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# ANNUAL FINANCIAL REPORT UNION COUNTY, TENNESSEE



**FOR THE YEAR ENDED JUNE 30, 2013**



**ANNUAL FINANCIAL REPORT**  
**UNION COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

*COMPTROLLER OF THE TREASURY*  
*JUSTIN P. WILSON*

*DIVISION OF LOCAL GOVERNMENT AUDIT*  
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*State Auditors*

This financial report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov)

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## UNION COUNTY, TENNESSEE

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***Audit Highlights***  
Annual Financial Report  
Union County, Tennessee  
For the Year Ended June 30, 2013

***Scope***

We have audited the basic financial statements of Union County as of and for the year ended June 30, 2013.

***Results***

Our report on Union County's financial statements is unmodified.

Our audit resulted in five findings and recommendations, which we have reviewed with Union County management. Detailed findings, recommendations, and a management's response 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:

**OFFICES OF COUNTY MAYOR AND HIGHWAY SUPERINTENDENT**

- ◆ Formal purchase order systems had not been established.
- 

**OFFICES OF DIRECTOR OF SCHOOLS, DIRECTOR OF FINANCE, AND TRUSTEE**

- ◆ At June 30, 2013, warrants were issued on the School Federal Projects Fund that exceeded cash on deposit with the county trustee by \$85,469, and the trustee paid warrants issued by the School Federal Projects Fund that exceeded available funds.
- 

**OFFICES OF DIRECTOR OF SCHOOLS AND DIRECTOR OF FINANCE**

- ◆ The School Department was delinquent in remitting payroll taxes and in filing quarterly Form 941.
  - ◆ School cafeteria collections were not remitted to the trustee in a timely manner.
-

**OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK,  
CLERK AND MASTER, REGISTER OF DEEDS, SHERIFF, AND THE  
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 by the governing body 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.

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# INTRODUCTORY SECTION

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# Union County Officials

## June 30, 2013

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### **Officials**

Micheal Williams, County Mayor  
David Cox, Highway Superintendent  
Wayne Goforth, 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 of Deeds  
Earl Loy, Jr., Sheriff  
Ann Dyer, Finance Director

### **Board of County Commissioners**

Micheal Williams, County Mayor, 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**

Chester Sturgeon, Chairman	Harold Brantley
Darrell Dyer	Paul Hill
Troy Muncey	Jimmy DeVault
James Breeding	

### **Board of Education**

David Coppock, Chairman	Marty Gibbs
Brian Oaks	Gerald Smith
Billy Sexton	Danny Collins
Brad Griffey	

**Financial Management Committee**

Micheal Williams, County Mayor, Chairman  
David Cox, Highway Superintendent  
Wayne Goforth, Director of Schools  
J.M. Bailey

Janet Holloway  
Wayne Roach  
Dawn Flatford

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## **FINANCIAL SECTION**

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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

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 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 from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General, Ambulance Service, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

We draw attention to Note I.D.9 in the financial statements, which describes a restatement to the beginning balance of the General Capital Projects Fund, a nonmajor governmental fund, totaling \$145,499. This restatement was necessary because the county elected not to accept a grant, which had been reflected as a receivable at June 30, 2012.

As described in Note V.B., Union County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Union County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

## ***Other Matters***

### *Required Supplementary Information*

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 schedules of funding progress – pension plan and other postemployment benefits plan on pages 68-70 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. 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 basic 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 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

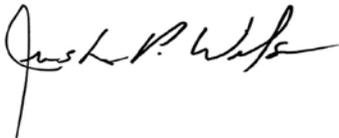
in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Union County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, on our consideration of Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 9, 2013

JPW/yu

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Union County, Tennessee  
Statement of Net Position  
June 30, 2013

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Union County School Department</u>
<u>ASSETS</u>		
Cash	\$ 2,450	\$ 0
Equity in Pooled Cash and Investments	4,923,069	3,272,263
Accounts Receivable	417,814	254,830
Allowance for Uncollectibles	(269,386)	0
Due from Other Governments	426,026	463,889
Due from Primary Government	0	577
Due from Component Units	48,835	0
Property Taxes Receivable	3,797,544	2,615,290
Allowance for Uncollectible Property Taxes	(188,156)	(129,578)
Prepaid Items	44,579	0
Capital Assets:		
Assets Not Depreciated:		
Land	566,080	1,598,528
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,019,635	17,307,261
Infrastructure	2,992,203	10,500
Other Capital Assets	486,813	368,806
Total Assets	<u>\$ 15,267,506</u>	<u>\$ 25,762,366</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	\$ 8,224	\$ 0
Total Deferred Outflows of Resources	<u>\$ 8,224</u>	<u>\$ 0</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 11,003	\$ 2,001,607
Accrued Payroll	16,366	0
Accrued Interest Payable	81,958	0
Payroll Deductions Payable	17,390	2,097
Cash Overdraft	0	85,469
Due to Primary Government	0	48,835
Due to Component Units	577	0
Due to State of Tennessee	2,552	0
Other Current Liabilities	414	270,463
Noncurrent Liabilities:		
Due Within One Year	1,497,384	0
Due in More Than One Year	12,083,355	1,691,869
Total Liabilities	<u>\$ 13,710,999</u>	<u>\$ 4,100,340</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Union County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 3,418,250	\$ 2,354,078
Total Deferred Inflows of Resources	<u>\$ 3,418,250</u>	<u>\$ 2,354,078</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 5,515,528	\$ 19,285,095
Restricted for:		
Highways	724,265	0
Debt Service	1,215,797	0
Capital Projects	161,343	11,821
Finance	88,009	0
Administration of Justice	50,330	0
Public Safety	58,030	0
Public Health and Welfare	79,814	0
Education	0	339,605
Unrestricted	<u>(9,746,635)</u>	<u>(328,573)</u>
Total Net Position	<u>\$ (1,853,519)</u>	<u>\$ 19,307,948</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, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary		Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Unit County School Department
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	\$ 981,111	\$ 343,120	\$ 77,552	\$ 0	\$ (560,439)	\$ 0
Finance	827,772	377,636	0	0	(450,136)	0
Administration of Justice	517,547	334,726	13,500	0	(169,321)	0
Public Safety	2,652,488	535,715	12,000	4,894	(2,099,879)	0
Public Health and Welfare	1,653,103	869,208	149,915	352,817	(281,163)	0
Social, Cultural, and Recreational Services	277,499	1,202	7,859	0	(268,438)	0
Agriculture and Natural Resources	93,502	0	0	0	(93,502)	0
Other Operations	175,634	0	0	115,335	(60,299)	0
Highways	2,358,666	27,532	1,356,805	121,271	(853,058)	0
Interest on Long-term Debt	389,940	0	0	0	(389,940)	0
Debt Service	149,515	0	0	0	(149,515)	0
<b>Total Primary Government</b>	<b>\$ 10,076,777</b>	<b>\$ 2,489,139</b>	<b>\$ 1,617,631</b>	<b>\$ 594,317</b>	<b>\$ (5,375,690)</b>	<b>\$ 0</b>
<b>Component Unit:</b>						
Union County School Department	\$ 38,774,807	\$ 292,576	\$ 3,565,720	\$ 0	\$ 0	\$ (34,916,511)
<b>Total Component Unit</b>	<b>\$ 38,774,807</b>	<b>\$ 292,576</b>	<b>\$ 3,565,720</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (34,916,511)</b>

(Continued)

Exhibit B

Union County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary		
					Governmental Activities	Union County School Department	
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes Levied for General Purposes		\$ 1,772,943			\$	2,433,372	
Property Taxes Levied for Ambulance Service		368,447				0	
Property Taxes Levied for Highways		266,727				0	
Property Taxes Levied for Debt Service		1,128,586				0	
Local Option Sales Taxes		290,691				857,983	
Wheel Tax		445,129				0	
Business Tax		85,712				0	
Wholesale Beer Tax		102,018				0	
Mineral Severance Tax		70,107				0	
Litigation Tax - General		29,571				0	
Litigation Tax - Special Purpose		27,022				0	
Litigation Tax - Jail, Workhouse, or Courthouse		11,261				0	
Other Local Taxes		26,844				1,702	
Grants and Contributions Not Restricted to Specific Programs		1,676,010				31,336,081	
Unrestricted Investment Income		100,244				0	
Gain on Sale of Property		68,098				0	
Miscellaneous		13,557				0	
<b>Total General Revenues</b>		<b>6,482,967</b>			<b>\$</b>	<b>34,629,138</b>	
Change in Net Position		1,107,277			\$	(287,373)	
Net Position, July 1, 2012		(2,815,347)				19,595,321	
Prior-period Adjustment		(145,449)				0	
<b>Net Position, June 30, 2013</b>		<b>(1,853,519)</b>			<b>\$</b>	<b>19,307,948</b>	

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

Union County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2013

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds	
\$	0	0	0	0	2,450	2,450
3,000,728	169,875	467,178	1,105,169	180,119	4,923,069	4,923,069
21,227	396,018	569	0	0	417,814	417,814
0	(269,386)	0	0	0	(269,386)	(269,386)
166,031	0	259,995	0	0	426,026	426,026
2,450	0	0	66,167	0	68,617	68,617
0	0	0	48,835	0	48,835	48,835
1,898,772	394,085	286,607	1,218,080	0	3,797,544	3,797,544
(94,077)	(19,526)	(14,201)	(60,352)	0	(188,156)	(188,156)
0	0	0	44,579	0	44,579	44,579
0	0	0	101,000	0	101,000	101,000
\$ 4,995,131	\$ 671,066	\$ 1,000,148	\$ 2,523,478	\$ 182,569	\$ 9,372,392	\$ 9,372,392

ASSETS

Cash  
Equity in Pooled Cash and Investments  
Accounts Receivable  
Allowance for Uncollectibles  
Due from Other Governments  
Due from Other Funds  
Due from Component Units  
Property Taxes Receivable  
Allowance for Uncollectible Property Taxes  
Prepaid Items  
Advances to Other Funds

Total Assets

LIABILITIES

Accounts Payable  
Accrued Payroll  
Payroll Deductions Payable  
Due to Other Funds  
Due to Component Units  
Due to State of Tennessee  
Advances Payable to Other Funds  
Other Current Liabilities  
Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes  
Deferred Delinquent Property Taxes  
Other Deferred/Unavailable Revenue  
Total Deferred Inflows of Resources

FUND BALANCES

Nonspendable:  
Prepaid Items  
Restricted:  
Restricted for Finance

(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	Other Governmental Funds	Governmental Funds	
\$	50,330	0	0	0	0	0	50,330
Restricted for Administration of Justice	39,254	0	0	0	0	18,776	58,030
Restricted for Public Safety	0	0	590,559	0	0	0	590,559
Restricted for Highways/Public Works	0	0	0	1,197,757	0	0	1,197,757
Restricted for Debt Service	0	0	0	0	161,343	0	161,343
Restricted for Capital Projects	0	0	0	0	0	0	0
Committed:							
Committed for Public Health and Welfare	0	52,995	0	0	0	0	52,995
Committed for Debt Service	0	0	0	128,726	0	0	128,726
Assigned:							
Assigned for General Government	569,429	0	0	0	0	0	569,429
Assigned for Administration of Justice	77,064	0	0	0	0	0	77,064
Unassigned	2,315,580	0	0	0	0	0	2,315,580
Total Fund Balances	\$ 3,139,666	\$ 52,995	\$ 590,559	\$ 1,371,062	\$ 180,119	\$ 0	\$ 5,334,401
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,995,131	\$ 671,066	\$ 1,000,148	\$ 2,523,478	\$ 182,569	\$ 0	\$ 9,372,392

FUND BALANCES (Cont.)

Restricted (Cont.):  
 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

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 Position  
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 5,334,401
(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	2,019,635	
Add: other capital assets net of accumulated depreciation	486,813	
Add: infrastructure net of accumulated depreciation	<u>2,992,203</u>	6,064,731
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (13,004,143)	
Add: deferred charge on refunding	8,224	
Less: deferred premium on refunding	(525,985)	
Less: compensated absences	(50,611)	
Less: accrued interest on bonds, notes, and other loans	<u>(81,958)</u>	(13,654,473)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>401,822</u>
Net position of governmental activities (Exhibit A)		<u>\$ (1,853,519)</u>

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

Union County, Tennessee  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds		
<b>Revenues</b>							
Local Taxes	\$ 2,633,760	\$ 373,517	\$ 340,523	\$ 1,549,659	\$ 0	\$ 0	\$ 4,897,459
Licenses and Permits	59,652	0	0	0	0	0	59,652
Fines, Forfeitures, and Penalties	101,262	0	0	0	11,479	0	112,741
Charges for Current Services	223,604	869,754	81	0	5,353	0	1,098,792
Other Local Revenues	85,004	18,759	37,907	90,464	5,007	0	237,141
Fees Received from County Officials	680,308	0	0	0	0	0	680,308
State of Tennessee	1,585,498	0	1,544,817	0	1,056	0	3,131,371
Federal Government	62,903	0	433,029	0	0	0	495,932
Other Governments and Citizens Groups	0	0	0	500,000	0	0	500,000
<b>Total Revenues</b>	<b>\$ 5,431,991</b>	<b>\$ 1,262,030</b>	<b>\$ 2,356,357</b>	<b>\$ 2,140,123</b>	<b>\$ 22,895</b>	<b>\$ 0</b>	<b>\$ 11,213,396</b>
<b>Expenditures</b>							
Current:							
General Government	\$ 941,989	\$ 0	\$ 0	\$ 0	\$ 39	\$ 0	\$ 942,028
Finance	831,478	0	0	0	26	0	831,504
Administration of Justice	513,515	0	0	0	5,288	0	518,803
Public Safety	2,585,902	0	0	0	11,004	0	2,596,906
Public Health and Welfare	228,566	1,286,957	0	0	0	0	1,515,523
Social, Cultural, and Recreational Services	276,523	0	0	0	0	0	276,523
Agriculture and Natural Resources	92,873	0	0	0	0	0	92,873
Other Operations	175,634	0	0	0	0	0	175,634
Highways	49,030	0	2,247,903	0	0	0	2,296,933
Debt Service:							
Principal on Debt	0	0	25,950	1,436,536	0	0	1,462,486
Interest on Debt	0	0	635	397,023	0	0	397,658
Other Debt Service	0	0	0	148,484	0	0	148,484
Capital Projects	25,000	0	0	0	0	0	25,000
<b>Total Expenditures</b>	<b>\$ 5,720,510</b>	<b>\$ 1,286,957</b>	<b>\$ 2,274,488</b>	<b>\$ 1,982,043</b>	<b>\$ 16,357</b>	<b>\$ 0</b>	<b>\$ 11,280,355</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (288,519)</b>	<b>\$ (24,927)</b>	<b>\$ 81,869</b>	<b>\$ 158,080</b>	<b>\$ 6,538</b>	<b>\$ 0</b>	<b>\$ (66,959)</b>
<b>Other Financing Sources (Uses)</b>							
Refunding Debt Issued	\$ 0	\$ 0	\$ 0	\$ 7,110,000	\$ 0	\$ 0	\$ 7,110,000
Premiums on Debt Issued	0	0	0	538,410	0	0	538,410
Insurance Recovery	11,681	0	0	0	0	0	11,681
Transfers In	0	0	0	0	331,837	0	331,837
Transfers Out	(301,837)	0	(80,000)	0	0	0	(381,837)
Payments to Refunded Debt Escrow Agent	0	0	0	(7,534,000)	0	0	(7,534,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (290,156)</b>	<b>\$ 0</b>	<b>\$ (80,000)</b>	<b>\$ 114,410</b>	<b>\$ 331,837</b>	<b>\$ 0</b>	<b>\$ 126,091</b>

(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	Other Governmental Funds	
Net Change in Fund Balances	\$ (578,675)	\$ (24,927)	\$ 51,869	\$ 272,490	\$ 338,375	\$ 59,132
Prior-period Adjustments	0	0	0	0	(145,449)	(145,449)
Fund Balance, July 1, 2012	3,718,341	77,922	538,690	1,098,572	(12,807)	5,420,718
Fund Balance, June 30, 2013	\$ 3,139,666	\$ 52,995	\$ 590,559	\$ 1,371,062	\$ 180,119	\$ 5,334,401

