

ANNUAL FINANCIAL REPORT
UNION COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
UNION COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

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This financial report is available at www.comptroller.state.tn.us

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Audit Highlights

Annual Financial Report
Union County, Tennessee
For the Year Ended June 30, 2006

Scope

We have audited the basic financial statements of Union County as of and for the year ended June 30, 2006.

Results

Our report on Union County's financial statements expresses an adverse opinion on the governmental activities because Highway Department capital assets and the related depreciation on those assets are not included in the government-wide financial statements. Our report on the aggregate discretely presented component units is qualified because two component units are omitted. Our report on each major fund and the aggregate remaining fund information is unqualified.

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

Findings

The following are summaries of the audit findings:

UNION COUNTY

- ◆ Capital assets were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion on the governmental activities opinion unit.

OFFICE OF COUNTY MAYOR

- ◆ A formal purchase order system had not been established.

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ A formal purchase order system had not been established.
 - ◆ A complete list of county roads was not submitted to the County Commission for approval.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Subsequent to June 30, 2006, the clerk discovered that a bank deposit bag containing collections of \$5,902.58 was missing from the office.
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately among officials and employees at the Ambulance Service and in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- ◆ Officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

Union County Officials

June 30, 2006

Officials

Larry Lay, County Mayor
Clayton Helms, Highway Superintendent
Charles Thomas, Director of Schools
Gina Buckner, Trustee
Ronald Irick, Assessor of Property
Jim Houston, County Clerk
Barbara Williams, Circuit and General Sessions Courts Clerk
Doris Seymour, Clerk and Master
Mary Kitts, Register
Willie Evans, Sheriff

Board of County Commissioners

Larry Lay, Chairman	Kenny Hill
Burney Hutchison	Brenda Jessee
Pam Ailor	R. L. Jones
Elmer Bailey	Gene McBee
Lynn Beeler	Joyce Meltabarger
Stanley Boles	Johnny Merritt
Wayne Cole	Rodney Patterson
Wayne Collins	Trevor Warwick
Charlie Cox	
Gary England	

Highway Commission

Joe Bailey	John Turner
Darrell Dyer	Johnny Raley
Paul Hill	Curtis Bates
Tommy Hopson	

Board of Education

David Coppock, Chairman	Brian Oaks
Calvin Chesney	Gerald Smith
Mark DeVault	Chris Upton
Don Morgan	

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

August 29, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Union County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I.D.4. to the financial statements, management has not recorded Highway Department capital assets, including infrastructure, in the governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those Highway Department capital assets, including infrastructure, be capitalized and depreciated, which would significantly increase the assets and expenses of the

governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

The financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units' financial statements referred to above do not include amounts for the Union County Emergency Communications District and the Union County Solid Waste Authority, which should be included to conform with accounting principles generally accepted in the United States of America.

In our opinion, because of the effects of not including the Highway Department's capital assets, including infrastructure, as discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Union County, Tennessee, as of June 30, 2006, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of not including the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Union County, Tennessee, at June 30, 2006, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of Union County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2006, on our consideration of Union County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management did not prepare the management's discussion and analysis. The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 55 through 59 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Union County, Tennessee
Statement of Net Assets
June 30, 2006

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Union County School Department
<u>ASSETS</u>		
Cash	\$ 50	\$ 0
Equity in Pooled Cash and Investments	3,663,505	1,241,009
Accounts Receivable	531,743	42,133
Allowance for Uncollectibles	(94,474)	0
Due from Other Governments	385,547	395,066
Property Taxes Receivable	2,272,576	2,227,574
Allowance for Uncollectible Property Taxes	(114,382)	(112,119)
Prepaid Items	193,475	0
Capital Assets		
Assets Not Depreciated:		
Land	606,080	1,345,209
Construction in Progress	42,532	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	597,538	12,627,117
Other Capital Assets	198,124	253,828
Total Assets	<u>\$ 8,282,314</u>	<u>\$ 18,019,817</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 16,793	\$ 0
Accrued Payroll	28,665	0
Accrued Interest Payable	64,212	0
Payroll Deductions Payable	864	0
Other Current Liabilities	0	196,264
Deferred Revenue - Property Taxes	2,029,233	1,989,049
Noncurrent Liabilities:		
Due Within One Year	718,138	0
Due in More than One Year	10,824,851	0
Total Liabilities	<u>\$ 13,682,756</u>	<u>\$ 2,185,313</u>

(Continued)

