds</u> |
|-------------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 466,090 |
| Accounts Receivable | 110 |
| Due from Other Governments | <u>109,955</u> |
| Total Assets | <u>\$ 576,155</u> |
| <u>LIABILITIES</u> | |
| Due to Other Taxing Units | \$ 109,955 |
| Due to Litigants, Heirs, and Others | <u>466,200</u> |
| Total Liabilities | <u>\$ 576,155</u> |

The notes to the financial statements are an integral part of this statement.

UNION COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Union County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Union County:

A. Reporting Entity

Union County is a public municipal corporation governed by an elected 17-member board. As required by GAAP, these financial statements present Union County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Union County School Department operates the public school system in the county, and the voters of Union County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Union County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Union County, and the County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Union County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Union County Solid Waste Authority oversees the area's solid waste disposal operations, including services provided through a private contractor. The County Commission appoints a majority of members of the authority's governing body. The financial statements of the Union County Solid Waste

Authority were not available from other auditors in time for inclusion in this report.

The Union County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority were not available in time for inclusion as previously mentioned. Complete financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Union County Emergency Communications District
130 Veteran Street
Suite A
Maynardville, TN 37807

Union County Solid Waste Authority
P.O. Box 727
Maynardville, TN 37807

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Union County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Union County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the

operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Union County issues all debt for the discretely presented Union County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Union County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Union County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. Fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Union County considers grants and similar revenues

to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable wheel taxes, business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded as a liability when incurred, regardless of the timing of related cash flows.

Union County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Ambulance Service Fund – This special revenue fund is used to account for transactions related to the ambulance service provided by the county. Patient charges are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

General Capital Projects Fund – This fund is used to account for general capital expenditures of the county, and for debt issued by Union County that is subsequently contributed to the discretely presented Union County School Department for construction and renovation projects.

Additionally, Union County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Union County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Union County School Department reports the following major governmental funds:

General Purpose School Fund – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

School Federal Projects Fund – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Additionally, the Union County School Department reports the following fund type:

Capital Projects Funds – These funds are used to account for building construction and renovations of the School Department.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Union County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Union County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/due from other funds.

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for

uncollectibles are comprised of estimated amounts for write-offs involving Medicare and Medicaid and estimated amounts of other collections based on the history of the source of receipt (i.e., insurance companies and private citizens). The allowance for uncollectible property taxes is equal to 2.49 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Most payables are disaggregated on the face of the financial statements. Other Current Liabilities in the discretely presented General Purpose School Fund (\$278,576) represents balances in the health insurance clearing account that will be drawn for premiums subsequent to June 30. Accounts payable in the General Purpose School Fund (\$6,549,223) consist primarily of amounts due to a private vendor for operation of the School Department's virtual education program. See Note V.E., for further details of that program.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

The prepaid item in the General Debt Service Fund (\$45,491) represents an amount paid for principal and interest on debt due subsequent to June 30, 2012.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------------------|--------------|
| Building and Improvements | 10 - 50 |
| Other Capital Assets | 3 - 40 |
| Infrastructure | 10 - 40 |

5. **Compensated Absences**

Primary Government

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Union County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in the governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Discretely Presented Union County School Department

Vacation for employees of the School Department does not vest or accumulate and must be used within the fiscal year. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual.

6. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, and other postemployment benefits,

are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2012, Union County had \$14,233,596 in outstanding debt for capital purposes for the discretely presented Union County School Department. The debt is a liability of Union County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Union County has incurred a liability, significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county’s highest level of decision-making authority and the Board of Education, the School Department’s highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission and the Board of Education are authorized bodies to make assignments. Assignments in the General Fund include \$492,962 to fund appropriations in the 2012-13 year budget.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

Discretely Presented Union County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total

governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Union County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which was not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis, if any, is presented on the face of each budgetary schedule.

B. Fund Deficit

The General Capital Projects Fund had a negative unassigned fund balance of \$105,484 at June 30, 2012. This negative unassigned fund balance resulted from expenditures exceeding restricted, committed, and assigned balances. The County Commission transferred funds from the General Fund after June 30, 2012, to liquidate the negative fund balance.

C. **Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations approved by the County Commission in the General Purpose School Fund by \$6,473,324 due to the failure to budget revenues and expenditures of the virtual education program, which began operations during the year. Expenditures that exceeded appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by revenues generated by the virtual education program, which had not been included in estimates of available funding.

D. **The Contract To Operate A Virtual Education Program Was Not Awarded On A Competitive Basis**

The School Department awarded a contract to operate a virtual education program to a private vendor. Compensation under the contract includes amounts for supplies, materials, and computers. Bids had not been solicited for those items, which is a violation of state statutes.

IV. **DETAILED NOTES ON ALL FUNDS**

A. **Deposits and Investments**

Union County and the Union County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2012.

B. Note Receivable

The note receivable of \$71,756 in the General Debt Service Fund on June 30, 2012, resulted from the primary government financing projects for the discretely presented Union County School Department. The amount of the note that is not expected to be collected within one year is \$48,835 and is included in the restricted fund balance account.

C. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

| | Balance | | Balance | |
|---|---------------------|-------------------|---------------------|---------------------|
| | 7-1-11 | Increases | Decreases | 6-30-12 |
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 566,080 | \$ 0 | \$ 0 | \$ 566,080 |
| Construction in Progress | 158,450 | 0 | (158,450) | 0 |
| Total Capital Assets Not Depreciated | <u>\$ 724,530</u> | <u>\$ 0</u> | <u>\$ (158,450)</u> | <u>\$ 566,080</u> |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 3,491,524 | \$ 0 | \$ 0 | \$ 3,491,524 |
| Infrastructure | 3,587,168 | 0 | 0 | 3,587,168 |
| Other Capital Assets | * 1,437,765 | 417,120 | 0 | 1,854,885 |
| Total Capital Assets Depreciated | <u>\$ 8,516,457</u> | <u>\$ 417,120</u> | <u>\$ 0</u> | <u>\$ 8,933,577</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 1,261,578 | \$ 105,154 | \$ 0 | \$ 1,366,732 |
| Infrastructure | 422,462 | 89,680 | 0 | 512,142 |
| Other Capital Assets | * 1,099,628 | 164,964 | 0 | 1,264,592 |
| Total Accumulated Depreciation | <u>\$ 2,783,668</u> | <u>\$ 359,798</u> | <u>\$ 0</u> | <u>\$ 3,143,466</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 5,732,789</u> | <u>\$ 57,322</u> | <u>\$ 0</u> | <u>\$ 5,790,111</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 6,457,319</u> | <u>\$ 57,322</u> | <u>\$ (158,450)</u> | <u>\$ 6,356,191</u> |

* The Other Capital Assets category and accumulated depreciation in the Other Capital Assets category have been increased by \$55,976 from amounts previously reported due to the failure to record a donated asset in a previous year. That asset is still in use but was fully depreciated at July 1, 2011.

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

| | |
|---|------------------------------|
| General Government | \$ 42,032 |
| Finance | 1,247 |
| Public Safety | 88,210 |
| Public Health and Welfare | 124,062 |
| Social, Cultural, and Recreational Services | 759 |
| Highway | <u>103,488</u> |
| Total Depreciation Expense - Governmental Activities | <u><u>\$ 359,798</u></u> |

Discretely Presented Union County School Department**Governmental Activities:**

| | Balance 7-1-11 | Increases | Decreases | Balance 6-30-12 |
|--|----------------------|---------------------|-----------------------|----------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 1,605,849 | \$ 0 | \$ (7,321) | \$ 1,598,528 |
| Construction in Progress | 7,764,235 | 0 | (7,764,235) | 0 |
| Total Capital Assets Not Depreciated | <u>\$ 9,370,084</u> | <u>\$ 0</u> | <u>\$ (7,771,556)</u> | <u>\$ 1,598,528</u> |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 20,017,861 | \$ 7,827,058 | \$ 0 | \$ 27,844,919 |
| Infrastructure | 31,500 | 0 | 0 | 31,500 |
| Other Capital Assets | 1,018,074 | 95,226 | 0 | 1,113,300 |
| Total Capital Assets Depreciated | <u>\$ 21,067,435</u> | <u>\$ 7,922,284</u> | <u>\$ 0</u> | <u>\$ 28,989,719</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 9,193,846 | \$ 663,206 | \$ 0 | \$ 9,857,052 |
| Infrastructure | 14,700 | 3,150 | 0 | 17,850 |
| Other Capital Assets | 586,502 | 120,360 | 0 | 706,862 |
| Total Accumulated Depreciation | <u>\$ 9,795,048</u> | <u>\$ 786,716</u> | <u>\$ 0</u> | <u>\$ 10,581,764</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 11,272,387</u> | <u>\$ 7,135,568</u> | <u>\$ 0</u> | <u>\$ 18,407,955</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 20,642,471</u> | <u>\$ 7,135,568</u> | <u>\$ (7,771,556)</u> | <u>\$ 20,006,483</u> |

Depreciation expense was charged to functions of the discretely presented Union County School Department as follows:

Governmental Activities:

| | |
|---|-------------------|
| Instruction | \$ 69,477 |
| Support Services | 714,698 |
| Operation of Non-Instructional Services | <u>2,541</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 786,716</u> |

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--|--------------------------|---------------|
| Primary Government: | | |
| General Debt Service | Ambulance Service | \$ 32,833 |
| General | General Debt Service | 2,196 |
| " | General Capital Projects | 586,837 |
| " | Nonmajor governmental | 3,250 |
| Discretely Presented School Department: | | |
| Nonmajor governmental | General Purpose School | 12,000 |

The balance reflected in the General Debt Service Fund as due from the Ambulance Service Fund is the amount of an interfund loan scheduled to be received in the next fiscal year. The balance reflected in the General Fund as due from the General Capital Projects Fund is the result of amounts loaned in a prior year in anticipation of grant funds. Subsequent to year end, the County Commission voted to forgive \$165,000 of the amount due. The other balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Advances to/from Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General Debt Service | Ambulance Service | \$ 167,167 |

In the current year, the General Debt Service Fund loaned the Ambulance Service Fund \$200,000 to partially fund the purchase of ambulances and other equipment. The balance of the loan at June 30, 2012, is \$200,000. The amount of this loan expected to be repaid within one year (\$32,833) is reflected as due to/from other funds. The remainder (\$167,167) is reflected as

advances to/from other funds and is expected to be repaid during future periods.

Due to/from Primary Government and Component Unit:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------------------|---|---------------|
| Component Unit: School Department | Primary Government: General Debt Service | \$ 1,837 |

Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

Discretely Presented Union County School Department:

| <u>Transfers Out</u> | <u>Transfers In</u> | |
|------------------------------|------------------------|-----------------------------|
| | General Purpose School | Nonmajor Governmental Funds |
| School Federal Projects Fund | \$ 15,341 | \$ 0 |
| General Purpose School Fund | 0 | 14,096 |
| Total | <u>\$ 15,341</u> | <u>\$ 14,096</u> |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, notes, and other loans outstanding were issued for original

terms of up to 17 years for bonds, up to 12 years for notes, and up to 39 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. One outstanding note totaling \$25,950 will be retired from the Highway/Public Works Fund. Otherwise, all bonds, notes, and other loans outstanding as of June 30, 2012, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2012, for governmental activities are as follows:

| Type | Interest Rate | Final Maturity | Original Amount of Issue | Balance 6-30-12 |
|-------------------------------------|---------------|----------------|--------------------------|-----------------|
| General Obligation Bonds - | | | | |
| School Refunding | 2 to 3.7 % | 4-1-20 | \$ 7,710,000 | \$ 5,045,000 |
| Capital Outlay Notes | 3.84 to 4.29 | 8-1-22 | 3,040,100 | 1,856,103 |
| Other Loans - | | | | |
| School Building and Improvements | Variable | 6-30-16 | 4,000,000 | 1,155,000 |
| Sewer Line Construction | 3.75 | 11-10-50 | 488,000 | 484,355 |
| Qualified School Construction Bonds | 1.515 | 9-1-26 | 7,160,000 | 6,340,916 |

In the 1995-96 year, Union County entered into a loan agreement with the Public Building Authority (PBA) of Sevier County, Tennessee. Under this loan agreement, the authority loaned \$4,000,000 to Union County for various renovation and construction projects. This loan is repayable at a variable interest rate based on the Bond Market Association (BMA) Municipal Index. In addition, on a quarterly basis, the county pays interest and other fees (liquidity, trustee, remarketing, administrator, and issuer) in connection with this loan. At June 30, 2012, the variable interest rate was 2.18 percent, and other fees were approximately .22 percent (liquidity), .15 percent (remarketing) .02 percent (trustee), .25 percent (administrator), and .06 percent (issuer) of the outstanding loan principal.

In prior years, Qualified School Construction Bonds were issued through the Tennessee State School Bond Authority and the proceeds loaned to Union County and various other local governments across Tennessee. The county pays interest of 1.515 percent on its share of the bonds and also pays a monthly administrative fee to the Tennessee School Bond Authority. The administrative fee totals \$1,193 per month through January 2013 and \$597 per month thereafter. The county and the other borrowers of the bond proceeds are required to comply with federal regulations established for the Qualified School Construction Bond program. Failure to comply with those requirements may result in the loss of the tax credit status on the bonds. This would result in further charges to the borrowers including the requirement to pay the tax-credit rate (5.86 percent) in addition to the 1.515 percent for a total rate of 7.375 percent.

The annual requirements to amortize all bonds, notes, and other loans outstanding as of June 30, 2012, including interest payments and other fees, are presented in the following tables:

| Year Ending June 30 | Bonds | | |
|------------------------|----------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2013 | \$ 846,773 | \$ 281,034 | \$ 1,127,807 |
| 2014 | 861,773 | 269,034 | 1,130,807 |
| 2015 | 876,773 | 256,169 | 1,132,942 |
| 2016 | 896,773 | 242,409 | 1,139,182 |
| 2017 | 1,236,773 | 227,559 | 1,464,332 |
| 2018-2022 | 4,793,865 | 730,865 | 5,524,730 |
| 2023-2027 | 1,873,186 | 442,936 | 2,316,122 |
| Total | <u>\$ 11,385,916</u> | <u>\$ 2,450,006</u> | <u>\$ 13,835,922</u> |

| Year Ending June 30 | Notes | | |
|------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2013 | \$ 347,609 | \$ 71,985 | \$ 419,594 |
| 2014 | 338,499 | 57,718 | 396,217 |
| 2015 | 350,300 | 43,553 | 393,853 |
| 2016 | 92,695 | 29,704 | 122,399 |
| 2017 | 92,000 | 26,150 | 118,150 |
| 2018-2022 | 519,000 | 73,595 | 592,595 |
| 2023 | 116,000 | 2,227 | 118,227 |
| Total | <u>\$ 1,856,103</u> | <u>\$ 304,932</u> | <u>\$ 2,161,035</u> |

| Year Ending June 30 | Other Loans | | | Total |
|------------------------|-------------|-----------|------------|------------|
| | Principal | Interest | Other Fees | |
| 2013 | \$ 276,072 | \$ 43,239 | \$ 5,082 | \$ 324,393 |
| 2014 | 291,303 | 37,122 | 3,894 | 332,319 |
| 2015 | 301,544 | 30,668 | 2,640 | 334,852 |
| 2016 | 311,746 | 24,035 | 1,342 | 337,123 |
| 2017 | 7,051 | 17,081 | 0 | 24,132 |
| 2018-2022 | 39,452 | 81,208 | 0 | 120,660 |
| 2023-2027 | 47,576 | 73,084 | 0 | 120,660 |
| 2028-2032 | 57,342 | 63,318 | 0 | 120,660 |
| 2033-2037 | 69,195 | 51,465 | 0 | 120,660 |
| 2038-2042 | 83,447 | 37,213 | 0 | 120,660 |

| Year Ending June 30 | Other Loans (Cont.) | | | |
|------------------------|---------------------|-------------------|------------------|---------------------|
| | Principal | Interest | Other Fees | Total |
| 2043-2047 | \$ 100,634 | \$ 20,026 | \$ 0 | \$ 120,660 |
| 2048-2050 | 53,993 | 2,498 | 0 | 56,491 |
| Total | <u>\$ 1,639,355</u> | <u>\$ 480,957</u> | <u>\$ 12,958</u> | <u>\$ 2,133,270</u> |

There is \$1,098,572 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$596, based on the 2010 federal census. Debt per capita, including bonds, notes, and other loans outstanding totaled \$779, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

| | Bonds | Notes | Other Loans |
|-----------------------------|----------------------|---------------------|---------------------|
| Balance, July 1, 2011 | \$ 12,217,689 | \$ 2,184,998 | \$ 1,415,000 |
| Additions | 0 | 0 | 488,000 |
| Deductions | (831,773) | (328,895) | (263,645) |
| Balance, June 30, 2012 | <u>\$ 11,385,916</u> | <u>\$ 1,856,103</u> | <u>\$ 1,639,355</u> |
| Balance Due Within One Year | <u>\$ 846,773</u> | <u>\$ 347,609</u> | <u>\$ 276,072</u> |

| | Other Compensated Postemployment Absences | | Other Benefits |
|-----------------------------|---|---------------|-------------------|
| Balance, July 1, 2011 | \$ | 0 | \$ 10,351 |
| Additions | | 61,161 | 9,975 |
| Deductions | | 0 | (5,011) |
| Balance, June 30, 2012 | <u>\$</u> | <u>61,161</u> | <u>\$ 15,315</u> |
| Balance Due Within One Year | <u>\$</u> | <u>61,161</u> | <u>\$ 0</u> |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|----------------------|
| Total Noncurrent Liabilities, June 30, 2012 | \$ 14,957,850 |
| Less: Balance Due Within One Year | <u>(1,531,615)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 13,426,235</u> |

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily from the General and Highway/Public Works funds.

Discretely Presented Union County School Department

In a previous year, as a prerequisite to the primary government issuing a specific debt, which included funding for various school renovations totaling \$345,440, the governing bodies of the primary government and the School Department executed an agreement that the School Department would provide one-half of the funding needed to service that debt. This agreement has been reflected as a note payable in the financial statements of the School Department.

The annual requirements to amortize the note outstanding as of June 30, 2012, including interest payments, are presented in the following table:

| Year Ending June 30 | Notes | | |
|------------------------|------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2013 | \$ 22,921 | \$ 3,079 | \$ 26,000 |
| 2014 | 23,905 | 2,095 | 26,000 |
| 2015 | 24,930 | 1,070 | 26,000 |
| Total | <u>\$ 71,756</u> | <u>\$ 6,244</u> | <u>\$ 78,000</u> |

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Union County School Department for the year ended June 30, 2012, was as follows:

Governmental Activities:

| | Notes | Other Postemployment Benefits |
|-----------------------------|-----------|-------------------------------------|
| Balance, July 1, 2011 | \$ 93,734 | \$ 989,272 |
| Additions | 0 | 477,567 |
| Deductions | (21,978) | (127,957) |
| | <hr/> | <hr/> |
| Balance, June 30, 2012 | \$ 71,756 | \$ 1,338,882 |
| | <hr/> | <hr/> |
| Balance Due Within One Year | \$ 22,921 | \$ 0 |
| | <hr/> | <hr/> |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---------------------|
| Total Noncurrent Liabilities, June 30, 2012 | \$ 1,410,638 |
| Less: Balance Due Within One Year | <u>(22,921)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 1,387,717</u> |

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

F. Pledge of Future Revenues

Wheel Tax Approved by the County Commission

The County Commission approved a wheel tax for vehicle title registrations or renewals channeled through the Office of County Clerk effective January 1, 2010, and pledged the collections generated from this wheel tax to pay the debt service requirements of the \$7,160,000 Qualified School Construction Bonds. The bonds are also guaranteed by the general obligation pledge of the county in the event the wheel tax revenue is insufficient to meet the debt service requirements on the bonds. The County Commission resolution noted that the wheel tax levy and collections would stop once adequate funding has been provided to retire the bonds. As of June 30, 2012, future requirements for principal, interest, and administrative fees on the bonds total \$7,974,799 payable on a monthly basis through September 1, 2026. For the current year, principal, interest, and fees paid and wheel tax revenues generated totaled \$538,579 and \$459,235, respectively. Since January 2010, the unexpended portion of the wheel tax revenues (\$73,192) is included in restricted fund balance on the financial statements of the General Debt Service Fund.

Component Unit Revenues Pledged for Primary Government Debt

In addition to the amount reflected as a note payable discussed in Note IV.E., the School Department has pledged to pay a minimum of \$500,000 annually from its future revenues to the primary government’s General Debt Service Fund to be applied toward the retirement of other school debt. During the current fiscal year, the total contribution was \$500,000. The related debt was issued by the primary government for various school capital projects and is payable through 2020. Total principal, interest, and other fees remaining on the debt are \$7,199,489 with annual requirements ranging from \$872,821 in the next fiscal year to \$917,745 in the final year.

G. On-Behalf Payments – Discretely Presented Union County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Union County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$26,859 and \$11,595, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Short-term Debt

Union County issued revenue anticipation notes in advance of revenue collected and deposited the proceeds in the General Purpose School and School Federal Projects funds of the discretely presented School Department. These notes were necessary to provide cash flow until the expected revenues were received. Short-term debt activity for the year ended June 30, 2012, was as follows:

| Fund | Balance 7-1-11 | Issued | Paid | Balance 6-30-12 |
|-------------------------|-------------------|------------|--------------|--------------------|
| General Purpose School | \$ 0 | \$ 600,000 | \$ (600,000) | \$ 0 |
| School Federal Projects | 0 | 475,000 | (475,000) | 0 |

The School Federal Projects Fund borrowed the funds from the General Purpose School Fund. The General Purpose School Fund borrowed the funds from the primary government’s General Debt Service Fund.

V. OTHER INFORMATION

A. Risk Management

The discretely presented Union County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee Code Annotated (TCA)*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

The primary government provides health insurance coverage through a commercial insurance provider. In prior years, the Highway Department participated in the state-administered Local Government Group Insurance Plan. In the current year, Union County transitioned the Highway Department to the county's commercial insurance provider. The county does not allow retirees to participate in the commercial insurance plan. Settled claims have not exceeded commercial insurance coverage for the past three fiscal years.

Union County and the discretely presented Union County School Department also participate in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county and School Department pay an annual premium to the TN-RMT for general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

B. Subsequent Events

On July 1, 2012, the Union County Commission adopted a resolution to forgive \$165,000 of the amount reflected as due from the General Capital Projects Fund to the General Fund at June 30, 2012. That transaction will be recognized as an interfund transfer during the 2012-13 year.

On July 9, 2012, Union County adopted the Financial Management System Act of 1981, which establishes a centralized system of accounting, budgeting, and purchasing covering all departments of the county.

Highway Superintendent Clayton Helms left office on August 31, 2012, and was succeeded by David Cox.

C. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

During the 1995-96 year, operations of the landfill transferred from Union County to the Union County Solid Waste Authority, a component unit of Union County. The Union County Solid Waste Authority subsequently contracted with a private company to operate and assume responsibility for closure and postclosure costs. The landfill was closed in 1999. Union County is contingently liable for landfill postclosure costs as reported by the Union County Solid Waste Authority.

D. Changes in Administration

The Union County Board of Education placed Director of Schools Wayne Goforth on administrative leave with pay effective October 19, 2011. Marilyn Toppins served as interim director of schools from October 20, 2011, through March 8, 2012. James Carter served as temporary director of schools beginning March 9, 2012. Wayne Goforth was reinstated as director of schools on September 24, 2012.

E. Virtual Education Program

In July 2011, pursuant to Title 49, Chapter 16 of *Tennessee Code Annotated*, the Union County Board of Education entered into a contract with K12 Virtual Schools, L.L.C. (K12). The contract provided for the creation and operation of a virtual education program called the Tennessee Virtual Academy, which enrolls students from Union County and other districts from across the state. This virtual education program was available for kindergarten through eighth grade students in the first year. Ninth through twelfth grades are expected to be added in future years.