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, 2013

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)		\$	59,132
(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	\$	97,071	
Less: current-year depreciation expense		<u>(388,531)</u>	(291,460)
(2) 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, 2013	\$	401,822	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(455,270)</u>	(53,448)
(3) 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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:			
Less: bond proceeds	\$	(7,110,000)	
Add: principal payments on notes		341,313	
Add: principal payments on other loans		274,400	
Add: principal payments on bonds		846,773	
Add: debt principal refunded		7,524,745	
Add: change in deferred amount on refunding		8,224	
Less: change in premium on debt issuances		<u>(525,985)</u>	1,359,470
(4) 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	\$	7,718	
Change in compensated absences payable		10,550	
Change in other postemployment benefits liability		<u>15,315</u>	33,583
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,107,277</u>

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

Exhibit C-5

Union County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,633,760	\$ 2,687,860	\$ 2,687,860	\$ (54,100)
Licenses and Permits	59,652	54,923	54,923	4,729
Fines, Forfeitures, and Penalties	101,262	98,531	98,531	2,731
Charges for Current Services	223,604	174,760	226,421	(2,817)
Other Local Revenues	85,004	100,659	103,675	(18,671)
Fees Received from County Officials	680,308	698,481	698,481	(18,173)
State of Tennessee	1,585,498	1,607,689	1,610,087	(24,589)
Federal Government	62,903	20,214	562,086	(499,183)
<b>Total Revenues</b>	<b>\$ 5,431,991</b>	<b>\$ 5,443,117</b>	<b>\$ 6,042,064</b>	<b>\$ (610,073)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 62,548	\$ 65,274	\$ 65,274	\$ 2,726
Board of Equalization	780	800	800	20
Beer Board	1,252	970	1,540	288
County Mayor/Executive	158,220	196,814	177,619	19,399
County Attorney	13,163	13,528	13,528	365
Election Commission	174,839	187,940	188,720	13,881
Register of Deeds	149,639	158,493	160,471	10,832
Development	13,939	14,016	14,046	107
County Buildings	329,237	330,456	342,156	12,919
Other General Administration	38,372	42,000	42,000	3,628
<u>Finance</u>				
Accounting and Budgeting	87,708	0	109,246	21,538
Property Assessor's Office	108,808	110,170	110,242	1,434
Reappraisal Program	73,135	73,261	73,556	421
County Trustee's Office	197,005	210,661	210,661	13,656
County Clerk's Office	301,160	317,891	319,574	18,414
Other Finance	63,662	73,788	73,788	10,126
<u>Administration of Justice</u>				
Circuit Court	222,417	246,720	246,910	24,493
General Sessions Court	140,422	141,632	141,632	1,210
Chancery Court	135,192	147,931	158,944	23,752
Victims Assistance Programs	15,484	33,846	33,846	18,362
<u>Public Safety</u>				
Sheriff's Department	1,125,219	1,193,467	1,239,506	114,287
Special Patrols	126,441	126,735	127,637	1,196
Jail	972,371	987,845	1,015,708	43,337
Juvenile Services	80,871	83,658	92,956	12,085
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
Public Safety Grant Programs	0	0	15,738	15,738
<u>Public Health and Welfare</u>				
Local Health Center	31,225	48,000	48,000	16,775
Other Local Health Services	83,989	162,500	162,500	78,511

(Continued)

## Exhibit C-5

Union County, Tennessee  
Statement 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 (Cont.)</u>				
Appropriation to State	\$ 23,500	\$ 23,500	\$ 23,500	\$ 0
Sanitation Management	7,747	7,800	7,800	53
Convenience Centers	82,105	82,661	82,793	688
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	99,233	109,380	113,162	13,929
Libraries	155,683	181,496	185,075	29,392
Parks and Fair Boards	21,607	22,000	22,000	393
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	44,757	45,890	45,931	1,174
Forest Service	500	0	500	0
Soil Conservation	47,616	50,613	50,673	3,057
<u>Other Operations</u>				
Other Economic and Community Development	35,123	0	500,000	464,877
Veterans' Services	17,310	17,440	17,476	166
Other Charges	75,442	56,500	77,442	2,000
Employee Benefits	32,163	36,000	36,000	3,837
Payments to Cities	11,000	11,000	11,000	0
Miscellaneous	4,596	0	4,596	0
<u>Highways</u>				
Litter and Trash Collection	49,030	45,403	50,083	1,053
<u>Capital Projects</u>				
Public Health and Welfare Projects	25,000	0	25,000	0
Total Expenditures	\$ 5,720,510	\$ 5,936,079	\$ 6,720,629	\$ 1,000,119
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (288,519)	\$ (492,962)	\$ (678,565)	\$ 390,046
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 11,681	\$ 0	\$ 11,681	\$ 0
Transfers Out	(301,837)	0	(301,837)	0
Total Other Financing Sources	\$ (290,156)	\$ 0	\$ (290,156)	\$ 0
Net Change in Fund Balance	\$ (578,675)	\$ (492,962)	\$ (968,721)	\$ 390,046
Fund Balance, July 1, 2012	3,718,341	3,164,568	3,164,568	553,773
Fund Balance, June 30, 2013	\$ 3,139,666	\$ 2,671,606	\$ 2,195,847	\$ 943,819

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

Exhibit C-6

Union County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Ambulance Service Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 373,517	\$ 362,100	\$ 362,100	\$ 11,417
Charges for Current Services	869,754	1,100,000	1,100,000	(230,246)
Other Local Revenues	18,759	0	18,759	0
Total Revenues	<u>\$ 1,262,030</u>	<u>\$ 1,462,100</u>	<u>\$ 1,480,859</u>	<u>\$ (218,829)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 1,286,957	\$ 1,388,025	\$ 1,388,025	\$ 101,068
Total Expenditures	<u>\$ 1,286,957</u>	<u>\$ 1,388,025</u>	<u>\$ 1,388,025</u>	<u>\$ 101,068</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (24,927)</u>	<u>\$ 74,075</u>	<u>\$ 92,834</u>	<u>\$ (117,761)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (68,668)	\$ (68,668)	\$ 68,668
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ (68,668)</u>	<u>\$ (68,668)</u>	<u>\$ 68,668</u>
Net Change in Fund Balance	\$ (24,927)	\$ 5,407	\$ 24,166	\$ (49,093)
Fund Balance, July 1, 2012	<u>77,922</u>	<u>132,656</u>	<u>132,656</u>	<u>(54,734)</u>
Fund Balance, June 30, 2013	<u>\$ 52,995</u>	<u>\$ 138,063</u>	<u>\$ 156,822</u>	<u>\$ (103,827)</u>

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

## Exhibit C-7

Union County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 340,523	\$ 344,376	\$ 344,376	\$ (3,853)
Charges for Current Services	81	0	0	81
Other Local Revenues	37,907	26,500	26,500	11,407
State of Tennessee	1,544,817	1,560,218	1,560,218	(15,401)
Federal Government	433,029	2,555,652	405,290	27,739
Other Governments and Citizens Groups	0	50,000	50,000	(50,000)
Total Revenues	<u>\$ 2,356,357</u>	<u>\$ 4,536,746</u>	<u>\$ 2,386,384</u>	<u>\$ (30,027)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 210,711	\$ 129,712	\$ 231,012	\$ 20,301
Highway and Bridge Maintenance	1,151,333	1,047,551	1,366,046	214,713
Operation and Maintenance of Equipment	248,220	197,900	267,100	18,880
Ferry Operations	74,317	48,300	75,800	1,483
Other Charges	514,494	2,836,853	556,639	42,145
Employee Benefits	0	274,000	0	0
Capital Outlay	48,828	116,989	127,586	78,758
<u>Principal on Debt</u>				
Highways and Streets	25,950	0	25,910	(40)
<u>Interest on Debt</u>				
Highways and Streets	635	23,915	710	75
Total Expenditures	<u>\$ 2,274,488</u>	<u>\$ 4,675,220</u>	<u>\$ 2,650,803</u>	<u>\$ 376,315</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 81,869</u>	<u>\$ (138,474)</u>	<u>\$ (264,419)</u>	<u>\$ 346,288</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (30,000)	\$ 0	\$ (30,000)	\$ 0
Total Other Financing Sources	<u>\$ (30,000)</u>	<u>\$ 0</u>	<u>\$ (30,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 51,869	\$ (138,474)	\$ (294,419)	\$ 346,288
Fund Balance, July 1, 2012	538,690	339,119	339,119	199,571
Fund Balance, June 30, 2013	<u>\$ 590,559</u>	<u>\$ 200,645</u>	<u>\$ 44,700</u>	<u>\$ 545,859</u>

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

Exhibit D

Union County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 488,818
Accounts Receivable	234
Due from Other Governments	<u>88,566</u>
Total Assets	<u>\$ 577,618</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 88,566
Due to Litigants, Heirs, and Others	<u>489,052</u>
Total Liabilities	<u>\$ 577,618</u>

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

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**UNION COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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**UNION COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**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, 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; however, in our opinion, this omission is not material to the component units' opinion unit.

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; however, in our opinion, this omission is not material to the component units' opinion unit.

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 Position 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, 2013.

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, deferred outflow of resources, liabilities, deferred inflow of resources, 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.

Additionally, Union County reports the following fund types:

**Capital Projects Funds** – These funds account for and report financial resources that are restricted, committed, or assigned to

expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**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.

**Other Education Special Revenue Fund** – This fund accounts for state revenues, which are committed for use in the virtual education program.

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

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

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.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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.

Advances receivable between funds as reported in the General Debt Service Fund financial statements are included in restricted fund balance.

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 2.69 percent of total taxes levied.

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 a deferred inflow of resources 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 as a deferred inflow of resources 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 (\$270,463) represents balances in the health insurance clearing account that will be drawn for premiums subsequent to June 30. Accounts payable in the Other Education Special Revenue Fund (\$1,980,585) 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 (\$44,579) represents an amount paid for principal and interest on debt due subsequent to June 30, 2013.

### **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. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for

reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. 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.

**7. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

## **8. Net Position and Fund Balance**

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

- a. Net Investment in Capital Assets – 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 position – Consists of net position 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 position – All other net position that do not meet the definition of restricted or net investment in capital assets.

As of June 30, 2013, Union County had \$12,485,113 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 position with no corresponding increase in the county's capital assets.

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.

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 makes assignments for the general government. The Board of Education makes assignments for the School Department. Assignments in the General Fund include \$569,429 to fund appropriations in the 2013-14 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.

**9. Prior-period Adjustment**

The General Capital Projects Fund balance was restated \$145,449 from the prior year because a grant that had been awarded and recorded as a receivable in the prior year was ultimately not accepted by the county. The grant was awarded in a prior year to fund expenditures related to the renovation of a juvenile center. The county changed the use of the building and no longer qualified for the grant.

**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 Position**

**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 Position.

**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 Position.

**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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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 is 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. Cash Overdraft**

The discretely presented School Department's School Federal Projects Fund had a cash overdraft of \$85,469 at June 30, 2013. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2013.

**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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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, 2013.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2013, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 566,080	\$ 0	\$ 0	\$ 566,080
Total Capital Assets Not Depreciated	<u>\$ 566,080</u>	<u>\$ 0</u>	<u>\$ 0</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	1,854,885	97,071	(112,900)	1,839,056
Total Capital Assets Depreciated	<u>\$ 8,933,577</u>	<u>\$ 97,071</u>	<u>\$ (112,900)</u>	<u>\$ 8,917,748</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,366,732	\$ 105,157	\$ 0	\$ 1,471,889
Infrastructure	512,142	82,823	0	594,965
Other Capital Assets	1,264,592	200,551	(112,900)	1,352,243
Total Accumulated Depreciation	<u>\$ 3,143,466</u>	<u>\$ 388,531</u>	<u>\$ (112,900)</u>	<u>\$ 3,419,097</u>
Total Capital Assets Depreciated, Net	<u>\$ 5,790,111</u>	<u>\$ (291,460)</u>	<u>\$ 0</u>	<u>\$ 5,498,651</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,356,191</u>	<u>\$ (291,460)</u>	<u>\$ 0</u>	<u>\$ 6,064,731</u>

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

**Governmental Activities:**

General Government	\$ 42,895
Finance	1,663
Public Safety	111,169
Public Health and Welfare	136,305
Highway	<u>96,499</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 388,531</u>

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

	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets Not Depreciated:			
Land	\$ 1,598,528	\$ 0	\$ 1,598,528
Construction in Progress	0	0	0
Total Capital Assets Not Depreciated	<u>\$ 1,598,528</u>	<u>\$ 0</u>	<u>\$ 1,598,528</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 27,844,919	\$ 0	\$ 27,844,919
Infrastructure	31,500	0	31,500
Other Capital Assets	1,113,300	31,799	1,145,099
Total Capital Assets Depreciated	<u>\$ 28,989,719</u>	<u>\$ 31,799</u>	<u>\$ 29,021,518</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 9,857,052	\$ 680,606	\$ 10,537,658
Infrastructure	17,850	3,150	21,000
Other Capital Assets	706,862	69,431	776,293
Total Accumulated Depreciation	<u>\$ 10,581,764</u>	<u>\$ 753,187</u>	<u>\$ 11,334,951</u>
Total Capital Assets Depreciated, Net	<u>\$ 18,407,955</u>	<u>\$ (721,388)</u>	<u>\$ 17,686,567</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,006,483</u>	<u>\$ (721,388)</u>	<u>\$ 19,285,095</u>

There were no decreases in capital assets to report for the year ended June 30, 2013.

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

**Governmental Activities:**

Instruction	\$ 26,215
Support Services	724,431
Operation of Non-Instructional Services	<u>2,541</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 753,187</u>

**C. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2013, 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	\$ 66,167
General	Nonmajor governmental	2,450
Discretely Presented School Department:		
Nonmajor governmental	General Purpose School	9,135
Other Education Special Revenue	"	4,502

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 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	\$ 101,000

In the prior 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, 2013, is \$167,167. The amount of this loan expected to be repaid within one year (\$66,167) is reflected as due to/from other funds. The remainder (\$101,000) 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:**

Receivable Fund	Payable Fund	Amount
Component Unit: School Department	Primary Government: General Debt Service	\$ 577
Primary Government: General Debt Service	Component Unit: School Department	48,835

The amount reflected as due to primary government from the discretely presented School Department is the balance of a long-term loan from the primary government to the School Department. Of that amount, \$24,930 is not expected to be received within one year.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In Nonmajor Governmental Funds
General Fund	\$ 301,837
Highway/Public Works Fund	30,000
Total	<u>\$ 331,837</u>

**Discretely Presented Union County School Department**

Transfers Out	Transfers In	
	General Purpose School	Nonmajor Governmental Funds
Other Education Special Revenue	\$ 513,625	\$ 0
General Purpose School	0	12,680
Nonmajor governmental funds	20,835	0
Total	<u>\$ 534,460</u>	<u>\$ 12,680</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.

**D. Long-term Obligations**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

Union county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation debt. 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 were issued for original terms of up to 17 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds outstanding as of June 30, 2013, will be retired from the General Debt Service Fund.

General obligation bonds outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
Qualified School Construction Bonds	1.515 %	9-1-26	\$ 7,160,000	\$ 5,894,143
Refunding Bond Series 2013	2.25 to 5	4-1-26	7,110,000	7,110,000

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 totaled \$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 outstanding as of June 30, 2013, including interest payments are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,446,773	\$ 368,632	\$ 1,815,405
2015	1,506,773	307,562	1,814,335
2016	1,291,773	254,562	1,546,335
2017	1,331,773	220,762	1,552,535
2018	1,361,773	194,212	1,555,985
2019-2023	4,488,825	653,806	5,142,631
2024-2027	1,576,453	341,212	1,917,665
Total	<u>\$ 13,004,143</u>	<u>\$ 2,340,748</u>	<u>\$ 15,344,891</u>

There is \$1,371,062 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$681, based on the 2010 federal census.