Exhibit A

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

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Union County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 1,242,318	\$ 0
Invested in Capital Assets Restricted for:	0	14,226,154
Ambulance Service	430,866	0
Highway	726,410	0
Debt Service	1,810,785	0
Capital Projects	227,131	0
Other Purposes	139,586	166,210
Unrestricted	<u>(9,977,538)</u>	<u>1,442,140</u>
Total Net Assets	<u>\$ (5,400,442)</u>	<u>\$ 15,834,504</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, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Activities	Unit Union County School Department
<u>Primary Government:</u>						
Governmental Activities:						
General Government	\$ 816,286	\$ 271,946	\$ 3,512	\$ 0	\$ (540,828)	\$ 0
Finance	485,695	343,562	0	0	(142,133)	0
Administration of Justice	319,081	332,200	9,000	0	22,119	0
Public Safety	1,359,245	101,356	81,474	0	(1,176,415)	0
Public Health and Welfare	1,291,385	1,098,289	104,219	0	(88,877)	0
Social, Cultural, and Recreational Services	141,857	1,413	21,565	0	(118,879)	0
Agricultural and Natural Resources	58,160	0	0	0	(58,160)	0
Other Operations	416,323	0	1,166	47,693	(367,464)	0
Highways	1,428,243	24,622	1,430,693	0	27,072	0
Interest on Long-Term Debt	337,979	0	0	0	(337,979)	0
Debt Service	13,545	0	0	0	(13,545)	0
Total Primary Government	<u>\$ 6,667,799</u>	<u>\$ 2,173,388</u>	<u>\$ 1,651,629</u>	<u>\$ 47,693</u>	<u>\$ (2,795,089)</u>	<u>\$ 0</u>
<u>Component Units:</u>						
Union County School Department	\$ 22,199,924	\$ 421,521	\$ 2,679,601	\$ 22,000	\$ 0	\$ (19,076,802)
Total Component Units	<u>\$ 22,199,924</u>	<u>\$ 421,521</u>	<u>\$ 2,679,601</u>	<u>\$ 22,000</u>	<u>\$ 0</u>	<u>\$ (19,076,802)</u>

(Continued)

Exhibit B

Union County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
				Governmental	Union County School Department	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 1,578,568	\$ 2,137,087
Property Taxes Levied for Ambulance Service					235,853	0
Property Taxes Levied for Highways					64,630	0
Property Taxes Levied for Debt Service					458,281	0
Local Option Sales Taxes					348,611	776,611
Other Local Taxes					380,053	3,075
Grants and Contributions Not Restricted to Specific Programs					1,123,755	15,644,224
Unrestricted Investment Income					105,134	815
Miscellaneous					76,621	104,164
Total General Revenues					<u>\$ 4,371,506</u>	<u>\$ 18,665,976</u>
Change in Net Assets					\$ 1,576,417	\$ (410,826)
Net Assets - July 1, 2005					<u>(6,976,859)</u>	<u>16,245,330</u>
Net Assets - June 30, 2006					<u>\$ (5,400,442)</u>	<u>\$ 15,834,504</u>

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

Exhibit C-1

Union County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2006

	Major Funds				Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50	\$ 50
Equity in Pooled Cash and Investments	1,049,041	421,099	344,574	1,613,469	235,322	3,663,505
Accounts Receivable	177,636	353,575	532	0	0	531,743
Allowance for Uncollectibles	0	(94,474)	0	0	0	(94,474)
Due from Other Governments	127,762	0	257,785	0	0	385,547
Due from Other Funds	50	0	0	234,714	25,885	260,649
Property Taxes Receivable	1,485,049	247,508	67,503	472,516	0	2,272,576
Allowance for Uncollectible Property Taxes	(74,745)	(12,458)	(3,397)	(23,782)	0	(114,382)
Prepaid Items	62,764	0	130,711	0	0	193,475
Total Assets	\$ 2,827,557	\$ 915,250	\$ 797,708	\$ 2,296,917	\$ 261,257	\$ 7,098,689
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 5,913	\$ 0	\$ 10,880	\$ 0	\$ 0	\$ 16,793
Accrued Payroll	0	28,665	0	0	0	28,665
Payroll Deductions Payable	721	0	143	0	0	864
Due to Other Funds	25,885	234,714	0	0	50	260,649
Deferred Revenue - Current Property Taxes	1,326,033	221,005	60,275	421,920	0	2,029,233
Deferred Revenue - Delinquent Property Taxes	77,444	12,907	3,521	24,642	0	118,514
Other Deferred Revenues	45,181	150,536	115,267	0	0	310,984
Total Liabilities	\$ 1,481,177	\$ 647,827	\$ 190,086	\$ 446,562	\$ 50	\$ 2,765,702
<u>Fund Balances</u>						
Reserved for Computer System - Register	\$ 35,073	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,073
Reserved for Automation Purposes - General Sessions Court	22,761	0	0	0	0	22,761
Reserved for Automation Purposes - Sheriff	7,454	0	0	0	0	7,454
Reserved for Long-Term Notes Receivable	0	0	0	24,467	0	24,467
Reserved for Other General Purposes	40,222	0	0	0	0	40,222
Unreserved, Reported In:						
General Fund	1,240,870	0	0	0	0	1,240,870

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
<u>Unreserved, Reported In (Cont.):</u>						
Special Revenue Funds	\$ 0	\$ 267,423	\$ 607,622	\$ 0	\$ 34,076	\$ 909,121
Debt Service Funds	0	0	0	1,825,888	0	1,825,888
Capital Projects Funds	0	0	0	0	227,131	227,131
Total Fund Balances	<u>\$ 1,346,380</u>	<u>\$ 267,423</u>	<u>\$ 607,622</u>	<u>\$ 1,850,355</u>	<u>\$ 261,207</u>	<u>\$ 4,332,987</u>
Total Liabilities and Fund Balances	<u>\$ 2,827,557</u>	<u>\$ 915,250</u>	<u>\$ 797,708</u>	<u>\$ 2,296,917</u>	<u>\$ 261,257</u>	<u>\$ 7,098,689</u>