The initial term of the agreement, which began July 1, 2011, will terminate on June 30, 2014, and is renewable. K12 is responsible for providing educational products, as well as, administrative and technology services according to the agreement. The board of education is responsible for setting program policies, budget adoption, and having final responsibility for regulatory compliance and financial reporting.

Revenues of the virtual education program totaled \$7,152,000 consisting of state Basic Education Program funds. The board of education received an annual oversight fee of four percent retained from the program revenues. The oversight fee retained during the year totaled \$286,090. K12's compensation under the agreement includes 15 percent of program revenues for administrative services, seven percent of program revenues for technology services, and payments for the provided educational products (online courses,

learning materials, books, etc.) based on a product price list reflecting the then current national K12 Virtual School Pricing for similarly situated programs. Per the agreement, the product price list is subject to change no more than once per calendar year at K12's reasonable discretion. Expenditures of the virtual education program claimed by K12 amounted to \$11,486,671; however, K12 issued the Board of Education a "debt forgiveness" credit memo for \$4,334,671, resulting in net expenditures of \$7,152,000.

F. Joint Venture

The Eighth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Eighth Judicial District; Scott, Campbell, Fentress, Claiborne, and Union counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by the Board of Directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Union County made no contributions to the DTF for the year ended June 30, 2012, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General
Eighth Judicial District
P.O. Box 10
Huntsville, TN 37756

G. Retirement Commitments

Plan Description

Employees of Union County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years

of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Union County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

County Employees

Union County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 6.53 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

School Department Employees

Union County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 5.87 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

County Employees

For the year ended June 30, 2012, the county's annual pension cost of \$204,632 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual inflation rate, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of

inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post-retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was six years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6-30-12 | \$204,632 | 100% | \$0 |
| 6-30-11 | 198,173 | 100 | 0 |
| 6-30-10 | 166,002 | 100 | 0 |

School Department Employees

For the year ended June 30, 2012, the county's annual pension cost of \$206,494 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual inflation rate, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post-retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was six years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------|---------------------------|-------------------------------|------------------------|
| 6-30-12 | \$206,494 | 100% | \$ 0 |
| 6-30-11 | 199,017 | 100 | 0 |
| 6-30-10 | 147,709 | 100 | 0 |

Funded Status and Funding Progress

County Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 90.93 percent funded. The actuarial accrued liability for benefits was \$4.9 million, and the actuarial value of assets was \$4.46 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.44 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.83 million, and the ratio of the UAAL to the covered payroll was 15.73 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

School Department Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 94.91 percent funded. The actuarial accrued liability for benefits was \$6.87 million, and the actuarial value of assets was \$6.52 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.35 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.22 million, and the ratio of the UAAL to the covered payroll was 10.85 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL TEACHERS

Plan Description

The Union County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010, were \$1,084,502, \$1,115,108, and \$767,295, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

The Union County Highway Department and the School Department participated in the state-administered Local Government Group Insurance Plan, Local Education Group Insurance Plan, and the Medicare Supplement Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees, Section 8-27-207, *TCA*, for local governments, and Section 8-27-701, *TCA*, for the Medicare Supplement Plan. All members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>. During the year, the Union County Highway Department obtained commercial health insurance coverage for its employees and discontinued participation in the Local Government Group Plan. Annual costs, net OPEB obligations, and actuarial liabilities reflected in these notes are based on a study performed as of July 1, 2011, while the Highway Department was a participant in the Local Government Group Plan.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Retirees in the Local Government Group Plan were required to pay the entire premium. Retirees in the Local Education Group Insurance plan contribute \$175 to \$200 per month depending on type of coverage. During the year ended June 30, 2012, the Union County and the discretely presented School Department contributed \$5,011 and \$127,957, respectively for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

| | Local Government Group Plan | Local Education Group Plan |
|------------------------------|---|--|
| ARC | \$ 8,000 | \$ 402,000 |
| Interest on the NPO | 414 | 34,361 |
| Adjustment to the ARC | (439) | (36,474) |
| Annual OPEB cost | <u>\$ 7,975</u> | <u>\$ 399,887</u> |
| Amount of contribution | <u>(5,011)</u> | <u>(127,507)</u> |
| | | |
| Increase/decrease in NPO | \$ 2,964 | \$ 272,380 |
| Net OPEB obligation, 7-1-11 | <u>10,351</u> | <u>859,018</u> |
| | | |
| Net OPEB obligation, 6-30-12 | <u><u>\$ 13,315</u></u> | <u><u>\$ 1,131,398</u></u> |
| | | |
| | Local Government Medicare Supplement Plan | Local Education Medicare Supplement Plan |
| ARC | \$ 2,000 | \$ 78,000 |
| Interest on the NPO | 0 | 5,210 |
| Adjustment to the ARC | 0 | (5,530) |
| Annual OPEB cost | <u>\$ 2,000</u> | <u>\$ 77,680</u> |
| Amount of contribution | <u>0</u> | <u>(450)</u> |
| | | |
| Increase/decrease in NPO | \$ 2,000 | \$ 77,230 |
| Net OPEB obligation, 7-1-11 | <u>0</u> | <u>130,254</u> |
| | | |
| Net OPEB obligation, 6-30-12 | <u><u>\$ 2,000</u></u> | <u><u>\$ 207,484</u></u> |

| Fiscal Year Ended | Plans | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|-------------------|---------------------------------------|------------------|--|---------------------------------|
| 6-30-10 | Local Government Group | \$ 12,000 | 57 % | \$ 5,169 |
| 6-30-11 | " | 12,013 | 57 | 10,351 |
| 6-30-12 | " | 7,975 | 63 | 13,315 |
| | Local Government Medicare Supplement* | | | |
| 6-30-12 | | 2,000 | 0 | 2,000 |
| 6-30-10 | Local Education Group | 286,324 | 46 | 711,792 |
| 6-30-11 | " | 294,692 | 50 | 859,018 |
| 6-30-12 | " | 399,887 | 32 | 1,131,398 |
| 6-30-10 | Education Medicare Supplement | 65,000 | 1 | 64,550 |
| 6-30-11 | " | 66,154 | 1 | 130,254 |
| 6-30-12 | " | 77,680 | 1 | 207,484 |

* Data only available for one year.

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

| | Local Government Group Plan | Local Education Group Plan |
|---|-----------------------------|----------------------------|
| Actuarial valuation date | 7-1-11 | 7-1-11 |
| Actuarial accrued liability (AAL) | \$ 56,000 | \$ 3,133,000 |
| Actuarial value of plan assets | \$ 0 | \$ 0 |
| Unfunded actuarial accrued liability (UAAL) | \$ 56,000 | \$ 3,133,000 |
| Actuarial value of assets as a % of the AAL | 0% | 0% |
| Covered payroll (active plan members) | \$ 707,045 | \$ 12,248,334 |
| UAAL as a % of covered payroll | 8% | 26% |

| | | Local Government Medicare Supplement Plan | Education Medicare Supplement Plan |
|---|----|---|---|
| Actuarial valuation date | | 7-1-11 | 7-1-11 |
| Actuarial accrued liability (AAL) | \$ | 22,000 | \$ 800,000 |
| Actuarial value of plan assets | \$ | 0 | \$ 0 |
| Unfunded actuarial accrued liability (UAAL) | \$ | 22,000 | \$ 800,000 |
| Actuarial value of assets as a % of the AAL | | 0% | 0% |
| Covered payroll (active plan members) | \$ | N/A | \$ N/A |
| UAAL as a % of covered payroll | | N/A | N/A |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Local Government Group Plan and the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare premium trend rate for the Medicare Supplement Plan was 6.5 percent for fiscal year 2012. The trend will decrease to 6.25 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2018. All rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 (excluding emergency purchases) to be made after public advertisement and solicitation of competitive bids.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 154, Private Acts of 1943 and the Uniform Road Law, Section 54-7-113, *TCA*, which provide for purchases of \$10,000 or more to be made after public advertisement and solicitation of competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Union County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|-------------------------------------|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 3,253,606 | \$ 3,071,709 | \$ 3,095,677 | \$ 157,929 |
| Licenses and Permits | 56,280 | 52,489 | 52,489 | 3,791 |
| Fines, Forfeitures, and Penalties | 100,903 | 94,325 | 94,325 | 6,578 |
| Charges for Current Services | 184,976 | 149,075 | 149,075 | 35,901 |
| Other Local Revenues | 144,918 | 36,021 | 40,289 | 104,629 |
| Fees Received from County Officials | 717,170 | 677,656 | 677,656 | 39,514 |
| State of Tennessee | 1,648,620 | 1,362,335 | 1,362,335 | 286,285 |
| Federal Government | 625,373 | 243,227 | 812,393 | (187,020) |
| Total Revenues | \$ 6,731,846 | \$ 5,686,837 | \$ 6,284,239 | \$ 447,607 |
| <u>Expenditures</u> | | | | |
| <u>General Government</u> | | | | |
| County Commission | \$ 72,454 | \$ 61,179 | \$ 72,998 | \$ 544 |
| Board of Equalization | 780 | 800 | 800 | 20 |
| Beer Board | 1,412 | 654 | 1,414 | 2 |
| County Mayor/Executive | 183,440 | 177,500 | 189,064 | 5,624 |
| County Attorney | 11,383 | 13,528 | 13,528 | 2,145 |
| Election Commission | 133,453 | 178,097 | 178,205 | 44,752 |
| Register of Deeds | 143,499 | 155,693 | 156,935 | 13,436 |
| Development | 9,597 | 12,787 | 12,787 | 3,190 |
| County Buildings | 331,913 | 263,509 | 359,669 | 27,756 |
| Other General Administration | 73,980 | 93,200 | 95,200 | 21,220 |
| <u>Finance</u> | | | | |
| Property Assessor's Office | 102,535 | 111,852 | 112,326 | 9,791 |
| Reappraisal Program | 80,036 | 83,501 | 83,664 | 3,628 |
| County Trustee's Office | 196,875 | 205,905 | 206,192 | 9,317 |
| County Clerk's Office | 299,357 | 295,913 | 321,383 | 22,026 |
| Other Finance | 79,257 | 0 | 79,257 | 0 |
| <u>Administration of Justice</u> | | | | |
| Circuit Court | 216,534 | 240,952 | 243,750 | 27,216 |
| General Sessions Court | 134,704 | 139,865 | 138,659 | 3,955 |
| Chancery Court | 133,489 | 143,107 | 143,344 | 9,855 |
| Victims Assistance Programs | 26,275 | 26,000 | 32,500 | 6,225 |
| <u>Public Safety</u> | | | | |
| Sheriff's Department | 1,294,825 | 1,265,686 | 1,369,730 | 74,905 |
| Special Patrols | 128,255 | 118,775 | 129,844 | 1,589 |
| Jail | 892,695 | 791,924 | 907,894 | 15,199 |
| Juvenile Services | 74,364 | 85,960 | 82,262 | 7,898 |
| Fire Prevention and Control | 95,000 | 95,000 | 95,000 | 0 |
| Rescue Squad | 20,000 | 20,000 | 20,000 | 0 |
| Other Emergency Management | 151,000 | 151,000 | 151,000 | 0 |
| County Coroner/Medical Examiner | 15,000 | 12,000 | 15,000 | 0 |

(Continued)

Exhibit E-1

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund (Cont.)

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Expenditures (Cont.)</u> | | | | |
| <u>Public Health and Welfare</u> | | | | |
| Local Health Center | \$ 35,672 | \$ 51,000 | \$ 48,000 | \$ 12,328 |
| Other Local Health Services | 104,628 | 175,216 | 179,000 | 74,372 |
| Appropriation to State | 23,500 | 23,500 | 23,500 | 0 |
| Sanitation Management | 7,737 | 6,500 | 7,800 | 63 |
| Convenience Centers | 108,693 | 102,233 | 109,322 | 629 |
| <u>Social, Cultural, and Recreational Services</u> | | | | |
| Senior Citizens Assistance | 76,143 | 68,410 | 82,427 | 6,284 |
| Libraries | 137,946 | 169,212 | 177,607 | 39,661 |
| Parks and Fair Boards | 19,584 | 14,356 | 22,000 | 2,416 |
| <u>Agriculture and Natural Resources</u> | | | | |
| Agriculture Extension Service | 34,388 | 40,000 | 40,000 | 5,612 |
| Forest Service | 500 | 500 | 500 | 0 |
| Soil Conservation | 45,865 | 45,824 | 47,667 | 1,802 |
| <u>Other Operations</u> | | | | |
| Other Economic and Community Development | 436,697 | 0 | 500,000 | 63,303 |
| Veterans' Services | 15,209 | 16,014 | 16,054 | 845 |
| Other Charges | 87,968 | 61,500 | 90,968 | 3,000 |
| Employee Benefits | 0 | 92,978 | 0 | 0 |
| Payments to Cities | 11,000 | 21,000 | 21,000 | 10,000 |
| ARRA Grant # 3 | 86,998 | 0 | 86,998 | 0 |
| Miscellaneous | 43,521 | 73,788 | 59,273 | 15,752 |
| <u>Highways</u> | | | | |
| Litter and Trash Collection | 12,041 | 12,970 | 13,368 | 1,327 |
| Total Expenditures | <u>\$ 6,190,202</u> | <u>\$ 5,719,388</u> | <u>\$ 6,737,889</u> | <u>\$ 547,687</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 541,644</u> | <u>\$ (32,551)</u> | <u>\$ (453,650)</u> | <u>\$ 995,294</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Insurance Recovery | <u>\$ 6,236</u> | <u>\$ 0</u> | <u>\$ 587</u> | <u>\$ 5,649</u> |
| Total Other Financing Sources (Uses) | <u>\$ 6,236</u> | <u>\$ 0</u> | <u>\$ 587</u> | <u>\$ 5,649</u> |
| Net Change in Fund Balance | \$ 547,880 | \$ (32,551) | \$ (453,063) | \$ 1,000,943 |
| Fund Balance, July 1, 2011 | <u>3,170,461</u> | <u>2,991,788</u> | <u>2,991,788</u> | <u>178,673</u> |
| Fund Balance, June 30, 2012 | <u>\$ 3,718,341</u> | <u>\$ 2,959,237</u> | <u>\$ 2,538,725</u> | <u>\$ 1,179,616</u> |

Exhibit E-2

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 368,446 | \$ 362,100 | \$ 362,100 | \$ 6,346 |
| Charges for Current Services | 1,078,780 | 1,100,000 | 1,100,000 | (21,220) |
| Other Local Revenues | 1,322 | 0 | 0 | 1,322 |
| Total Revenues | <u>\$ 1,448,548</u> | <u>\$ 1,462,100</u> | <u>\$ 1,462,100</u> | <u>\$ (13,552)</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Health and Welfare</u> | | | | |
| Ambulance/Emergency Medical Services | \$ 1,556,665 | \$ 1,482,125 | \$ 1,640,625 | \$ 83,960 |
| Total Expenditures | <u>\$ 1,556,665</u> | <u>\$ 1,482,125</u> | <u>\$ 1,640,625</u> | <u>\$ 83,960</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (108,117)</u> | <u>\$ (20,025)</u> | <u>\$ (178,525)</u> | <u>\$ 70,408</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 0 | \$ 100,000 | \$ 200,000 | \$ (200,000) |
| Transfers Out | 0 | (74,858) | (74,858) | 74,858 |
| Total Other Financing Sources (Uses) | <u>\$ 0</u> | <u>\$ 25,142</u> | <u>\$ 125,142</u> | <u>\$ (125,142)</u> |
| Net Change in Fund Balance | \$ (108,117) | \$ 5,117 | \$ (53,383) | \$ (54,734) |
| Fund Balance, July 1, 2011 | <u>186,039</u> | <u>157,903</u> | <u>157,903</u> | <u>28,136</u> |
| Fund Balance, June 30, 2012 | <u>\$ 77,922</u> | <u>\$ 163,020</u> | <u>\$ 104,520</u> | <u>\$ (26,598)</u> |

Exhibit E-3

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 359,822 | \$ 344,376 | \$ 344,376 | \$ 15,446 |
| Other Local Revenues | 51,329 | 26,500 | 26,500 | 24,829 |
| State of Tennessee | 1,537,602 | 1,560,218 | 1,560,218 | (22,616) |
| Federal Government | 79,327 | 2,645,653 | 2,645,653 | (2,566,326) |
| Other Governments and Citizens Groups | 0 | 150,000 | 150,000 | (150,000) |
| Total Revenues | <u>\$ 2,028,080</u> | <u>\$ 4,726,747</u> | <u>\$ 4,726,747</u> | <u>\$ (2,698,667)</u> |
| <u>Expenditures</u> | | | | |
| <u>Highways</u> | | | | |
| Administration | \$ 125,814 | \$ 127,627 | \$ 127,877 | \$ 2,063 |
| Highway and Bridge Maintenance | 1,057,551 | 983,328 | 1,206,378 | 148,827 |
| Operation and Maintenance of Equipment | 201,019 | 176,750 | 234,219 | 33,200 |
| Ferry Operations | 47,731 | 47,200 | 47,731 | 0 |
| Other Charges | 82,352 | 2,836,653 | 2,836,853 | 2,754,501 |
| Employee Benefits | 339,968 | 415,300 | 415,300 | 75,332 |
| Capital Outlay | 275 | 116,989 | 116,989 | 116,714 |
| <u>Principal on Debt</u> | | | | |
| Highways and Streets | 22,899 | 20,500 | 22,950 | 51 |
| <u>Interest on Debt</u> | | | | |
| Highways and Streets | 1,661 | 2,400 | 2,400 | 739 |
| Total Expenditures | <u>\$ 1,879,270</u> | <u>\$ 4,726,747</u> | <u>\$ 5,010,697</u> | <u>\$ 3,131,427</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 148,810</u> | <u>\$ 0</u> | <u>\$ (283,950)</u> | <u>\$ 432,760</u> |
| Net Change in Fund Balance | \$ 148,810 | \$ 0 | \$ (283,950) | \$ 432,760 |
| Fund Balance, July 1, 2011 | <u>389,880</u> | <u>389,880</u> | <u>389,880</u> | <u>0</u> |
| Fund Balance, June 30, 2012 | <u>\$ 538,690</u> | <u>\$ 389,880</u> | <u>\$ 105,930</u> | <u>\$ 432,760</u> |

Exhibit E-4

Union County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Union County School Department
June 30, 2012

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|------------------------------------|---|-----------------------------|--------------------|---------------------|---|
| <u>Primary Government</u> | | | | | | |
| 7-1-11 | \$ 4,459 | \$ 4,903 | \$ 445 | 90.93 % | \$ 2,826 | 15.73 % |
| 7-1-09 | 3,310 | 3,316 | 6 | 99.83 | 2,857 | 0.20 |
| 7-1-07 | 2,790 | 2,797 | 7 | 99.75 | 2,430 | 0.29 |
| <u>School Department</u> | | | | | | |
| 7-1-11 | 6,519 | 6,868 | 350 | 94.91 | 3,222 | 10.85 |
| 7-1-09 | 5,409 | 5,409 | 0 | 100.00 | 2,473 | 0.00 |
| 7-1-07 | 5,140 | 5,140 | 0 | 100.00 | 2,317 | 0.00 |

Exhibit E-5

Union County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Union County School Department
June 30, 2012

(Dollar amounts in thousands)

| Plans | Actuarial Valuation Date * | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--|----------------------------|-------------------------------|---------------------------------------|------------------------------|--------------------|---------------------|--|
| <u>PRIMARY GOVERNMENT</u> | | | | | | | |
| Local Government Group | 7-1-09 | \$ 0 | \$ 86 | \$ 86 | 0 % | \$ 694 | 12 % |
| " | 7-1-10 | 0 | 93 | 93 | 0 | 694 | 13 |
| " | 7-1-11 | 0 | 56 | 56 | 0 | 707 | 8 |
| Medicare Supplement | 7-1-11 | 0 | 22 | 22 | 0 | N/A | N/A |
| <u>DISCRETELY PRESENTED UNION COUNTY SCHOOL DEPARTMENT</u> | | | | | | | |
| Local Education Group | 7-1-09 | 0 | 2,258 | 2,258 | 0 | 11,757 | 19 |
| " | 7-1-10 | 0 | 2,326 | 2,326 | 0 | 11,645 | 20 |
| " | 7-1-11 | 0 | 3,133 | 3,133 | 0 | 12,248 | 26 |
| Medicare Supplement | 7-1-09 | 0 | 668 | 668 | 0 | N/A | N/A |
| " | 7-1-10 | 0 | 668 | 668 | 0 | N/A | N/A |
| " | 7-1-11 | 0 | 800 | 800 | 0 | N/A | N/A |

*Data for three actuarial valuations will be presented when available.

UNION COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Union County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the Union County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for capital projects related to industrial development.