#### Changes in Long-term Obligations

Long-term obligation activity for the year ended June 30, 2013, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
	Balance, July 1, 2012	\$ 11,385,916	\$ 1,856,103
Additions	7,110,000	0	0
Reductions	(5,491,773)	(1,856,103)	(1,639,355)
Balance, June 30, 2013	<u>\$ 13,004,143</u>	<u>\$ 0</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 1,446,773</u>	<u>\$ 0</u>	<u>\$ 0</u>

	Other	
	Compensated Absences	Postemployment Benefits
Balance, July 1, 2012	\$ 61,161	\$ 15,315
Additions	50,611	0
Reductions	(61,161)	(15,315)
Balance, June 30, 2013	<u>\$ 50,611</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 50,611</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 13,054,754
Add: Unamortized Premium on Debt	525,985
Less: Balance Due Within One Year	<u>(1,497,384)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 12,083,355</u></u>

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

Current Refunding

During the year, Union County issued \$7,110,000 of general obligation refunding bonds to provide resources for the current refunding of various outstanding notes, bonds, and loan agreements. As a result, the refunded debt was redeemed and the liability has been removed from the governmental activities column of the statement of net position. The difference between the net carrying amount of the old debt and the reacquisition price has been netted against the new debt and amortized over the next ten years. As a result of the current refunding, total debt service payments over the next 37 years will be reduced by \$952,872, and an economic gain (difference between the present value of the debt service payments of the refunded debt and refunding bonds) of \$805,666 was obtained.

Discretely Presented Union County School Department

Changes in Long-term Obligations

Long-term obligation activity for the discretely presented Union County School Department for the year ended June 30, 2013, was as follows:

**Governmental Activities:**

	Notes	Other Postemployment Benefits
	<u>Notes</u>	<u>Benefits</u>
Balance, July 1, 2012	\$ 71,756	\$ 1,338,882
Additions	0	481,707
Reductions	(22,921)	(128,720)
Reclassification of School Debt	<u>(48,835)</u>	
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 1,691,869</u>
Balance Due Within One Year	<u><u>\$ 0</u></u>	<u><u>0</u></u>

Notes have been reclassified as a due to primary government. See Note IV.C., for further details.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 1,691,869
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 1,691,869</u></u>

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

**E. 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, 2013, future requirements for principal, interest, and administrative fees on the bonds total \$7,408,215 payable on a monthly basis through September 1, 2026. For the current year, principal, interest, and fees paid and wheel tax revenues generated totaled \$566,858 and \$445,129, respectively. Since January 2010, cumulative debt service requirements on the bonds have exceeded wheel tax revenues by \$47,817.

Component Unit Revenues Pledged for Primary Government Debt

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 until the year 2020. During the current fiscal year, the total contribution was \$500,000.

**F. 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 Medicare Supplement Plan. The plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual

Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2013, were \$13,759. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**G. Short-term Debt**

Union County issued revenue anticipation notes in advance of revenue collected and deposited the proceeds in the School Federal Projects Fund 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, 2013, was as follows:

Fund	Balance 7-1-12	Issued	Paid	Balance 6-30-13
School Federal Projects	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

The School Federal Projects Fund borrowed the funds from the General Purpose School 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. 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. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Union County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets

and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limited fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66, decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modified guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

**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**

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

Dr. James Carter served as temporary director of schools through September 23, 2012. Wayne Goforth was reinstated as director of schools on September 24, 2012, after being placed on administrative leave October 19, 2011. Mr. Goforth resigned on June 30, 2013. Dr. James Carter was appointed as director of schools on July 1, 2013.

During the year, Union County began operating under the County Financial Management System of 1981. Ann Dyer was appointed finance director effective December 1, 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 during the 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 \$12,840,623 consisting of state Basic Education Program funds attributable to students enrolled in the program. The Board of Education retained an annual oversight fee of four percent from the program revenues. The oversight fee retained during the year totaled \$513,625. K12's compensation under the agreement as amended on August 8, 2013, is equal to 96 percent of the program revenues. Total compensation payable to K12 for the year ended June 30, 2013, was \$12,326,998, which included \$87,904 used per agreement by the School Department for local program expenditures.

**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, 2013, 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**

Information for this footnote for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report;

therefore, the information presented below is for the fiscal year ended June 30, 2012.

### **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](http://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 School Department participated in the state-administered 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, and Section 8-27-701, *TCA*, for the Medicare Supplement Plan. Prior to reaching the age of 65, 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>.

### 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 Education Group Insurance plan contribute \$175 to \$200 per month depending on type of coverage. During the year ended June 30, 2013, the discretely presented School Department contributed \$128,720 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 0	\$ 406,000
Interest on the NOPEBO	0	45,256
Adjustment to the ARC	0	(48,038)
Annual OPEB cost	\$ 0	\$ 403,218
Amount of contribution	0	(128,270)
Increase/decrease in NOPEBO	\$ 0	\$ 274,948
Net OPEB obligation, 7-1-12	13,315	1,131,398
Decrease due to discontinued use of state plan	(13,315)	0
Net OPEB obligation, 6-30-13	\$ 0	\$ 1,406,346

	Local Government Medicare Supplement Plan	Education Medicare Supplement Plan
ARC	\$ 0	\$ 79,000
Interest on the NOPEBO	0	8,299
Adjustment to the ARC	0	(8,810)
Annual OPEB cost	\$ 0	\$ 78,489
Amount of contribution	0	(450)
Increase/decrease in NOPEBO	\$ 0	\$ 78,039
Net OPEB obligation, 7-1-12	2,000	207,484
Decrease due to discontinued use of state plan	(2,000)	
Net OPEB obligation, 6-30-13	\$ 0	\$ 285,523

The Union County Highway Department has obtained commercial health insurance coverage for its employees and discontinued participation in the Local Government Group Plan. Also, for primary government employees, including the Highway Department, Union County no longer pays any amounts for retirees through the Medicare Supplement Program, and retirees are not allowed to participate in the commercial health insurance plan. Therefore the liability for post-employment benefits for the primary government has been removed from the financial statements.

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 294,692	50 %	\$ 859,018
6-30-12	"	399,887	32	1,131,398
6-30-13	"	403,218	29	1,406,346
6-30-11	Education Medicare Supplement	66,154	1	130,254
6-30-12	"	77,680	1	207,484
6-30-13	"	78,489	1	285,523

Funded Status and Funding Progress

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

	Local Education Group Plan
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 3,133,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,133,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,248,334
UAAL as a % of covered payroll	26%
	Education Medicare Supplement Plan
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 800,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 800,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	N/A
UAAL as a % of covered payroll	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 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 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 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 6.25 percent for fiscal year 2013. The trend will decrease to six percent in fiscal year 2014 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 July 1, 2007.

#### **I. Office of Central Accounting, Budgeting, and Purchasing**

Union County operates under the provisions of the County Financial Management System of 1981 adopted July 9, 2012, by the County Commission. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director. The county established a Finance Department during the year and appointed a finance director on December 1, 2012.

#### **J. Purchasing Law**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by the director to serve as the county purchasing agent. Union County began transition to this system during the year with the finance director serving as the purchasing agent. With the exception of the School Department, Union County did not have a purchase order system in place for the year ended June 30, 2013, but implemented one as of July 1, 2013. Purchases of \$9,999 and greater are required to be competitively bid for all departments.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Union County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Union County School Department  
June 30, 2013

(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

Information for this exhibit for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2012.

Exhibit E-2

Union County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Discretely Presented Union County School Department  
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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

**UNION COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2013**

**A. BUDGETARY INFORMATION**

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

**B. OTHER POSTEMPLOYMENT BENEFITS**

In prior years, a liability for other postemployment benefits was reported by the primary government for Highway Department employees' pre-65 health insurance under the Local Government Group Insurance Plan. The primary government also reported other postemployment benefits liability for county contributions under a Medicare supplement program. The Highway Department has obtained commercial health insurance coverage for its employees and discontinued participation in the Local Government Group Insurance Plan. Retirees are not allowed to participate in the commercial plan. Also, the primary government has discontinued its practice of contributing to the retiree Medicare supplement program. Therefore the primary government no longer reports any liability for postemployment benefits.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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 Funds

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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.

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

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, 2013

	Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constituti- onal - Officers - Fees	Total	General Capital Projects	Community/ Development/ Industrial Park	
Cash	0 \$	2,450 \$	2,450 \$	0 \$	0 \$	2,450
Equity in Pooled Cash and Investments	18,776	0	18,776	84,342	77,001	161,343
Total Assets	18,776 \$	2,450 \$	21,226 \$	84,342 \$	77,001 \$	161,343 \$
<u>ASSETS</u>						
Cash	0 \$	2,450 \$	2,450 \$	0 \$	0 \$	2,450
Equity in Pooled Cash and Investments	18,776	0	18,776	84,342	77,001	161,343
Total Assets	18,776 \$	2,450 \$	21,226 \$	84,342 \$	77,001 \$	161,343 \$
<u>LIABILITIES</u>						
Due to Other Funds	0 \$	2,450 \$	2,450 \$	0 \$	0 \$	2,450
Total Liabilities	0 \$	2,450 \$	2,450 \$	0 \$	0 \$	2,450
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Public Safety	18,776 \$	0 \$	18,776 \$	0 \$	0 \$	18,776
Restricted for Capital Projects	0	0	0	84,342	77,001	161,343
Total Fund Balances	18,776 \$	0 \$	18,776 \$	84,342 \$	77,001 \$	161,343 \$
Total Liabilities and Fund Balances	18,776 \$	2,450 \$	21,226 \$	84,342 \$	77,001 \$	161,343 \$

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, 2013

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds	
	Drug Control	Constituti- onal - Officers - Fees		General Capital Projects	Community Development/ Industrial Park			Total
<u>Revenues</u>								
Fines, Forfeitures, and Penalties Charges for Current Services	\$ 11,479 \$	0 \$	11,479 \$	0 \$	0 \$	0 \$	11,479	
Other Local Revenues	0	5,353	5,353	0	0	0	5,353	
State of Tennessee	2,625	0	2,625	2,382	0	2,382	5,007	
Total Revenues	\$ 14,104 \$	\$ 5,353 \$	\$ 19,457 \$	\$ 3,438 \$	\$ 0 \$	\$ 3,438 \$	\$ 22,895	
<u>Expenditures</u>								
Current:								
General Government	\$ 0 \$	39 \$	39 \$	0 \$	0 \$	0 \$	39	
Finance	0	26	26	0	0	0	26	
Administration of Justice	0	5,288	5,288	0	0	0	5,288	
Public Safety	11,004	0	11,004	0	0	0	11,004	
Total Expenditures	\$ 11,004 \$	\$ 5,353 \$	\$ 16,357 \$	\$ 0 \$	\$ 0 \$	\$ 0 \$	\$ 16,357	
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,100 \$	0 \$	3,100 \$	3,438 \$	0 \$	3,438 \$	6,538	
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0 \$	0 \$	0 \$	331,837 \$	0 \$	331,837 \$	331,837	
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	331,837 \$	0 \$	331,837 \$	331,837	
Net Change in Fund Balances	\$ 3,100 \$	0 \$	3,100 \$	335,275 \$	0 \$	335,275 \$	338,375	
Prior-period Adjustments	0	0	0	(145,449)	0	(145,449)	(145,449)	
Fund Balance, July 1, 2012	15,676	0	15,676	(105,484)	77,001	(28,483)	(12,807)	
Fund Balance, June 30, 2013	\$ 18,776 \$	0 \$	18,776 \$	84,342 \$	77,001 \$	161,343 \$	180,119	

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 11,479	\$ 7,738	\$ 10,510	\$ 969
Other Local Revenues	2,625	1,930	1,930	695
Total Revenues	<u>\$ 14,104</u>	<u>\$ 9,668</u>	<u>\$ 12,440</u>	<u>\$ 1,664</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 11,004	\$ 11,376	\$ 14,148	\$ 3,144
Total Expenditures	<u>\$ 11,004</u>	<u>\$ 11,376</u>	<u>\$ 14,148</u>	<u>\$ 3,144</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,100</u>	<u>\$ (1,708)</u>	<u>\$ (1,708)</u>	<u>\$ 4,808</u>
Net Change in Fund Balance	\$ 3,100	\$ (1,708)	\$ (1,708)	\$ 4,808
Fund Balance, July 1, 2012	15,676	10,578	10,578	5,098
Fund Balance, June 30, 2013	<u><u>\$ 18,776</u></u>	<u><u>\$ 8,870</u></u>	<u><u>\$ 8,870</u></u>	<u><u>\$ 9,906</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,549,659	\$ 1,512,967	\$ 1,512,967	\$ 36,692
Other Local Revenues	90,464	34,000	34,851	55,613
Other Governments and Citizens Groups	500,000	0	555,000	(55,000)
Total Revenues	<u>\$ 2,140,123</u>	<u>\$ 1,546,967</u>	<u>\$ 2,102,818</u>	<u>\$ 37,305</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 233,989	\$ 244,000	\$ 238,019	\$ 4,030
Education	1,202,547	1,202,900	1,202,900	353
<u>Interest on Debt</u>				
General Government	32,929	32,118	32,969	40
Education	364,094	459,752	459,752	95,658
<u>Other Debt Service</u>				
General Government	141,324	21,019	141,410	86
Education	7,160	7,200	7,200	40
Total Expenditures	<u>\$ 1,982,043</u>	<u>\$ 1,966,989</u>	<u>\$ 2,082,250</u>	<u>\$ 100,207</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 158,080</u>	<u>\$ (420,022)</u>	<u>\$ 20,568</u>	<u>\$ 137,512</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 7,110,000	\$ 0	\$ 7,110,000	\$ 0
Premiums on Debt Issued	538,410	0	538,410	0
Transfers In	0	555,000	0	0
Payments to Refunded Debt Escrow Agent	(7,534,000)	0	(7,534,000)	0
Total Other Financing Sources	<u>\$ 114,410</u>	<u>\$ 555,000</u>	<u>\$ 114,410</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 272,490	\$ 134,978	\$ 134,978	\$ 137,512
Fund Balance, July 1, 2012	1,098,572	1,177,798	1,177,798	(79,226)
Fund Balance, June 30, 2013	<u>\$ 1,371,062</u>	<u>\$ 1,312,776</u>	<u>\$ 1,312,776</u>	<u>\$ 58,286</u>

# Fiduciary Funds

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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.

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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, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 488,818	\$ 488,818
Accounts Receivable	0	234	234
Due from Other Governments	88,566	0	88,566
Total Assets	<u>\$ 88,566</u>	<u>\$ 489,052</u>	<u>\$ 577,618</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 88,566	\$ 0	\$ 88,566
Due to Litigants, Heirs, and Others	0	489,052	489,052
Total Liabilities	<u>\$ 88,566</u>	<u>\$ 489,052</u>	<u>\$ 577,618</u>

Exhibit H-2

Union County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 577,350	\$ 577,350	\$ 0
Due from Other Governments	109,955	88,566	109,955	88,566
Total Assets	\$ 109,955	\$ 665,916	\$ 687,305	\$ 88,566
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 109,955	\$ 88,566	\$ 109,955	\$ 88,566
Total Liabilities	\$ 109,955	\$ 88,566	\$ 109,955	\$ 88,566
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 466,090	\$ 2,907,923	\$ 2,885,195	\$ 488,818
Accounts Receivable	110	1,470	1,346	234
Total Assets	\$ 466,200	\$ 2,909,393	\$ 2,886,541	\$ 489,052
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 466,200	\$ 2,909,393	\$ 2,886,541	\$ 489,052
Total Liabilities	\$ 466,200	\$ 2,909,393	\$ 2,886,541	\$ 489,052
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 466,090	\$ 2,907,923	\$ 2,885,195	\$ 488,818
Equity in Pooled Cash and Investments	0	577,350	577,350	0
Accounts Receivable	110	1,470	1,346	234
Due from Other Governments	109,955	88,566	109,955	88,566
Total Assets	\$ 576,155	\$ 3,575,309	\$ 3,573,846	\$ 577,618
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 109,955	\$ 88,566	\$ 109,955	\$ 88,566
Due to Litigants, Heirs, and Others	466,200	2,909,393	2,886,541	489,052
Total Liabilities	\$ 576,155	\$ 2,997,959	\$ 2,996,496	\$ 577,618

# Union County School Department

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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, three Special Revenue Funds, and one Capital Projects Fund.

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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.