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

Exhibit C-2

Union County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,332,987
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	606,080	
Add: construction in progress		42,532	
Add: buildings and improvements net of accumulated depreciation		597,538	
Add: other capital assets net of accumulated depreciation		<u>198,124</u>	1,444,274
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			429,498
(3) Interest costs of long-term debt are expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net assets.			(64,212)
(4) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: notes payable	\$	(26,212)	
Less: other loans payable		(2,695,854)	
Less: capital leases payable		(49,890)	
Less: bonded debt payable		(7,175,000)	
Less: landfill closure/postclosure care costs payable		<u>(1,596,033)</u>	<u>(11,542,989)</u>
Net assets of governmental activities (Exhibit A)		\$	<u>(5,400,442)</u>

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

Exhibit C-3

Union County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds				Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 2,185,490	\$ 233,132	\$ 167,265	\$ 453,086	\$ 0	\$ 3,038,973
Licenses and Permits	101,749	0	0	0	0	101,749
Fines, Forfeitures, and Penalties	121,480	0	0	0	24,224	145,704
Charges for Current Services	24,410	1,050,222	3,596	0	347	1,078,575
Other Local Revenues	126,591	50	24,733	105,137	68,550	325,061
Fees Received from County Officials	651,757	0	0	0	0	651,757
State of Tennessee	865,538	0	1,382,390	0	18,544	2,266,472
Federal Government	103,496	0	0	0	0	103,496
Other Governments and Citizens Groups	27,912	0	0	500,000	0	527,912
Total Revenues	\$ 4,208,423	\$ 1,283,404	\$ 1,577,984	\$ 1,058,223	\$ 111,665	\$ 8,239,699
<u>Expenditures</u>						
Current:						
General Government	\$ 788,873	\$ 0	\$ 0	\$ 0	\$ 17	\$ 788,890
Finance	485,628	0	0	0	67	485,695
Administration of Justice	318,801	0	0	0	280	319,081
Public Safety	1,315,139	0	0	0	15,774	1,330,913
Public Health and Welfare	180,072	1,015,874	0	0	0	1,195,946
Social, Cultural, and Recreational Services	141,857	0	0	0	0	141,857
Agricultural and Natural Resources	58,160	0	0	0	0	58,160
Other Operations	405,096	0	0	0	11,227	416,323
Highways	37,350	0	1,390,893	0	0	1,428,243
Debt Service:						
Principal on Debt	0	0	139,197	607,877	0	747,074
Interest on Debt	0	0	10,191	330,022	0	340,213
Other Debt Service	0	0	1,042	12,503	0	13,545
Capital Projects	42,532	0	0	0	0	42,532
Total Expenditures	\$ 3,773,508	\$ 1,015,874	\$ 1,541,323	\$ 950,402	\$ 27,365	\$ 7,308,472
Excess (Deficiency) of Revenues Over Expenditures	\$ 434,915	\$ 267,530	\$ 36,661	\$ 107,821	\$ 84,300	\$ 931,227
Net Change in Fund Balances	\$ 434,915	\$ 267,530	\$ 36,661	\$ 107,821	\$ 84,300	\$ 931,227
Fund Balance, July 1, 2005	911,465	(107)	570,961	1,742,534	176,907	3,401,760
Fund Balance, June 30, 2006	\$ 1,346,380	\$ 267,423	\$ 607,622	\$ 1,850,355	\$ 261,207	\$ 4,332,987

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

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, 2006

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)	\$	931,227	
<p>(1) Governmental funds report capital outlay 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 amount that capital outlays differ from depreciation is itemized as follows:</p>			
Add: Capital outlays in the current period	\$	65,727	
Less: Current year depreciation		<u>(174,362)</u>	(108,635)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Add: Deferred delinquent property taxes and other deferred June 30, 2006	\$	429,498	
Less: Deferred delinquent property taxes and other deferred June 30, 2005		<u>(424,981)</u>	4,517
<p>(3) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>			
Add: Principal payment on notes	\$	82,877	
Add: Principal payment on other loans		324,000	
Add: Principal payment on bonds		320,000	
Add: Principal payment on capital leases		<u>20,197</u>	747,074
<p>(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.</p>			
Change in accrued interest payable			<u>2,234</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,576,417</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, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 819,179
Due from Other Governments	<u>83,513</u>
Total Assets	<u><u>\$ 902,692</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 83,513
Due to Litigants, Heirs, and Others	<u>819,179</u>
Total Liabilities	<u><u>\$ 902,692</u></u>

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

UNION COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

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.

Blended Component Units – There are no legally separate component units of Union County that meet the criteria for being reported as part of the primary government by the blending method.