Exhibit F-1

Union County, Tennessee
 Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

| | Special Revenue Funds | | | Capital Projects Fund | | Total Nonmajor Governmental Funds |
|----|-----------------------|--------------------------------|-----------|--|--|-----------------------------------|
| | Drug Control | Constitutional Officers - Fees | Total | Community Development/ Industrial Park | | |
| \$ | 0 \$ | 3,250 \$ | 3,250 \$ | 0 \$ | | 3,250 |
| | 17,176 | 0 | 17,176 | 77,001 | | 94,177 |
| \$ | 17,176 \$ | 3,250 \$ | 20,426 \$ | 77,001 \$ | | 97,427 |

ASSETS

| | |
|---------------------------------------|--|
| Cash | |
| Equity in Pooled Cash and Investments | |
| Total Assets | |

LIABILITIES AND FUND BALANCES

| | | | | | |
|----------------------|-----------|----------|-----------|-----------|--------|
| \$ | 1,500 \$ | 0 \$ | 1,500 \$ | 0 \$ | 1,500 |
| | 0 | 3,250 | 3,250 | 0 | 3,250 |
| \$ | 1,500 \$ | 3,250 \$ | 4,750 \$ | 0 \$ | 4,750 |
| <u>Fund Balances</u> | | | | | |
| Restricted: | | | | | |
| | 15,676 \$ | 0 \$ | 15,676 \$ | 0 \$ | 15,676 |
| | 0 | 0 | 0 | 77,001 | 77,001 |
| \$ | 15,676 \$ | 0 \$ | 15,676 \$ | 77,001 \$ | 92,677 |
| \$ | 17,176 \$ | 3,250 \$ | 20,426 \$ | 77,001 \$ | 97,427 |

| | |
|-------------------------------------|--|
| Total Liabilities and Fund Balances | |
|-------------------------------------|--|

Exhibit F-2

Union County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

| | Special Revenue Funds | | | Capital Projects | | Total Nonmajor Governmental Funds |
|---|-----------------------|--------------------------------|-----------|--|------|-----------------------------------|
| | Drug Control | Constitutional Officers - Fees | Total | Community Development/ Industrial Park | Fund | |
| <u>Revenues</u> | | | | | | |
| Fines, Forfeitures, and Penalties | \$ 7,656 | \$ 0 | \$ 7,656 | \$ 0 | \$ 0 | \$ 7,656 |
| Charges for Current Services | 0 | 3,152 | 3,152 | 0 | 0 | 3,152 |
| Other Local Revenues | 1,935 | 0 | 1,935 | 0 | 0 | 1,935 |
| Federal Government | 35,696 | 0 | 35,696 | 0 | 0 | 35,696 |
| Total Revenues | \$ 45,287 | \$ 3,152 | \$ 48,439 | \$ 0 | \$ 0 | \$ 48,439 |
| <u>Expenditures</u> | | | | | | |
| Current: | | | | | | |
| Administration of Justice | \$ 0 | \$ 3,152 | \$ 3,152 | \$ 0 | \$ 0 | \$ 3,152 |
| Public Safety | 41,389 | 0 | 41,389 | 0 | 0 | 41,389 |
| Total Expenditures | \$ 41,389 | \$ 3,152 | \$ 44,541 | \$ 0 | \$ 0 | \$ 44,541 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 3,898 | \$ 0 | \$ 3,898 | \$ 0 | \$ 0 | \$ 3,898 |
| Net Change in Fund Balances | \$ 3,898 | \$ 0 | \$ 3,898 | \$ 0 | \$ 0 | \$ 3,898 |
| Fund Balance, July 1, 2011 | 11,778 | 0 | 11,778 | 77,001 | | 88,779 |
| Fund Balance, June 30, 2012 | \$ 15,676 | \$ 0 | \$ 15,676 | \$ 77,001 | \$ | \$ 92,677 |

Exhibit F-3

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|------------------|------------------|------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Fines, Forfeitures, and Penalties | \$ 7,656 | \$ 60,742 | \$ 19,742 | \$ (12,086) |
| Other Local Revenues | 1,935 | 1,735 | 1,735 | 200 |
| Federal Government | 35,696 | 0 | 41,000 | (5,304) |
| Total Revenues | <u>\$ 45,287</u> | <u>\$ 62,477</u> | <u>\$ 62,477</u> | <u>\$ (17,190)</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Safety</u> | | | | |
| Drug Enforcement | \$ 41,389 | \$ 53,300 | \$ 53,300 | \$ 11,911 |
| Total Expenditures | <u>\$ 41,389</u> | <u>\$ 53,300</u> | <u>\$ 53,300</u> | <u>\$ 11,911</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 3,898</u> | <u>\$ 9,177</u> | <u>\$ 9,177</u> | <u>\$ (5,279)</u> |
| Net Change in Fund Balance | \$ 3,898 | \$ 9,177 | \$ 9,177 | \$ (5,279) |
| Fund Balance, July 1, 2011 | <u>11,778</u> | <u>11,779</u> | <u>11,779</u> | <u>(1)</u> |
| Fund Balance, June 30, 2012 | <u>\$ 15,676</u> | <u>\$ 20,956</u> | <u>\$ 20,956</u> | <u>\$ (5,280)</u> |

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Exhibit G

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|-----------------------|-----------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 962,505 | \$ 937,214 | \$ 937,214 | \$ 25,291 |
| Other Local Revenues | 65,103 | 62,907 | 62,907 | 2,196 |
| Other Governments and Citizens Groups | 500,000 | 0 | 0 | 500,000 |
| Total Revenues | <u>\$ 1,527,608</u> | <u>\$ 1,000,121</u> | <u>\$ 1,000,121</u> | <u>\$ 527,487</u> |
| <u>Expenditures</u> | | | | |
| <u>Principal on Debt</u> | | | | |
| General Government | \$ 189,040 | \$ 0 | \$ 189,040 | \$ 0 |
| Education | 1,212,374 | 1,439,772 | 1,212,373 | (1) |
| <u>Interest on Debt</u> | | | | |
| General Government | 33,963 | 42,003 | 34,461 | 498 |
| Education | 392,013 | 296,250 | 392,613 | 600 |
| <u>Other Debt Service</u> | | | | |
| General Government | 15,039 | 674,858 | 662,841 | 647,802 |
| Education | 7,838 | 0 | 27,297 | 19,459 |
| Total Expenditures | <u>\$ 1,850,267</u> | <u>\$ 2,452,883</u> | <u>\$ 2,518,625</u> | <u>\$ 668,358</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (322,659)</u> | <u>\$ (1,452,762)</u> | <u>\$ (1,518,504)</u> | <u>\$ 1,195,845</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Notes Issued | \$ 0 | \$ 100,000 | \$ 100,000 | \$ (100,000) |
| Transfers In | 0 | 600,000 | 600,000 | (600,000) |
| Total Other Financing Sources (Uses) | <u>\$ 0</u> | <u>\$ 700,000</u> | <u>\$ 700,000</u> | <u>\$ (700,000)</u> |
| Net Change in Fund Balance | <u>\$ (322,659)</u> | <u>\$ (752,762)</u> | <u>\$ (818,504)</u> | <u>\$ 495,845</u> |
| Fund Balance, July 1, 2011 | <u>1,421,231</u> | <u>1,080,202</u> | <u>1,080,202</u> | <u>341,029</u> |
| Fund Balance, June 30, 2012 | <u>\$ 1,098,572</u> | <u>\$ 327,440</u> | <u>\$ 261,698</u> | <u>\$ 836,874</u> |

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Union County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

| | <u>Agency Funds</u> | | |
|-------------------------------------|--------------------------|---|-------------------|
| | Cities - Sales Tax | Constitu- tional Officers - Agency | Total |
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 466,090 | \$ 466,090 |
| Accounts Receivable | 0 | 110 | 110 |
| Due from Other Governments | 109,955 | 0 | 109,955 |
| Total Assets | <u>\$ 109,955</u> | <u>\$ 466,200</u> | <u>\$ 576,155</u> |
| <u>LIABILITIES</u> | | | |
| Due to Other Taxing Units | \$ 109,955 | \$ 0 | \$ 109,955 |
| Due to Litigants, Heirs, and Others | 0 | 466,200 | 466,200 |
| Total Liabilities | <u>\$ 109,955</u> | <u>\$ 466,200</u> | <u>\$ 576,155</u> |

Exhibit H-2

Union County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2012

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|--------------|--------------|-------------------|
| <u>Cities - Sales Tax Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 0 | \$ 617,286 | \$ 617,286 | \$ 0 |
| Due from Other Governments | 94,248 | 109,955 | 94,248 | 109,955 |
| Total Assets | \$ 94,248 | \$ 727,241 | \$ 711,534 | \$ 109,955 |
| <u>Liabilities</u> | | | | |
| Due to Other Taxing Units | \$ 94,248 | \$ 727,241 | \$ 711,534 | \$ 109,955 |
| Total Liabilities | \$ 94,248 | \$ 727,241 | \$ 711,534 | \$ 109,955 |
| <u>Constitutional Officers - Agency Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 496,048 | \$ 2,915,016 | \$ 2,944,974 | \$ 466,090 |
| Accounts Receivable | 138 | 2,010 | 2,038 | 110 |
| Total Assets | \$ 496,186 | \$ 2,917,026 | \$ 2,947,012 | \$ 466,200 |
| <u>Liabilities</u> | | | | |
| Due to Litigants, Heirs, and Others | \$ 496,186 | \$ 2,917,026 | \$ 2,947,012 | \$ 466,200 |
| Total Liabilities | \$ 496,186 | \$ 2,917,026 | \$ 2,947,012 | \$ 466,200 |
| <u>Totals - All Agency Funds</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 496,048 | \$ 2,915,016 | \$ 2,944,974 | \$ 466,090 |
| Equity in Pooled Cash and Investments | 0 | 617,286 | 617,286 | 0 |
| Accounts Receivable | 138 | 2,010 | 2,038 | 110 |
| Due from Other Governments | 94,248 | 109,955 | 94,248 | 109,955 |
| Total Assets | \$ 590,434 | \$ 3,644,267 | \$ 3,658,546 | \$ 576,155 |
| <u>Liabilities</u> | | | | |
| Due to Other Taxing Units | \$ 94,248 | \$ 727,241 | \$ 711,534 | \$ 109,955 |
| Due to Litigants, Heirs, and Others | 496,186 | 2,917,026 | 2,947,012 | 466,200 |
| Total Liabilities | \$ 590,434 | \$ 3,644,267 | \$ 3,658,546 | \$ 576,155 |

Union County School Department

This section presents combining and individual fund financial statements for the Union County School Department, a discretely presented component unit. The School Department uses a General Fund, two Special Revenue Funds, and two Capital Projects Funds.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Education Capital Projects Fund – The Education Capital Projects Fund was used to account for American Recovery and Reinvestment Act funding for building construction and renovations of the School Department. The fund was closed during the year.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for funding for other building construction and renovations of the School Department.

Exhibit I-1

Union County, Tennessee
Statement of Activities
Discretely Presented Union County School Department
For the Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets Total |
|--|---------------|----------------------|------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| Instruction | \$ 14,799,169 | \$ 0 | \$ 1,937,797 | \$ (12,861,372) |
| Support Services | 16,252,783 | 40,238 | 624,362 | (15,588,183) |
| Operation of Non-Instructional Services | 1,752,991 | 346,195 | 1,257,660 | (149,136) |
| Debt Service | 504,021 | 0 | 0 | (504,021) |
| Total Governmental Activities | \$ 33,308,964 | \$ 386,433 | \$ 3,819,819 | \$ (29,102,712) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes Levied for General Purposes | | | \$ 2,449,132 | |
| Local Option Sales Taxes | | | 930,361 | |
| Other Local Taxes | | | 1,105 | |
| Grants and Contributions Not Restricted to Specific Programs | | | 24,527,132 | |
| Total General Revenues | | | \$ 27,907,730 | |
| Change in Net Assets | | | \$ (1,194,982) | |
| Net Assets, July 1, 2011 | | | 20,790,303 | |
| Net Assets, June 30, 2012 | | | \$ 19,595,321 | |

Exhibit I-2

Union County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Union County School Department
 June 30, 2012

| | Major Funds | | Nonmajor Funds | Total Governmen- tal Funds |
|--|------------------------------|-------------------------------|-------------------------------------|-------------------------------------|
| | General Purpose School | School Federal Projects | Other Govern- mental Funds | |
| <u>ASSETS</u> | | | | |
| Cash | \$ 5,048,357 | \$ 0 | \$ 0 | \$ 5,048,357 |
| Equity in Pooled Cash and Investments | 1,803,695 | 4,066 | 122,986 | 1,930,747 |
| Due from Other Governments | 435,912 | 35,219 | 223,010 | 694,141 |
| Due from Other Funds | 0 | 0 | 12,000 | 12,000 |
| Due from Primary Government | 0 | 0 | 1,837 | 1,837 |
| Property Taxes Receivable | 2,654,446 | 0 | 0 | 2,654,446 |
| Allowance for Uncollectible Property Taxes | (121,025) | 0 | 0 | (121,025) |
| Total Assets | \$ 9,821,385 | \$ 39,285 | \$ 359,833 | \$ 10,220,503 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts Payable | \$ 6,549,223 | \$ 3,895 | \$ 3,557 | \$ 6,556,675 |
| Payroll Deductions Payable | 100 | 0 | 0 | 100 |
| Due to Other Funds | 12,000 | 0 | 0 | 12,000 |
| Other Current Liabilities | 278,576 | 0 | 0 | 278,576 |
| Deferred Revenue - Current Property Taxes | 2,373,676 | 0 | 0 | 2,373,676 |
| Deferred Revenue - Delinquent Property Taxes | 152,635 | 0 | 0 | 152,635 |
| Other Deferred Revenues | 77,759 | 0 | 0 | 77,759 |
| Total Liabilities | \$ 9,443,969 | \$ 3,895 | \$ 3,557 | \$ 9,451,421 |
| <u>Fund Balances</u> | | | | |
| Restricted: | | | | |
| Restricted for Education | \$ 0 | \$ 35,390 | \$ 346,605 | \$ 381,995 |
| Restricted for Capital Projects | 0 | 0 | 9,671 | 9,671 |
| Unassigned | 377,416 | 0 | 0 | 377,416 |
| Total Fund Balances | \$ 377,416 | \$ 35,390 | \$ 356,276 | \$ 769,082 |
| Total Liabilities and Fund Balances | \$ 9,821,385 | \$ 39,285 | \$ 359,833 | \$ 10,220,503 |

Exhibit I-3

Union County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Union County School Department
June 30, 2012

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

| | | | |
|---|----|--------------------|----------------------|
| Total fund balances - balance sheet - governmental funds (Exhibit I-2) | | \$ | 769,082 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | | |
| Add: land | \$ | 1,598,528 | |
| Add: building and improvements net of accumulated depreciation | | 17,987,867 | |
| Add: infrastructure net of accumulated depreciation | | 13,650 | |
| Add: other capital assets net of accumulated depreciation | | <u>406,438</u> | 20,006,483 |
| (2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | | 230,394 |
| (3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | | |
| Less: notes payable | \$ | (71,756) | |
| Less: other postemployment benefits liability | | <u>(1,338,882)</u> | <u>(1,410,638)</u> |
| Net assets of governmental activities (Exhibit A) | | | <u>\$ 19,595,321</u> |

Exhibit I-4

Union County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Union County School Department
For the Year Ended June 30, 2012

| | <u>Major Funds</u> | | <u>Nonmajor</u> | <u>Total</u> |
|--|----------------------|---------------------|---------------------|----------------------|
| | <u>General</u> | <u>School</u> | <u>Funds</u> | |
| | <u>Purpose</u> | <u>Federal</u> | <u>Other</u> | <u>Governmental</u> |
| | <u>School</u> | <u>Projects</u> | <u>Funds</u> | <u>Funds</u> |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 3,375,283 | \$ 0 | \$ 0 | \$ 3,375,283 |
| Licenses and Permits | 1,690 | 0 | 0 | 1,690 |
| Charges for Current Services | 40,238 | 0 | 346,195 | 386,433 |
| Other Local Revenues | 132,701 | 0 | 2,602 | 135,303 |
| State of Tennessee | 23,783,844 | 0 | 16,473 | 23,800,317 |
| Federal Government | 268,357 | 2,816,568 | 1,217,011 | 4,301,936 |
| Other Governments and Citizens Groups | 94,074 | 0 | 0 | 94,074 |
| Total Revenues | \$ 27,696,187 | \$ 2,816,568 | \$ 1,582,281 | \$ 32,095,036 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Instruction | \$ 12,577,586 | \$ 1,802,496 | \$ 0 | \$ 14,380,082 |
| Support Services | 14,500,158 | 1,001,428 | 0 | 15,501,586 |
| Operation of Non-Instructional Services | 115,471 | 0 | 1,634,979 | 1,750,450 |
| Debt Service: | | | | |
| Principal on Debt | 21,978 | 0 | 0 | 21,978 |
| Interest on Debt | 4,021 | 0 | 0 | 4,021 |
| Other Debt Service | 500,000 | 0 | 0 | 500,000 |
| Capital Projects | 0 | 0 | 187,227 | 187,227 |
| Total Expenditures | \$ 27,719,214 | \$ 2,803,924 | \$ 1,822,206 | \$ 32,345,344 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (23,027) | \$ 12,644 | \$ (239,925) | \$ (250,308) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Insurance Recovery | \$ 23,984 | \$ 0 | \$ 0 | \$ 23,984 |
| Transfers In | 15,341 | 0 | 14,096 | 29,437 |
| Transfers Out | (14,096) | (15,341) | 0 | (29,437) |
| Total Other Financing Sources (Uses) | \$ 25,229 | \$ (15,341) | \$ 14,096 | \$ 23,984 |
| Net Change in Fund Balances | \$ 2,202 | \$ (2,697) | \$ (225,829) | \$ (226,324) |
| Fund Balance, July 1, 2011 | 375,214 | 38,087 | 582,105 | 995,406 |
| Fund Balance, June 30, 2012 | \$ 377,416 | \$ 35,390 | \$ 356,276 | \$ 769,082 |

Exhibit I-5

Union County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Union County School Department
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

| | | | |
|---|----|------------------|---------------------------|
| Net change in fund balances - total governmental funds (Exhibit I-4) | | \$ | (226,324) |
| (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows: | | | |
| Add: capital assets purchased in the current period | \$ | 158,049 | |
| Less: current-year depreciation expense | | <u>(786,716)</u> | (628,667) |
| (2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets. | | | |
| Less: book value of capital assets disposed | | | (7,321) |
| (3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2012 | \$ | 230,394 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2011 | | <u>(235,432)</u> | (5,038) |
| (4) The issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. | | | |
| Add: principal payment on note | | | 21,978 |
| (5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | | |
| Change in other postemployment benefits liability | | | <u>(349,610)</u> |
| Change in net assets of governmental activities (Exhibit B) | | \$ | <u><u>(1,194,982)</u></u> |

Union County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Union County School Department
June 30, 2012

| Special Revenue Fund | Capital Projects Funds | | | | Total Nonmajor Governmental Funds |
|----------------------|----------------------------|------------------------|------------------|-------------------|-----------------------------------|
| | Education Capital Projects | Other Capital Projects | Total | | |
| \$ 109,986 | \$ 3,329 | \$ 9,671 | \$ 13,000 | \$ 122,986 | |
| 223,010 | 0 | 0 | 0 | 223,010 | |
| 12,000 | 0 | 0 | 0 | 12,000 | |
| 1,837 | 0 | 0 | 0 | 1,837 | |
| \$ 346,833 | \$ 3,329 | \$ 9,671 | \$ 13,000 | \$ 359,833 | |

ASSETS

Equity in Pooled Cash and Investments
 Due from Other Governments
 Due from Other Funds
 Due from Primary Government

LIABILITIES AND FUND BALANCES

| | | | | |
|-------------------------------------|------------|----------|----------|------------|
| <u>Liabilities</u> | | | | |
| Accounts Payable | \$ 228 | \$ 3,329 | \$ 0 | \$ 3,329 |
| Total Liabilities | \$ 228 | \$ 3,329 | \$ 0 | \$ 3,329 |
| <u>Fund Balances</u> | | | | |
| Restricted: | | | | |
| Restricted for Education | \$ 346,605 | \$ 0 | \$ 0 | \$ 346,605 |
| Restricted for Capital Projects | 0 | 0 | 9,671 | 9,671 |
| Total Fund Balances | \$ 346,605 | \$ 0 | \$ 9,671 | \$ 356,276 |
| Total Liabilities and Fund Balances | \$ 346,833 | \$ 3,329 | \$ 9,671 | \$ 359,833 |

Exhibit I-7

Union County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Union County School Department
For the Year Ended June 30, 2012

| | Special Revenue Fund | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|--|----------------------------|----------------------------------|------------------------------|--------------|--|
| | | Education Capital Projects | Other Capital Projects | Total | |
| <u>Revenues</u> | | | | | |
| Charges for Current Services | \$ 346,195 | \$ 0 | \$ 0 | \$ 0 | \$ 346,195 |
| Other Local Revenues | 2,533 | 69 | 0 | 69 | 2,602 |
| State of Tennessee | 16,473 | 0 | 0 | 0 | 16,473 |
| Federal Government | 1,217,011 | 0 | 0 | 0 | 1,217,011 |
| Total Revenues | \$ 1,582,212 | \$ 69 | \$ 0 | \$ 69 | \$ 1,582,281 |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| Operation of Non-Instructional Services | \$ 1,634,979 | \$ 0 | \$ 0 | \$ 0 | \$ 1,634,979 |
| Capital Projects | 0 | 89,590 | 97,637 | 187,227 | 187,227 |
| Total Expenditures | \$ 1,634,979 | \$ 89,590 | \$ 97,637 | \$ 187,227 | \$ 1,822,206 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (52,767) | \$ (89,521) | \$ (97,637) | \$ (187,158) | \$ (239,925) |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Transfers In | \$ 14,096 | \$ 0 | \$ 0 | \$ 0 | \$ 14,096 |
| Total Other Financing Sources (Uses) | \$ 14,096 | \$ 0 | \$ 0 | \$ 0 | \$ 14,096 |
| Net Change in Fund Balances | \$ (38,671) | \$ (89,521) | \$ (97,637) | \$ (187,158) | \$ (225,829) |
| Fund Balance, July 1, 2011 | 385,276 | 89,521 | 107,308 | 196,829 | 582,105 |
| Fund Balance, June 30, 2012 | \$ 346,605 | \$ 0 | \$ 9,671 | \$ 9,671 | \$ 356,276 |

Exhibit I-8

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Union County School Department
General Purpose School Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|----------------------|----------------------|----------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 3,375,283 | \$ 3,495,931 | \$ 3,495,931 | \$ (120,648) |
| Licenses and Permits | 1,690 | 1,350 | 1,350 | 340 |
| Charges for Current Services | 40,238 | 30,000 | 33,854 | 6,384 |
| Other Local Revenues | 132,701 | 68,868 | 303,009 | (170,308) |
| State of Tennessee | 23,783,844 | 17,055,793 | 17,113,445 | 6,670,399 |
| Federal Government | 268,357 | 211,626 | 254,922 | 13,435 |
| Other Governments and Citizens Groups | 94,074 | 80,300 | 80,300 | 13,774 |
| Total Revenues | <u>\$ 27,696,187</u> | <u>\$ 20,943,868</u> | <u>\$ 21,282,811</u> | <u>\$ 6,413,376</u> |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 9,779,847 | \$ 9,769,430 | \$ 9,790,452 | \$ 10,605 |
| Special Education Program | 1,782,357 | 1,840,851 | 1,783,789 | 1,432 |
| Vocational Education Program | 966,841 | 993,660 | 977,102 | 10,261 |
| Adult Education Program | 48,541 | 51,803 | 57,830 | 9,289 |
| <u>Support Services</u> | | | | |
| Health Services | 106,944 | 110,117 | 107,618 | 674 |
| Other Student Support | 397,673 | 381,142 | 397,793 | 120 |
| Regular Instruction Program | 7,992,510 | 1,323,480 | 1,416,055 | (6,576,455) |
| Special Education Program | 509,232 | 453,755 | 510,815 | 1,583 |
| Vocational Education Program | 111,574 | 118,890 | 114,926 | 3,352 |
| Adult Programs | 86,966 | 89,074 | 89,092 | 2,126 |
| Other Programs | 38,454 | 0 | 38,454 | 0 |
| Board of Education | 403,364 | 393,943 | 430,829 | 27,465 |
| Director of Schools | 143,855 | 158,489 | 144,021 | 166 |
| Office of the Principal | 1,384,114 | 1,207,652 | 1,387,604 | 3,490 |
| Fiscal Services | 181,824 | 189,224 | 187,380 | 5,556 |
| Operation of Plant | 1,576,307 | 1,673,097 | 1,592,686 | 16,379 |
| Maintenance of Plant | 341,837 | 349,844 | 350,996 | 9,159 |
| Transportation | 1,100,616 | 1,014,162 | 1,100,848 | 232 |
| Central and Other | 124,888 | 124,888 | 124,888 | 0 |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Food Service | 781 | 3,777 | 781 | 0 |
| Community Services | 114,690 | 115,931 | 115,931 | 1,241 |
| <u>Principal on Debt</u> | | | | |
| Education | 21,978 | 21,978 | 21,978 | 0 |
| <u>Interest on Debt</u> | | | | |
| Education | 4,021 | 4,022 | 4,022 | 1 |
| <u>Other Debt Service</u> | | | | |
| Education | 500,000 | 500,000 | 500,000 | 0 |
| Total Expenditures | <u>\$ 27,719,214</u> | <u>\$ 20,889,209</u> | <u>\$ 21,245,890</u> | <u>\$ (6,473,324)</u> |

(Continued)

Exhibit I-8

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Union County School Department
General Purpose School Fund (Cont.)