Other Education Special Revenue Fund – The Other Education Special Revenue Fund accounts for revenues and expenditures of the virtual education program.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for funding for 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, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 26,806,502	\$ 0	\$ 1,718,539	\$ (25,087,963)
Support Services	9,800,072	47,682	552,085	(9,200,305)
Operation of Non-Instructional Services	1,665,155	244,894	1,295,096	(125,165)
Debt Service	503,078	0	0	(503,078)
Total Governmental Activities	<u>\$ 38,774,807</u>	<u>\$ 292,576</u>	<u>\$ 3,565,720</u>	<u>\$ (34,916,511)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$ 2,433,372	
Local Option Sales Taxes			857,983	
Other Local Taxes			1,702	
Grants and Contributions Not Restricted to Specific Programs			31,336,081	
Total General Revenues			<u>\$ 34,629,138</u>	
Change in Net Position				\$ (287,373)
Net Position, July 1, 2012				<u>19,595,321</u>
Net Position, June 30, 2013				<u>\$ 19,307,948</u>

Exhibit I-2

Union County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Union County School Department  
June 30, 2013

	Major Funds		Nonmajor	Total
	General Purpose School	Other Education Special Revenue	Other Governmental Funds	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,018,275	\$ 1,976,083	\$ 277,905	\$ 3,272,263
Accounts Receivable	254,830	0	0	254,830
Due from Other Governments	312,762	0	151,127	463,889
Due from Other Funds	0	4,502	9,135	13,637
Due from Primary Government	0	0	577	577
Property Taxes Receivable	2,615,290	0	0	2,615,290
Allowance for Uncollectible Property Taxes	(129,578)	0	0	(129,578)
<b>Total Assets</b>	<b>\$ 4,071,579</b>	<b>\$ 1,980,585</b>	<b>\$ 438,744</b>	<b>\$ 6,490,908</b>
<u>LIABILITIES</u>				
Accounts Payable	\$ 21,022	\$ 1,980,585	\$ 0	\$ 2,001,607
Payroll Deductions Payable	248	0	1,849	2,097
Cash Overdraft	0	0	85,469	85,469
Due to Other Funds	13,637	0	0	13,637
Other Current Liabilities	270,463	0	0	270,463
<b>Total Liabilities</b>	<b>\$ 305,370</b>	<b>\$ 1,980,585</b>	<b>\$ 87,318</b>	<b>\$ 2,373,273</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,354,078	\$ 0	\$ 0	\$ 2,354,078
Deferred Delinquent Property Taxes	118,990	0	0	118,990
Other Deferred/Unavailable Revenue	76,749	0	0	76,749
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,549,817</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,549,817</b>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 0	\$ 0	\$ 339,605	\$ 339,605
Restricted for Capital Projects	0	0	11,821	11,821
Unassigned	1,216,392	0	0	1,216,392
<b>Total Fund Balances</b>	<b>\$ 1,216,392</b>	<b>\$ 0</b>	<b>\$ 351,426</b>	<b>\$ 1,567,818</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,071,579</b>	<b>\$ 1,980,585</b>	<b>\$ 438,744</b>	<b>\$ 6,490,908</b>

Exhibit I-3

Union County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Position  
Discretely Presented Union County School Department  
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,567,818
(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	17,307,261	
Add: infrastructure net of accumulated depreciation	10,500	
Add: other capital assets net of accumulated depreciation	<u>368,806</u>	19,285,095
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		195,739
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: long-term payable due to primary government	\$ (48,835)	
Less: other postemployment benefits liability	<u>(1,691,869)</u>	<u>(1,740,704)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 19,307,948</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, 2013

	Major Funds		Nonmajor Funds		Total Governmental Funds
	General Purpose School	Other Education Special Revenue	Other Governmental Funds		
<u>Revenues</u>					
Local Taxes	\$ 3,327,712	\$ 0	\$ 0	\$ 0	\$ 3,327,712
Licenses and Permits	1,531	0	0	0	1,531
Charges for Current Services	47,682	0	244,894	0	292,576
Other Local Revenues	115,090	0	3,907	0	118,997
State of Tennessee	17,851,823	12,840,623	14,971	0	30,707,417
Federal Government	143,979	0	3,869,578	0	4,013,557
Other Governments and Citizens Groups	43,019	0	0	0	43,019
<b>Total Revenues</b>	<b>\$ 21,530,836</b>	<b>\$ 12,840,623</b>	<b>\$ 4,133,350</b>	<b>\$ 0</b>	<b>\$ 38,504,809</b>
<u>Expenditures</u>					
Current:					
Instruction	\$ 12,590,250	\$ 12,239,094	\$ 1,657,560	\$ 0	\$ 26,486,904
Support Services	8,070,336	87,904	962,725	0	9,120,965
Operation of Non-Instructional Services	117,464	0	1,545,150	0	1,662,614
Capital Outlay	2,500	0	0	0	2,500
Debt Service:					
Principal on Debt	22,921	0	0	0	22,921
Interest on Debt	3,078	0	0	0	3,078
Other Debt Service	500,000	0	0	0	500,000
<b>Total Expenditures</b>	<b>\$ 21,306,549</b>	<b>\$ 12,326,998</b>	<b>\$ 4,165,435</b>	<b>\$ 0</b>	<b>\$ 37,798,982</b>
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 224,287	\$ 513,625	\$ (32,085)	\$ 0	\$ 705,827
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 92,909	\$ 0	\$ 0	\$ 0	\$ 92,909
Transfers In	534,460	0	12,680	0	547,140
Transfers Out	(12,680)	(513,625)	(20,835)	0	(547,140)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 614,689</b>	<b>\$ (513,625)</b>	<b>\$ (8,155)</b>	<b>\$ 0</b>	<b>\$ 92,909</b>
Net Change in Fund Balances					
Fund Balance, July 1, 2012	\$ 377,416	\$ 0	\$ 391,666	\$ 0	\$ 769,082
<b>Fund Balance, June 30, 2013</b>	<b>\$ 1,216,392</b>	<b>\$ 0</b>	<b>\$ 351,426</b>	<b>\$ 0</b>	<b>\$ 1,567,818</b>

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, 2013

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)		\$	798,736
(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	\$	31,799	
Less: current-year depreciation expense		<u>(753,187)</u>	(721,388)
(2) 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, 2013	\$	195,739	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(230,394)</u>	(34,655)
(3) 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 position.			
Add: principal payment on loan from primary government			22,921
(4) 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>(352,987)</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>(287,373)</u></u>



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, 2013

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects Fund</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Capital</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Projects</u>	<u>Governmental</u>
					<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 244,894	\$ 244,894	\$ 0	\$ 244,894
Other Local Revenues	0	1,757	1,757	2,150	3,907
State of Tennessee	0	14,971	14,971	0	14,971
Federal Government	2,610,977	1,258,601	3,869,578	0	3,869,578
<b>Total Revenues</b>	<b>\$ 2,610,977</b>	<b>\$ 1,520,223</b>	<b>\$ 4,131,200</b>	<b>\$ 2,150</b>	<b>\$ 4,133,350</b>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,657,560	\$ 0	\$ 1,657,560	\$ 0	\$ 1,657,560
Support Services	962,725	0	962,725	0	962,725
Operation of Non-Instructional Services	0	1,545,150	1,545,150	0	1,545,150
<b>Total Expenditures</b>	<b>\$ 2,620,285</b>	<b>\$ 1,545,150</b>	<b>\$ 4,165,435</b>	<b>\$ 0</b>	<b>\$ 4,165,435</b>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (9,308)	\$ (24,927)	\$ (34,235)	\$ 2,150	\$ (32,085)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 12,680	\$ 12,680	\$ 0	\$ 12,680
Transfers Out	(20,835)	0	(20,835)	0	(20,835)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (20,835)</b>	<b>\$ 12,680</b>	<b>\$ (8,155)</b>	<b>\$ 0</b>	<b>\$ (8,155)</b>
Net Change in Fund Balances	\$ (30,143)	\$ (12,247)	\$ (42,390)	\$ 2,150	\$ (40,240)
Fund Balance, July 1, 2012	35,390	346,605	381,995	9,671	391,666
<b>Fund Balance, June 30, 2013</b>	<b>\$ 5,247</b>	<b>\$ 334,358</b>	<b>\$ 339,605</b>	<b>\$ 11,821</b>	<b>\$ 351,426</b>

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,327,712	\$ 3,494,931	\$ 3,494,931	\$ (167,219)
Licenses and Permits	1,531	1,350	1,350	181
Charges for Current Services	47,682	30,000	30,000	17,682
Other Local Revenues	115,090	82,416	95,501	19,589
State of Tennessee	17,851,823	17,988,111	17,504,715	347,108
Federal Government	143,979	88,076	165,901	(21,922)
Other Governments and Citizens Groups	43,019	0	90,929	(47,910)
Total Revenues	\$ 21,530,836	\$ 21,684,884	\$ 21,383,327	\$ 147,509
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 9,866,236	\$ 10,167,752	\$ 10,117,902	\$ 251,666
Special Education Program	1,694,369	1,824,635	1,712,135	17,766
Vocational Education Program	993,926	1,003,707	1,050,270	56,344
Adult Education Program	35,719	33,979	35,719	0
<u>Support Services</u>				
Health Services	113,553	114,312	114,717	1,164
Other Student Support	349,007	368,684	381,234	32,227
Regular Instruction Program	1,256,038	1,262,336	1,387,148	131,110
Special Education Program	608,273	513,440	625,940	17,667
Vocational Education Program	133,101	137,838	137,758	4,657
Adult Programs	94,596	94,926	96,426	1,830
Other Programs	13,759	0	13,759	0
Board of Education	455,279	425,667	463,137	7,858
Director of Schools	153,355	156,300	159,580	6,225
Office of the Principal	1,348,964	1,367,271	1,399,668	50,704
Fiscal Services	169,425	207,752	184,432	15,007
Operation of Plant	1,641,345	1,705,466	1,711,687	70,342
Maintenance of Plant	387,704	355,211	405,505	17,801
Transportation	1,223,545	1,187,855	1,223,789	244
Central and Other	122,392	128,598	128,598	6,206
<u>Operation of Non-Instructional Services</u>				
Community Services	117,464	117,490	118,230	766
<u>Capital Outlay</u>				
Regular Capital Outlay	2,500	6,500	4,500	2,000
<u>Principal on Debt</u>				
Education	22,921	21,978	22,921	0
<u>Interest on Debt</u>				
Education	3,078	4,022	3,079	1
<u>Other Debt Service</u>				
Education	500,000	500,000	500,000	0
Total Expenditures	\$ 21,306,549	\$ 21,705,719	\$ 21,998,134	\$ 691,585
Excess (Deficiency) of Revenues Over Expenditures	\$ 224,287	\$ (20,835)	\$ (614,807)	\$ 839,094

(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	
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 92,909	\$ 0	\$ 92,357	\$ 552
Transfers In	534,460	20,835	534,460	0
Transfers Out	(12,680)	0	(12,680)	0
Total Other Financing Sources	<u>\$ 614,689</u>	<u>\$ 20,835</u>	<u>\$ 614,137</u>	<u>\$ 552</u>
Net Change in Fund Balance	\$ 838,976	\$ 0	\$ (670)	\$ 839,646
Fund Balance, July 1, 2012	<u>377,416</u>	<u>1,007,800</u>	<u>1,007,800</u>	<u>(630,384)</u>
Fund Balance, June 30, 2013	<u>\$ 1,216,392</u>	<u>\$ 1,007,800</u>	<u>\$ 1,007,130</u>	<u>\$ 209,262</u>

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,610,977	\$ 2,312,208	\$ 3,450,769	\$ (839,792)
Total Revenues	<u>\$ 2,610,977</u>	<u>\$ 2,312,208</u>	<u>\$ 3,450,769</u>	<u>\$ (839,792)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,017,682	\$ 424,196	\$ 1,289,580	\$ 271,898
Special Education Program	502,064	905,992	838,046	335,982
Vocational Education Program	137,814	138,701	137,754	(60)
<u>Support Services</u>				
Other Student Support	41,439	25,433	50,350	8,911
Regular Instruction Program	587,216	383,861	743,681	156,465
Special Education Program	195,700	262,873	226,894	31,194
Transportation	138,370	171,152	143,629	5,259
Total Expenditures	<u>\$ 2,620,285</u>	<u>\$ 2,312,208</u>	<u>\$ 3,429,934</u>	<u>\$ 809,649</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,308)</u>	<u>\$ 0</u>	<u>\$ 20,835</u>	<u>\$ (30,143)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (20,835)	\$ 0	\$ (20,835)	\$ 0
Total Other Financing Sources	<u>\$ (20,835)</u>	<u>\$ 0</u>	<u>\$ (20,835)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (30,143)	\$ 0	\$ 0	\$ (30,143)
Fund Balance, July 1, 2012	<u>35,390</u>	<u>382,996</u>	<u>382,996</u>	<u>(347,606)</u>
Fund Balance, June 30, 2013	<u>\$ 5,247</u>	<u>\$ 382,996</u>	<u>\$ 382,996</u>	<u>\$ (377,749)</u>

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 244,894	\$ 417,107	\$ 417,107	\$ (172,213)
Other Local Revenues	1,757	0	0	1,757
State of Tennessee	14,971	16,473	16,473	(1,502)
Federal Government	1,258,601	1,328,044	1,352,173	(93,572)
Total Revenues	<u>\$ 1,520,223</u>	<u>\$ 1,761,624</u>	<u>\$ 1,785,753</u>	<u>\$ (265,530)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,545,150	\$ 1,761,624	\$ 1,785,753	\$ 240,603
Total Expenditures	<u>\$ 1,545,150</u>	<u>\$ 1,761,624</u>	<u>\$ 1,785,753</u>	<u>\$ 240,603</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (24,927)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (24,927)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 12,680	\$ 0	\$ 0	\$ 12,680
Total Other Financing Sources	<u>\$ 12,680</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,680</u>
Net Change in Fund Balance	\$ (12,247)	\$ 0	\$ 0	\$ (12,247)
Fund Balance, July 1, 2012	<u>346,605</u>	<u>235,332</u>	<u>235,332</u>	<u>111,273</u>
Fund Balance, June 30, 2013	<u>\$ 334,358</u>	<u>\$ 235,332</u>	<u>\$ 235,332</u>	<u>\$ 99,026</u>

Exhibit I-11

Union County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Union County School Department  
Other Education Special Revenue Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 12,840,623	\$ 14,289,178	\$ 13,004,000	\$ (163,377)
Total Revenues	\$ 12,840,623	\$ 14,289,178	\$ 13,004,000	\$ (163,377)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 12,239,094	\$ 11,281,613	\$ 12,395,514	\$ 156,420
Special Education Program	0	1,277,282	0	0
<u>Support Services</u>				
Other Student Support	0	193,715	0	0
Regular Instruction Program	0	799,567	0	0
Special Education Program	0	156,755	0	0
Office of the Principal	87,904	580,246	94,861	6,957
Total Expenditures	\$ 12,326,998	\$ 14,289,178	\$ 12,490,375	\$ 163,377
Excess (Deficiency) of Revenues Over Expenditures	\$ 513,625	\$ 0	\$ 513,625	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (513,625)	\$ 0	\$ (513,625)	\$ 0
Total Other Financing Sources	\$ (513,625)	\$ 0	\$ (513,625)	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2012	0	0	0	0
Fund Balance, June 30, 2013	\$ 0	\$ 0	\$ 0	\$ 0

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Union County, Tennessee  
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-13
<b>NOTES PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
Jail and Courthouse Renovations (\$1,187,560)	\$ 1,533,000	4.29 %	2-6-07	2-1-15	\$ 637,000	0 \$	204,000 \$	433,000 \$	0
Building and Courthouse Annex	200,000	4.29	7-2-07	7-1-15	85,400	0	19,984	65,416	0
Jail Project and Parking Lot Paving	100,100	4.29	7-2-07	7-1-15	42,753	0	10,005	32,748	0
Building, Renovations, and Equipment	1,138,000	3.84	8-20-10	8-1-22	1,065,000	0	81,374	983,626	0
Total Payable through General Debt Service Fund					\$ 1,830,153	0 \$	315,363 \$	1,514,790 \$	0
<u>Payable through Highway/Public Works Fund</u>									
Equipment and Tractor	69,000	4.25	7-27-10	7-26-13	\$ 25,950	0 \$	25,950 \$	0 \$	0
Total Payable through Highway/Public Works Fund					\$ 25,950	0 \$	25,950 \$	0 \$	0
Total Notes Payable					\$ 1,856,103	0 \$	341,313 \$	1,514,790 \$	0
<b>OTHER LOANS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
School Buildings and Facilities	4,000,000	Variable	12-1-1995	6-30-16	\$ 1,155,000	0 \$	270,000 \$	885,000 \$	0
Sewer Line Construction - ARRA Community Facilities Loans	488,000	3.75	11-10-11	11-10-49	484,355	0	4,400	479,955	0
Total Other Loans Payable					\$ 1,639,355	0 \$	274,400 \$	1,364,955 \$	0
<b>BONDS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
School Refunding Bond 2003 Series	7,710,000	2 to 3.7	6-27-03	4-1-20	\$ 5,045,000	0 \$	400,000 \$	4,645,000 \$	0
Qualified School Construction Bond	7,160,000	1.515	12-17-09	9-1-26	6,340,916	0	446,773	0	5,894,143
Refunding Series 2013	7,110,000	2.25 to 5	3-15-13	4-1-26	0	7,110,000	0	0	7,110,000
Total Bonds Payable					\$ 11,385,916	7,110,000 \$	846,773 \$	4,645,000 \$	13,004,143