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

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

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

The Union County Solid Waste Authority operates the area's landfill facility through the services of a private contractor, and the County Commission appoints a majority of members of its governing body. The Solid Waste Authority is funded primarily through host fees collected by the private contractor. The financial statements of the Union County Solid Waste Authority were not available from other auditors in time for inclusion in this report.

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

Administrative Offices:

Union County Emergency Communications District
130 Veterans Street
Maynardville, TN 37807

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. No debt issues were contributed by the county to the School Department during the year ended June 30, 2006.

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

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

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

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

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 are reported in total 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 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 fund is used to account for transactions related to the ambulance service provided by the county.

Highway/Public Works Fund – This fund is used to account for transactions of the county Highway Department.

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Union County. Agency funds are custodial in nature (assets equal liabilities)

and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Union County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Union County and the Union County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the

Securities Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections or that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds.

Long-term interfund borrowings between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.7 percent of total taxes levied. Ambulance Service receivables for uncollectibles is comprised of estimated amounts for write-offs involving Medicare and Medicaid and estimated amounts of other collections based on history of the source of receipt (i.e., insurance companies and private citizens).

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current

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

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

Other current liabilities in the discretely presented General Purpose School Fund represent balances in the health insurance clearing account that will be drawn for premiums subsequent to June 30.

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.

Prepaid items in the General Fund (\$62,764) and the Highway/Public Works Fund (\$130,711) represent amounts paid for insurance premiums for the 2006-07 year.

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 exceeding 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, and equipment 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

The Highway Department has not prepared records of its capital assets (including infrastructure) and related depreciation amounts. Therefore, the capital assets of the Highway Department are not included in amounts reflected for capital assets of the primary government. These amounts should be included to comply with accounting standards generally accepted in the United States of America.

5. Compensated Absences

Vacation leave benefits for Union County employees granted through the primary government and the discretely presented Union County School Department do not vest or accumulate and must be used within the year or lost. Therefore, no accrual or recording is required. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt payable is reported net of the applicable premium or discount, if any. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, claims and judgments, and landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net Assets and Fund Equity

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

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

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes totaling \$139,586 for the primary government consists of various restrictions, for computer systems for various offices (\$65,288); courthouse and jail maintenance (\$40,222); and drug control (\$34,076). For the discretely presented School Department, the account balance in Restricted for Other Purposes (\$166,210) consists of restrictions for various federal assistance programs; primarily the special education program (\$22,929) and the school lunch and breakfast programs (\$136,130).

As of June 30, 2006, Union County had \$9,745,000 in outstanding debt for capital purposes for the discretely presented Union County School Department. The debt is a liability of Union County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Union County has incurred a liability, significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

Discretely Presented Union County School Department

Exhibit I-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Union County School Department

Exhibit I-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 asset of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not

budgeted, and the capital projects fund, which adopts 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 the fiscal year.

The budgetary level of control is at the major category level established by the State 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 is presented on the face of each budgetary statement.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission at the major category level of control (the legal level of control) in the following funds:

Fund	Major Category	Amount Overspent
General	County Buildings	\$ 4,321
General	Jail	5,206
Drug Control	Other General Administration	17
Highway/Public Works	Ferry Operations	618

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by excess appropriations in other major categories of expenditures and available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Union County and the Union County School Department participate in an internal cash and investment pool through the Office of Trustee. The county

trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represent 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. 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2006.

B. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2006, was as follows. As previously noted, these amounts do not include the capital assets of the Highway Department.

Governmental Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 606,080	\$ 0	\$ 606,080
Construction in Progress	0	42,532	42,532
Total Capital Assets Not Depreciated	<u>\$ 606,080</u>	<u>\$ 42,532</u>	<u>\$ 648,612</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 1,448,024	\$ 0	\$ 1,448,024
Other Capital Assets	534,290	23,195	557,485
Total Capital Assets Depreciated	<u>\$ 1,982,314</u>	<u>\$ 23,195</u>	<u>\$ 2,005,509</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 816,855	\$ 33,631	\$ 850,486
Other Capital Assets	218,630	140,731	359,361
Total Accumulated Depreciation	<u>\$ 1,035,485</u>	<u>\$ 174,362</u>	<u>\$ 1,209,847</u>
Total Capital Assets Depreciated, Net	<u>\$ 946,829</u>	<u>\$ (151,167)</u>	<u>\$ 795,662</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,552,909</u>	<u>\$ (108,635)</u>	<u>\$ 1,444,274</u>

The above amount of \$42,532 reflected as Construction in Progress is the amount of architect/engineer cost associated with a capital project. Management is in the process of obtaining bids but has not awarded the project to a contractor.