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|-------------|------------------|-----------|--|
| | | Original | Final | |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (23,027) | \$ 54,659 | \$ 36,921 | \$ (59,948) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Insurance Recovery | \$ 23,984 | \$ 0 | \$ 17,743 | \$ 6,241 |
| Transfers In | 15,341 | 15,341 | 15,341 | 0 |
| Transfers Out | (14,096) | 0 | (14,096) | 0 |
| Total Other Financing Sources (Uses) | \$ 25,229 | \$ 15,341 | \$ 18,988 | \$ 6,241 |
| Net Change in Fund Balance | \$ 2,202 | \$ 70,000 | \$ 55,909 | \$ (53,707) |
| Fund Balance, July 1, 2011 | 375,214 | 0 | 0 | 375,214 |
| Fund Balance, June 30, 2012 | \$ 377,416 | \$ 70,000 | \$ 55,909 | \$ 321,507 |

Exhibit I-9

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Union County School Department
School Federal Projects Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|--------------|------------------|--------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Federal Government | \$ 2,816,568 | \$ 3,316,888 | \$ 3,356,819 | \$ (540,251) |
| Total Revenues | \$ 2,816,568 | \$ 3,316,888 | \$ 3,356,819 | \$ (540,251) |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 1,192,358 | \$ 1,325,357 | \$ 1,429,557 | \$ 237,199 |
| Special Education Program | 560,538 | 626,682 | 706,435 | 145,897 |
| Vocational Education Program | 49,600 | 48,013 | 49,613 | 13 |
| <u>Support Services</u> | | | | |
| Health Services | 0 | 88 | 0 | 0 |
| Other Student Support | 16,155 | 23,600 | 22,089 | 5,934 |
| Regular Instruction Program | 661,706 | 790,850 | 727,521 | 65,815 |
| Special Education Program | 195,592 | 288,647 | 243,471 | 47,879 |
| Transportation | 127,975 | 198,310 | 162,792 | 34,817 |
| Total Expenditures | \$ 2,803,924 | \$ 3,301,547 | \$ 3,341,478 | \$ 537,554 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 12,644 | \$ 15,341 | \$ 15,341 | \$ (2,697) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers Out | \$ (15,341) | \$ (15,341) | \$ (15,341) | \$ 0 |
| Total Other Financing Sources (Uses) | \$ (15,341) | \$ (15,341) | \$ (15,341) | \$ 0 |
| Net Change in Fund Balance | \$ (2,697) | \$ 0 | \$ 0 | \$ (2,697) |
| Fund Balance, July 1, 2011 | 38,087 | 0 | 0 | 38,087 |
| Fund Balance, June 30, 2012 | \$ 35,390 | \$ 0 | \$ 0 | \$ 35,390 |

Exhibit I-10

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Union County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Charges for Current Services | \$ 346,195 | \$ 383,822 | \$ 383,822 | \$ (37,627) |
| Other Local Revenues | 2,533 | 0 | 0 | 2,533 |
| State of Tennessee | 16,473 | 15,928 | 15,928 | 545 |
| Federal Government | 1,217,011 | 1,391,494 | 1,457,588 | (240,577) |
| Total Revenues | <u>\$ 1,582,212</u> | <u>\$ 1,791,244</u> | <u>\$ 1,857,338</u> | <u>\$ (275,126)</u> |
| <u>Expenditures</u> | | | | |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Food Service | \$ 1,634,979 | \$ 1,791,244 | \$ 1,857,338 | \$ 222,359 |
| Total Expenditures | <u>\$ 1,634,979</u> | <u>\$ 1,791,244</u> | <u>\$ 1,857,338</u> | <u>\$ 222,359</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (52,767)</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (52,767)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 14,096 | \$ 0 | \$ 0 | \$ 14,096 |
| Total Other Financing Sources (Uses) | <u>\$ 14,096</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 14,096</u> |
| Net Change in Fund Balance | \$ (38,671) | \$ 0 | \$ 0 | \$ (38,671) |
| Fund Balance, July 1, 2011 | <u>385,276</u> | <u>12,528</u> | <u>12,528</u> | <u>372,748</u> |
| Fund Balance, June 30, 2012 | <u>\$ 346,605</u> | <u>\$ 12,528</u> | <u>\$ 12,528</u> | <u>\$ 334,077</u> |

MISCELLANEOUS SCHEDULES

Union County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds
 Primary Government and Discretely Presented Union County School Department
 For the Year Ended June 30, 2012

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-11 | Issued During Period | Paid and/or Matured During Period | Outstanding 6-30-12 |
|---|--------------------------|---------------|---------------|--------------------|--------------------|----------------------|-----------------------------------|---------------------|
| | | | | | | | | |
| PRIMARY GOVERNMENT | | | | | | | | |
| NOTES PAYABLE | | | | | | | | |
| Payable through General Debt Service Fund | | | | | | | | |
| Jail and Courthouse Renovations (\$1,187,560) | \$ 1,533,000 | 4.29 % | 2-6-07 | 2-1-15 | \$ 832,000 | 0 \$ | 195,000 \$ | 637,000 |
| and School Renovations (\$345,440) | 200,000 | 4.29 | 7-2-07 | 7-1-15 | 110,721 | 0 | 25,321 | 85,400 |
| Building and Courthouse Annex | 100,100 | 4.29 | 7-2-07 | 7-1-15 | 55,428 | 0 | 12,675 | 42,753 |
| Jail Project and Parking Lot Paving | 1,138,000 | 3.84 | 8-20-10 | 8-1-22 | 1,138,000 | 0 | 73,000 | 1,065,000 |
| Building, Renovations, and Equipment | | | | | \$ 2,136,149 | 0 \$ | 305,996 \$ | 1,830,153 |
| Total Payable through General Debt Service Fund | | | | | | | | |
| Payable through Highway/Public Works Fund | | | | | | | | |
| Equipment and Tractor | 69,000 | 4.25 | 7-27-10 | 7-26-13 | \$ 48,849 | 0 \$ | 22,899 \$ | 25,950 |
| Total Payable through Highway/Public Works Fund | | | | | \$ 48,849 | 0 \$ | 22,899 \$ | 25,950 |
| Total Notes Payable | | | | | \$ 2,184,998 | 0 \$ | 328,895 \$ | 1,856,103 |
| OTHER LOANS PAYABLE | | | | | | | | |
| Payable through General Debt Service Fund | | | | | | | | |
| School Buildings and Facilities | 4,000,000 | Variable | 12-1-1995 | 6-30-16 | \$ 1,415,000 | 0 \$ | 260,000 \$ | 1,155,000 |
| Sewer Line Construction - ARRA Community Facilities Loans | 488,000 | 3.75 | 11-10-11 | 11-10-49 | 0 | 488,000 | 3,645 | 484,355 |
| Total Other Loans Payable | | | | | \$ 1,415,000 | 488,000 \$ | 263,645 \$ | 1,639,355 |
| BONDS PAYABLE | | | | | | | | |
| Payable through General Debt Service Fund | | | | | | | | |
| Schools Refunding Bond 2003 Series | 7,710,000 | 2 to 3.7 | 6-27-03 | 4-1-20 | \$ 5,430,000 | 0 \$ | 385,000 \$ | 5,045,000 |
| Qualified School Construction Bond | 7,160,000 | 1.515 | 12-17-09 | 9-1-26 | 6,787,689 | 0 | 446,773 | 6,340,916 |
| Total Bonds Payable | | | | | \$ 12,217,689 | 0 \$ | 831,773 \$ | 11,385,916 |

(Continued)

Exhibit J-1

Union County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds
 Primary Government and Discretely Presented Union County School Department (Cont.)

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-11 | Issued During Period | Paid and/or Matured During Period | Outstanding 6-30-12 |
|---|--------------------------------|------------------|---------------------|--------------------------|-----------------------|----------------------------|--|------------------------|
| | | | | | | | | |
| <u>DISCRETELY PRESENTED UNION</u> | | | | | | | | |
| <u>COUNTY SCHOOL DEPARTMENT</u> | | | | | | | | |
| <u>NOTES PAYABLE</u> | | | | | | | | |
| Payable through General Purpose School Fund | | | | | | | | |
| Schools Renovations - Borrowed from Primary | \$ 172,722 | 4.29 % | 2-6-07 | 2-1-15 | \$ 93,734 | \$ 0 | \$ 21,978 | \$ 71,756 |
| Government | | | | | | | | |
| Total Notes Payable | | | | | \$ 93,734 | \$ 0 | \$ 21,978 | \$ 71,756 |

Exhibit J-2

Union County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Union County School Department

PRIMARY GOVERNMENT

| Year Ending June 30 | Notes | | |
|---------------------------|--------------|------------|--------------|
| | Principal | Interest | Total |
| 2013 | \$ 347,609 | \$ 71,985 | \$ 419,594 |
| 2014 | 338,499 | 57,718 | 396,217 |
| 2015 | 350,300 | 43,553 | 393,853 |
| 2016 | 92,695 | 29,704 | 122,399 |
| 2017 | 92,000 | 26,150 | 118,150 |
| 2018 | 96,000 | 22,541 | 118,541 |
| 2019 | 100,000 | 18,778 | 118,778 |
| 2020 | 104,000 | 14,861 | 118,861 |
| 2021 | 107,000 | 10,810 | 117,810 |
| 2022 | 112,000 | 6,605 | 118,605 |
| 2023 | 116,000 | 2,227 | 118,227 |
| Total | \$ 1,856,103 | \$ 304,932 | \$ 2,161,035 |

| Year Ending June 30 | Other Loans | | | |
|---------------------------|-------------|-----------|------------|------------|
| | Principal | Interest | Other Fees | Total |
| 2013 | \$ 276,072 | \$ 43,239 | \$ 5,082 | \$ 324,393 |
| 2014 | 291,303 | 37,122 | 3,894 | 332,319 |
| 2015 | 301,544 | 30,668 | 2,640 | 334,852 |
| 2016 | 311,746 | 24,035 | 1,342 | 337,123 |
| 2017 | 7,051 | 17,081 | 0 | 24,132 |
| 2018 | 7,320 | 16,812 | 0 | 24,132 |
| 2019 | 7,599 | 16,533 | 0 | 24,132 |
| 2020 | 7,844 | 16,288 | 0 | 24,132 |
| 2021 | 8,188 | 15,944 | 0 | 24,132 |
| 2022 | 8,501 | 15,631 | 0 | 24,132 |
| 2023 | 8,825 | 15,307 | 0 | 24,132 |
| 2024 | 9,120 | 15,012 | 0 | 24,132 |
| 2025 | 9,510 | 14,622 | 0 | 24,132 |
| 2026 | 9,872 | 14,260 | 0 | 24,132 |
| 2027 | 10,249 | 13,883 | 0 | 24,132 |
| 2028 | 10,603 | 13,529 | 0 | 24,132 |
| 2029 | 11,045 | 13,087 | 0 | 24,132 |
| 2030 | 11,466 | 12,666 | 0 | 24,132 |
| 2031 | 11,903 | 12,229 | 0 | 24,132 |
| 2032 | 12,325 | 11,807 | 0 | 24,132 |
| 2033 | 12,828 | 11,304 | 0 | 24,132 |
| 2034 | 13,317 | 10,815 | 0 | 24,132 |
| 2035 | 13,825 | 10,307 | 0 | 24,132 |
| 2036 | 14,326 | 9,806 | 0 | 24,132 |
| 2037 | 14,899 | 9,233 | 0 | 24,132 |
| 2038 | 15,468 | 8,664 | 0 | 24,132 |
| 2039 | 16,058 | 8,074 | 0 | 24,132 |

(Continued)

Exhibit J-2

Union County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Union County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

| Year Ending June 30 | Other Loans (Cont.) | | | |
|---------------------------|---------------------|------------|------------|--------------|
| | Principal | Interest | Other Fees | Total |
| 2040 | \$ 16,650 | \$ 7,482 | \$ 0 | \$ 24,132 |
| 2041 | 17,305 | 6,827 | 0 | 24,132 |
| 2042 | 17,966 | 6,166 | 0 | 24,132 |
| 2043 | 18,651 | 5,481 | 0 | 24,132 |
| 2044 | 19,350 | 4,782 | 0 | 24,132 |
| 2045 | 20,101 | 4,031 | 0 | 24,132 |
| 2046 | 20,868 | 3,264 | 0 | 24,132 |
| 2047 | 21,664 | 2,468 | 0 | 24,132 |
| 2048 | 22,486 | 1,646 | 0 | 24,132 |
| 2049 | 23,348 | 784 | 0 | 24,132 |
| 2050 | 8,159 | 68 | 0 | 8,227 |
| Total | \$ 1,639,355 | \$ 480,957 | \$ 12,958 | \$ 2,133,270 |

| Year Ending June 30 | Bonds | | |
|---------------------------|---------------|--------------|---------------|
| | Principal | Interest | Total |
| 2013 | \$ 846,773 | \$ 281,034 | \$ 1,127,807 |
| 2014 | 861,773 | 269,034 | 1,130,807 |
| 2015 | 876,773 | 256,169 | 1,132,942 |
| 2016 | 896,773 | 242,409 | 1,139,182 |
| 2017 | 1,236,773 | 227,559 | 1,464,332 |
| 2018 | 1,266,773 | 200,699 | 1,467,472 |
| 2019 | 1,301,773 | 171,999 | 1,473,772 |
| 2020 | 1,331,773 | 141,219 | 1,472,992 |
| 2021 | 446,773 | 108,474 | 555,247 |
| 2022 | 446,773 | 108,474 | 555,247 |
| 2023 | 446,773 | 108,474 | 555,247 |
| 2024 | 446,773 | 108,474 | 555,247 |
| 2025 | 446,773 | 108,474 | 555,247 |
| 2026 | 490,752 | 108,474 | 599,226 |
| 2027 | 42,115 | 9,040 | 51,155 |
| Total | \$ 11,385,916 | \$ 2,450,006 | \$ 13,835,922 |

DISCRETELY PRESENTED UNION
COUNTY SCHOOL DEPARTMENT

| Year Ending June 30 | Notes | | |
|---------------------------|-----------|----------|-----------|
| | Principal | Interest | Total |
| 2013 | \$ 22,921 | \$ 3,079 | \$ 26,000 |
| 2014 | 23,905 | 2,095 | 26,000 |
| 2015 | 24,930 | 1,070 | 26,000 |
| Total | \$ 71,756 | \$ 6,244 | \$ 78,000 |

Exhibit J-3

Union County, Tennessee
Schedule of Notes Receivable
June 30, 2012

| <u>Description</u> | <u>Debtor</u> | <u>Original Amount of Notes</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Interest Rate</u> | <u>Balance</u> |
|----------------------------------|-----------------------------------|---|------------------------------|---------------------------------|--------------------------|------------------|
| <u>General Debt Service Fund</u> | | | | | | |
| Capital Outlay Note (1) | Union County School Department | \$ 172,722 | 2-6-07 | 2-1-15 | 4.29 % | \$ 71,756 |
| Total Notes Receivable | | | | | | <u>\$ 71,756</u> |

(1) The county previously borrowed funds through capital outlay notes and loaned a portion of the proceeds to the Union County School Department.

Exhibit J-4

Union County, Tennessee
Schedule of Transfers
Discretely Presented Union County School Department
For the Year Ended June 30, 2012

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|--|------------------------|------------------------------------|------------------|
| School Federal Projects | General Purpose School | Indirect costs | \$ 15,341 |
| General Purpose School | Central Cafeteria | Reimburse for unpaid lunch charges | <u>14,096</u> |
| Total Transfers Discretely Presented Union County School Department | | | <u>\$ 29,437</u> |

Union County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Union County School Department
For the Year Ended June 30, 2012

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|---|--|---------------------------|-----------|------------------------------------|
| County Mayor | Section 8-24-102, <i>TCA</i> | 66,702 | 50,000 | State Farm Fire & Casualty Company |
| Director of Schools | State Board of Education and County Board of Education | 91,000 | (3) | Next Generation Underwriters |
| Highway Superintendent | Section 8-24-102, <i>TCA</i> | 63,527 | 100,000 | Auto Owners Insurance Company |
| Trustee | Section 8-24-102, <i>TCA</i> | 57,751 | 766,800 | State Farm Fire & Casualty Company |
| Assessor of Property | Section 8-24-102, <i>TCA</i> | 57,751 | 15,000 | Auto Owners Insurance Company |
| County Clerk | Section 8-24-102, <i>TCA</i> | 57,751 | 50,000 | State Farm Fire & Casualty Company |
| Circuit Court Clerk | Section 8-24-102, <i>TCA</i> | 57,751 | 50,000 | " |
| Clerk and Master | Section 8-24-102, <i>TCA</i> | | | |
| Register | and Chancery Court Judge | 57,751 | 50,000 | Auto Owners Insurance Company |
| Sheriff | Section 8-24-102, <i>TCA</i> | 57,751 | 25,000 | State Farm Fire & Casualty Company |
| | Section 8-24-102, <i>TCA</i> | 63,526 | 25,000 | " |
| Employee Blanket Bond - County and School Employees: Errors and Omissions Policy | | | 1,000,000 | Next Generation Underwriters |

- (1) Includes a chief executive officer training supplement of \$700. Does not include a travel allowance of \$3,600 and 100 percent of the premium for family health insurance totaling \$11,212.
- (2) Includes only amounts paid to Wayne Goforth as director of schools. Mr. Goforth was placed on administrative leave with pay effective 10-19-11. Marilyn Toppins served as interim director from 10-20-11 to 3-8-12. James Carter served as interim director from 3-9-12 to 6-30-12. Ms. Toppins and Mr. Carter received their regular pay as a teacher and as a supervisor, respectively, and did not receive additional compensation for serving as interim directors.
- (3) Coverage is provided through the Employee Blanket Bond - County and School Employees.
- (4) Does not include special commissioner fees of \$3,062.
- (5) Does not include a law enforcement training supplement of \$600.

Exhibit J-6

Union County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2012

| | Special Revenue Funds | | | | | | | Total |
|--|-----------------------|-------------------|--------------|--------------------------------|------------------------|----------------------|------------------|--------------|
| | General | Ambulance Service | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | Capital Projects | |
| <u>Local Taxes</u> | | | | | | | | |
| <u>County Property Taxes</u> | | | | | | | | |
| Current Property Tax | \$ 2,178,892 | \$ 332,890 | \$ 0 | \$ 0 | \$ 242,104 | \$ 453,936 | \$ 0 | \$ 3,207,822 |
| Trustee's Collections - Prior Year | 143,890 | 21,983 | 0 | 0 | 15,988 | 29,977 | 0 | 211,838 |
| Circuit/Clerk & Master Collections - Prior Years | 54,903 | 9,751 | 0 | 0 | 6,406 | 14,144 | 0 | 85,204 |
| Interest and Penalty | 24,612 | 3,760 | 0 | 0 | 2,735 | 5,128 | 0 | 36,235 |
| Pick-up Taxes | 407 | 62 | 0 | 0 | 45 | 85 | 0 | 599 |
| Payments in-Lieu-of Taxes - T.V.A. | 4,595 | 0 | 0 | 0 | 0 | 0 | 0 | 4,595 |
| Payments in-Lieu-of Taxes - Local Utilities | 222,965 | 0 | 0 | 0 | 0 | 0 | 0 | 222,965 |
| <u>County Local Option Taxes</u> | | | | | | | | |
| Local Option Sales Tax | 308,561 | 0 | 0 | 0 | 0 | 0 | 0 | 308,561 |
| Hotel/Motel Tax | 29,261 | 0 | 0 | 0 | 0 | 0 | 0 | 29,261 |
| Wheel Tax | 0 | 0 | 0 | 0 | 0 | 459,235 | 0 | 459,235 |
| Litigation Tax - General | 30,135 | 0 | 0 | 0 | 0 | 0 | 0 | 30,135 |
| Litigation Tax - Special Purpose | 28,768 | 0 | 0 | 0 | 0 | 0 | 0 | 28,768 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 10,759 | 0 | 0 | 0 | 0 | 0 | 0 | 10,759 |
| Business Tax | 82,811 | 0 | 0 | 0 | 0 | 0 | 0 | 82,811 |
| Mineral Severance Tax | 0 | 0 | 0 | 0 | 92,544 | 0 | 0 | 92,544 |
| <u>Statutory Local Taxes</u> | | | | | | | | |
| Wholesale Beer Tax | 130,600 | 0 | 0 | 0 | 0 | 0 | 0 | 130,600 |
| Beer Privilege Tax | 1,615 | 0 | 0 | 0 | 0 | 0 | 0 | 1,615 |
| Interstate Telecommunications Tax | 832 | 0 | 0 | 0 | 0 | 0 | 0 | 832 |
| Total Local Taxes | \$ 3,253,006 | \$ 368,446 | \$ 0 | \$ 0 | \$ 359,822 | \$ 962,505 | \$ 0 | \$ 4,944,379 |
| <u>Licenses and Permits</u> | | | | | | | | |
| <u>Licenses</u> | | | | | | | | |
| Cable TV Franchise | \$ 36,647 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 36,647 |
| <u>Permits</u> | | | | | | | | |
| Beer Permits | 2,138 | 0 | 0 | 0 | 0 | 0 | 0 | 2,138 |
| Building Permits | 17,495 | 0 | 0 | 0 | 0 | 0 | 0 | 17,495 |
| Total Licenses and Permits | \$ 56,280 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 56,280 |

(Continued)

Exhibit J-6

Union County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

| | Special Revenue Funds | | | | | | Total |
|--|-----------------------|-------------------|-----------------|------------------------------|------------------------|-------------------|-------------------|
| | General | Ambulance Service | Drug Control | Constitutional Officers Fees | Highway / Public Works | Debt Service Fund | |
| <u>Fines, Forfeitures, and Penalties</u> | | | | | | | |
| <u>Circuit Court</u> | | | | | | | |
| Fines | \$ 15,012 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 15,012 |
| Officers Costs | 1,392 | 0 | 0 | 0 | 0 | 0 | 1,392 |
| Drug Control Fines | 0 | 0 | 5,819 | 0 | 0 | 0 | 5,819 |
| Data Entry Fee - Circuit Court | 244 | 0 | 0 | 0 | 0 | 0 | 244 |
| Victims Assistance Assessments | 6,786 | 0 | 0 | 0 | 0 | 0 | 6,786 |
| <u>Criminal Court</u> | | | | | | | |
| Fines | 1,639 | 0 | 0 | 0 | 0 | 0 | 1,639 |
| Courtroom Security Fee | 106 | 0 | 0 | 0 | 0 | 0 | 106 |
| <u>General Sessions Court</u> | | | | | | | |
| Fines | 20,079 | 0 | 0 | 0 | 0 | 0 | 20,079 |
| Officers Costs | 19,828 | 0 | 0 | 0 | 0 | 0 | 19,828 |
| Game and Fish Fines | 1,035 | 0 | 0 | 0 | 0 | 0 | 1,035 |
| Drug Control Fines | 0 | 0 | 1,837 | 0 | 0 | 0 | 1,837 |
| Data Entry Fee - General Sessions Court | 6,131 | 0 | 0 | 0 | 0 | 0 | 6,131 |
| Courtroom Security Fee | 228 | 0 | 0 | 0 | 0 | 0 | 228 |
| Victims Assistance Assessments | 17,772 | 0 | 0 | 0 | 0 | 0 | 17,772 |
| <u>Juvenile Court</u> | | | | | | | |
| Fines | 1,162 | 0 | 0 | 0 | 0 | 0 | 1,162 |
| Officers Costs | 2,162 | 0 | 0 | 0 | 0 | 0 | 2,162 |
| Jail Fees | 486 | 0 | 0 | 0 | 0 | 0 | 486 |
| Data Entry Fee - Juvenile Court | 432 | 0 | 0 | 0 | 0 | 0 | 432 |
| Victims Assistance Assessments | 1,066 | 0 | 0 | 0 | 0 | 0 | 1,066 |
| <u>Chancery Court</u> | | | | | | | |
| Officers Costs | 3,766 | 0 | 0 | 0 | 0 | 0 | 3,766 |
| Data Entry Fee - Chancery Court | 1,577 | 0 | 0 | 0 | 0 | 0 | 1,577 |
| Total Fines, Forfeitures, and Penalties | \$ 100,903 | \$ 0 | \$ 7,656 | \$ 0 | \$ 0 | \$ 0 | \$ 108,559 |
| <u>Charges for Current Services</u> | | | | | | | |
| General Service Charges | \$ 580 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 580 |
| Self-Insurance Premiums/Contributions | | | | | | | |