Exhibit J-2

Union County, Tennessee  
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Bonds		Total
	Principal	Interest	
2014	\$ 1,446,773	\$ 368,632	\$ 1,815,405
2015	1,506,773	307,562	1,814,335
2016	1,291,773	254,562	1,546,335
2017	1,331,773	220,762	1,552,535
2018	1,361,773	194,212	1,555,985
2019	1,401,733	166,762	1,568,495
2020	1,431,773	138,111	1,569,884
2021	551,773	118,411	670,184
2022	551,773	116,311	668,084
2023	551,773	114,211	665,984
2024	496,773	111,849	608,622
2025	496,773	110,724	607,497
2026	540,752	109,599	650,351
2027	42,155	9,040	51,195
Total	\$ 13,004,143	\$ 2,340,748	\$ 15,344,891

Exhibit J-3

Union County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Union County School Department  
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Highway/Public Works	General Capital Projects	Building renovation for Finance Department	\$ 301,837
	"	Highway equipment	30,000
Total Transfers Primary Government			<u>\$ 331,837</u>
<u>DISCRETELY PRESENTED UNION COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 20,835
Other Education Special Revenue	"	Virtual academy revenue (4% per contract)	513,625
General Purpose School	Central Cafeteria	Reimbursement for unpaid lunch charges	12,680
Total Transfers Discretely Presented Union County School Department			<u>\$ 547,140</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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 67,843	\$ 50,000	State Farm Fire & Casualty Company
Director of Schools	State Board of Education and County Board of Education	90,300 (1),(2)	(3)	Next Generation Underwriters
Highway Superintendent:				
Clayton Helms (7-1-12 through 8-31-12)	Section 8-24-102, TCA	10,769	100,000	Auto Owners Insurance Company
David Cox (9-1-12 through 6-30-13)	Section 8-24-102, TCA	53,843	100,000	State Farm Fire & Casualty Company
Trustee	Section 8-24-102, TCA	58,739	766,800	State Farm Fire & Casualty Company
Assessor of Property	Section 8-24-102, TCA	58,739	15,000	Auto Owners Insurance Company
Finance Director	County Commission	41,454 (4)	50,000	State Farm Fire & Casualty Company
County Clerk	Section 8-24-102, TCA	58,739	50,000	State Farm Fire & Casualty Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	58,739	50,000	"
Clerk and Master	Section 8-24-102, TCA			
Register of Deeds	and Chancery Court Judge	58,739 (5)	50,000	Auto Owners Insurance Company
Sheriff	Section 8-24-102, TCA	58,739	25,000	State Farm Fire & Casualty Company
	Section 8-24-102, TCA	64,613 (6)	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 \$12,173.
- (2) Includes only amounts paid to Wayne Goforth as director of schools. Mr. Goforth was placed on administrative leave with pay in the prior year. Mr. Goforth returned on 9-24-12 and served through June 30, 2013, when he retired. Dr. James Carter served as interim director from 7-1-12 through 9-23-12. Dr. Carter received his regular pay as a supervisor and did not receive additional compensation for serving as interim director.
- (3) Coverage is provided through the Employee Blanket Bond - County and School Employees.
- (4) Includes \$12,637 salary as bookkeeper prior to being appointed finance director effective December 1, 2012.
- (5) Does not include special commissioner fees of \$5,198.
- (6) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Union County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2013

	Special Revenue Funds				Debt Service Fund		Capital Projects Fund	Total
	General	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,606,465	\$ 328,447	\$ 0	\$ 0	\$ 242,486	\$ 1,030,566	\$ 0	\$ 3,207,964
Trustee's Collections - Prior Year	145,359	22,209	0	0	16,151	30,283	0	214,002
Circuit/Clerk & Master Collections - Prior Years	60,693	12,921	0	0	8,945	37,437	0	119,996
Interest and Penalty	23,911	3,759	0	0	2,734	5,827	0	36,231
Pick-up Taxes	668	6,181	0	0	100	417	0	7,366
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	223,022	0	0	0	0	0	0	223,022
<u>County Local Option Taxes</u>								
Local Option Sales Tax	286,672	0	0	0	0	0	0	286,672
Hotel/Motel Tax	23,756	0	0	0	0	0	0	23,756
Wheel Tax	0	0	0	0	0	445,129	0	445,129
Litigation Tax - General	29,571	0	0	0	0	0	0	29,571
Litigation Tax - Special Purpose	27,022	0	0	0	0	0	0	27,022
Litigation Tax - Jail, Workhouse, or Courthouse	11,261	0	0	0	0	0	0	11,261
Business Tax	85,712	0	0	0	0	0	0	85,712
Mineral Severance Tax	0	0	0	0	70,107	0	0	70,107
<u>Statutory Local Taxes</u>								
Wholesale Beer Tax	102,018	0	0	0	0	0	0	102,018
Beer Privilege Tax	1,884	0	0	0	0	0	0	1,884
Interstate Telecommunications Tax	1,151	0	0	0	0	0	0	1,151
Total Local Taxes	\$ 2,633,760	\$ 373,517	\$ 0	\$ 0	\$ 340,523	\$ 1,549,659	\$ 0	\$ 4,897,459
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 39,857	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,857
<u>Permits</u>								
Beer Permits	1,425	0	0	0	0	0	0	1,425
Building Permits	18,370	0	0	0	0	0	0	18,370
Total Licenses and Permits	\$ 59,652	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,652
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 5,563	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,563
Fines for Littering	48	0	0	0	0	0	0	48
Officers Costs	239	0	0	0	0	0	0	239
Drug Control Fines	0	0	214	0	0	0	0	214

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund	Total
	General	Ambulance Service	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	General Capital Projects		
<b>Fines, Forfeitures, and Penalties (Cont.)</b>									
<u>Circuit Court (Cont.)</u>									
Data Entry Fee - Circuit Court	845	0	0	0	0	0	0	0	845
Victims Assistance Assessments	1,644	0	0	0	0	0	0	0	1,644
<u>Criminal Court</u>									
Fines	14,426	0	0	0	0	0	0	0	14,426
DUI Treatment Fines	791	0	0	0	0	0	0	0	791
Courtroom Security Fee	52	0	0	0	0	0	0	0	52
<u>General Sessions Court</u>									
Fines	21,313	0	0	0	0	0	0	0	21,313
Officers Costs	20,278	0	0	0	0	0	0	0	20,278
Game and Fish Fines	677	0	0	0	0	0	0	0	677
Drug Control Fines	0	0	3,507	0	0	0	0	0	3,507
DUI Treatment Fines	380	0	0	0	0	0	0	0	380
Data Entry Fee - General Sessions Court	10,301	0	0	0	0	0	0	0	10,301
Courtroom Security Fee	172	0	0	0	0	0	0	0	172
Victims Assistance Assessments	15,168	0	0	0	0	0	0	0	15,168
<u>Juvenile Court</u>									
Fines	551	0	0	0	0	0	0	0	551
Officers Costs	1,943	0	0	0	0	0	0	0	1,943
Jail Fees	625	0	0	0	0	0	0	0	625
Data Entry Fee - Juvenile Court	564	0	0	0	0	0	0	0	564
<u>Chancery Court</u>									
Officers Costs	2,918	0	0	0	0	0	0	0	2,918
Data Entry Fee - Chancery Court	2,698	0	0	0	0	0	0	0	2,698
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	2,772	0	0	0	0	0	2,772
Courtroom Security Fee	66	0	0	0	0	0	0	0	66
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	4,986	0	0	0	0	0	4,986
<b>Total Fines, Forfeitures, and Penalties</b>	<b>101,262</b>	<b>0</b>	<b>11,479</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112,741</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Self-Insurance Premiums/Contributions	0	0	0	0	81	0	0	0	81
Patient Charges	0	869,754	0	0	0	0	0	0	869,754
Other General Service Charges	468	0	0	0	0	0	0	0	468

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Fund	Total
	General	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees</u>								
Engineer Review Fees	\$ 1,455	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,455
Copy Fees	1,472	0	0	0	0	0	0	1,472
Library Fees	1,202	0	0	0	0	0	0	1,202
Archives and Records Management Fee - County Clerk	24,517	0	0	0	0	0	0	24,517
Greenbelt Late Application Fee	50	0	0	0	0	0	0	50
Telephone Commissions	25,268	0	0	0	0	0	0	25,268
Constitutional Officers' Fees and Commissions	0	0	0	155	0	0	0	155
Special Commissioner Fees/Special Master Fees	0	0	0	5,198	0	0	0	5,198
Data Processing Fee - Register	8,519	0	0	0	0	0	0	8,519
Data Processing Fee - Sheriff	2,871	0	0	0	0	0	0	2,871
Sexual Offender Registration Fees - Sheriff	2,766	0	0	0	0	0	0	2,766
Data Processing Fee - County Clerk	1,220	0	0	0	0	0	0	1,220
<u>Education Charges</u>								
Tuition - Other	10,140	0	0	0	0	0	0	10,140
<u>Other Charges for Services</u>								
Other Charges for Services	143,656	0	0	0	0	0	0	143,656
Total Charges for Current Services	\$ 223,604	\$ 869,754	\$ 0	\$ 5,353	\$ 81	\$ 0	\$ 0	\$ 1,098,792
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 87,819	\$ 0	\$ 87,819
Lease/Rentals	24,385	0	0	0	0	0	0	24,385
Sale of Materials and Supplies	0	0	0	0	387	0	0	387
Sale of Gasoline	0	0	0	0	27,532	0	0	27,532
Sale of Recycled Materials	0	0	0	0	9,543	0	0	9,543
Miscellaneous Refunds	3,282	0	0	0	445	2,645	2,382	8,754
<u>Nonrecurring Items</u>								
Sale of Equipment	0	18,759	0	0	0	0	0	18,759
Sale of Property	27,728	0	0	0	0	0	0	27,728
Damages Recovered from Individuals	1,608	0	0	0	0	0	0	1,608
Contributions and Gifts	27,431	0	0	0	0	0	0	27,431
<u>Other Local Revenues</u>								
Other Local Revenues	570	0	2,625	0	0	0	0	3,195
Total Other Local Revenues	\$ 85,004	\$ 18,759	\$ 2,625	\$ 0	\$ 37,907	\$ 90,464	\$ 2,382	\$ 237,141

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Ambulance Service	Drug Control	Constitutional Officers - Fees		Highway / Public Works	General Debt Service	General Capital Projects		
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 153,076	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 153,076
Circuit Court Clerk	47,667	0	0	0	0	0	0	0	0	47,667
General Sessions Court Clerk	101,499	0	0	0	0	0	0	0	0	101,499
Clerk and Master	67,621	0	0	0	0	0	0	0	0	67,621
Register	79,259	0	0	0	0	0	0	0	0	79,259
Sheriff	7,846	0	0	0	0	0	0	0	0	7,846
Trustee	223,340	0	0	0	0	0	0	0	0	223,340
<b>Total Fees Received from County Officials</b>	<b>\$ 680,308</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 680,308</b>
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 13,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,500
Aging Programs	6,864	0	0	0	0	0	0	0	0	6,864
Other General Government Grants	7,859	0	0	0	0	0	0	0	0	7,859
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	12,000	0	0	0	0	0	0	0	0	12,000
Health and Welfare Grants	84,850	0	0	0	0	0	0	0	0	84,850
<u>Public Health Nurses</u>										
Public Works Grants	0	0	0	0	121,271	0	0	0	0	121,271
State Aid Program	35,315	0	0	0	0	0	0	0	0	35,315
Litter Program										
<u>Other State Revenues</u>										
Income Tax	15,351	0	0	0	0	0	0	0	0	15,351
Beer Tax	18,586	0	0	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	31,623	0	0	0	0	0	0	0	0	31,623
Mixed Drink Tax	11,324	0	0	0	0	0	0	0	0	11,324
State Revenue Sharing - T.V.A.	847,168	0	0	0	0	0	0	0	0	847,168
Contracted Prisoner Boarding	486,824	0	0	0	0	0	0	0	0	486,824
Gasoline and Motor Fuel Tax	0	0	0	0	1,349,794	0	0	0	0	1,349,794
Petroleum Special Tax	0	0	0	0	11,490	0	0	0	0	11,490
Registrar's Salary Supplement	11,373	0	0	0	0	0	0	0	0	11,373
Other State Grants	0	0	0	0	62,262	0	0	1,056	0	63,318
Other State Revenues	2,861	0	0	0	0	0	0	0	0	2,861
<b>Total State of Tennessee</b>	<b>\$ 1,585,498</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,544,817</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,056</b>	<b>\$ 0</b>	<b>\$ 3,131,371</b>

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Fund		Total
	General	Ambulance Service	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	General Capital Projects		
<b>Federal Government</b>									
<u>Federal Through State</u>									
Community Development	\$ 35,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,123	
Disaster Relief	0	0	0	0	352,817	0	0	352,817	
Homeland Security Grants	4,894	0	0	0	0	0	0	4,894	
Other Federal through State	22,886	0	0	0	0	0	0	22,886	
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	0	0	0	0	80,212	0	0	80,212	
Total Federal Government	\$ 62,903	\$ 0	\$ 0	\$ 0	\$ 433,029	\$ 0	\$ 0	\$ 495,932	
<b>Other Governments and Citizens Groups</b>									
<u>Other Governments</u>									
Contributions	0	0	0	0	0	500,000	0	500,000	
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 0	\$ 500,000	
Total	\$ 5,431,991	\$ 1,262,030	\$ 14,104	\$ 5,353	\$ 2,356,357	\$ 2,140,123	\$ 3,438	\$ 11,213,396	

Exhibit J-6

Union County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Union County School Department  
 For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds				Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Special Revenue	Other Capital Projects		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,212,679	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,212,679
Trustee's Collections - Prior Year	147,378	0	0	0	0	0	147,378
Circuit/Clerk & Master Collections - Prior Years	81,097	0	0	0	0	0	81,097
Interest and Penalty	24,952	0	0	0	0	0	24,952
Pick-up Taxes	911	0	0	0	0	0	911
<u>County Local Option Taxes</u>							
Local Option Sales Tax	858,993	0	0	0	0	0	858,993
Statutory Local Taxes	1,702	0	0	0	0	0	1,702
Interstate Telecommunications Tax	3,327,712	0	0	0	0	0	3,327,712
Total Local Taxes	\$ 3,327,712	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,327,712
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 1,159	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,159
Permits	372	0	0	0	0	0	372
Total Licenses and Permits	\$ 1,531	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,531
<u>Charges for Current Services</u>							
<u>Education Charges</u>							
Lunch Payments - Children	\$ 0	\$ 0	\$ 166,129	\$ 0	\$ 0	\$ 0	\$ 166,129
Lunch Payments - Adults	0	0	20,220	0	0	0	20,220
Income from Breakfast	0	0	14,771	0	0	0	14,771
A la carte Sales	0	0	43,774	0	0	0	43,774
Receipts from Individual Schools	45,345	0	0	0	0	0	45,345
Community Service Fees - Children	1,903	0	0	0	0	0	1,903
Other Charges for Services	434	0	0	0	0	0	434
Total Charges for Current Services	\$ 47,682	\$ 0	\$ 244,894	\$ 0	\$ 0	\$ 0	\$ 292,576
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 577	\$ 0	\$ 0	\$ 0	\$ 577
Refund of Telecommunication & Internet Fees (E-Rate)	83,011	0	0	0	0	0	83,011
Miscellaneous Refunds	20,829	0	1,180	0	0	2,150	24,159