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

Governmental Activities:

General Government	\$ 27,396
Public Safety	51,527
Public Health and Welfare	<u>95,439</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 174,362</u>

Discretely Presented Union County School Department

Capital asset activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 1,345,209	\$ 0	\$ 1,345,209
Total Capital Assets Not Depreciated	<u>\$ 1,345,209</u>	<u>\$ 0</u>	<u>\$ 1,345,209</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 19,288,362	\$ 90,150	\$ 19,378,512
Other Capital Assets	232,141	99,228	331,369
Total Capital Assets Depreciated	<u>\$ 19,520,503</u>	<u>\$ 189,378</u>	<u>\$ 19,709,881</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 6,285,851	\$ 465,544	\$ 6,751,395
Other Capital Assets	61,352	16,189	77,541
Total Accumulated Depreciation	<u>\$ 6,347,203</u>	<u>\$ 481,733</u>	<u>\$ 6,828,936</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,173,300</u>	<u>\$ (292,355)</u>	<u>\$ 12,880,945</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,518,509</u>	<u>\$ (292,355)</u>	<u>\$ 14,226,154</u>

Depreciation expense totaling \$481,733 was charged by the discretely presented Union County School Department.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	Ambulance Service	\$ 234,714
General	Nonmajor governmental	50
Nonmajor governmental	General	<u>25,885</u>
Total		<u>\$ 260,649</u>

The \$234,714 balance due to the General Debt Service Fund is the result of interfund loans that are to be repaid during the next fiscal year. A scheduled payment of \$24,467 on one of the loans is not expected to be available to fund current operations; therefore, this amount has been reflected as a reservation

of fund balance in the General Debt Service Fund on the financial statements.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Discretely Presented Union County School Department

Transfer Out	Transfers In	
	General Purpose School Fund	Nonmajor Governmental Funds
General Purpose School Fund	\$ 0	\$ 6,000
School Federal Projects Fund	7,046	0
Total	<u>\$ 7,046</u>	<u>\$ 6,000</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.

D. Capital Leases

In a prior year, Union County entered into two five-year lease-purchase agreements for Highway Department equipment. The terms of the agreement require total lease payments of \$101,822, plus interest of 4.25 percent. Title to the equipment transfers to Union County at the end of the lease periods. The lease payments are made by the Union County Highway/Public Works Fund. The assets acquired through these capital leases have not been capitalized and reflected in the governmental activities of the primary government due to the Union County Highway Department's failure to record capital assets.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 22,785
2008	21,773
2009	7,985
Total Minimum Lease Payments	\$ 52,543
Amounts Representing Interest	(2,653)
Present Value of Minimum Lease Payments	<u>\$ 49,890</u>

E. Long-term Debt

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, notes, and other loans outstanding were issued for original terms of up to 17 years for bonds, up to three years for notes, and up to 21 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All general obligation bonds, notes, and other loans outstanding as of June 30, 2006, will be retired from the General Debt Service Fund or the Highway/Public Works Fund.

General obligation bonds, notes, other loans, and capital leases outstanding as of June 30, 2006, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-06</u>
General Obligation Bonds -			
School Refunding	2 to 3.7%	\$ 7,710,000	\$ 7,175,000
Capital Outlay Notes	3.5	76,000	26,212
Other Loans - Street and Road Improvements	Varies	1,000,000	125,854
Other Loans - School Building and Improvements	Varies	4,000,000	2,570,000
Capital Leases	4.25	101,822	49,890

Union County has entered into a loan agreement with the Public Building Authority of Sevier County, Tennessee. Under this loan agreement, the authority issued variable rate bonds of \$4,000,000 and loaned the proceeds to Union County for various renovation and construction projects. This loan is repayable at a variable interest rate based on the Bond Market Association Municipal Index (BMA). In addition, the county pays various fees (liquidity, trustee, remarketing, and issuer) in connection with this loan. At June 30, 2006, the variable rate was four percent, and other fees were approximately .55 percent.

During the 1996-97 year, Union County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$1,000,000 to Union County for paving and improving Union County roads. The interest rate is a tax-exempt variable rate determined by the remarketing agent daily or weekly depending on the particular program. In addition, the county pays various other fees (trustee, debt remarking, etc.) in connection with this loan. At June 30, 2006, the variable interest rate was four percent based on the remarketing agent's weekly rate, and other fees were approximately .53 percent of the outstanding balance.

The annual requirements to amortize all bonds, notes, and other loans outstanding as of June 30, 2006, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 330,000	\$ 225,360	\$ 26,212	\$ 917
2008	340,000	218,760	0	0
2009	350,000	211,960	0	0
2010	355,000	204,085	0	0
2011	370,000	195,210	0	0
2012-2016	2,080,000	798,860	0	0
2017-2020	3,350,000	307,580	0	0
Total	\$ 7,175,000	\$ 2,161,815	\$ 26,212	\$ 917

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2007	\$ 340,854	\$ 107,834	\$ 14,450	\$ 463,138
2008	220,000	94,200	12,953	327,153
2009	230,000	85,400	11,743	327,143
2010	240,000	76,200	10,478	326,678
2011	250,000	66,600	9,158	325,758
2012-2016	1,415,000	174,400	23,980	1,613,380
Total	\$ 2,695,854	\$ 604,634	\$ 82,762	3,383,250

During the year, the Union County School Department contributed \$500,000 to the primary government's General Debt Service Fund to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes. The School Department has pledged a minimum of \$500,000 per year to be paid toward that debt over the next 14 years.

There is \$1,850,355 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$403, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans outstanding, amounted to \$559, based on the 2000 federal census.