(Continued)

Union County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

| | Special Revenue Funds | | | | | | | Total |
|--|-----------------------|-------------------|--------------|--------------------------------|------------------------|----------------------|------------------|--------------|
| | General | Ambulance Service | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | Capital Projects | |
| <u>Charges for Current Services (Cont.)</u> | | | | | | | | |
| <u>General Service Charges (Cont.)</u> | | | | | | | | |
| Patient Charges | \$ 0 | \$ 1,078,780 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 1,078,780 |
| Other General Service Charges | 234 | 0 | 0 | 0 | 0 | 0 | 0 | 234 |
| <u>Fees</u> | | | | | | | | |
| Engineer Review Fees | 2,710 | 0 | 0 | 0 | 0 | 0 | 0 | 2,710 |
| Recreation Fees | 416 | 0 | 0 | 0 | 0 | 0 | 0 | 416 |
| Copy Fees | 2,458 | 0 | 0 | 0 | 0 | 0 | 0 | 2,458 |
| Library Fees | 1,239 | 0 | 0 | 0 | 0 | 0 | 0 | 1,239 |
| Archives and Records Management Fee - County Clerk | 27,358 | 0 | 0 | 0 | 0 | 0 | 0 | 27,358 |
| Constitutional Officers' Fees and Commissions | 0 | 0 | 0 | 90 | 0 | 0 | 0 | 90 |
| Special Commissioner Fees/Special Master Fees | 0 | 0 | 0 | 3,062 | 0 | 0 | 0 | 3,062 |
| Data Processing Fee - Register | 8,093 | 0 | 0 | 0 | 0 | 0 | 0 | 8,093 |
| Data Processing Fee - Sheriff | 2,245 | 0 | 0 | 0 | 0 | 0 | 0 | 2,245 |
| Sexual Offender Registration Fees - Sheriff | 2,550 | 0 | 0 | 0 | 0 | 0 | 0 | 2,550 |
| Data Processing Fee - County Clerk | 1,202 | 0 | 0 | 0 | 0 | 0 | 0 | 1,202 |
| <u>Other Charges for Services</u> | | | | | | | | |
| Other Charges for Services | 135,891 | 0 | 0 | 0 | 0 | 0 | 0 | 135,891 |
| <u>Total Charges for Current Services</u> | \$ 184,976 | \$ 1,078,780 | \$ 0 | \$ 3,152 | \$ 0 | \$ 0 | \$ 0 | \$ 1,266,908 |
| <u>Other Local Revenues</u> | | | | | | | | |
| <u>Recurring Items</u> | | | | | | | | |
| Investment Income | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 65,103 | \$ 0 | \$ 65,103 |
| Lease/Rentals | 26,043 | 0 | 0 | 0 | 0 | 0 | 0 | 26,043 |
| Sale of Gasoline | 0 | 0 | 0 | 0 | 26,828 | 0 | 0 | 26,828 |
| Sale of Recycled Materials | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| Miscellaneous Refunds | 5,662 | 1,197 | 0 | 0 | 24,501 | 0 | 0 | 31,360 |
| <u>Nonrecurring Items</u> | | | | | | | | |
| Sale of Property | 41,010 | 0 | 0 | 0 | 0 | 0 | 0 | 41,010 |
| Damages Recovered from Individuals | 1,300 | 0 | 0 | 0 | 0 | 0 | 0 | 1,300 |
| Contributions and Gifts | 43,993 | 125 | 0 | 0 | 0 | 0 | 0 | 44,118 |

(Continued)

Exhibit J-6

Union County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

| | Special Revenue Funds | | | | Highway / Public Works | General Debt Service | Capital Projects Fund | Total |
|--|-----------------------|----------------------|-----------------|---|------------------------------|----------------------------|-----------------------------|------------|
| | General | Ambulance Service | Drug Control | Constitu- tional Officers - Fees | | | | |
| <u>Other Local Revenues (Cont.)</u> | | | | | | | | |
| <u>Other Local Revenues</u> | | | | | | | | |
| Other Local Revenues | \$ 26,899 | \$ 0 | \$ 1,935 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 28,834 |
| Total Other Local Revenues | \$ 144,918 | \$ 1,322 | \$ 1,935 | \$ 0 | \$ 51,329 | \$ 65,103 | \$ 0 | \$ 264,607 |
| <u>Fees Received from County Officials</u> | | | | | | | | |
| <u>Fees in-Lieu-of Salary</u> | | | | | | | | |
| County Clerk | \$ 168,792 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 168,792 |
| Circuit Court Clerk | 53,686 | 0 | 0 | 0 | 0 | 0 | 0 | 53,686 |
| General Sessions Court Clerk | 108,976 | 0 | 0 | 0 | 0 | 0 | 0 | 108,976 |
| Clerk and Master | 72,625 | 0 | 0 | 0 | 0 | 0 | 0 | 72,625 |
| Register | 77,743 | 0 | 0 | 0 | 0 | 0 | 0 | 77,743 |
| Sheriff | 7,387 | 0 | 0 | 0 | 0 | 0 | 0 | 7,387 |
| Trustee | 227,961 | 0 | 0 | 0 | 0 | 0 | 0 | 227,961 |
| Total Fees Received from County Officials | \$ 717,170 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 717,170 |
| <u>State of Tennessee</u> | | | | | | | | |
| <u>General Government Grants</u> | | | | | | | | |
| Juvenile Services Program | \$ 4,500 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 4,500 |
| Other General Government Grants | 12,382 | 0 | 0 | 0 | 0 | 0 | 0 | 12,382 |
| <u>Public Safety Grants</u> | | | | | | | | |
| Law Enforcement Training Programs | 12,600 | 0 | 0 | 0 | 0 | 0 | 0 | 12,600 |
| <u>Health and Welfare Grants</u> | | | | | | | | |
| Public Health Nurses | 95,033 | 0 | 0 | 0 | 0 | 0 | 0 | 95,033 |
| <u>Public Works Grants</u> | | | | | | | | |
| State Aid Program | 0 | 0 | 0 | 0 | 150,422 | 0 | 0 | 150,422 |
| Litter Program | 42,620 | 0 | 0 | 0 | 0 | 0 | 0 | 42,620 |
| <u>Other State Revenues</u> | | | | | | | | |
| Income Tax | 26,667 | 0 | 0 | 0 | 0 | 0 | 0 | 26,667 |
| Beer Tax | 18,421 | 0 | 0 | 0 | 0 | 0 | 0 | 18,421 |
| Alcoholic Beverage Tax | 30,584 | 0 | 0 | 0 | 0 | 0 | 0 | 30,584 |
| Mixed Drink Tax | 7,531 | 0 | 0 | 0 | 0 | 0 | 0 | 7,531 |

(Continued)

Exhibit J-6

Union County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types (Cont.)

| | Special Revenue Funds | | | | | Total |
|--|-----------------------|-------------------|--------------|--------------------------------|------------------------|---------------|
| | General | Ambulance Service | Drug Control | Constitutional Officers - Fees | Highway / Public Works | |
| | Fund | | | | | |
| | Debt Service | | | | | |
| | Fund | | | | | |
| | Capital Projects | | | | | |
| | Fund | | | | | |
| | Total | | | | | |
| <u>State of Tennessee (Cont.)</u> | | | | | | |
| <u>Other State Revenues (Cont.)</u> | | | | | | |
| State Revenue Sharing - T.V.A. | \$ 856,260 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 856,260 |
| Contracted Prisoner Boarding | 494,025 | 0 | 0 | 0 | 0 | 494,025 |
| Gasoline and Motor Fuel Tax | 0 | 0 | 0 | 1,363,476 | 0 | 1,363,476 |
| Petroleum Special Tax | 0 | 0 | 0 | 13,788 | 0 | 13,788 |
| Registrar's Salary Supplement | 40,558 | 0 | 0 | 0 | 0 | 40,558 |
| Other State Grants | 3,083 | 0 | 0 | 9,916 | 0 | 12,999 |
| Other State Revenues | 4,356 | 0 | 0 | 0 | 0 | 4,356 |
| Total State of Tennessee | \$ 1,648,620 | \$ 0 | \$ 0 | \$ 1,537,602 | \$ 0 | \$ 3,186,222 |
| <u>Federal Government</u> | | | | | | |
| <u>Federal Through State</u> | | | | | | |
| Community Development | \$ 436,697 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 436,697 |
| Disaster Relief | 0 | 0 | 0 | 79,327 | 0 | 79,327 |
| Homeland Security Grants | 34,140 | 0 | 0 | 0 | 0 | 34,140 |
| ARRA Grant # 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| ARRA Grant # 3 | 86,748 | 0 | 0 | 0 | 0 | 86,748 |
| Other Federal through State | 67,788 | 0 | 0 | 0 | 0 | 67,788 |
| Direct Federal Revenue | | | | | | |
| Asset Forfeiture Funds | 0 | 0 | 35,696 | 0 | 0 | 35,696 |
| Other Direct Federal Revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Federal Government | \$ 625,373 | \$ 0 | \$ 35,696 | \$ 79,327 | \$ 0 | \$ 740,416 |
| <u>Other Governments and Citizens Groups</u> | | | | | | |
| <u>Other Governments</u> | | | | | | |
| Contributions | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 500,000 | \$ 500,000 |
| Total Other Governments and Citizens Groups | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 500,000 | \$ 500,000 |
| Total | \$ 6,731,846 | \$ 1,448,548 | \$ 45,287 | \$ 3,152 | \$ 2,028,080 | \$ 12,751,813 |

Exhibit J-7

Union County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Union County School Department
For the Year Ended June 30, 2012

| | General Purpose School | School Federal Projects | Central Cafeteria | Education Capital Projects | Total |
|--|------------------------------|-------------------------------|----------------------|----------------------------------|--------------|
| <u>Local Taxes</u> | | | | | |
| <u>County Property Taxes</u> | | | | | |
| Current Property Tax | \$ 2,209,156 | \$ 0 | \$ 0 | \$ 0 | \$ 2,209,156 |
| Trustee's Collections - Prior Year | 145,889 | 0 | 0 | 0 | 145,889 |
| Circuit/Clerk & Master Collections - Prior Years | 54,324 | 0 | 0 | 0 | 54,324 |
| Interest and Penalty | 24,955 | 0 | 0 | 0 | 24,955 |
| Pick-up Taxes | 413 | 0 | 0 | 0 | 413 |
| <u>County Local Option Taxes</u> | | | | | |
| Local Option Sales Tax | 933,701 | 0 | 0 | 0 | 933,701 |
| <u>Statutory Local Taxes</u> | | | | | |
| Bank Excise Tax | 5,740 | 0 | 0 | 0 | 5,740 |
| Interstate Telecommunications Tax | 1,105 | 0 | 0 | 0 | 1,105 |
| Total Local Taxes | \$ 3,375,283 | \$ 0 | \$ 0 | \$ 0 | \$ 3,375,283 |
| <u>Licenses and Permits</u> | | | | | |
| <u>Licenses</u> | | | | | |
| Marriage Licenses | \$ 1,349 | \$ 0 | \$ 0 | \$ 0 | \$ 1,349 |
| <u>Permits</u> | | | | | |
| Other Permits | 341 | 0 | 0 | 0 | 341 |
| Total Licenses and Permits | \$ 1,690 | \$ 0 | \$ 0 | \$ 0 | \$ 1,690 |
| <u>Charges for Current Services</u> | | | | | |
| <u>Education Charges</u> | | | | | |
| Lunch Payments - Children | \$ 0 | \$ 0 | \$ 253,313 | \$ 0 | \$ 253,313 |
| Lunch Payments - Adults | 0 | 0 | 26,210 | 0 | 26,210 |
| Income from Breakfast | 0 | 0 | 17,326 | 0 | 17,326 |
| A la carte Sales | 0 | 0 | 49,346 | 0 | 49,346 |
| Receipts from Individual Schools | 38,447 | 0 | 0 | 0 | 38,447 |
| Community Service Fees - Children | 1,791 | 0 | 0 | 0 | 1,791 |
| Total Charges for Current Services | \$ 40,238 | \$ 0 | \$ 346,195 | \$ 0 | \$ 386,433 |
| <u>Other Local Revenues</u> | | | | | |
| <u>Recurring Items</u> | | | | | |
| Investment Income | \$ 0 | \$ 0 | \$ 2,533 | \$ 69 | \$ 2,602 |
| Refund of Telecommunication & Internet Fees (E-Rate) | 82,242 | 0 | 0 | 0 | 82,242 |
| Miscellaneous Refunds | 38,559 | 0 | 0 | 0 | 38,559 |
| <u>Nonrecurring Items</u> | | | | | |
| Sale of Property | 3,400 | 0 | 0 | 0 | 3,400 |
| Damages Recovered from Individuals | 1,000 | 0 | 0 | 0 | 1,000 |
| Contributions and Gifts | 7,500 | 0 | 0 | 0 | 7,500 |
| Total Other Local Revenues | \$ 132,701 | \$ 0 | \$ 2,533 | \$ 69 | \$ 135,303 |
| <u>State of Tennessee</u> | | | | | |
| <u>General Government Grants</u> | | | | | |
| On-Behalf Contributions for OPEB | \$ 38,454 | \$ 0 | \$ 0 | \$ 0 | \$ 38,454 |
| <u>State Education Funds</u> | | | | | |
| Basic Education Program | 22,947,000 | 0 | 0 | 0 | 22,947,000 |
| School Food Service | 0 | 0 | 16,473 | 0 | 16,473 |
| Other State Education Funds | 99,625 | 0 | 0 | 0 | 99,625 |
| Career Ladder Program | 132,994 | 0 | 0 | 0 | 132,994 |

(Continued)

Exhibit J-7

Union County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

| | General Purpose School | School Federal Projects | Central Cafeteria | Education Capital Projects | Total |
|--|------------------------------|-------------------------------|----------------------|----------------------------------|---------------|
| <u>State of Tennessee (Cont.)</u> | | | | | |
| <u>State Education Funds (Cont.)</u> | | | | | |
| Career Ladder - Extended Contract | \$ 31,600 | \$ 0 | \$ 0 | \$ 0 | \$ 31,600 |
| <u>Other State Revenues</u> | | | | | |
| State Revenue Sharing - T.V.A. | 214,065 | 0 | 0 | 0 | 214,065 |
| Other State Grants | 320,106 | 0 | 0 | 0 | 320,106 |
| Total State of Tennessee | \$ 23,783,844 | \$ 0 | \$ 16,473 | \$ 0 | \$ 23,800,317 |
| <u>Federal Government</u> | | | | | |
| <u>Federal Through State</u> | | | | | |
| USDA School Lunch Program | \$ 0 | \$ 0 | \$ 790,523 | \$ 0 | \$ 790,523 |
| USDA - Commodities | 0 | 0 | 66,094 | 0 | 66,094 |
| Breakfast | 0 | 0 | 310,352 | 0 | 310,352 |
| USDA - Other | 0 | 0 | 50,042 | 0 | 50,042 |
| Adult Education State Grant Program | 70,031 | 0 | 0 | 0 | 70,031 |
| Vocational Education - Basic Grants to States | 0 | 61,213 | 0 | 0 | 61,213 |
| Title I Grants to Local Education Agencies | 138,661 | 1,063,291 | 0 | 0 | 1,201,952 |
| Special Education - Grants to States | 0 | 835,860 | 0 | 0 | 835,860 |
| Special Education Preschool Grants | 0 | 22,254 | 0 | 0 | 22,254 |
| English Language Acquisition Grants | 0 | 2,132 | 0 | 0 | 2,132 |
| Rural Education | 0 | 60,053 | 0 | 0 | 60,053 |
| Eisenhower Professional Development State Grants | 0 | 96,963 | 0 | 0 | 96,963 |
| Race-to-the-Top - ARRA | 0 | 241,780 | 0 | 0 | 241,780 |
| Other Federal through State | 59,665 | 433,022 | 0 | 0 | 492,687 |
| Total Federal Government | \$ 268,357 | \$ 2,816,568 | \$ 1,217,011 | \$ 0 | \$ 4,301,936 |
| <u>Other Governments and Citizens Groups</u> | | | | | |
| <u>Other Governments</u> | | | | | |
| Contributions | \$ 14,420 | \$ 0 | \$ 0 | \$ 0 | \$ 14,420 |
| Contracted Services | 79,654 | 0 | 0 | 0 | 79,654 |
| Total Other Governments and Citizens Groups | \$ 94,074 | \$ 0 | \$ 0 | \$ 0 | \$ 94,074 |
| Total | \$ 27,696,187 | \$ 2,816,568 | \$ 1,582,212 | \$ 69 | \$ 32,095,036 |

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

| | | |
|----------------------------------|------------|-----------|
| Board and Committee Members Fees | \$ 52,791 | |
| Social Security | 4,039 | |
| Unemployment Compensation | 8 | |
| Audit Services | 15,432 | |
| Workers' Compensation Insurance | <u>184</u> | |
| Total County Commission | | \$ 72,454 |

Board of Equalization

| | | |
|----------------------------------|---------------|-----|
| Board and Committee Members Fees | <u>\$ 780</u> | |
| Total Board of Equalization | | 780 |

Beer Board

| | | |
|----------------------------------|-----------|-------|
| Board and Committee Members Fees | \$ 1,300 | |
| Social Security | 99 | |
| Unemployment Compensation | <u>13</u> | |
| Total Beer Board | | 1,412 |

County Mayor/Executive

| | | |
|---|--------------|---------|
| County Official/Administrative Officer | \$ 66,702 | |
| Accountants/Bookkeepers | 27,881 | |
| Secretary(ies) | 27,250 | |
| Part-time Personnel | 9,261 | |
| Social Security | 9,911 | |
| State Retirement | 8,085 | |
| Medical Insurance | 3,106 | |
| Unemployment Compensation | 415 | |
| Communication | 1,733 | |
| Data Processing Services | 9,109 | |
| Dues and Memberships | 1,285 | |
| Legal Notices, Recording, and Court Costs | 874 | |
| Maintenance and Repair Services - Equipment | 760 | |
| Printing, Stationery, and Forms | 1,835 | |
| Travel | 785 | |
| Other Contracted Services | 3,050 | |
| Office Supplies | 7,633 | |
| Workers' Compensation Insurance | 96 | |
| Data Processing Equipment | 816 | |
| Office Equipment | <u>2,853</u> | |
| Total County Mayor/Executive | | 183,440 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

County Attorney

| | | |
|--|-----------|-----------|
| County Official/Administrative Officer | \$ 11,163 | |
| Legal Services | 214 | |
| Postal Charges | 6 | |
| Total County Attorney | | \$ 11,383 |

Election Commission

| | | |
|---|-----------|---------|
| County Official/Administrative Officer | \$ 51,952 | |
| Deputy(ies) | 20,844 | |
| Election Commission | 2,450 | |
| Election Workers | 12,044 | |
| Social Security | 5,507 | |
| State Retirement | 4,754 | |
| Medical Insurance | 4,599 | |
| Unemployment Compensation | 91 | |
| Data Processing Services | 16,445 | |
| Dues and Memberships | 225 | |
| Legal Notices, Recording, and Court Costs | 1,876 | |
| Maintenance and Repair Services - Equipment | 250 | |
| Postal Charges | 915 | |
| Printing, Stationery, and Forms | 2,904 | |
| Travel | 5,497 | |
| Office Supplies | 1,248 | |
| Workers' Compensation Insurance | 108 | |
| Other Charges | 320 | |
| Office Equipment | 1,424 | |
| Total Election Commission | | 133,453 |

Register of Deeds

| | | |
|--|-----------|---------|
| County Official/Administrative Officer | \$ 57,751 | |
| Clerical Personnel | 53,166 | |
| Social Security | 8,408 | |
| State Retirement | 7,243 | |
| Medical Insurance | 149 | |
| Unemployment Compensation | 270 | |
| Data Processing Services | 8,344 | |
| Maintenance and Repair Services - Office Equipment | 1,800 | |
| Office Supplies | 2,936 | |
| Workers' Compensation Insurance | 242 | |
| Office Equipment | 3,190 | |
| Total Register of Deeds | | 143,499 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Development

| | | | |
|----------------------------------|----|-------|----------|
| Board and Committee Members Fees | \$ | 4,800 | |
| Social Security | | 367 | |
| Unemployment Compensation | | 30 | |
| Consultants | | 4,400 | |
| Total Development | | | \$ 9,597 |

County Buildings

| | | | |
|---|----|--------|---------|
| Maintenance Personnel | \$ | 38,873 | |
| Social Security | | 3,091 | |
| State Retirement | | 2,538 | |
| Medical Insurance | | 27 | |
| Unemployment Compensation | | 105 | |
| Janitorial Services | | 480 | |
| Maintenance Agreements | | 4,312 | |
| Maintenance and Repair Services - Buildings | | 32,401 | |
| Maintenance and Repair Services - Vehicles | | 1,466 | |
| Pest Control | | 496 | |
| Other Contracted Services | | 10,083 | |
| Custodial Supplies | | 8,377 | |
| Electricity | | 84,154 | |
| Gasoline | | 493 | |
| Natural Gas | | 17,713 | |
| Water and Sewer | | 28,046 | |
| Building and Contents Insurance | | 96,324 | |
| Workers' Compensation Insurance | | 772 | |
| Building Improvements | | 132 | |
| Furniture and Fixtures | | 2,030 | |
| Total County Buildings | | | 331,913 |

Other General Administration

| | | | |
|--|----|--------|--------|
| Communication | \$ | 30,268 | |
| Dues and Memberships | | 7,602 | |
| Legal Notices, Recording, and Court Costs | | 3,170 | |
| Maintenance and Repair Services - Office Equipment | | 4,071 | |
| Maintenance and Repair Services - Vehicles | | 739 | |
| Postal Charges | | 24,446 | |
| Duplicating Supplies | | 909 | |
| Gasoline | | 2,775 | |
| Total Other General Administration | | | 73,980 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance

Property Assessor's Office

| | | |
|---|-----------|------------|
| County Official/Administrative Officer | \$ 57,751 | |
| Clerical Personnel | 31,184 | |
| Social Security | 6,818 | |
| State Retirement | 3,783 | |
| Medical Insurance | 54 | |
| Unemployment Compensation | 180 | |
| Legal Notices, Recording, and Court Costs | 90 | |
| Printing, Stationery, and Forms | 74 | |
| Travel | 1,782 | |
| Office Supplies | 539 | |
| Workers' Compensation Insurance | 280 | |
| Total Property Assessor's Office | | \$ 102,535 |

Reappraisal Program

| | | |
|--------------------------------------|-----------|--------|
| Clerical Personnel | \$ 26,436 | |
| Other Salaries and Wages | 22,245 | |
| Social Security | 3,639 | |
| State Retirement | 3,179 | |
| Medical Insurance | 2,940 | |
| Unemployment Compensation | 180 | |
| Contracts with Other Public Agencies | 10,779 | |
| Travel | 288 | |
| Other Contracted Services | 10,350 | |
| Total Reappraisal Program | | 80,036 |

County Trustee's Office

| | | |
|---|-----------|---------|
| County Official/Administrative Officer | \$ 57,751 | |
| Clerical Personnel | 85,394 | |
| Social Security | 10,125 | |
| State Retirement | 9,314 | |
| Medical Insurance | 11,255 | |
| Unemployment Compensation | 273 | |
| Data Processing Services | 4,460 | |
| Legal Notices, Recording, and Court Costs | 1,380 | |
| Printing, Stationery, and Forms | 7,486 | |
| Travel | 178 | |
| Office Supplies | 2,667 | |
| Premiums on Corporate Surety Bonds | 4,324 | |
| Workers' Compensation Insurance | 287 | |
| Office Equipment | 1,981 | |
| Total County Trustee's Office | | 196,875 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

| | | |
|--|-----------|------------|
| County Official/Administrative Officer | \$ 57,751 | |
| Clerical Personnel | 154,084 | |
| Social Security | 14,997 | |
| State Retirement | 12,924 | |
| Medical Insurance | 17,789 | |
| Unemployment Compensation | 639 | |
| Communication | 2,354 | |
| Data Processing Services | 8,411 | |
| Dues and Memberships | 1,325 | |
| Janitorial Services | 2,100 | |
| Maintenance and Repair Services - Office Equipment | 665 | |
| Pest Control | 320 | |
| Postal Charges | 7,242 | |
| Travel | 1,955 | |
| Maintenance and Repair Services - Records | 14,139 | |
| Office Supplies | 2,275 | |
| Workers' Compensation Insurance | 387 | |
| Total County Clerk's Office | | \$ 299,357 |