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Capital Projects Fund	
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Contributions and Gifts	\$ 11,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,250
Total Other Local Revenues	\$ 115,090	\$ 0	\$ 1,757	\$ 0	\$ 2,150	\$ 118,997
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 13,759	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,759
<u>State Education Funds</u>						
Basic Education Program	16,940,470	0	0	12,840,623	0	29,781,093
School Food Service	0	0	14,971	0	0	14,971
Other State Education Funds	121,589	0	0	0	0	121,589
Career Ladder Program	104,703	0	0	0	0	104,703
Career Ladder - Extended Contract	20,000	0	0	0	0	20,000
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	211,792	0	0	0	0	211,792
Other State Grants	439,510	0	0	0	0	439,510
Total State of Tennessee	\$ 17,851,823	\$ 0	\$ 14,971	\$ 12,840,623	\$ 0	\$ 30,707,417
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 851,861	\$ 0	\$ 0	\$ 851,861
USDA - Commodities	0	0	24,129	0	0	24,129
Breakfast	0	0	377,288	0	0	377,288
USDA - Other	0	0	5,323	0	0	5,323
Adult Education State Grant Program	46,029	0	0	0	0	46,029
Vocational Education - Basic Grants to States	0	158,201	0	0	0	158,201
Title I Grants to Local Education Agencies	0	1,205,965	0	0	0	1,205,965
Special Education - Grants to States	0	823,633	0	0	0	823,633
Special Education Preschool Grants	0	18,528	0	0	0	18,528
English Language Acquisition Grants	0	1,149	0	0	0	1,149
Rural Education	0	52,616	0	0	0	52,616
Eisenhower Professional Development State Grants	0	155,423	0	0	0	155,423
Race to the Top - ARRA	0	195,462	0	0	0	195,462
Other Federal through State	97,950	0	0	0	0	97,950
Total Federal Government	\$ 143,979	\$ 2,610,377	\$ 1,258,601	\$ 0	\$ 0	\$ 4,013,557

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds				Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Special Revenue	Other Capital Projects		
Other Governments and Citizens Groups							
<u>Other Governments</u>							
Contributions	\$ 24,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,196	
Contracted Services	18,823	0	0	0	0	18,823	
Total Other Governments and Citizens Groups	\$ 43,019	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,019	
Total	\$ 21,530,836	\$ 2,610,977	\$ 1,520,223	\$ 12,840,623	\$ 2,150	\$ 38,504,809	

Exhibit J-7

Union County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 52,783	
Social Security	4,032	
Audit Services	5,733	
Total County Commission		\$ 62,548

Board of Equalization

Board and Committee Members Fees	\$ 780	
Total Board of Equalization		780

Beer Board

Board and Committee Members Fees	\$ 1,150	
Social Security	88	
Unemployment Compensation	14	
Total Beer Board		1,252

County Mayor/Executive

County Official/Administrative Officer	\$ 67,843	
Accountants/Bookkeepers	12,637	
Secretary(ies)	28,000	
Part-time Personnel	3,462	
Social Security	8,517	
State Retirement	7,171	
Medical Insurance	1,238	
Unemployment Compensation	146	
Communication	3,405	
Data Processing Services	10,007	
Dues and Memberships	30	
Legal Notices, Recording, and Court Costs	846	
Maintenance and Repair Services - Equipment	915	
Printing, Stationery, and Forms	846	
Travel	42	
Other Contracted Services	2,653	
Food Supplies	130	
Office Supplies	7,429	
Premiums on Corporate Surety Bonds	149	
Office Equipment	2,754	
Total County Mayor/Executive		158,220

County Attorney

County Official/Administrative Officer	\$ 11,163	
Legal Services	2,000	
Total County Attorney		13,163

Election Commission

County Official/Administrative Officer	\$ 52,865	
Deputy(ies)	20,715	
Election Commission	3,700	
Election Workers	36,601	
Social Security	5,680	
State Retirement	4,775	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Medical Insurance	\$ 5,530	
Unemployment Compensation	126	
Communication	1,162	
Data Processing Services	23,977	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	3,624	
Maintenance and Repair Services - Equipment	787	
Postal Charges	4,013	
Printing, Stationery, and Forms	2,236	
Travel	5,460	
Other Contracted Services	412	
Office Supplies	1,401	
Other Charges	500	
Office Equipment	1,100	
Total Election Commission		\$ 174,839

Register of Deeds

County Official/Administrative Officer	\$ 58,739	
Clerical Personnel	52,833	
Social Security	8,371	
State Retirement	7,241	
Medical Insurance	2,392	
Unemployment Compensation	252	
Communication	1,665	
Data Processing Services	7,704	
Dues and Memberships	432	
Maintenance and Repair Services - Office Equipment	660	
Office Supplies	4,458	
Office Equipment	4,892	
Total Register of Deeds		149,639

Development

Board and Committee Members Fees	\$ 4,800	
Social Security	367	
Unemployment Compensation	39	
Consultants	4,800	
Furniture and Fixtures	3,933	
Total Development		13,939

County Buildings

Maintenance Personnel	\$ 38,633	
Part-time Personnel	12,291	
Social Security	4,065	
State Retirement	2,507	
Medical Insurance	22	
Unemployment Compensation	327	
Janitorial Services	20,253	
Maintenance Agreements	6,089	
Maintenance and Repair Services - Buildings	41,878	
Maintenance and Repair Services - Vehicles	408	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Pest Control	\$ 336	
Custodial Supplies	6,368	
Electricity	55,519	
Gasoline	395	
Propane Gas	14,396	
Water and Sewer	24,549	
Building and Contents Insurance	99,231	
Building Improvements	<u>1,970</u>	
Total County Buildings		\$ 329,237

Other General Administration

Communication	\$ 1,744	
Dues and Memberships	2,798	
Legal Notices, Recording, and Court Costs	1,956	
Maintenance and Repair Services - Office Equipment	2,060	
Postal Charges	26,179	
Gasoline	<u>3,635</u>	
Total Other General Administration		38,372

Finance

Accounting and Budgeting

Supervisor/Director	\$ 28,817	
Accountants/Bookkeepers	30,211	
Social Security	4,434	
State Retirement	3,831	
Medical Insurance	2,277	
Unemployment Compensation	533	
Communication	1,536	
Data Processing Services	10,189	
Postal Charges	2,880	
Office Equipment	<u>3,000</u>	
Total Accounting and Budgeting		87,708

Property Assessor's Office

County Official/Administrative Officer	\$ 58,739	
Clerical Personnel	30,991	
Social Security	6,818	
State Retirement	5,359	
Medical Insurance	43	
Unemployment Compensation	252	
Communication	1,141	
Legal Notices, Recording, and Court Costs	112	
Printing, Stationery, and Forms	74	
Travel	2,088	
Office Supplies	1,130	
Premiums on Corporate Surety Bonds	528	
Office Equipment	<u>1,533</u>	
Total Property Assessor's Office		108,808

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Clerical Personnel	\$ 26,273	
Other Salaries and Wages	22,108	
Social Security	3,607	
State Retirement	3,140	
Medical Insurance	3,174	
Unemployment Compensation	252	
Contracts with Other Public Agencies	14,435	
Travel	146	
Total Reappraisal Program		\$ 73,135

County Trustee's Office

County Official/Administrative Officer	\$ 58,739	
Clerical Personnel	82,600	
Social Security	10,010	
State Retirement	9,142	
Medical Insurance	13,757	
Unemployment Compensation	479	
Communication	1,159	
Data Processing Services	6,178	
Dues and Memberships	407	
Legal Notices, Recording, and Court Costs	1,380	
Maintenance and Repair Services - Office Equipment	700	
Printing, Stationery, and Forms	6,720	
Travel	203	
Office Supplies	3,793	
Office Equipment	1,738	
Total County Trustee's Office		197,005

County Clerk's Office

County Official/Administrative Officer	\$ 58,739	
Clerical Personnel	153,321	
Social Security	15,241	
State Retirement	13,476	
Medical Insurance	17,272	
Unemployment Compensation	806	
Communication	2,627	
Data Processing Services	7,801	
Dues and Memberships	2,385	
Janitorial Services	2,100	
Maintenance and Repair Services - Buildings	9	
Maintenance and Repair Services - Office Equipment	3,402	
Pest Control	468	
Postal Charges	6,418	
Travel	1,058	
Maintenance and Repair Services - Records	8,918	
Electricity	5,248	
Office Supplies	1,388	
Water and Sewer	483	
Total County Clerk's Office		301,160

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Other Finance

Trustee's Commission	\$ 63,662	
Total Other Finance		\$ 63,662

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 58,739	
Clerical Personnel	95,832	
Jury and Witness Expense	5,273	
Social Security	11,720	
State Retirement	9,316	
Medical Insurance	3,250	
Unemployment Compensation	485	
Communication	1,567	
Data Processing Services	11,157	
Dues and Memberships	467	
Legal Notices, Recording, and Court Costs	35	
Travel	809	
Library Books/Media	7,816	
Office Supplies	8,442	
Office Equipment	7,509	
Total Circuit Court		222,417

General Sessions Court

Judge(s)	\$ 93,852	
Other Salaries and Wages	24,000	
Social Security	8,910	
State Retirement	7,649	
Medical Insurance	3,174	
Unemployment Compensation	126	
Travel	2,419	
Office Supplies	292	
Total General Sessions Court		140,422

Chancery Court

County Official/Administrative Officer	\$ 58,739	
Clerical Personnel	41,422	
Social Security	7,474	
State Retirement	5,832	
Medical Insurance	6,344	
Unemployment Compensation	252	
Communication	1,158	
Dues and Memberships	407	
Maintenance and Repair Services - Office Equipment	10,679	
Office Supplies	2,411	
Office Equipment	474	
Total Chancery Court		135,192

Victims Assistance Programs

Contributions	\$ 15,484	
Total Victims Assistance Programs		15,484

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 64,613	
Deputy(ies)	426,825	
Investigator(s)	137,299	
Teachers	6,325	
Salary Supplements	13,800	
Secretary(ies)	29,188	
Social Security	50,715	
State Retirement	38,982	
Medical Insurance	33,378	
Unemployment Compensation	2,716	
Communication	17,286	
Contributions	1,000	
Data Processing Services	5,966	
Dues and Memberships	1,500	
Janitorial Services	780	
Maintenance and Repair Services - Buildings	461	
Maintenance and Repair Services - Equipment	2,071	
Maintenance and Repair Services - Office Equipment	1,950	
Maintenance and Repair Services - Vehicles	22,280	
Pest Control	540	
Transportation - Other than Students	150	
Travel	3,320	
Tuition	1,745	
Electricity	11,890	
Food Supplies	886	
Gasoline	129,028	
Law Enforcement Supplies	6,525	
Office Supplies	6,055	
Tires and Tubes	10,022	
Uniforms	5,879	
Vehicle Parts	25,497	
Water and Sewer	1,258	
Criminal Investigation of Applicants - TBI	1,014	
Motor Vehicles	63,526	
Office Equipment	749	
Total Sheriff's Department		\$ 1,125,219

Special Patrols

Deputy(ies)	\$ 105,975	
Social Security	7,898	
State Retirement	6,920	
Medical Insurance	4,958	
Unemployment Compensation	504	
Uniforms	186	
Total Special Patrols		126,441

Jail

Supervisor/Director	\$ 34,907
Medical Personnel	6,856
Guards	335,586

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Secretary(ies)	\$ 29,171	
Cafeteria Personnel	45,450	
Social Security	32,998	
State Retirement	24,626	
Medical Insurance	37,376	
Unemployment Compensation	2,492	
Communication	1,233	
Evaluation and Testing	1,225	
Maintenance and Repair Services - Buildings	15,231	
Maintenance and Repair Services - Office Equipment	1,409	
Medical and Dental Services	143,369	
Pest Control	336	
Other Contracted Services	45,000	
Custodial Supplies	19,167	
Drugs and Medical Supplies	34,578	
Food Preparation Supplies	34	
Food Supplies	139,156	
Office Supplies	11,227	
Prisoners Clothing	2,528	
Uniforms	1,890	
Food Service Equipment	979	
Office Equipment	5,547	
Total Jail		\$ 972,371

Juvenile Services

Youth Service Officer(s)	\$ 18,577	
Psychological Personnel	36,831	
Social Security	3,760	
State Retirement	3,596	
Medical Insurance	7,992	
Unemployment Compensation	314	
Communication	2,044	
Contracts with Private Agencies	960	
Travel	419	
Office Supplies	4,819	
Office Equipment	1,559	
Total Juvenile Services		80,871

Fire Prevention and Control

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

Rescue Squad

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

Other Emergency Management

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

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

Public Health and Welfare

Local Health Center

Communication	\$ 3,202	
Contracts with Private Agencies	50	
Dues and Memberships	200	
Janitorial Services	6,900	
Maintenance and Repair Services - Buildings	2,583	
Pest Control	336	
Postal Charges	2,434	
Electricity	10,364	
Food Supplies	353	
Office Supplies	3,458	
Water and Sewer	1,241	
Office Equipment	104	
Total Local Health Center		31,225

Other Local Health Services

Medical Personnel	\$ 69,688	
Social Security	5,228	
State Retirement	4,087	
Medical Insurance	3,143	
Unemployment Compensation	339	
Travel	1,504	
Total Other Local Health Services		83,989

Appropriation to State

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

Sanitation Management

Contracts with Private Agencies	\$ 7,747	
Total Sanitation Management		7,747

Convenience Centers

Laborers	\$ 64,375	
Social Security	4,925	
Unemployment Compensation	682	
Disposal Fees	12,123	
Total Convenience Centers		82,105

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 46,611	
Part-time Personnel	9,430	
Social Security	4,219	
State Retirement	3,025	
Medical Insurance	3,012	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Unemployment Compensation	\$ 384	
Communication	1,273	
Contributions	8,000	
Maintenance and Repair Services - Buildings	1,201	
Maintenance and Repair Services - Equipment	570	
Maintenance and Repair Services - Office Equipment	445	
Maintenance and Repair Services - Vehicles	644	
Pest Control	378	
Rentals	2,200	
Travel	803	
Custodial Supplies	894	
Electricity	11,065	
Gasoline	3,286	
Office Supplies	264	
Water and Sewer	1,529	
Total Senior Citizens Assistance		\$ 99,233

Libraries

Librarians	\$ 52,000	
Other Salaries and Wages	53,759	
Social Security	7,930	
State Retirement	4,367	
Medical Insurance	3,183	
Unemployment Compensation	889	
Communication	1,677	
Contracts with Public Carriers	570	
Maintenance and Repair Services - Buildings	4,961	
Pest Control	378	
Travel	1,200	
Custodial Supplies	1,070	
Office Supplies	6,187	
Other Charges	13,657	
Office Equipment	3,855	
Total Libraries		155,683

Parks and Fair Boards

Contracts with Private Agencies	\$ 300	
Contributions	250	
Maintenance and Repair Services - Buildings	6,261	
Maintenance and Repair Services - Equipment	619	
Maintenance and Repair Services - Vehicles	1,416	
Rentals	212	
Electricity	1,426	
Explosives and Drilling Supplies	1,000	
Food Supplies	289	
Gasoline	469	
General Construction Materials	1,320	
Communication Equipment	5,545	
Motor Vehicles	2,500	
Total Parks and Fair Boards		21,607

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Part-time Personnel	\$ 2,635	
Social Security	202	
Unemployment Compensation	35	
Contracts with Government Agencies	24,877	
Contracts with Private Agencies	675	
Data Processing Services	1,736	
Operating Lease Payments	7,200	
Travel	839	
Electricity	3,847	
Office Supplies	2,231	
Water and Sewer	480	
Total Agriculture Extension Service		\$ 44,757

Forest Service

Contributions	\$ 500	
Total Forest Service		500

Soil Conservation

Secretary(ies)	\$ 29,771	
Social Security	2,219	
State Retirement	1,932	
Medical Insurance	3,024	
Unemployment Compensation	126	
Data Processing Services	1,716	
Dues and Memberships	685	
Rentals	3,000	
Travel	29	
Electricity	2,191	
Instructional Supplies and Materials	2,076	
Office Supplies	369	
Water and Sewer	478	
Total Soil Conservation		47,616

Other Operations

Other Economic and Community Development

Other Capital Outlay	\$ 35,123	
Total Other Economic and Community Development		35,123

Veterans' Services

Supervisor/Director	\$ 13,471	
Social Security	1,031	
Unemployment Compensation	117	
Communication	1,649	
Contracts with Private Agencies	399	
Travel	598	
Office Supplies	45	
Total Veterans' Services		17,310

Other Charges

Contributions	\$ 75,442	
Total Other Charges		75,442

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Workers' Compensation Insurance	\$ 32,163	
Total Employee Benefits		\$ 32,163

Payments to Cities

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

Miscellaneous

State Aid Projects	\$ 4,596	
Total Miscellaneous		4,596

Highways

Litter and Trash Collection

Deputy(ies)	\$ 24,750	
Part-time Personnel	3,500	
Social Security	1,910	
State Retirement	1,834	
Medical Insurance	4,428	
Unemployment Compensation	126	
Communication	238	
Dues and Memberships	100	
Maintenance and Repair Services - Vehicles	3,015	
Travel	49	
Gasoline	4,934	
Instructional Supplies and Materials	3,703	
Office Supplies	95	
Uniforms	348	
Total Litter and Trash Collection		49,030

Capital Projects

Public Health and Welfare Projects

Other Construction	\$ 25,000	
Total Public Health and Welfare Projects		25,000

Total General Fund		\$ 5,720,510
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Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 47,953	
Clerical Personnel	31,000	
Attendants	736,491	
In-Service Training	3,500	
Social Security	60,762	
State Retirement	38,817	
Medical Insurance	31,748	
Unemployment Compensation	2,168	
Communication	11,253	
Contracts with Private Agencies	1,309	
Data Processing Services	11,968	

(Continued)

Exhibit J-7

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.)