Primary Government

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2005	\$ 7,495,000	\$ 109,089	\$ 70,087
Deductions	(320,000)	(82,877)	(20,197)
Balance, June 30, 2006	\$ 7,175,000	\$ 26,212	49,890
Balance Due Within One Year	\$ 330,000	\$ 26,212	\$ 21,072

	Other Loans	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 3,019,854	\$ 1,596,033
Deductions	(324,000)	0
Balance, June 30, 2006	<u>\$ 2,695,854</u>	<u>\$ 1,596,033</u>
Balance Due Within One Year	<u>\$ 340,854</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 11,542,989
Less: Balance Due Within One Year	<u>(718,138)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,824,851</u>

Capital leases will be retired from the Highway/Public Works Fund. See Note V.E. for discussion of the payment of landfill closure/postclosure care costs.

V. OTHER INFORMATION

A. Risk Management

The Highway Department and the discretely presented Union County School Department have joined the Local Government Group Insurance (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Union County also participates in Tennessee School Boards Risk Management Trust (TSB-RMT) which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The county pays an annual premium to the TSB-RMT for general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

During the current year, the Ambulance Service Department started to provide health insurance coverage for its employees through a commercial insurance provider.

The School Department continues to carry commercial insurance for all other risks of loss, including general liability, property, casualty, workers' compensation, and environmental. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Union County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Union County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Union County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Union County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Union County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Union County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

On August 28, 2006, a theft of \$5,902.58 occurred in the Office of General Sessions Court Clerk. The general session clerk reported the theft to the Sheriff's Department; however, as of the date of this report, no one has been charged in the theft. Funds taken in the theft consisted of checks and money orders totaling \$1,551.84 and cash totaling \$4,350.74. The clerk is in the process of contacting customers who paid by check and requesting that they stop payment on the stolen checks and issue a replacement check. The insurance carrier for the county has been notified. However, as of the date of this report, no funds have been recovered.

Jim Houston leaves the Office of County Clerk on August 31, 2006, and Pam Ailor succeeds him.

Willie Evans leaves the Office of Sheriff on August 31, 2006, and Earl Loy, Jr., succeeds him.

D. Contingent Liabilities

There are several pending lawsuits in which the county is involved. Management has purchased insurance to provide for potential claims and judgments that may arise. Based on a letter from the county attorney,

management believes that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. During the 1995-96 year, operations of the landfill were transferred from Union County to the discretely presented Union County Solid Waste Authority. The Union County Solid Waste Authority then contracted the landfill operation to a private company for a term of 20 years. The county continues to recognize the estimated landfill closure and postclosure care costs (\$1,596,033) as long-term debt. However, if the landfill is closed during or at the end of the contract term, the contractor is liable for the closure/postclosure care costs.

Union County has entered into a contract with the state Department of Environment and Conservation for \$2,771,349 in-lieu-of a performance bond to ensure the funding of closure and postclosure care required by Section 68-31-116, Tennessee Code Annotated. In turn, the contractor has posted a bond for \$1,596,033 with Union County to ensure the obligation is met.

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 and the 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, 2006, 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:

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

G. Retirement Commitments

Plan Description

Employees of Union County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Union County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

General County Employees

Union County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 4.16 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Union County is established and may be amended by the TCRS Board of Trustees.

Board of Education Employees

Union County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was zero percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Union County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

General County Employees

For the year ended June 30, 2006, Union County's annual pension cost of \$79,835 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, 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 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three 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 five-year period. Union 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, 2003, was 12 years.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-06	\$79,835	100%	\$0
6-30-05	92,330	100	0
6-30-04	53,096	100	0

Board of Education Employees

For the year ended June 30, 2006, Union County's annual pension cost of \$0 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, 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 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three 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 five-year period. Union 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, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$0	100%	\$0
6-30-05	0	100	0
6-30-04	3	100	0

Required Supplementary Information

Schedule of Funding Progress for Union County

General County Employees

(Dollar amounts in thousands)

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)
6-30-03	\$1,731	\$1,740	\$9	99.48%	\$1,616	0.56%
6-30-01	1,457	1,457	0	100.00	1,193	0.00
6-30-99	1,194	1,194	0	100.00	953	0.00

Board of Education Employees

(Dollar amounts in thousands)

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)
6-30-03	\$4,299	\$4,299	\$0	100%	\$1,627	0%
6-30-01	4,074	4,074	0	100	1,672	0
6-30-99	3,556	3,556	0	100	1,510	0

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. A cost of living adjustment (COLA) is 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.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Union County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Union County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2006, 2005, and 2004, were \$599,144, \$602,326, and \$323,508, respectively, equal to the required contributions for each year.

H. Other Post-employment Benefits

In addition to the retirement commitments described in Note V.G., the School Department also provides post-retirement health care benefits and \$10,000 of life and accidental death and dismemberment coverage, in accordance with contract provisions, to employees with at least 25 years of service in Union County, who retire after September 1, 2004. The retirees may continue their coverage for seven years or to the age of sixty-five, whichever comes first. Currently, four retirees meet these eligibility requirements. The School Department pays \$66.67 per month for each eligible retiree's insurance premiums. During the year, expenditures were recognized for post-employment health care in the amount of \$3,200.