Other Finance

| | | |
|----------------------|-----------|--------|
| Trustee's Commission | \$ 79,257 | |
| Total Other Finance | | 79,257 |

Administration of Justice

Circuit Court

| | | |
|--|-----------|---------|
| County Official/Administrative Officer | \$ 57,751 | |
| Clerical Personnel | 95,875 | |
| Jury and Witness Expense | 5,206 | |
| Social Security | 11,656 | |
| State Retirement | 9,293 | |
| Medical Insurance | 3,051 | |
| Unemployment Compensation | 368 | |
| Data Processing Services | 12,982 | |
| Travel | 726 | |
| Library Books/Media | 7,843 | |
| Office Supplies | 8,951 | |
| Workers' Compensation Insurance | 298 | |
| Office Equipment | 2,534 | |
| Total Circuit Court | | 216,534 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

| | | |
|---------------------------------|-----------|------------|
| Judge(s) | \$ 90,942 | |
| Other Salaries and Wages | 22,122 | |
| Social Security | 8,430 | |
| State Retirement | 7,269 | |
| Medical Insurance | 2,671 | |
| Unemployment Compensation | 90 | |
| Travel | 2,378 | |
| Office Supplies | 508 | |
| Workers' Compensation Insurance | 294 | |
| Total General Sessions Court | | \$ 134,704 |

Chancery Court

| | | |
|--|-----------|---------|
| County Official/Administrative Officer | \$ 57,751 | |
| Clerical Personnel | 51,282 | |
| Social Security | 8,170 | |
| State Retirement | 5,729 | |
| Medical Insurance | 5,827 | |
| Unemployment Compensation | 270 | |
| Maintenance and Repair Services - Office Equipment | 705 | |
| Office Supplies | 3,518 | |
| Workers' Compensation Insurance | 237 | |
| Total Chancery Court | | 133,489 |

Victims Assistance Programs

| | | |
|-----------------------------------|-----------|--------|
| Contributions | \$ 25,315 | |
| Liability Claims | 960 | |
| Total Victims Assistance Programs | | 26,275 |

Public Safety

Sheriff's Department

| | |
|--|-----------|
| County Official/Administrative Officer | \$ 63,526 |
| Deputy(ies) | 459,901 |
| Investigator(s) | 147,686 |
| Salary Supplements | 13,200 |
| Secretary(ies) | 58,723 |
| Social Security | 55,221 |
| State Retirement | 43,685 |
| Medical Insurance | 39,198 |
| Unemployment Compensation | 2,141 |
| Communication | 36,229 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

| | | |
|--|----------|--------------|
| Data Processing Services | \$ 5,343 | |
| Janitorial Services | 780 | |
| Maintenance and Repair Services - Buildings | 281 | |
| Maintenance and Repair Services - Equipment | 3,122 | |
| Maintenance and Repair Services - Office Equipment | 1,386 | |
| Maintenance and Repair Services - Vehicles | 19,867 | |
| Pest Control | 643 | |
| Transportation - Other than Students | 35 | |
| Travel | 2,936 | |
| Tuition | 1,085 | |
| Gasoline | 128,114 | |
| Law Enforcement Supplies | 11,092 | |
| Office Supplies | 7,180 | |
| Tires and Tubes | 9,810 | |
| Uniforms | 8,219 | |
| Vehicle Parts | 19,769 | |
| Workers' Compensation Insurance | 9,988 | |
| Criminal Investigation of Applicants - TBI | 1,821 | |
| Other Charges | 1,618 | |
| Motor Vehicles | 141,123 | |
| Office Equipment | 603 | |
| Special Education Equipment | 500 | |
| Total Sheriff's Department | | \$ 1,294,825 |

Special Patrols

| | | |
|---------------------------------|------------|---------|
| Deputy(ies) | \$ 106,656 | |
| Social Security | 7,859 | |
| State Retirement | 6,936 | |
| Medical Insurance | 4,112 | |
| Unemployment Compensation | 360 | |
| Uniforms | 631 | |
| Workers' Compensation Insurance | 1,701 | |
| Total Special Patrols | | 128,255 |

Jail

| | |
|---------------------|----------|
| Medical Personnel | \$ 6,856 |
| Guards | 322,913 |
| Cafeteria Personnel | 45,732 |
| Social Security | 27,568 |
| State Retirement | 19,470 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

| | | |
|--|-----------|------------|
| Medical Insurance | \$ 29,165 | |
| Unemployment Compensation | 1,457 | |
| Maintenance and Repair Services - Buildings | 10,699 | |
| Maintenance and Repair Services - Office Equipment | 1,376 | |
| Medical and Dental Services | 140,967 | |
| Pest Control | 308 | |
| Other Contracted Services | 45,000 | |
| Custodial Supplies | 17,962 | |
| Drugs and Medical Supplies | 36,533 | |
| Food Preparation Supplies | 525 | |
| Food Supplies | 175,637 | |
| Office Supplies | 2,745 | |
| Workers' Compensation Insurance | 6,270 | |
| Food Service Equipment | 1,020 | |
| Office Equipment | 492 | |
| Total Jail | | \$ 892,695 |

Juvenile Services

| | | |
|---------------------------------|-----------|--------|
| Youth Service Officer(s) | \$ 22,829 | |
| Psychological Personnel | 34,417 | |
| Social Security | 4,481 | |
| State Retirement | 3,852 | |
| Medical Insurance | 1,123 | |
| Unemployment Compensation | 227 | |
| Contracts with Private Agencies | 1,560 | |
| Travel | 637 | |
| Office Supplies | 4,674 | |
| Workers' Compensation Insurance | 84 | |
| Office Equipment | 480 | |
| Total Juvenile Services | | 74,364 |

Fire Prevention and Control

| | | |
|-----------------------------------|-----------|--------|
| Contributions | \$ 95,000 | |
| Total Fire Prevention and Control | | 95,000 |

Rescue Squad

| | | |
|--------------------|-----------|--------|
| Contributions | \$ 20,000 | |
| Total Rescue Squad | | 20,000 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

| | | |
|----------------------------------|------------|------------|
| Contracts with Private Agencies | \$ 151,000 | |
| Total Other Emergency Management | | \$ 151,000 |

County Coroner/Medical Examiner

| | | |
|---------------------------------------|-----------|--------|
| Other Contracted Services | \$ 15,000 | |
| Total County Coroner/Medical Examiner | | 15,000 |

Public Health and Welfare

Local Health Center

| | | |
|--|----------|--------|
| Communication | \$ 2,527 | |
| Contracts with Private Agencies | 694 | |
| Dues and Memberships | 200 | |
| Janitorial Services | 6,900 | |
| Legal Notices, Recording, and Court Costs | 202 | |
| Maintenance and Repair Services - Buildings | 6,592 | |
| Maintenance and Repair Services - Office Equipment | 78 | |
| Pest Control | 336 | |
| Postal Charges | 2,455 | |
| Electricity | 9,642 | |
| Food Supplies | 396 | |
| Office Supplies | 2,105 | |
| Water and Sewer | 1,510 | |
| Office Equipment | 2,035 | |
| Total Local Health Center | | 35,672 |

Other Local Health Services

| | | |
|-----------------------------------|-----------|---------|
| Medical Personnel | \$ 86,988 | |
| Social Security | 6,593 | |
| State Retirement | 5,242 | |
| Medical Insurance | 1,960 | |
| Unemployment Compensation | 443 | |
| Travel | 2,618 | |
| Workers' Compensation Insurance | 784 | |
| Total Other Local Health Services | | 104,628 |

Appropriation to State

| | | |
|------------------------------------|-----------|--------|
| Contracts with Government Agencies | \$ 23,500 | |
| Total Appropriation to State | | 23,500 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management

| | | |
|---------------------------------|----------|----------|
| Contracts with Private Agencies | \$ 7,737 | |
| Total Sanitation Management | | \$ 7,737 |

Convenience Centers

| | | |
|---------------------------------|-----------|---------|
| Laborers | \$ 64,792 | |
| Social Security | 4,957 | |
| Unemployment Compensation | 612 | |
| Contributions | 35,000 | |
| Workers' Compensation Insurance | 3,332 | |
| Total Convenience Centers | | 108,693 |

Social, Cultural, and Recreational Services

Senior Citizens Assistance

| | | |
|--|-----------|--------|
| Supervisor/Director | \$ 44,942 | |
| Social Security | 3,389 | |
| State Retirement | 2,935 | |
| Medical Insurance | 2,629 | |
| Unemployment Compensation | 267 | |
| Communication | 1,546 | |
| Contributions | 8,271 | |
| Maintenance and Repair Services - Buildings | 588 | |
| Maintenance and Repair Services - Equipment | 495 | |
| Maintenance and Repair Services - Office Equipment | 230 | |
| Maintenance and Repair Services - Vehicles | 1,112 | |
| Pest Control | 378 | |
| Rentals | 1,800 | |
| Travel | 649 | |
| Custodial Supplies | 846 | |
| Gasoline | 3,153 | |
| Office Supplies | 567 | |
| Water and Sewer | 1,529 | |
| Other Supplies and Materials | 340 | |
| Workers' Compensation Insurance | 65 | |
| Office Equipment | 412 | |
| Total Senior Citizens Assistance | | 76,143 |

Libraries

| | |
|--------------------------|-----------|
| Librarians | \$ 52,254 |
| Other Salaries and Wages | 37,467 |
| Social Security | 6,702 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

| | | | |
|--|----|--------|------------|
| State Retirement | \$ | 4,125 | |
| Medical Insurance | | 3,148 | |
| Unemployment Compensation | | 521 | |
| Communication | | 454 | |
| Contracts with Public Carriers | | 573 | |
| Data Processing Services | | 35 | |
| Maintenance and Repair Services - Office Equipment | | 50 | |
| Pest Control | | 378 | |
| Travel | | 772 | |
| Office Supplies | | 4,336 | |
| Workers' Compensation Insurance | | 849 | |
| Other Charges | | 22,934 | |
| Office Equipment | | 3,348 | |
| Total Libraries | | | \$ 137,946 |

Parks and Fair Boards

| | | | |
|---|----|--------|--------|
| Maintenance and Repair Services - Buildings | \$ | 14,409 | |
| Maintenance and Repair Services - Equipment | | 1,014 | |
| Maintenance and Repair Services - Vehicles | | 1,852 | |
| Rentals | | 165 | |
| Electricity | | 1,240 | |
| Food Supplies | | 714 | |
| Gasoline | | 190 | |
| Total Parks and Fair Boards | | | 19,584 |

Agriculture and Natural Resources

Agriculture Extension Service

| | | | |
|-------------------------------------|----|--------|--------|
| Part-time Personnel | \$ | 3,164 | |
| Social Security | | 242 | |
| Unemployment Compensation | | 32 | |
| Contracts with Government Agencies | | 19,095 | |
| Contracts with Private Agencies | | 1,076 | |
| Data Processing Services | | 2,692 | |
| Operating Lease Payments | | 7,680 | |
| Travel | | 407 | |
| Total Agriculture Extension Service | | | 34,388 |

Forest Service

| | | | |
|----------------------|----|-----|-----|
| Contributions | \$ | 500 | |
| Total Forest Service | | | 500 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

| | | |
|--------------------------------------|-----------|-----------|
| Secretary(ies) | \$ 29,956 | |
| Social Security | 2,235 | |
| State Retirement | 1,956 | |
| Medical Insurance | 2,913 | |
| Unemployment Compensation | 90 | |
| Data Processing Services | 1,853 | |
| Dues and Memberships | 660 | |
| Rentals | 3,000 | |
| Travel | 189 | |
| Instructional Supplies and Materials | 2,284 | |
| Office Supplies | 208 | |
| Water and Sewer | 478 | |
| Workers' Compensation Insurance | 43 | |
| Total Soil Conservation | | \$ 45,865 |

Other Operations

Other Economic and Community Development

| | | |
|--|------------|---------|
| Other Capital Outlay | \$ 436,697 | |
| Total Other Economic and Community Development | | 436,697 |

Veterans' Services

| | | |
|---------------------------------|-----------|--------|
| Supervisor/Director | \$ 13,491 | |
| Social Security | 1,032 | |
| Unemployment Compensation | 92 | |
| Travel | 574 | |
| Workers' Compensation Insurance | 20 | |
| Total Veterans' Services | | 15,209 |

Other Charges

| | | |
|---------------------|-----------|--------|
| Contributions | \$ 87,968 | |
| Total Other Charges | | 87,968 |

Payments to Cities

| | | |
|--------------------------|-----------|--------|
| Contributions | \$ 11,000 | |
| Total Payments to Cities | | 11,000 |

ARRA Grant # 3

| | | |
|----------------------|-----------|--------|
| State Aid Projects | \$ 86,998 | |
| Total ARRA Grant # 3 | | 86,998 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

| | | |
|---------------------|----------|-----------|
| Refunds | \$ 3,212 | |
| State Aid Projects | 40,309 | |
| Total Miscellaneous | | \$ 43,521 |

Highways

Litter and Trash Collection

| | | |
|--|--------|--------|
| Communication | \$ 150 | |
| Dues and Memberships | 350 | |
| Maintenance and Repair Services - Vehicles | 3,664 | |
| Gasoline | 1,022 | |
| Instructional Supplies and Materials | 6,092 | |
| Office Supplies | 48 | |
| Uniforms | 317 | |
| Workers' Compensation Insurance | 398 | |
| Total Litter and Trash Collection | | 12,041 |

Total General Fund \$ 6,190,202

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

| | |
|---|-----------|
| Supervisor/Director | \$ 47,953 |
| Clerical Personnel | 31,000 |
| Attendants | 748,409 |
| Bonus Payments | 15,800 |
| In-Service Training | 185 |
| Social Security | 62,544 |
| State Retirement | 42,364 |
| Medical Insurance | 51,268 |
| Unemployment Compensation | 1,209 |
| Communication | 11,106 |
| Data Processing Services | 7,097 |
| Dues and Memberships | 410 |
| Licenses | 2,900 |
| Maintenance and Repair Services - Buildings | 3,736 |
| Maintenance and Repair Services - Equipment | 1,583 |
| Maintenance and Repair Services - Vehicles | 61,204 |
| Postal Charges | 2,207 |
| Printing, Stationery, and Forms | 858 |
| Travel | 4,415 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

| | | | |
|--|----|---------|---------------------|
| Disposal Fees | \$ | 1,882 | |
| Other Contracted Services | | 8,400 | |
| Custodial Supplies | | 2,090 | |
| Data Processing Supplies | | 1,192 | |
| Diesel Fuel | | 70,655 | |
| Drugs and Medical Supplies | | 37,172 | |
| Electricity | | 11,849 | |
| Natural Gas | | 3,437 | |
| Office Supplies | | 1,215 | |
| Tires and Tubes | | 4,447 | |
| Uniforms | | 6,136 | |
| Water and Sewer | | 1,805 | |
| Other Supplies and Materials | | 8,836 | |
| Building and Contents Insurance | | 2,027 | |
| Liability Insurance | | 4,495 | |
| Trustee's Commission | | 18,542 | |
| Vehicle and Equipment Insurance | | 4,825 | |
| Workers' Compensation Insurance | | 35,970 | |
| Interest on Notes | | 1,106 | |
| Building Improvements | | 4,043 | |
| Communication Equipment | | 2,306 | |
| Motor Vehicles | | 227,987 | |
| Total Ambulance/Emergency Medical Services | | | <u>\$ 1,556,665</u> |
| Total Ambulance Service Fund | | | \$ 1,556,665 |

Drug Control Fund

Public Safety

Drug Enforcement

| | | | |
|--------------------------|----|--------|------------------|
| Data Processing Services | \$ | 680 | |
| Evaluation and Testing | | 1,500 | |
| Veterinary Services | | 330 | |
| Animal Food and Supplies | | 601 | |
| Law Enforcement Supplies | | 8,437 | |
| Trustee's Commission | | 456 | |
| Other Charges | | 241 | |
| Motor Vehicles | | 29,144 | |
| Total Drug Enforcement | | | <u>\$ 41,389</u> |
| Total Drug Control Fund | | | 41,389 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

| | | |
|---|----------|-----------------|
| Special Commissioner Fees/Special Master Fees | \$ 3,062 | |
| Constitutional Officers' Operating Expenses | 90 | |
| Total Chancery Court | | <u>\$ 3,152</u> |

Total Constitutional Officers - Fees Fund \$ 3,152

Highway/Public Works Fund

Highways

Administration

| | | |
|---|-----------|-------------------|
| County Official/Administrative Officer | \$ 63,527 | |
| Accountants/Bookkeepers | 8,400 | |
| Secretary(ies) | 33,000 | |
| Board and Committee Members Fees | 16,800 | |
| Advertising | 693 | |
| Dues and Memberships | 150 | |
| Maintenance and Repair Services - Equipment | 50 | |
| Office Supplies | 3,194 | |
| Total Administration | | <u>\$ 125,814</u> |

Highway and Bridge Maintenance

| | | |
|--------------------------------------|-----------|------------------|
| Foremen | \$ 49,712 | |
| Equipment Operators | 4,333 | |
| Equipment Operators - Heavy | 73,404 | |
| Equipment Operators - Light | 159,230 | |
| Truck Drivers | 67,648 | |
| Laborers | 132,787 | |
| Engineering Services | 5,300 | |
| Rentals | 125 | |
| Other Contracted Services | 51,904 | |
| Asphalt - Cold Mix | 143,494 | |
| Asphalt - Hot Mix | 317,961 | |
| Crushed Stone | 47,038 | |
| Other Road Supplies | 650 | |
| Pipe - Metal | 2,764 | |
| Road Signs | 1,201 | |
| Total Highway and Bridge Maintenance | | <u>1,057,551</u> |

Operation and Maintenance of Equipment

| | |
|--|-----------|
| Mechanic(s) | \$ 56,988 |
| Maintenance and Repair Services - Vehicles | 447 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

| | | | |
|--|----|--------|------------|
| Other Contracted Services | \$ | 210 | |
| Diesel Fuel | | 54,925 | |
| Equipment Parts - Heavy | | 3,016 | |
| Equipment Parts - Light | | 34,775 | |
| Garage Supplies | | 4,163 | |
| Gasoline | | 34,225 | |
| Lubricants | | 3,463 | |
| Tires and Tubes | | 8,547 | |
| Other Supplies and Materials | | 260 | |
| Total Operation and Maintenance of Equipment | | | \$ 201,019 |

Ferry Operations

| | | | |
|-----------------------------|----|--------|--------|
| Equipment Operators - Heavy | \$ | 47,731 | |
| Total Ferry Operations | | | 47,731 |

Other Charges

| | | | |
|---------------------------------|----|--------|--------|
| Communication | \$ | 2,596 | |
| Electricity | | 3,381 | |
| Fuel Oil | | 2,990 | |
| Water and Sewer | | 509 | |
| Trustee's Commission | | 20,203 | |
| Vehicle and Equipment Insurance | | 20,156 | |
| Workers' Compensation Insurance | | 32,517 | |
| Total Other Charges | | | 82,352 |

Employee Benefits

| | | | |
|----------------------------------|----|---------|---------|
| Social Security | \$ | 54,356 | |
| Employee and Dependent Insurance | | 245,653 | |
| Employer Medicare | | 39,959 | |
| Total Employee Benefits | | | 339,968 |

Capital Outlay

| | | | |
|-----------------------|----|-----|-----|
| Maintenance Equipment | \$ | 275 | |
| Total Capital Outlay | | | 275 |

Principal on Debt

Highways and Streets

| | | | |
|----------------------------|----|--------|--------|
| Principal on Notes | \$ | 22,899 | |
| Total Highways and Streets | | | 22,899 |

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Interest on Debt

Highways and Streets

| | | |
|----------------------------|----------|----------|
| Interest on Notes | \$ 1,661 | |
| Total Highways and Streets | | \$ 1,661 |

Total Highway/Public Works Fund \$ 1,879,270

General Debt Service Fund

Principal on Debt

General Government

| | | |
|--------------------------|------------|------------|
| Principal on Notes | \$ 189,040 | |
| Total General Government | | \$ 189,040 |

Education

| | | |
|--------------------------|------------|-----------|
| Principal on Bonds | \$ 831,773 | |
| Principal on Notes | 116,956 | |
| Principal on Other Loans | 263,645 | |
| Total Education | | 1,212,374 |

Interest on Debt

General Government

| | | |
|--------------------------|-----------|--------|
| Interest on Notes | \$ 33,963 | |
| Total General Government | | 33,963 |

Education

| | | |
|-------------------------|------------|---------|
| Interest on Bonds | \$ 292,584 | |
| Interest on Notes | 50,340 | |
| Interest on Other Loans | 49,089 | |
| Total Education | | 392,013 |

Other Debt Service

General Government

| | | |
|--------------------------|-----------|--------|
| Trustee's Commission | \$ 15,039 | |
| Total General Government | | 15,039 |

Education

| | | |
|--------------------|----------|-------|
| Other Debt Service | \$ 7,838 | |
| Total Education | | 7,838 |

Total General Debt Service Fund 1,850,267

(Continued)

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Capital Projects Fund

Other Operations

ARRA Grant # 2

| | | |
|----------------------|----------------|------------|
| Engineering Services | \$ 101,132 | |
| Legal Services | 7,091 | |
| Other Construction | <u>404,550</u> | |
| Total ARRA Grant # 2 | | \$ 512,773 |

Capital Projects

Public Health and Welfare Projects

| | | |
|--|--------------|--------|
| Engineering Services | \$ 2,360 | |
| Legal Services | 109 | |
| Other Construction | <u>8,069</u> | |
| Total Public Health and Welfare Projects | | 10,538 |

Other General Government Projects

| | | |
|---|----------------|----------------|
| Engineering Services | \$ 57,400 | |
| Other Construction | <u>180,905</u> | |
| Total Other General Government Projects | | <u>238,305</u> |

Total General Capital Projects Fund \$ 761,616

Total Governmental Funds - Primary Government \$ 12,282,561

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

| | | |
|--------------------------------------|--------------|--------------|
| Teachers | \$ 6,726,132 | |
| Career Ladder Program | 74,917 | |
| Career Ladder Extended Contracts | 25,764 | |
| Homebound Teachers | 23,722 | |
| Clerical Personnel | 16,142 | |
| Educational Assistants | 213,634 | |
| Other Salaries and Wages | 78,702 | |
| Certified Substitute Teachers | 46,954 | |
| Non-certified Substitute Teachers | 125,935 | |
| Social Security | 433,579 | |
| State Retirement | 638,272 | |
| Life Insurance | 3,509 | |
| Medical Insurance | 915,540 | |
| Unemployment Compensation | 15,722 | |
| Employer Medicare | 101,885 | |
| Instructional Supplies and Materials | 137,801 | |
| Textbooks | 200,934 | |
| Other Supplies and Materials | 703 | |
| Total Regular Instruction Program | | \$ 9,779,847 |