Dues and Memberships	\$ 620	
Licenses	2,000	
Maintenance and Repair Services - Buildings	2,713	
Maintenance and Repair Services - Equipment	1,057	
Maintenance and Repair Services - Vehicles	60,401	
Medical and Dental Services	165	
Postal Charges	1,850	
Printing, Stationery, and Forms	1,071	
Travel	3,470	
Remittance of Revenue Collected	714	
Disposal Fees	2,049	
Other Contracted Services	8,400	
Custodial Supplies	2,320	
Data Processing Supplies	1,003	
Diesel Fuel	71,621	
Drugs and Medical Supplies	41,850	
Electricity	11,508	
Natural Gas	3,007	
Office Supplies	1,386	
Tires and Tubes	6,467	
Uniforms	5,462	
Water and Sewer	1,868	
Other Supplies and Materials	9,346	
Building and Contents Insurance	2,057	
Liability Insurance	4,719	
Trustee's Commission	16,407	
Vehicle and Equipment Insurance	5,131	
Workers' Compensation Insurance	38,998	
Interest on Notes	1,500	
Communication Equipment	176	
Furniture and Fixtures	652	
Total Ambulance/Emergency Medical Services		<u>\$ 1,286,957</u>

Total Ambulance Service Fund \$ 1,286,957

Drug Control Fund

Public Safety

Drug Enforcement

Data Processing Services	\$ 510	
Maintenance and Repair Services - Vehicles	750	
Travel	1,264	
Veterinary Services	480	
Animal Food and Supplies	674	
Food Supplies	164	
Law Enforcement Supplies	7,020	
Trustee's Commission	142	
Total Drug Enforcement		<u>\$ 11,004</u>

Total Drug Control Fund 11,004

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 39	
Total Register of Deeds		\$ 39

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 26	
Total County Clerk's Office		26

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 5,198	
Constitutional Officers' Operating Expenses	90	
Total Chancery Court		<u>5,288</u>

Total Constitutional Officers - Fees Fund		\$ 5,353
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,612	
Assistant(s)	27,288	
Accountants/Bookkeepers	4,900	
Secretary(ies)	38,669	
Board and Committee Members Fees	16,600	
Social Security	11,583	
State Retirement	8,717	
Medical Insurance	29,180	
Advertising	1,365	
Dues and Memberships	150	
Maintenance and Repair Services - Buildings	4,429	
Office Supplies	3,218	
Total Administration		\$ 210,711

Highway and Bridge Maintenance

Foremen	\$ 52,291	
Equipment Operators - Heavy	52,668	
Equipment Operators - Light	142,012	
Truck Drivers	66,388	
Laborers	89,788	
Social Security	28,237	
State Retirement	21,276	
Medical Insurance	113,387	
Other Contracted Services	136,140	
Asphalt - Cold Mix	100,152	
Asphalt - Hot Mix	282,124	
Crushed Stone	45,774	
Other Road Supplies	2,290	
Pipe - Metal	12,410	
Road Signs	5,667	
Other Supplies and Materials	729	
Total Highway and Bridge Maintenance		1,151,333

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$ 55,120	
Social Security	4,208	
State Retirement	3,521	
Medical Insurance	27,106	
Maintenance and Repair Services - Vehicles	199	
Diesel Fuel	68,213	
Equipment Parts - Heavy	17,303	
Equipment Parts - Light	12,855	
Garage Supplies	6,204	
Gasoline	45,065	
Lubricants	2,666	
Small Tools	198	
Tires and Tubes	5,330	
Other Supplies and Materials	232	
Total Operation and Maintenance of Equipment		\$ 248,220

Ferry Operations

Equipment Operators - Heavy	\$ 48,862	
Social Security	3,777	
State Retirement	3,094	
Medical Insurance	18,584	
Total Ferry Operations		74,317

Other Charges

Unemployment Compensation	\$ 14,101	
Communication	2,374	
Electricity	3,619	
Fuel Oil	3,543	
Water and Sewer	732	
Premiums on Corporate Surety Bonds	1,056	
Trustee's Commission	19,858	
Vehicle and Equipment Insurance	21,601	
Workers' Compensation Insurance	32,531	
Other Construction	415,079	
Total Other Charges		514,494

Capital Outlay

Highway Equipment	\$ 48,800	
Office Equipment	28	
Total Capital Outlay		48,828

Principal on Debt

<u>Highways and Streets</u>		
Principal on Notes	\$ 25,950	
Total Highways and Streets		25,950

Interest on Debt

<u>Highways and Streets</u>		
Interest on Notes	\$ 635	
Total Highways and Streets		635

Total Highway/Public Works Fund \$ 2,274,488

(Continued)

Exhibit J-7

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	<u>\$ 233,989</u>	
Total General Government		\$ 233,989

Education

Principal on Bonds	\$ 846,773	
Principal on Notes	81,374	
Principal on Other Loans	<u>274,400</u>	
Total Education		1,202,547

Interest on Debt

General Government

Interest on Notes	<u>\$ 32,929</u>	
Total General Government		32,929

Education

Interest on Bonds	\$ 281,034	
Interest on Notes	47,293	
Interest on Other Loans	30,079	
Other Debt Service	<u>5,688</u>	
Total Education		364,094

Other Debt Service

General Government

Trustee's Commission	\$ 26,914	
Underwriter's Discount	31,741	
Other Debt Issuance Charges	<u>82,669</u>	
Total General Government		141,324

Education

Other Debt Service	<u>\$ 7,160</u>	
Total Education		<u>7,160</u>

Total General Debt Service Fund		<u>\$ 1,982,043</u>
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Total Governmental Funds - Primary Government		<u>\$ 11,280,355</u>
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Exhibit J-8

Union County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Union County School Department  
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,090,409	
Career Ladder Program	67,500	
Career Ladder Extended Contracts	24,092	
Homebound Teachers	14,985	
Clerical Personnel	16,627	
Educational Assistants	209,055	
Other Salaries and Wages	27,857	
Certified Substitute Teachers	50,900	
Non-certified Substitute Teachers	110,442	
Social Security	452,310	
State Retirement	652,125	
Life Insurance	3,519	
Medical Insurance	881,809	
Unemployment Compensation	15,778	
Employer Medicare	105,649	
Instructional Supplies and Materials	50,575	
Textbooks	89,954	
Other Supplies and Materials	2,400	
Other Charges	250	
Total Regular Instruction Program		\$ 9,866,236

Special Education Program

Teachers	\$ 1,028,915	
Career Ladder Program	8,000	
Homebound Teachers	5,145	
Educational Assistants	218,353	
Other Salaries and Wages	8,669	
Certified Substitute Teachers	1,985	
Non-certified Substitute Teachers	15,258	
Social Security	75,356	
State Retirement	102,319	
Life Insurance	597	
Medical Insurance	129,864	
Unemployment Compensation	3,213	
Employer Medicare	17,975	
Maintenance and Repair Services - Equipment	2,409	
Instructional Supplies and Materials	10,735	
Other Supplies and Materials	30,324	
Special Education Equipment	35,252	
Total Special Education Program		1,694,369

Vocational Education Program

Teachers	\$ 677,249	
Career Ladder Program	1,500	
Certified Substitute Teachers	1,019	
Non-certified Substitute Teachers	13,693	
Social Security	40,225	
State Retirement	60,277	
Life Insurance	312	

(Continued)

Exhibit J-8

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 (Cont.)

Medical Insurance	\$ 107,380	
Unemployment Compensation	1,399	
Employer Medicare	9,420	
Maintenance and Repair Services - Equipment	2,500	
Other Contracted Services	6,598	
Instructional Supplies and Materials	49,236	
Textbooks	4,942	
Other Supplies and Materials	11,851	
Vocational Instruction Equipment	6,325	
Total Vocational Education Program		\$ 993,926

Adult Education Program

Teachers	\$ 2,457	
Other Salaries and Wages	27,719	
Social Security	1,871	
State Retirement	1,862	
Unemployment Compensation	72	
Employer Medicare	438	
Instructional Supplies and Materials	1,300	
Total Adult Education Program		35,719

Support Services

Health Services

Medical Personnel	\$ 81,799	
Social Security	4,498	
State Retirement	7,264	
Life Insurance	41	
Medical Insurance	13,970	
Unemployment Compensation	144	
Employer Medicare	1,052	
Travel	2,902	
Other Supplies and Materials	1,883	
Total Health Services		113,553

Other Student Support

Guidance Personnel	\$ 255,924	
Social Security	15,430	
State Retirement	22,726	
Life Insurance	143	
Medical Insurance	36,742	
Unemployment Compensation	572	
Employer Medicare	3,609	
Evaluation and Testing	13,562	
Travel	299	
Total Other Student Support		349,007

Regular Instruction Program

Supervisor/Director	\$ 209,567
Career Ladder Program	3,975

(Continued)

Exhibit J-8

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.)

Regular Instruction Program (Cont.)

Librarians	\$ 113,971	
Pupil Personnel	366	
Educational Incentive - Other County Employees	1,853	
Other Salaries and Wages	262,057	
Social Security	34,497	
State Retirement	45,063	
Life Insurance	136	
Medical Insurance	37,780	
Unemployment Compensation	946	
Employer Medicare	9,189	
Communication	2,018	
Maintenance and Repair Services - Equipment	33,909	
Postal Charges	239	
Printing, Stationery, and Forms	1,817	
Travel	43,495	
Other Contracted Services	216,564	
Library Books/Media	554	
Other Supplies and Materials	164,676	
In Service/Staff Development	9,687	
Other Charges	12,669	
Data Processing Equipment	7,635	
Other Equipment	43,375	
Total Regular Instruction Program		\$ 1,256,038

Special Education Program

Career Ladder Program	\$ 1,000	
Psychological Personnel	51,454	
Secretary(ies)	130,817	
Other Salaries and Wages	72,167	
Social Security	15,401	
State Retirement	18,072	
Life Insurance	34	
Medical Insurance	15,330	
Unemployment Compensation	600	
Employer Medicare	3,602	
Travel	5,228	
Other Contracted Services	173,015	
Other Supplies and Materials	43,863	
In Service/Staff Development	33,876	
Other Equipment	43,814	
Total Special Education Program		608,273

Vocational Education Program

Supervisor/Director	\$ 73,017	
Career Ladder Program	500	
Secretary(ies)	28,554	
Social Security	5,935	
State Retirement	8,221	
Life Insurance	20	

(Continued)

Exhibit J-8

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.)

Vocational Education Program (Cont.)

Medical Insurance	\$	9,745	
Unemployment Compensation		144	
Employer Medicare		1,388	
Travel		5,577	
Total Vocational Education Program			\$ 133,101

Adult Programs

Supervisor/Director	\$	73,870	
Social Security		4,573	
State Retirement		6,560	
Life Insurance		20	
Medical Insurance		6,130	
Unemployment Compensation		72	
Employer Medicare		1,070	
In Service/Staff Development		2,301	
Total Adult Programs			94,596

Other Programs

On-Behalf Payments to OPEB	\$	13,759	
Total Other Programs			13,759

Board of Education

Other Salaries and Wages	\$	3,600	
Board and Committee Members Fees		27,700	
Social Security		1,786	
State Retirement		320	
Unemployment Compensation		5	
Employer Medicare		418	
Audit Services		9,000	
Dues and Memberships		10,877	
Legal Services		56,528	
Other Supplies and Materials		59,018	
Liability Insurance		86,201	
Trustee's Commission		87,245	
Workers' Compensation Insurance		112,581	
Total Board of Education			455,279

Director of Schools

County Official/Administrative Officer	\$	90,300	
Social Security		5,773	
State Retirement		8,199	
Life Insurance		20	
Medical Insurance		12,173	
Employer Medicare		1,350	
Communication		16,433	
Postal Charges		2,356	
Travel		9,678	
Other Contracted Services		6,575	
Office Supplies		498	
Total Director of Schools			153,355

(Continued)

Exhibit J-8

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	\$ 537,634	
Career Ladder Program	4,000	
Assistant Principals	155,967	
Secretary(ies)	277,775	
Clerical Personnel	17,498	
Social Security	58,726	
State Retirement	79,477	
Life Insurance	245	
Medical Insurance	63,884	
Unemployment Compensation	1,877	
Employer Medicare	13,735	
Communication	47,378	
Other Supplies and Materials	87,268	
Other Charges	3,500	
Total Office of the Principal		\$ 1,348,964

Fiscal Services

Accountants/Bookkeepers	\$ 51,467	
Clerical Personnel	77,324	
Social Security	8,610	
State Retirement	8,936	
Medical Insurance	10,202	
Unemployment Compensation	185	
Employer Medicare	2,459	
Other Contracted Services	9,186	
Data Processing Supplies	857	
Other Supplies and Materials	199	
Total Fiscal Services		169,425

Operation of Plant

Custodial Personnel	\$ 417,216	
Social Security	25,829	
State Retirement	20,765	
Unemployment Compensation	2,469	
Employer Medicare	6,041	
Other Contracted Services	82,506	
Custodial Supplies	54,283	
Electricity	688,062	
Natural Gas	113,052	
Water and Sewer	83,887	
Boiler Insurance	7,485	
Building and Contents Insurance	139,750	
Total Operation of Plant		1,641,345

Maintenance of Plant

Maintenance Personnel	\$ 138,058	
Social Security	8,540	
State Retirement	7,484	
Medical Insurance	19,291	

(Continued)

Exhibit J-8

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.)

Maintenance of Plant (Cont.)