I. Purchasing Laws

Office of County Mayor

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

Office of Highway Superintendent

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

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,185,490	\$ 2,016,230	\$ 2,048,330	\$ 137,160
Licenses and Permits	101,749	69,000	69,000	32,749
Fines, Forfeitures, and Penalties	121,480	106,065	102,965	18,515
Charges for Current Services	24,410	37,918	37,918	(13,508)
Other Local Revenues	126,591	37,000	73,216	53,375
Fees Received from County Officials	651,757	618,500	602,500	49,257
State of Tennessee	865,538	1,298,580	1,248,317	(382,779)
Federal Government	103,496	85,000	127,000	(23,504)
Other Governments and Citizens Groups	27,912	22,598	42,598	(14,686)
Total Revenues	\$ 4,208,423	\$ 4,290,891	\$ 4,351,844	\$ (143,421)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 56,914	\$ 61,628	\$ 61,628	\$ 4,714
Board of Equalization	600	1,080	1,080	480
Budget and Finance Committee	900	1,200	1,200	300
County Mayor/Executive	146,285	148,753	148,753	2,468
County Attorney	12,160	11,160	12,160	0
Election Commission	75,711	79,893	79,893	4,182
Register of Deeds	112,987	119,375	119,375	6,388
Development	9,162	9,543	9,543	381
County Buildings	258,348	249,983	254,027	(4,321)
Other General Administration	115,806	125,249	140,249	24,443
<u>Finance</u>				
Property Assessor's Office	77,326	77,760	77,760	434
Reappraisal Program	50,128	58,790	58,790	8,662
County Trustee's Office	144,723	139,229	146,655	1,932
County Clerk's Office	163,520	164,398	164,398	878
Other Finance	49,931	42,000	50,588	657
<u>Administration of Justice</u>				
Circuit Court	158,080	158,258	163,079	4,999
General Sessions Court	62,539	63,567	63,567	1,028
Chancery Court	98,182	98,307	98,905	723
<u>Public Safety</u>				
Sheriff's Department	810,851	791,825	815,141	4,290
Jail	382,394	361,288	377,188	(5,206)
Juvenile Services	58,299	50,135	72,544	14,245
Fire Prevention and Control	38,500	38,500	38,500	0
Rescue Squad	14,575	16,000	16,000	1,425
County Coroner/Medical Examiner	10,520	10,000	11,300	780
<u>Public Health and Welfare</u>				
Local Health Center	125,030	165,032	165,032	40,002
Rabies and Animal Control	5,000	5,000	5,000	0

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Crippled Children Services	\$ 1,000	\$ 1,000	\$ 1,000	\$ 0
Appropriation to State	22,500	22,500	22,500	0
Other Local Welfare Services	0	1,826	1,826	1,826
Sanitation Management	3,656	5,000	5,000	1,344
Convenience Centers	22,886	17,718	25,101	2,215
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	65,426	69,350	74,813	9,387
Libraries	45,038	45,439	45,439	401
Parks and Fair Boards	26,393	45,462	46,267	19,874
Other Social, Cultural, and Recreational	5,000	5,500	5,500	500
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	25,922	32,410	32,410	6,488
Forest Service	500	500	500	0
Soil Conservation	31,738	31,770	31,770	32
<u>Other Operations</u>				
Veterans' Services	12,589	12,600	12,600	11
Contributions to Other Agencies	1,000	1,500	1,500	500
Employee Benefits	292,813	309,326	311,667	18,854
Payments to Cities	10,000	10,000	10,000	0
Miscellaneous	88,694	117,248	117,248	28,554
<u>Highways</u>				
Litter and Trash Collection	37,350	38,259	38,459	1,109
<u>Capital Projects</u>				
Other General Government Projects	42,532	493,100	549,600	507,068
Total Expenditures	<u>\$ 3,773,508</u>	<u>\$ 4,308,461</u>	<u>\$ 4,485,555</u>	<u>\$ 712,047</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 434,915</u>	<u>\$ (17,570)</u>	<u>\$ (133,711)</u>	<u>\$ 568,626</u>
Net Change in Fund Balance				
Fund Balance, July 1, 2005	<u>\$ 911,465</u>	<u>\$ 911,465</u>	<u>\$ 911,465</u>	<u>\$ 0</u>
Fund Balance, June 30, 2006	<u>\$ 1,346,380</u>	<u>\$ 893,895</u>	<u>\$ 777,754</u>	<u>\$ 568,626</u>