Special Education Program

| | | |
|---|--------------|-----------|
| Teachers | \$ 1,066,041 | |
| Career Ladder Program | 7,995 | |
| Homebound Teachers | 5,542 | |
| Educational Assistants | 155,036 | |
| Other Salaries and Wages | 11,233 | |
| Certified Substitute Teachers | 4,569 | |
| Non-certified Substitute Teachers | 19,409 | |
| Social Security | 76,692 | |
| State Retirement | 107,195 | |
| Life Insurance | 632 | |
| Medical Insurance | 120,944 | |
| Unemployment Compensation | 3,120 | |
| Employer Medicare | 17,987 | |
| Maintenance and Repair Services - Equipment | 130 | |
| Other Contracted Services | 124,434 | |
| Instructional Supplies and Materials | 11,290 | |
| Other Supplies and Materials | 26,550 | |
| Special Education Equipment | 23,558 | |
| Total Special Education Program | | 1,782,357 |

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

| | | | |
|---|----|---------|------------|
| Teachers | \$ | 696,726 | |
| Career Ladder Program | | 3,000 | |
| Certified Substitute Teachers | | 4,739 | |
| Non-certified Substitute Teachers | | 10,500 | |
| Social Security | | 42,265 | |
| State Retirement | | 62,079 | |
| Life Insurance | | 333 | |
| Medical Insurance | | 90,162 | |
| Unemployment Compensation | | 1,394 | |
| Employer Medicare | | 9,919 | |
| Maintenance and Repair Services - Equipment | | 2,500 | |
| Other Contracted Services | | 6,506 | |
| Instructional Supplies and Materials | | 18,028 | |
| Textbooks | | 4,942 | |
| Other Supplies and Materials | | 13,353 | |
| Vocational Instruction Equipment | | 395 | |
| Total Vocational Education Program | | | \$ 966,841 |

Adult Education Program

| | | | |
|--------------------------------------|----|--------|--------|
| Teachers | \$ | 14,088 | |
| Other Salaries and Wages | | 27,719 | |
| Social Security | | 2,195 | |
| State Retirement | | 2,246 | |
| Medical Insurance | | 56 | |
| Unemployment Compensation | | 80 | |
| Employer Medicare | | 519 | |
| Instructional Supplies and Materials | | 1,638 | |
| Total Adult Education Program | | | 48,541 |

Support Services

Health Services

| | | |
|---------------------------|----|--------|
| Medical Personnel | \$ | 79,180 |
| Social Security | | 4,383 |
| State Retirement | | 7,166 |
| Life Insurance | | 41 |
| Medical Insurance | | 13,064 |
| Unemployment Compensation | | 144 |
| Employer Medicare | | 1,025 |
| Travel | | 940 |

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

| | | |
|------------------------------|----------|------------|
| Other Supplies and Materials | \$ 1,001 | |
| Total Health Services | | \$ 106,944 |

Other Student Support

| | | |
|-----------------------------|----------|---------|
| Career Ladder Program | \$ 1,917 | |
| Guidance Personnel | 303,625 | |
| Social Security | 18,296 | |
| State Retirement | 27,651 | |
| Life Insurance | 136 | |
| Medical Insurance | 36,460 | |
| Unemployment Compensation | 567 | |
| Employer Medicare | 4,279 | |
| Evaluation and Testing | 4,673 | |
| Travel | 69 | |
| Total Other Student Support | | 397,673 |

Regular Instruction Program

| | | |
|--|------------|-----------|
| Supervisor/Director | \$ 205,169 | |
| Career Ladder Program | 4,492 | |
| Librarians | 120,949 | |
| Educational Incentive - Other County Employees | 5,133 | |
| Other Salaries and Wages | 256,596 | |
| Social Security | 35,356 | |
| State Retirement | 46,500 | |
| Life Insurance | 245 | |
| Medical Insurance | 39,005 | |
| Unemployment Compensation | 976 | |
| Employer Medicare | 8,269 | |
| Communication | 3,712 | |
| Maintenance and Repair Services - Equipment | 15,116 | |
| Postal Charges | 225 | |
| Printing, Stationery, and Forms | 660 | |
| Travel | 32,834 | |
| Other Contracted Services | 7,004,274 | |
| Library Books/Media | 10,467 | |
| Other Supplies and Materials | 125,501 | |
| In Service/Staff Development | 20,186 | |
| Other Charges | 9,474 | |
| Other Equipment | 47,371 | |
| Total Regular Instruction Program | | 7,992,510 |

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

| | | | |
|---|----|---------|------------|
| Supervisor/Director | \$ | 49,697 | |
| Career Ladder Program | | 1,000 | |
| Psychological Personnel | | 12,344 | |
| Secretary(ies) | | 135,900 | |
| Other Salaries and Wages | | 64,645 | |
| Social Security | | 15,964 | |
| State Retirement | | 18,790 | |
| Life Insurance | | 82 | |
| Medical Insurance | | 14,254 | |
| Unemployment Compensation | | 609 | |
| Employer Medicare | | 3,734 | |
| Maintenance and Repair Services - Equipment | | 797 | |
| Travel | | 6,474 | |
| Other Contracted Services | | 57,678 | |
| Other Supplies and Materials | | 64,177 | |
| In Service/Staff Development | | 57,149 | |
| Other Equipment | | 5,938 | |
| Total Special Education Program | | | \$ 509,232 |

Vocational Education Program

| | | | |
|------------------------------------|----|--------|---------|
| Supervisor/Director | \$ | 60,950 | |
| Career Ladder Program | | 3,000 | |
| Career Ladder Extended Contracts | | 5,541 | |
| Secretary(ies) | | 24,220 | |
| Social Security | | 5,785 | |
| State Retirement | | 7,711 | |
| Life Insurance | | 20 | |
| Unemployment Compensation | | 144 | |
| Employer Medicare | | 1,353 | |
| Travel | | 2,850 | |
| Total Vocational Education Program | | | 111,574 |

Adult Programs

| | | |
|---------------------------|----|--------|
| Supervisor/Director | \$ | 66,173 |
| Social Security | | 4,476 |
| State Retirement | | 6,533 |
| Life Insurance | | 20 |
| Medical Insurance | | 5,649 |
| Unemployment Compensation | | 72 |

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

| | | | |
|------------------------------|----|--------------|--------|
| Employer Medicare | \$ | 1,047 | |
| In Service/Staff Development | | <u>2,996</u> | |
| Total Adult Programs | \$ | | 86,966 |

Other Programs

| | | | |
|----------------------------|----|---------------|--------|
| On-Behalf Payments to OPEB | \$ | <u>38,454</u> | |
| Total Other Programs | | | 38,454 |

Board of Education

| | | | |
|----------------------------------|----|----------------|---------|
| Other Salaries and Wages | \$ | 3,300 | |
| Board and Committee Members Fees | | 23,100 | |
| Social Security | | 1,637 | |
| State Retirement | | 299 | |
| Unemployment Compensation | | 4 | |
| Employer Medicare | | 383 | |
| Audit Services | | 7,000 | |
| Dues and Memberships | | 9,800 | |
| Legal Services | | 45,796 | |
| Other Supplies and Materials | | 40,398 | |
| Liability Insurance | | 81,287 | |
| Trustee's Commission | | 88,287 | |
| Workers' Compensation Insurance | | <u>102,073</u> | |
| Total Board of Education | | | 403,364 |

Director of Schools

| | | | |
|--|----|--------------|---------|
| County Official/Administrative Officer | \$ | 90,300 | |
| Career Ladder Program | | 700 | |
| Social Security | | 5,593 | |
| State Retirement | | 8,235 | |
| Life Insurance | | 20 | |
| Medical Insurance | | 11,212 | |
| Employer Medicare | | 1,308 | |
| Communication | | 13,063 | |
| Postal Charges | | 520 | |
| Travel | | 5,679 | |
| Other Contracted Services | | 5,855 | |
| Office Supplies | | <u>1,370</u> | |
| Total Director of Schools | | | 143,855 |

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

| | | |
|-------------------------------|------------|--------------|
| Principals | \$ 574,157 | |
| Career Ladder Program | 4,000 | |
| Assistant Principals | 147,696 | |
| Secretary(ies) | 276,288 | |
| Clerical Personnel | 16,984 | |
| Social Security | 60,432 | |
| State Retirement | 82,905 | |
| Life Insurance | 245 | |
| Medical Insurance | 67,705 | |
| Unemployment Compensation | 1,939 | |
| Employer Medicare | 14,133 | |
| Communication | 34,006 | |
| Other Supplies and Materials | 102,427 | |
| Other Charges | 1,197 | |
| Total Office of the Principal | | \$ 1,384,114 |

Fiscal Services

| | | |
|---------------------------|-----------|---------|
| Accountants/Bookkeepers | \$ 69,641 | |
| Clerical Personnel | 73,878 | |
| Social Security | 8,575 | |
| State Retirement | 10,639 | |
| Medical Insurance | 7,064 | |
| Unemployment Compensation | 223 | |
| Employer Medicare | 2,005 | |
| Travel | 748 | |
| Other Contracted Services | 8,200 | |
| Data Processing Supplies | 851 | |
| Total Fiscal Services | | 181,824 |

Operation of Plant

| | |
|---------------------------|------------|
| Custodial Personnel | \$ 396,876 |
| Social Security | 24,539 |
| State Retirement | 19,411 |
| Unemployment Compensation | 2,146 |
| Employer Medicare | 5,739 |
| Other Contracted Services | 79,768 |
| Custodial Supplies | 48,345 |
| Electricity | 639,945 |
| Natural Gas | 136,512 |

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

| | | |
|---------------------------------|-----------|--------------|
| Water and Sewer | \$ 89,772 | |
| Boiler Insurance | 7,090 | |
| Building and Contents Insurance | 126,164 | |
| Total Operation of Plant | | \$ 1,576,307 |

Maintenance of Plant

| | | |
|--|------------|---------|
| Maintenance Personnel | \$ 127,169 | |
| Social Security | 7,884 | |
| State Retirement | 6,589 | |
| Medical Insurance | 17,891 | |
| Unemployment Compensation | 368 | |
| Employer Medicare | 1,844 | |
| Maintenance and Repair Services - Vehicles | 532 | |
| Other Supplies and Materials | 179,560 | |
| Total Maintenance of Plant | | 341,837 |

Transportation

| | | |
|--|-----------|-----------|
| Other Salaries and Wages | \$ 31,213 | |
| Social Security | 1,935 | |
| State Retirement | 12 | |
| Unemployment Compensation | 248 | |
| Employer Medicare | 453 | |
| Contracts with Parents | 5,025 | |
| Contracts with Vehicle Owners | 1,039,882 | |
| Maintenance and Repair Services - Vehicles | 1,364 | |
| Diesel Fuel | 14,434 | |
| Other Supplies and Materials | 3,050 | |
| Vehicle and Equipment Insurance | 3,000 | |
| Total Transportation | | 1,100,616 |

Central and Other

| | | |
|------------------------------|------------|---------|
| Other Salaries and Wages | \$ 108,391 | |
| Social Security | 6,720 | |
| State Retirement | 7,045 | |
| Unemployment Compensation | 360 | |
| Employer Medicare | 1,572 | |
| Other Supplies and Materials | 800 | |
| Total Central and Other | | 124,888 |

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

| | | | |
|---------------------------|----|-----|--------|
| Other Salaries and Wages | \$ | 684 | |
| Social Security | | 42 | |
| State Retirement | | 40 | |
| Unemployment Compensation | | 5 | |
| Employer Medicare | | 10 | |
| Total Food Service | | | \$ 781 |

Community Services

| | | | |
|------------------------------|----|--------|---------|
| Supervisor/Director | \$ | 45,611 | |
| Other Salaries and Wages | | 33,358 | |
| Social Security | | 4,691 | |
| State Retirement | | 6,086 | |
| Medical Insurance | | 17,643 | |
| Unemployment Compensation | | 144 | |
| Employer Medicare | | 1,097 | |
| Travel | | 2,062 | |
| Other Supplies and Materials | | 3,998 | |
| Total Community Services | | | 114,690 |

Principal on Debt

Education

| | | | |
|--------------------|----|--------|--------|
| Principal on Notes | \$ | 21,978 | |
| Total Education | | | 21,978 |

Interest on Debt

Education

| | | | |
|-------------------|----|-------|-------|
| Interest on Notes | \$ | 4,021 | |
| Total Education | | | 4,021 |

Other Debt Service

Education

| | | | |
|--------------------|----|---------|---------|
| Other Debt Service | \$ | 500,000 | |
| Total Education | | | 500,000 |

Total General Purpose School Fund \$ 27,719,214

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

School Federal Projects Fund

Instruction

Regular Instruction Program

| | | |
|--------------------------------------|------------|--------------|
| Teachers | \$ 625,608 | |
| Educational Assistants | 183,865 | |
| Other Salaries and Wages | 26,642 | |
| Certified Substitute Teachers | 739 | |
| Non-certified Substitute Teachers | 5,891 | |
| Social Security | 51,643 | |
| State Retirement | 69,035 | |
| Medical Insurance | 31,225 | |
| Unemployment Compensation | 1,533 | |
| Employer Medicare | 12,079 | |
| Other Contracted Services | 20 | |
| Instructional Supplies and Materials | 125,266 | |
| Other Supplies and Materials | 16,076 | |
| Regular Instruction Equipment | 42,736 | |
| Total Regular Instruction Program | | \$ 1,192,358 |

Special Education Program

| | | |
|-----------------------------------|------------|---------|
| Teachers | \$ 148,684 | |
| Educational Assistants | 187,177 | |
| Speech Pathologist | 127,733 | |
| Other Salaries and Wages | 5,394 | |
| Certified Substitute Teachers | 353 | |
| Non-certified Substitute Teachers | 1,929 | |
| Social Security | 30,138 | |
| State Retirement | 34,775 | |
| Medical Insurance | 16,548 | |
| Unemployment Compensation | 1,590 | |
| Employer Medicare | 6,217 | |
| Total Special Education Program | | 560,538 |

Vocational Education Program

| | | |
|--------------------------------------|-----------|--------|
| Instructional Supplies and Materials | \$ 26,003 | |
| Other Supplies and Materials | 6,000 | |
| Vocational Instruction Equipment | 17,597 | |
| Total Vocational Education Program | | 49,600 |

Support Services

Other Student Support

| | | |
|--------|----------|--|
| Travel | \$ 8,651 | |
|--------|----------|--|

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

| | | | |
|------------------------------|----|--------------|-----------|
| In Service/Staff Development | \$ | 2,948 | |
| Other Charges | | <u>4,556</u> | |
| Total Other Student Support | | | \$ 16,155 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|--------------|---------|
| Supervisor/Director | \$ | 80,108 | |
| Clerical Personnel | | 38,211 | |
| Other Salaries and Wages | | 376,052 | |
| In-Service Training | | 5,700 | |
| Social Security | | 30,496 | |
| State Retirement | | 42,980 | |
| Medical Insurance | | 31,532 | |
| Unemployment Compensation | | 488 | |
| Employer Medicare | | 7,132 | |
| Communication | | 3,134 | |
| Travel | | 7,254 | |
| Other Supplies and Materials | | 3,508 | |
| In Service/Staff Development | | 34,102 | |
| Other Equipment | | <u>1,009</u> | |
| Total Regular Instruction Program | | | 661,706 |

Special Education Program

| | | | |
|---------------------------------|----|---------------|---------|
| Supervisor/Director | \$ | 24,478 | |
| Psychological Personnel | | 56,327 | |
| Speech Pathologist | | 17,108 | |
| Other Salaries and Wages | | 39,254 | |
| Social Security | | 8,324 | |
| State Retirement | | 11,969 | |
| Medical Insurance | | 11,910 | |
| Unemployment Compensation | | 302 | |
| Employer Medicare | | 1,947 | |
| In Service/Staff Development | | <u>23,973</u> | |
| Total Special Education Program | | | 195,592 |

Transportation

| | | | |
|-------------------------------|----|----------------|----------------|
| Contracts with Parents | \$ | 5,037 | |
| Contracts with Vehicle Owners | | <u>122,938</u> | |
| Total Transportation | | | <u>127,975</u> |

Total School Federal Projects Fund \$ 2,803,924

(Continued)

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department (Cont.)

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

| | | | |
|---|----|---------|---------------------|
| Supervisor/Director | \$ | 51,353 | |
| Accountants/Bookkeepers | | 26,780 | |
| Cafeteria Personnel | | 571,326 | |
| Social Security | | 40,266 | |
| State Retirement | | 36,933 | |
| Medical Insurance | | 28,922 | |
| Unemployment Compensation | | 5,313 | |
| Employer Medicare | | 9,417 | |
| Communication | | 8,449 | |
| Maintenance and Repair Services - Equipment | | 27,681 | |
| Postal Charges | | 44 | |
| Travel | | 1,657 | |
| Other Contracted Services | | 16,464 | |
| Food Preparation Supplies | | 71,593 | |
| Food Supplies | | 616,243 | |
| Office Supplies | | 32,518 | |
| USDA - Commodities | | 66,094 | |
| Other Supplies and Materials | | 4,077 | |
| Other Charges | | 12,611 | |
| Food Service Equipment | | 7,238 | |
| Total Food Service | | | <u>\$ 1,634,979</u> |

Total Central Cafeteria Fund \$ 1,634,979

Education Capital Projects Fund

Capital Projects

Education Capital Projects

| | | | |
|----------------------------------|----|--------|------------------|
| Architects | \$ | 750 | |
| Building Construction | | 88,840 | |
| Total Education Capital Projects | | | <u>\$ 89,590</u> |

Total Education Capital Projects Fund 89,590

Other Capital Projects Fund

Capital Projects

Education Capital Projects

| | | | |
|----------------------------------|----|--------|------------------|
| Building Construction | \$ | 7,776 | |
| Site Development | | 89,861 | |
| Total Education Capital Projects | | | <u>\$ 97,637</u> |

Total Other Capital Projects Fund 97,637

Total Governmental Funds - Union County School Department \$ 32,345,344

Exhibit J-10

Union County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2012

| | <u>Cities - Sales Tax Fund</u> |
|--|--|
| <u>Cash Receipts</u> | |
| Local Option Sales Tax | <u>\$ 617,286</u> |
| Total Cash Receipts | <u>\$ 617,286</u> |
| <u>Cash Disbursements</u> | |
| Remittance of Revenues Collected | \$ 611,113 |
| Trustee's Commission | <u>6,173</u> |
| Total Cash Disbursements | <u>\$ 617,286</u> |
| Excess of Cash Receipts Over (Under) Cash Disbursements | \$ 0 |
| Cash Balance, July 1, 2011 | <u>0</u> |
| Cash Balance, June 30, 2012 | <u><u>\$ 0</u></u> |

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

October 9, 2012

Union County Mayor and
Board of County Commissioners
Union County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Union County's basic financial statements and have issued our report thereon dated October 9, 2012. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Union County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Union County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union

County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 12.06, 12.08, 12.10, and 12.11.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.01, 12.03, 12.04, 12.13, 12.15(A), and 12.17.

Compliance and Other Matters

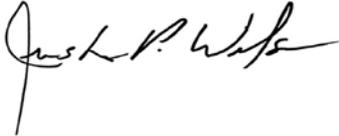
As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.02, 12.05, 12.07, 12.09, 12.12, 12.14, 12.15(B,C), and 12.16.

We noted certain matters that we reported to management of Union County in separate communications.

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Union County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the county mayor, highway superintendent, director of schools, County Commission, Highway Commission, Board of Education, others within Union County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
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REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

October 9, 2012

Union County Mayor and
Board of County Commissioners
Union County, Tennessee

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Union County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Union County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Union County's management. Our responsibility is to express an opinion on Union County's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test

basis, evidence about Union County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Union County's compliance with those requirements.

In our opinion, Union County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Union County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Union County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County as of and for the year ended June 30, 2012, and have issued our report thereon dated October 9, 2012. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not

a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Union County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the county mayor, highway superintendent, director of schools, County Commission, Highway Commission, Board of Education, others within Union County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Union County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

| Federal/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Expenditures |
|--|----------------|---|---------------------|
| U.S. Department of Agriculture: | | | |
| Direct Program: | | | |
| Community Facilities Loans and Grants, Recovery Act | 10.780 | N/A | \$ 506,833 |
| Passed-through State Department of Agriculture: | | | |
| National School Lunch Program (Commodities - Noncash Assistance) | 10.555 | N/A | 66,094 (3) |
| Passed-through State Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | N/A | 310,352 |
| National School Lunch Program | 10.555 | N/A | 790,523 (3) |
| Fresh Fruit and Vegetable Program | 10.582 | N/A | 50,042 |
| Total U.S. Department of Agriculture | | | <u>\$ 1,723,844</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Passed-through State Housing Development Agency: | | | |
| Community Development Block Grants/State's Program | 14.228 | (2) | \$ 436,697 |
| Total U.S. Department of Housing and Urban Development | | | <u>\$ 436,697</u> |
| U.S. Department of Justice: | | | |
| Direct Program: | | | |
| Federal Asset Forfeiture Program | 16.XXX | N/A | \$ 35,696 |
| Total U.S. Department of Justice | | | <u>\$ 35,696</u> |
| U.S. Department of Transportation: | | | |
| Passed-through State Department of Transportation: | | | |
| Highway Planning and Construction, Recovery Act | 20.205 | (2) | \$ 175,473 |
| Total U.S. Department of Transportation | | | <u>\$ 175,473</u> |
| U.S. Department of Energy: | | | |
| Passed-through State Department of Economic and Community Development: | | | |
| ARRA- Energy Efficiency and Conservation Block Grant Program (EECBG) | 81.128 | (2) | \$ 86,748 |
| Total U.S. Department of Energy | | | <u>\$ 86,748</u> |
| U.S. Department of Education: | | | |
| Passed-through State Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | N/A | \$ 1,013,360 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | N/A | 851,220 |
| Special Education - Grants to States, Recovery Act | 84.391 | N/A | 11,253 |
| Special Education - Preschool Grants | 84.173 | N/A | 20,576 |
| Special Education - Preschool Grants, Recovery Act | 84.392 | N/A | 1,058 |
| Career and Technical Education - Basic Grants to States | 84.048 | N/A | 61,200 |
| Education Technology State Grants Cluster: | | | |
| Education Technology State Grants | 84.318 | (2) | 896 |
| Education Technology State Grants, Recovery Act | 84.386 | (2) | 1,264 |
| Rural Education | 84.358 | N/A | 57,570 |
| English Language Acquisition Grants | 84.365 | N/A | 2,132 |
| Improving Teacher Quality State Grants | 84.367 | N/A | 123,854 |
| School Improvement Grants | 84.377 | (2) | 138,661 |
| State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | N/A | 241,780 |
| Education Jobs Fund | 84.410 | (2) | 433,022 |

(Continued)

Union County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

| Federal/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Identifying Number | Expenditures |
|---|----------------|---|--------------|
| U.S. Department of Education: (Cont.) | | | |
| Passed-through State Department of Labor and Workforce Development: | | | |
| Adult Education - Basic Grants to States | 84.002 | DG1131220 | \$ 70,031 |
| Passed-through State Department of Human Services: | | | |
| Rehabilitation Services - Vocational Rehabilitation Grants to States | 84.126 | N/A | 21,574 |
| Total U.S. Department of Education | | | \$ 3,049,451 |
| U.S. Department of Health and Human Services: | | | |
| Passed-through East Tennessee Human Resource Agency: | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | (2) | \$ 15,002 |
| Passed-through State Department of Health: | | | |
| Grants to States for Operation of Offices of Rural Health | 93.913 | GG1132234 | 52,786 |
| Passed-through State Department of Mental Health and Developmental Disabilities: | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | GG1132364 | 38,091 |
| Total U.S. Department of Health and Human Services | | | \$ 105,879 |
| U.S. Department of Homeland Security: | | | |
| Passed-through State Department of Military: | | | |
| Homeland Security Grant Program | 97.067 | (2) | \$ 34,140 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 34101-0000008351 | 79,327 |
| Total U.S. Department of Homeland Security | | | \$ 113,467 |
| Total Expenditures of Federal Awards | | | \$ 5,727,255 |
| | | Contract Number | |
| <u>State Grants</u> | | | |
| Juvenile Service Program - State Commission on Children and Youth | N/A | (2) | \$ 4,500 |
| Health Department Programs - State Department of Health | N/A | (2) | 95,033 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | 9,916 |
| Litter Grant - State Department of Transportation | N/A | (2) | 42,620 |
| Adult Education - State Department of Labor and Workforce Development | N/A | (2) | 23,343 |
| Early Childhood Education Grants - State Department of Education | N/A | (2) | 237,551 |
| Total State Grants | | | \$ 412,963 |

CFDA - Catalog of Federal Domestic Assistance
N/A - Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$856,617.