Unemployment Compensation	\$	343	
Employer Medicare		1,997	
Maintenance and Repair Services - Buildings		2,427	
Maintenance and Repair Services - Vehicles		292	
Other Contracted Services		300	
Other Supplies and Materials		208,972	
Total Maintenance of Plant			\$ 387,704

Transportation

Other Salaries and Wages	\$	43,914	
Social Security		2,723	
State Retirement		659	
Unemployment Compensation		300	
Employer Medicare		637	
Contracts with Vehicle Owners		1,136,122	
Diesel Fuel		23,429	
Other Supplies and Materials		3,200	
Transportation Equipment		12,561	
Total Transportation			1,223,545

Central and Other

Other Salaries and Wages	\$	106,303	
Social Security		13,290	
Unemployment Compensation		504	
Employer Medicare		1,495	
Other Supplies and Materials		800	
Total Central and Other			122,392

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	46,711	
Other Salaries and Wages		34,358	
Social Security		4,770	
State Retirement		6,187	
Medical Insurance		18,631	
Unemployment Compensation		138	
Employer Medicare		1,116	
Travel		1,727	
Other Supplies and Materials		3,826	
Total Community Services			117,464

Capital Outlay

Regular Capital Outlay

Architects	\$	2,500	
Total Regular Capital Outlay			2,500

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	22,921	
Total Education			22,921

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$ 3,078	
Total Education		\$ 3,078

Other Debt Service

Education

Other Debt Service	\$ 500,000	
Total Education		<u>500,000</u>

Total General Purpose School Fund		\$ 21,306,549
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 260,850	
Educational Assistants	190,960	
Other Salaries and Wages	1,902	
Certified Substitute Teachers	2,837	
Non-certified Substitute Teachers	16,448	
Social Security	28,750	
State Retirement	33,901	
Medical Insurance	35,817	
Unemployment Compensation	1,593	
Employer Medicare	6,726	
Instructional Supplies and Materials	396,862	
Other Supplies and Materials	3,518	
Regular Instruction Equipment	<u>37,518</u>	
Total Regular Instruction Program		\$ 1,017,682

Special Education Program

Teachers	\$ 108,917	
Educational Assistants	147,391	
Speech Pathologist	145,588	
Other Salaries and Wages	6,106	
Certified Substitute Teachers	132	
Non-certified Substitute Teachers	792	
Social Security	24,454	
State Retirement	31,093	
Medical Insurance	29,723	
Unemployment Compensation	656	
Employer Medicare	6,212	
Maintenance and Repair Services - Equipment	<u>1,000</u>	
Total Special Education Program		502,064

Vocational Education Program

Instructional Supplies and Materials	\$ 43,787	
Other Supplies and Materials	7,000	
Vocational Instruction Equipment	<u>87,027</u>	
Total Vocational Education Program		137,814

(Continued)

Exhibit J-8

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

Other Student Support

Other Salaries and Wages	\$	2,100	
Social Security		130	
State Retirement		186	
Unemployment Compensation		10	
Employer Medicare		30	
Travel		18,000	
Other Contracted Services		7,350	
Other Charges		13,633	
Total Other Student Support			\$ 41,439

Regular Instruction Program

Supervisor/Director	\$	87,666	
Clerical Personnel		39,357	
Other Salaries and Wages		274,522	
In-Service Training		3,300	
Social Security		25,199	
State Retirement		33,361	
Medical Insurance		32,097	
Unemployment Compensation		427	
Employer Medicare		4,773	
Communication		2,070	
Consultants		23,100	
Travel		9,055	
Other Supplies and Materials		4,818	
In Service/Staff Development		44,003	
Other Equipment		3,468	
Total Regular Instruction Program			587,216

Special Education Program

Supervisor/Director	\$	81,962	
Psychological Personnel		4,218	
Other Salaries and Wages		37,374	
Social Security		7,630	
State Retirement		10,990	
Medical Insurance		6,918	
Unemployment Compensation		152	
Employer Medicare		1,776	
Other Contracted Services		38,075	
Other Supplies and Materials		5,202	
In Service/Staff Development		1,403	
Total Special Education Program			195,700

Transportation

Contracts with Parents	\$	3,353	
Contracts with Vehicle Owners		135,017	
Total Transportation			138,370

Total School Federal Projects Fund \$ 2,620,285

(Continued)

Exhibit J-8

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	\$	52,848	
Accountants/Bookkeepers		30,224	
Cafeteria Personnel		581,837	
Social Security		42,150	
State Retirement		37,464	
Medical Insurance		29,374	
Unemployment Compensation		5,892	
Employer Medicare		9,797	
Communication		9,255	
Maintenance and Repair Services - Equipment		19,660	
Postal Charges		264	
Travel		1,872	
Other Contracted Services		21,718	
Food Preparation Supplies		65,579	
Food Supplies		590,096	
Office Supplies		6,759	
Propane Gas		35	
USDA - Commodities		24,129	
Other Supplies and Materials		755	
Other Charges		2,542	
Food Service Equipment		12,900	
Total Food Service			\$ 1,545,150

Total Central Cafeteria Fund \$ 1,545,150

Other Education Special Revenue Fund

Instruction

Regular Instruction Program

Other Contracted Services	\$	12,239,094	
Total Regular Instruction Program			\$ 12,239,094

Support Services

Office of the Principal

Principals	\$	75,000	
Social Security		4,650	
State Retirement		6,660	
Unemployment Compensation		72	
Employer Medicare		1,087	
Other Contracted Services		435	
Total Office of the Principal			87,904

Total Other Education Special Revenue Fund 12,326,998

Total Governmental Funds - Union County School Department \$ 37,798,982

Exhibit J-9

Union County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2013

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 577,350
Total Cash Receipts	<u>\$ 577,350</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 571,576
Trustee's Commission	<u>5,774</u>
Total Cash Disbursements	<u>\$ 577,350</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
Cash Balance, June 30, 2013	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise Union County's basic financial statements, and have issued our report thereon dated September 9, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Union County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2013-001, 2013-002(A), 2013-004, and 2013-005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Union County's financial statements are free from 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: 2013-002(B) and 2013-003.

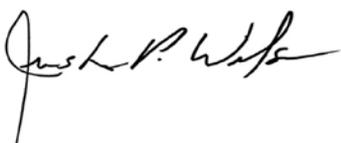
### **Union County's Response to Findings**

Union County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Union County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 9, 2013

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  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841

**Report on Compliance for Each Major Federal Program; Report on Internal Control  
Over Compliance; and Report on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Union County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Union County's major federal programs for the year ended June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Union County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Union County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Union County complied, in all material respects, with the types of compliance 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003 and 2013-006. Our opinion on each major federal program is not modified with respect to these matters.

### **Report on Internal Control Over Compliance**

Management of Union County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Union County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over

compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-004 and 2013-007 that we consider to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2013, and the related notes to the financial statements, which collectively comprise Union County's basic financial statements. We issued our report thereon dated September 9, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 9, 2013

JPW/yu

Union County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2013

Federal/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Emergency Watershed Protection Program, Recovery Act	10.923	N/A	\$ 80,212
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	24,129 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	377,288
National School Lunch Program	10.555	N/A	857,184 (3)
Total U.S. Department of Agriculture			<u>\$ 1,338,813</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)	\$ 35,123
Total U.S. Department of Housing and Urban Development			<u>\$ 35,123</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	N/A	\$ 8,963
Total U.S. Department of Transportation			<u>\$ 8,963</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,227,694
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	817,056
Special Education - Preschool Grants	84.173	N/A	19,079
Career and Technical Education - Basic Grants to States	84.048	N/A	158,271
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	42,510
Rural Education	84.358	N/A	65,398
English Language Acquisition Grants	84.365	N/A	1,149
Improving Teacher Quality State Grants	84.367	N/A	157,011
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	195,462
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	DG1131220	46,029
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	20,947
Total U.S. Department of Education			<u>\$ 2,750,606</u>
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)	\$ 13,923
Passed-through State Department of Mental Health and Developmental Disabilities:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG1132364	34,493
Total U.S. Department of Health and Human Services			<u>\$ 48,416</u>

(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 Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 4,894
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	34101-0000008351	352,817
Total U.S. Department of Homeland Security			\$ 357,711
Total Expenditures of Federal Awards			\$ 4,539,632
Contract			
Number			
<u>State Grants</u>			
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	\$ 13,500
Health Department Programs - State Department of Health	N/A	(2)	84,850
Disaster Grants - State Department of Military			62,262
Litter Grant - State Department of Transportation	N/A	(2)	35,315
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	15,343
Consolidated School Health Grant - State Department of Education	N/A	(2)	90,604
Early Childhood Education Grants - State Department of Education	N/A	(2)	398,337
Total State Grants			\$ 700,211

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 \$881,313.

Union County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2013

*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, 2012, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	148	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>
12.04	149	The office had not established a formal purchase order system

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.17	160	Duties were not segregated adequately

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**UNION COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the financial statements of Union County is unmodified.
2. The audit of the financial statements of Union County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Union County.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed two findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036); the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title I Grants to Local Education Agencies (CFDA No. 84.010); and the State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) 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. The trustee provided a written response, which is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### OFFICES OF COUNTY MAYOR AND HIGHWAY SUPERINTENDENT

FINDING 2013-001                    **FORMAL PURCHASE ORDER SYSTEMS HAD NOT BEEN ESTABLISHED**

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

The offices had not established formal purchase order systems. Purchase orders are necessary to control who has purchasing authority for the offices and to document purchasing commitments. The absence of a formal purchase order system increases the risk of unauthorized purchases. On July 9, 2012, the County Commission adopted the County Financial Management System of 1981. Under the supervision of a finance director, the Financial Management System of 1981 consolidates the financial functions of all county funds handled by the county trustee. Subsequent to June 30, 2013, the county's finance director began issuing purchase orders for all departments of the county.

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### OFFICES OF DIRECTOR OF SCHOOLS, DIRECTOR OF FINANCE, AND TRUSTEE

FINDING 2013-002                    **AT JUNE 30, 2013, WARRANTS WERE ISSUED ON THE SCHOOL FEDERAL PROJECTS FUND THAT EXCEEDED CASH ON DEPOSIT WITH THE COUNTY TRUSTEE BY \$85,469, AND THE TRUSTEE PAID WARRANTS ISSUED BY THE SCHOOL FEDERAL PROJECTS FUND THAT EXCEEDED AVAILABLE FUNDS**

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

We noted the following deficiencies related to the School Federal Projects Fund:

- A. At June 30, 2013, warrants were issued on the School Federal Projects Fund that exceeded cash on deposit with the county trustee by \$85,469. Sound business practices dictate that expenditures be held within available funds.
- B. The trustee paid warrants issued by the School Federal Projects Fund that exceeded the available cash balance on deposit by \$10,078. Section 8-11-104(5), *Tennessee Code Annotated*, prohibits the trustee from paying a warrant if sufficient funds are not available.

These deficiencies exist because the School Department and Finance Office continued to issue warrants exceeding cash on deposit with the trustee, and the trustee kept honoring the warrants. This cash overdraft was liquidated subsequent to June 30, 2013.

### RECOMMENDATION

The School Department and the director of finance should not issue warrants exceeding cash on deposit with the county trustee, and the trustee should not pay warrants that exceed available cash as required by state statute.

### MANAGEMENT'S RESPONSE – TRUSTEE

I do agree that I allowed the director of schools and the finance director to have a cash overdraft of \$10,078. This resulted from a letter signed by them and presented to me to transfer funds from the School Federal Projects Fund to the General Purpose School Fund totaling \$300,000. I completed this transfer on June 30, 2013.

Since the county is on the warrant system, I do not see the warrants until they clear our bank. Therefore, I was unaware of the outstanding warrants the school system issued that led to the \$85,460 cash overdraft in the School Federal Projects Fund. In the near future, I plan to be on a checking system to prevent this from happening again.

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### OFFICES OF DIRECTOR OF SCHOOLS AND DIRECTOR OF FINANCE

#### FINDING 2013-003

#### **THE SCHOOL DEPARTMENT WAS DELINQUENT IN REMITTING PAYROLL TAXES AND IN FILING QUARTERLY FORM 941**

(Noncompliance Under *Government Auditing Standards* and OMB Circular A-133)

The School Department did not deposit payroll taxes and did not file Form 941 quarterly reports of the Central Cafeteria Fund within time limits established by the Internal Revenue Service (IRS). As a result, the School Department was assessed interest and penalties for delinquent payment of taxes for the first and second quarters of 2012 totaling \$2,035 and \$3,135, respectively. The \$2,035 was later abated by the IRS; however, the \$3,135 was paid from the Central Cafeteria Fund, which accounts for revenues and expenditures of the Child Nutrition Cluster programs: School Breakfast Program, CFDA No. 10.553 and the National School Lunch Program, CFDA No. 10.555. The \$3,135 payment is reflected as questioned costs of the programs for the year ended June 30, 2013. Management has recorded an amount due from the General Purpose School Fund to the Central Cafeteria Fund to reimburse the Child Nutrition Cluster programs for the \$3,135 in questioned costs.

The School Department's accounting functions were consolidated with the county Finance Office under the County Financial Management System of 1981 in April 2013. Prior to that date, the School Department issued payroll checks to food service employees and remitted payroll taxes to the IRS. Management of the School Department did not provide adequate

oversight of the payroll tax payments and did not detect the delinquencies. Subsequent to the consolidation, the Finance Office began processing all School Department payrolls and discovered that payroll taxes for the Central Cafeteria Fund had been remitted late to the IRS for several quarters, and that Form 941 had not been filed for certain quarters.

The IRS requires employee payroll taxes of the Central Cafeteria Fund to be remitted within three to five business days after each payroll date. However, it was noted that as many as 98 days lapsed between the payroll date and the date payroll taxes were actually remitted to the IRS during the third and fourth quarters of 2012 and the first and second quarters of 2013. It was also noted that quarterly Form 941 were filed late during the year. Those forms are required to be filed by the end of the month following each quarter. However, reports for the second and third quarters of 2012 and the report for the first quarter of 2013 were not filed until July 2013.

In addition to the assessments for the first and second quarters of 2012, the Finance Office expects the IRS to assess interest and penalties for the remaining quarters of 2012 and the first two quarters of 2013. However, the IRS has not communicated the amount of those assessments as of the date of this report.

#### RECOMMENDATION

Payroll taxes and Form 941 should be remitted within IRS guidelines to avoid any interest or penalty assessments. Expenditures of federal programs should be made in compliance with federal requirements, and any additional interest and penalty assessments should not be paid from federal funds.

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#### FINDING 2013-004

#### **SCHOOL CAFETERIA COLLECTIONS WERE NOT REMITTED TO THE TRUSTEE IN A TIMELY MANNER**

(Internal Control – Significant Deficiency Under *Government Auditing Standards* and OMB Circular A-133)

Cafeteria managers from each school deposit their daily collections into a bank account maintained by the School Department. Once collections have been verified to cafeteria collection reports, collections are to be remitted to the county trustee. However, \$120,344 in collections deposited into the bank account between January 28, 2013, and May 28, 2013, were not remitted to the county trustee until June 10, 2013. Sound business practices require cafeteria collections to be deposited with the county trustee timely. This deficiency resulted from a lack of management oversight. As a result, accounting records of the food service program were not current during the period noted.

#### RECOMMENDATION

School cafeteria collections should be deposited with the county trustee in a timely manner.

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

**FINDING 2013-005**

**DUTIES WERE NOT SEGREGATED ADEQUATELY**

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

Duties were not segregated adequately among officials and employees in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, Register of Deeds, Sheriff, and the Ambulance Service. 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

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**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**

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program National School Lunch Program	2013-006	10.553	Circular A-133, Compliance Supplement	Noncompliance - See Finding 2013-003. Funds were expended for penalties and interest assessed by the IRS for late payroll tax deposits. Such costs are not allowable under the program.	\$ 3,135
		10.555	Part 3.B.		
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program National School Lunch Program	2013-007	10.553	Circular A-133, Compliance Supplement	Significant deficiency in internal control - See Finding 2013-004. School cafeteria collections deposited to a food service bank account were not remitted to the trustee in a timely manner.	0
		10.555	Part 3.J.		

**UNION COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2013**

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

**Finance Director and Director of Schools – Corrective Action Plan for Current-Year's Findings**

**FINDINGS 2013-03 and 2013-006**

Contact Persons: Ann Dyer and Dr. James Carter

Corrective Action Planned: At the end of April 2013, the Central Cafeteria Fund was transferred into the central Finance Office according to the implementation plan for the County Financial Management System of 1981. Procedures established in this office automated the process of submitting timely payroll tax deposits by utilizing the Electronic Federal Tax Payment System and having those taxes deducted from the warrant account with an ACH process. This protocol assures timely deposits, and an overview is conducted by submitting documentation of the ACH to both the trustee and the director of finance. We feel that the transition to the 1981 Act with personnel being dedicated primarily to the process of payroll and the related activities, such as payment of payroll taxes and submission of Form 941 within the required IRS guidelines will be conducted properly and expeditiously by the central Finance Office staff. All interest and penalties, as a result of the lack of compliance, will be paid from the General Purpose School Fund.

Anticipated Completion Date: April 30, 2013

**FINDINGS 2013-04 and 2013-007**

Contact Persons: Ann Dyer and Dr. James Carter

Corrective Action Planned: As noted in the finding, cafeteria managers from each school deposit their collections into a bank account on a daily basis. Beginning in school year 2013-14, a procedure has been implemented requiring the cafeteria managers to bring their daily deposit slips to the

Finance Office on Fridays. The collections will be verified, and the funds will be remitted to the county trustee the week following the collections. This will result in weekly remittances to the trustee.

Anticipated Completion Date: August 5, 2013