Union County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Union County, Tennessee, for the year ended June 30, 2011, which have not been corrected.

OFFICE OF COUNTY MAYOR

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u> |
|---------------------------|------------------------|---|
| 11.03 | 153 | The office had not established a formal purchase order system |

OFFICE OF HIGHWAY SUPERINTENDENT

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u> |
|---------------------------|------------------------|---|
| 11.05 | 154 | The office had not established a formal purchase order system |

OFFICE OF DIRECTOR OF SCHOOLS

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u> |
|---------------------------|------------------------|---|
| 11.06 | 155 | Competitive bids were not solicited for purchases exceeding \$10,000. |

**AMBULANCE SERVICE AND OFFICES OF CIRCUIT AND GENERAL SESSIONS
COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u> |
|---------------------------|------------------------|---------------------------------------|
| 11.10 | 158 | Duties were not segregated adequately |

UNION COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Union County disclosed significant deficiencies in internal control. Four of these deficiencies were considered to be material weaknesses.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of Union County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Community Facilities Loans and Grants, Recovery Act (CFDA No. 10.780); the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Highway Planning and Construction, Recovery Act (CFDA No. 20.205); the Title I Grants to Local Education Agencies (CFDA No. 84.010); the Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States, Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); and Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Union County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. James Carter, the interim director of schools from March 9, 2012, through September 24, 2012, Wayne Goforth, the director of schools who was on administrative leave from October 19, 2011, through September 24, 2012, and the assessor of property provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 12.01 **THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The absence of a formal purchase order system increases the risk of unauthorized purchases.

RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

FINDING 12.02 **AN ACCOUNTING FIRM DID NOT FILE A REPORT ON ITS WORK AS REQUIRED BY THE ENGAGEMENT LETTER**
(Noncompliance Under *Government Auditing Standards*)

On November 9, 2011, the county mayor signed an engagement letter with Rodefer Moss & Co., PLLC, to perform agreed-upon procedures to analyze the purchasing procedures of the Union County Schools Central Office for the period January 1, 2011, through October 31, 2011. However, no specific list of procedures to be performed by the firm was ever created; therefore, the firm had no guidance of exactly what to examine or analyze. The engagement was to be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. Specifically, the letter stated that “We will submit a report listing the procedures performed and our findings” and noted the engagement partner responsible for supervising the engagement would sign the report or authorize another individual to sign the report.

Rodefer Moss & Co. was paid a total of \$10,000 for the work performed. Upon completion of the work, the firm filed a document with the county mayor containing copies of invoices, purchase orders, warrant stubs, and bid advertisements. Five narrative pages were also included, which appeared to have been written by an accountant regarding test work

performed in review of the bid files. However, the firm did not file a report meeting the requirements set out in the engagement letter. The document filed to support the work did not contain the name of the firm, any signature of a firm member, and did not list the procedures performed and any findings.

RECOMMENDATION

The county mayor should require Rodefer Moss & Co. to file a report of their work in compliance with the terms of the engagement letter.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 12.03 **PERSONNEL RECORDS WERE NOT MAINTAINED ADEQUATELY**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The county's personnel policy permits employees to accumulate earned but unused vacation and compensatory leave; however, the Highway Department did not have documentation on file to support leave for employees and could not provide us with accrued leave balances. Furthermore, employees did not document overtime hours on their time sheets; instead, they were noted on the administrative assistant's office calendar. Governmental Accounting Standards Board Statement No. 34 requires all leave to be accrued when incurred in the government-wide financial statements. However, the omission of these amounts was not considered to be material to the Highway Department's financial statements. The failure to maintain adequate documentation of accumulated leave weakens internal controls over the payroll process and increases the risks of improper payments and inaccurate financial statement presentation of accrued leave balances.

RECOMMENDATION

The Highway Department should maintain a summary of accrued leave for all employees. These records should reflect the dollar value of the leave at the beginning of the year, amount earned, amount used, and the value of the leave at year end. All employees should properly document work hours.

FINDING 12.04 **THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Highway Department had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments. This deficiency exists because management failed to

correct the finding noted in the prior-year audit report. The absence of a formal purchase order system increases the risk of unauthorized purchases.

RECOMMENDATION

The Highway Department should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

FINDING 12.05 **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE DEMOLITION AND REMOVAL OF A HOUSE**
(Noncompliance Under *Government Auditing Standards*)

The county litter control officer, pursuant to regulations adopted by the County Commission governing the cleanup of illegal dump sites on private property, formally requested that the highway superintendent demolish and remove a burned house located on private property. Rather than perform the work with Highway Department equipment and employees, the highway superintendent contracted with a company owned by his brother for the demolition and removal of the house for \$10,000. The Highway Department did not solicit bids for this project, and no documentation was provided to document that any proposals were solicited. Section 54-7-113, *Tennessee Code Annotated*, requires public advertisement and solicitation of competitive bids for purchases of \$10,000 or more. The statute further provides that amounts under \$10,000 may be made in the open market without public advertisement, but should be awarded based on at least three competitive bids wherever possible. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

Competitive bids should be solicited by public advertisement for all purchases of \$10,000 or more as required by statute.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 12.06 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION OF THE GENERAL PURPOSE SCHOOL FUND**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2012, certain general ledger account balances of the General Purpose School Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the School Department to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the financial reporting system did not prevent, detect, or correct potential misstatements in the

accounting records. It is a strong indicator of a material weakness in internal controls if the School Department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is primarily the result of management's failure to properly post transactions of the virtual education program as discussed in Finding 12.10. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

School Department officials should have appropriate processes in place to ensure that its general ledgers are materially correct.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

For school year 2012-13, virtual school funds are set up under a separate fund in the Union County Board of Education general ledger and reflect assets, liabilities, revenues, and expenditures.

FINDINGS 12.07 **A TRAVEL ALLOWANCE WAS PAID TO THE DIRECTOR OF SCHOOLS WHILE HE WAS ON ADMINISTRATIVE LEAVE** (Noncompliance Under *Government Auditing Standards*)

Director of Schools Wayne Goforth's contract provided a flat rate of \$300 per month for local travel using his personal vehicle. Mr. Goforth was placed on administrative leave with pay beginning October 19, 2011, but continued to receive the monthly travel allowance resulting in payments of more than \$2,400 for travel when the director was not conducting School Department business.

The director received the annual amount of \$3,600 for the monthly travel allowance without filing any documentation of actual travel expenses incurred; therefore, this reimbursement would be considered taxable compensation. However, those payments were not paid through the School Department's payroll system and were not subjected to income tax, Social Security, or Medicare deductions. Also, the School Department did not report and pay its required matching portions of Social Security and Medicare associated with these payments and did not report the payments to the Internal Revenue Service.

RECOMMENDATION

Travel allowances should not be paid for periods that an employee is not conducting School Department business. Travel allowances that are not documented by an accounting of actual expenses incurred should be made through the School Department's payroll system to properly reflect the employee's total compensation. Also, all taxable compensation should be reported to the Internal Revenue Service and subject to payroll tax withholdings and matching portions.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

The director of schools was paid a travel allowance, which was required by his contract with Union County Board of Education.

AUDITOR'S COMMENT

Despite the contract provision, the director was paid a travel allowance while no business travel was being incurred, and the allowance was not paid in compliance with IRS regulations

FINDINGS 12.08 THROUGH 12.14 RELATE TO THE SCHOOL DEPARTMENT'S VIRTUAL EDUCATION PROGRAM, WHICH BEGAN OPERATIONS DURING THE YEAR

Background of the Virtual Education Program

During the year, Union County began operation of a virtual education program pursuant to Title 49, Chapter 16, *Tennessee Code Annotated*. Union County's virtual education program is known as the Tennessee Virtual Academy. Based on information we received from the state Department of Education, enrollment in the virtual education program totaled 1,885 students from across the state in the seventh month reporting period of the school year. Enrollment in Union County's traditional classroom education programs totaled 2,868 students during that same month.

Effective July 1, 2011, the Union County Board of Education contracted with a private company, K12 Virtual Schools, LLC (K12), to operate and manage the program for an initial term ending June 30, 2014, plus renewal options. As compensation, K12 is to be paid for the educational products and services per the then current "price list" that is based on national K12 virtual school pricing for similarly situated programs, administrative fees of 15 percent of total program revenues, and technology fees of seven percent of total program revenues. The contract calls for expenditures to be made in compliance with an annual program budget developed by K12 and approved by the Board of Education. The School Department employs the principal of the virtual education program (referred to as head-of-school in the contract) while all other personnel are employed by K12.

The agreement provides that the Board of Education will maintain program accounting records independent from those of the district, prepare reports of the program finances, and submit copies of these reports to K12. All program funds will be maintained in an account belonging to the Board of Education. The Board of Education shall be responsible for overseeing the program's quality, operational, and financial performance.

Under the contract, the Board of Education agreed to make revenues generated by the program (less a four percent oversight fee) available to pay its expenses of the virtual education program. Program revenues for the 2011-12 year consisted of Basic Education Program Funds from the State of Tennessee totaling \$7,152,000. Records provided by K12 claimed expenditures of over \$11 million for the program. When we questioned whether the

School Department was liable for the expenditures, which exceeded the program revenues, K12 forwarded a “Debt Forgiveness” credit memo to the School Department for the amount that expenditures exceeded revenues.

Our review of transactions related to the financial operation of Union County’s virtual education program revealed numerous deficiencies caused by the lack of financial oversight exercised by the Board of Education. Those deficiencies are discussed in the following findings and recommendations.

FINDING 12.08 SCHOOL DEPARTMENT PERSONNEL WERE NOT ADEQUATELY FAMILIAR WITH REQUIREMENTS OF THE CONTRACT OR WITH ACTUAL OPERATING PROCEDURES OF THE PROGRAM
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Our interviews with the interim director of schools, chairman of the Board of Education, school finance director, and the principal of the virtual school program indicated a lack of understanding of the financial operations of the virtual school program and a lack of understanding of the contractual commitments governing the program. Among other items, the contract with K12 provided for:

- a. A program budget to be developed by K12 and approved by the Board of Education.
- b. The maintenance of bank accounts and accounting records by the Board of Education.
- c. Monthly invoices to be submitted by K12 detailing products and services provided.

These individuals were unaware of the above-noted contractual requirements until we brought the issues to their attention. Their understanding generally was that K12 was in charge of all financial accountability for the program, and program revenues were to be expended at the discretion of K12 with the School Department retaining four percent of program revenues as an oversight fee. Although this four percent fee totaled approximately \$286,000, very little oversight was provided by the School Department, and numerous deficiencies in financial management resulted as discussed in the findings noted below. It is essential that management understand the commitments in its contracts, as well as requirements of governing laws and regulations to ensure compliance with those criteria.

RECOMMENDATION

School Department personnel should provide adequate management oversight of the virtual school program to ensure the program is operating in compliance with contractual provisions, governing laws, and regulations.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

A separate program budget has been developed by K12 and submitted and approved by the Union County Board of Education and Union County Commission for the 2012-13 year. The bank accounts and accounting records are maintained by Union County Board of Education in a fund separate from the local General Purpose Schools fund for the 2012-13 school year. For school year 2012-13, monthly detailed invoices are provided to Union County Board of Education by K12 detailing services and products, the same as required of other vendors working with Union County Board of Education.

FINDING 12.09 **THE VIRTUAL SCHOOL PROGRAM WAS NOT OPERATED UNDER A BUDGET APPROVED BY THE BOARD OF EDUCATION AND THE COUNTY COMMISSION**
(Material Noncompliance Under *Government Auditing Standards*)

Revenues and expenditures of the virtual school program were not included in the School Department’s budget approved by the Board of Education and the County Commission. In addition to the contractual requirement to adopt a program budget for the virtual education program, Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” As discussed in the previous finding, management of the School Department erroneously thought that K12 would be responsible for financial accountability of the program; therefore, no budget was ever presented for approval. Consequently, expenditures of over \$6.5 million in education funds were incurred for the program without appropriation by the Board of Education and the County Commission.

RECOMMENDATION

The School Department and K12 should adopt a program budget for the virtual school program in compliance with the contract. A budget for the program should be approved by the Board of Education and the County Commission. Expenditures should be held within amounts appropriated.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

For school year 2012-13, virtual school has a budget approved by Union County Board of Education and Union County Commission.

FINDING 12.10 TRANSACTIONS OF THE VIRTUAL EDUCATION PROGRAM WERE NOT REFLECTED ON THE ACCOUNTING RECORDS OF THE SCHOOL DEPARTMENT
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Most receipts and disbursements related to funds received and paid for the operation of the virtual education program were inappropriately posted as increases and decreases to a general ledger liability account in the General Purpose School Fund instead of being reported as revenues and expenditures in the accounting records. Over \$6.5 million in receipts were recorded in this manner. Disbursements were recorded in the liability account for funds transferred to a checking account maintained by the principal of the virtual education program. Transactions and balances of that checking account were not recorded in the School Department accounting records. Consequently, revenues, expenditures, assets, and liabilities of the School Department are materially misstated in the accounting records.

School Department personnel indicated that they thought these were revenues and expenditures of the private company managing the virtual education program and did not believe they were subject to the county’s budgetary control. However, the revenues from the state were awarded to the Union County School Department and should have been recorded as such on the accounting records.

RECOMMENDATION

All assets, liabilities, revenues, and expenditures of the virtual education program should be reflected in the accounting records of the School Department.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

For school year 2012-13, the virtual school has a budget maintained by Union County Board of Education that includes assets, liabilities, revenues, and expenditures in a separate virtual school fund.

FINDING 12.11 EXPENDITURES OF THE VIRTUAL SCHOOL PROGRAM WERE NOT REVIEWED AND APPROVED BY SCHOOL DEPARTMENT MANAGEMENT, AND DOCUMENTATION OF EXPENDITURES WAS NOT MAINTAINED AT THE SCHOOL DEPARTMENT
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Although the contract with K12 states that the Board of Education “...will be responsible for all debts and obligations incurred on behalf of the program by or on behalf of the parties...” most expenditures of the virtual education program were incurred by K12 without review or approval by School Department management. Purchases were made by K12 instead of by the Executive Committee (chairman of Board of Education and director of

schools) as required by Section 49-2-203, *Tennessee Code Annotated*. Additionally, no invoices, payroll records, or other source documents to support expenditures were maintained at the School Department. Upon our review of preliminary audit findings, management obtained invoices and payroll records that have now been approved by the principal of the virtual education program.

RECOMMENDATION

Management of the School Department should review and approve all expenditures of the virtual school program and retain source documents for audit. Such approval should include ensuring that expenditures were made in compliance with governing laws and regulations, expenditures were legitimate, and that expenditures were within available appropriations. Purchases should be made by the Executive Committee as required by law.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

A process is in place for the 2012-13 school year that follows the Union County Board of Education /K12 contract. All expenditures will be reviewed and approved by School Department management. All documentation of expenditures will be maintained by Union County Board of Education.

FINDING 12.12 **DISBURSEMENTS FOR THE VIRTUAL SCHOOL PROGRAM WERE MADE FROM AN OUTSIDE CHECKING ACCOUNT INSTEAD OF ISSUING WARRANTS DRAWN ON THE COUNTY TRUSTEE**

(Material Noncompliance Under *Government Auditing Standards*)

Program funds totaling \$5,142,506 for the virtual school program were deposited into a bank account to be disbursed by the principal of the virtual school program and a representative of K12. Section 49-2-301, *Tennessee Code Annotated*, requires school funds be expended by issuing warrants drawn on the county trustee. Upon reviewing preliminary audit findings with management, this account was closed and the balance placed on deposit with the county trustee.

RECOMMENDATION

All funds of the virtual school program should be deposited with the county trustee and disbursed by warrants drawn on the county trustee.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

Program funds totaling \$5,020,964.79 disbursed to TNVA bank account were transferred to the Union County trustee. Documentation supporting expenses incurred was reviewed and funds were released to K12 as a contractual vendor.

FINDING 12.13 SCHOOL DEPARTMENT INVENTORIES DID NOT INCLUDE COMPUTERS PURCHASED FROM VIRTUAL EDUCATION PROGRAM REVENUES
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Expenditures of the virtual school program included the purchase of computers. The School Department did not maintain inventory records of those computers. Generally accepted accounting principles require accountability for all School Department-owned assets. These computers were purchased from program revenues and as such should be accounted for by the School Department.

RECOMMENDATION

The School Department should maintain inventory records of all assets as required by generally accepted accounting principles.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

Inventory for the 2011-12 school year has been provided to the Union County Board of Education and is on file at the central office.

FINDING 12.14 THE CONTRACT FOR SERVICES AND THE RELATED PURCHASE OF MATERIALS, SUPPLIES, AND COMPUTERS WERE NOT AWARDED ON A COMPETITIVE BASIS
(Material Noncompliance Under *Government Auditing Standards*)

Our discussions with the chairman of the Board of Education and our review of minutes of board meetings did not indicate that any requests for proposals or bids were solicited for the products and services supplied through the contract with K12. Sound business practices dictate that multiple proposals should be solicited to compare available services and rates for professional services. Also, Section 49-2-203, *Tennessee Code Annotated*, requires that competitive bids be solicited on all expenditures estimated to exceed \$10,000 for supplies, furniture, fixtures, and material. Supplies, materials, and computers comprise much of the expenditures under the program; however, the School Department did not solicit bids for those items.

RECOMMENDATION

The School Department should document its award process to ensure that multiple suppliers of a service have been considered and that the rates are competitive for the services provided. Also, all purchases of supplies, furniture, fixtures, and materials should be based on competitive bids when estimated to exceed \$10,000.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

Union County Schools is working with K12 to revise procedures for procurement and competitive bidding for the 2012-13 school year.

FINDING 12.15 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. and C. – Noncompliance Under *Government Auditing Standards*)

Our examination of purchasing procedures revealed the following deficiencies.

- A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to issue purchase orders in all required instances increases the risks of unauthorized purchases.
- B. The School Department did not solicit competitive bids through newspaper advertisement for the purchase of electronic instruction equipment (\$18,300), gym seating for Paulette Elementary School (\$27,559), and 20 Ipads with cases for Union County High School (\$17,360). Bids were not solicited because management thought bids were only required if individual items exceeded \$10,000 rather than the sum for purchases of like items over \$10,000. As a result, the best and lowest price may not have been obtained for the listed purchases.
- C. The School Department did not solicit competitive bids for the construction of a handicap bathroom and a classroom at Maynardville Elementary School (\$20,922). In addition, the vendor billed the department on three separate invoices each under the \$10,000 bid requirement (\$9,927, \$1,445, and \$9,550). All of the invoices had invoice dates between August 1 and August 3, 2011.

School Department purchasing procedures are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *Tennessee Code Annotated*, which requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

RECOMMENDATION

Management should ensure that purchase orders are issued for all applicable purchases. Competitive bids should be solicited through newspaper advertisement for all purchases in excess of \$10,000 as required by state statute. Invoices should not be split in an attempt to circumvent competitive bid requirements.

MANAGEMENT’S RESPONSE – INTERIM DIRECTOR OF SCHOOLS JAMES CARTER

In the future, the Union County School Department will ensure that purchase orders are issued for all applicable purchases. Further, competitive bids will be solicited through newspaper advertisement for all purchases in excess of \$10,000 as required by Section 49-2-203, *Tennessee Code Annotated*.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS WAYNE GOFORTH

- A. I require all persons/administrators/employees to secure a requisition and purchase order from the Finance Department before any purchases transpire. If purchases and transactions were indeed made without following this procedure, I did not know it occurred.
- B. All departments during my tenure were required to follow the competitive bid law. All employees were keenly aware of this policy. The only exceptions, which may have been made, included if an item or items were purchased from an existing state contract, with another school system, or that the transaction was deemed an emergency. I feel confident quotes and/or bids should be on file.
- C. During the time these purchases occurred, my office was inundated with myriad construction projects and budget issues. We were desperately trying to finish the construction projects before school started. The particular project in question was funded and handled by the Special Education Department. I am sure that the Special Education Department secured quotes for the construction costs, and that they are somewhere on file. The reason for the existence of the last two amounts is that as we proceeded into the project, unforeseen asbestos and other substances were found, structural damage was indicated, and other costs were incurred. The project became an emergency. When we discovered all the issues, it was too late to stop the project, school was starting in a few weeks, and then we could not go back and bid the project as a total project.

AUDITOR’S COMMENT

Management did not present documentation as evidence that competitive bids were properly solicited.

OFFICE OF PROPERTY ASSESSOR

FINDING 12.16 **THE ASSESSOR DID NOT PRORATE NEW CONSTRUCTION**
(Noncompliance Under *Government Auditing Standards*)

The assessor did not pick up and prorate new construction or improvements. Section 67-5-603, *Tennessee Code Annotated*, provides that for the year in which an improvement or building is completed, the assessment, or increase in assessment, shall be prorated for the portion of the year following the date of its completion. This deficiency can be attributed to

the lack of management oversight resulting in new construction not being properly assessed and the potential loss of county tax revenue.

RECOMMENDATION

The assessor should pick up and prorate new construction and improvements as required by statute.

MANAGEMENT’S RESPONSE – ASSESSOR OF PROPERTY

Union County does not require or furnish a “Letter of Completion” or “Letter of Occupancy” therefore, it has been impossible for the property assessor to determine when a house was completed. Due to this problem, the property assessor has felt it only fair to the property owner to key the house to the future or list the house as incomplete until the following tax year.

This issue has been resolved by the installation of the Union County Building Inspector. The inspector will file the completed inspection with the property assessor at which time the property will be prorated from the completion date.

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, SHERIFF, AND AMBULANCE SERVICE

FINDING 12.17 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among officials and employees at the Ambulance Service and in the Offices of Circuit and General Sessions Court Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management’s decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources

BEST PRACTICE

UNION COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

Union County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of Local Government Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

**PART III, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

UNION COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2012

There were audit findings relative to federal awards presented in the prior-year's Schedule of Findings and Questioned Costs. There were no audit findings relative to federal awards presented in the current-year's Schedule of Findings and Questioned Costs.

County Mayor – Summary Schedule of Prior-Year's Findings

FINDINGS 11.04 and 11.12

All ARRA grants, revenues and expenditures accounted for by the Office of County Mayor were segregated and coded according to the County Uniform Chart of Accounts. This puts the Mayor's Office in compliance.

Director of Schools – Summary Schedule of Prior-Year's Findings

FINDINGS 11.07 and 11.11

The Union County School System has made unpaid student debt reimbursements for two fiscal years (school years 2010-2011 and 2011-2012) to the School Nutrition Program. They have also ensured that the remaining two years (school years 2012-2013 and 2013-2014) will be made to the School Nutrition Program for outstanding charges. Two equal payments of \$6,000 plus all current school year's unpaid student debts will be made payable to the School Nutrition Program and dated by June 30 of each fiscal year (school years 2012-2013 and 2013-2014). A copy of each check will be sent to the State of Tennessee School Nutrition Department as documentation for the promised repayment. This puts the School Department in compliance.