Exhibit E-2

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 233,132	\$ 215,105	\$ 222,550	\$ 10,582
Charges for Current Services	1,050,222	845,000	845,000	205,222
Other Local Revenues	50	0	0	50
Total Revenues	<u>\$ 1,283,404</u>	<u>\$ 1,060,105</u>	<u>\$ 1,067,550</u>	<u>\$ 215,854</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 1,015,874	\$ 1,028,176	\$ 1,052,176	\$ 36,302
Total Expenditures	<u>\$ 1,015,874</u>	<u>\$ 1,028,176</u>	<u>\$ 1,052,176</u>	<u>\$ 36,302</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 267,530</u>	<u>\$ 31,929</u>	<u>\$ 15,374</u>	<u>\$ 252,156</u>
Net Change in Fund Balance	\$ 267,530	\$ 31,929	\$ 15,374	\$ 252,156
Fund Balance, July 1, 2005	<u>(107)</u>	<u>(107)</u>	<u>(107)</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 267,423</u>	<u>\$ 31,822</u>	<u>\$ 15,267</u>	<u>\$ 252,156</u>

Exhibit E-3

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 167,265	\$ 155,500	\$ 155,500	\$ 11,765
Charges for Current Services	3,596	0	0	3,596
Other Local Revenues	24,733	26,500	26,500	(1,767)
State of Tennessee	1,382,390	1,570,122	1,570,122	(187,732)
Other Governments and Citizens Groups	0	30,000	30,000	(30,000)
Total Revenues	<u>\$ 1,577,984</u>	<u>\$ 1,782,122</u>	<u>\$ 1,782,122</u>	<u>\$ (204,138)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 95,261	\$ 100,752	\$ 101,482	\$ 6,221
Highway and Bridge Maintenance	613,806	884,728	928,078	314,272
Operation and Maintenance of Equipment	107,591	123,100	151,815	44,224
Ferry Operations	40,762	40,144	40,144	(618)
Other Charges	206,898	200,900	207,550	652
Employee Benefits	282,376	275,500	302,500	20,124
Capital Outlay	44,199	148,200	128,003	83,804
<u>Principal on Debt</u>				
Highways and Streets	139,197	119,000	139,197	0
<u>Interest on Debt</u>				
Highways and Streets	10,191	10,500	11,500	1,309
<u>Other Debt Service</u>				
Highways and Streets	1,042	2,000	2,000	958
Total Expenditures	<u>\$ 1,541,323</u>	<u>\$ 1,904,824</u>	<u>\$ 2,012,269</u>	<u>\$ 470,946</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 36,661</u>	<u>\$ (122,702)</u>	<u>\$ (230,147)</u>	<u>\$ 266,808</u>
Net Change in Fund Balance	\$ 36,661	\$ (122,702)	\$ (230,147)	\$ 266,808
Fund Balance, July 1, 2005	570,961	570,961	570,961	0
Fund Balance, June 30, 2006	<u>\$ 607,622</u>	<u>\$ 448,259</u>	<u>\$ 340,814</u>	<u>\$ 266,808</u>

UNION COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 State 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 generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission at the major category level of control (the legal level of control) in the General Fund and the Highway/Public Works Fund as follows:

Fund	Major Category	Amount Overspent
General	County Buildings	\$ 4,321
General	Jail	5,206
Highway/Public Works	Ferry Operations	618

Such overexpenditures are a violation of state law. These overexpenditures were funded by excess funds resulting from expenditures being below estimates in other major categories and available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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

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

Capital Projects Fund

Capital Projects Funds are used to account for financial resources to be used in the acquisition or construction of major capital projects.

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, 2006

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	
	<u>Drug Control</u>	<u>Constitu - tional Officers - Fees</u>	<u>Total</u>	<u>Community Development/ Industrial Park</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>					
Cash	\$ 0	\$ 50	\$ 50	\$ 0	\$ 50
Equity in Pooled Cash and Investments	34,076	0	34,076	201,246	235,322
Due from Other Funds	0	0	0	25,885	25,885
Total Assets	\$ 34,076	\$ 50	\$ 34,126	\$ 227,131	\$ 261,257
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 50	\$ 50	\$ 0	\$ 50
Total Liabilities	\$ 0	\$ 50	\$ 50	\$ 0	\$ 50
<u>Fund Balances</u>					
Unreserved	\$ 34,076	\$ 0	\$ 34,076	\$ 227,131	\$ 261,207
Total Fund Balances	\$ 34,076	\$ 0	\$ 34,076	\$ 227,131	\$ 261,207
Total Liabilities and Fund Balances	\$ 34,076	\$ 50	\$ 34,126	\$ 227,131	\$ 261,257

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, 2006

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 24,224	\$ 0	\$ 24,224	\$ 0	\$ 24,224
Charges for Current Services	0	347	347	0	347
Other Local Revenues	150	0	150	68,400	68,550
State of Tennessee	0	0	0	18,544	18,544
Total Revenues	<u>\$ 24,374</u>	<u>\$ 347</u>	<u>\$ 24,721</u>	<u>\$ 86,944</u>	<u>\$ 111,665</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 17	\$ 0	\$ 17	\$ 0	\$ 17
Finance	0	67	67	0	67
Administration of Justice	0	280	280	0	280
Public Safety	15,774	0	15,774	0	15,774
Other Operations	0	0	0	11,227	11,227
Total Expenditures	<u>\$ 15,791</u>	<u>\$ 347</u>	<u>\$ 16,138</u>	<u>\$ 11,227</u>	<u>\$ 27,365</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,583</u>	<u>\$ 0</u>	<u>\$ 8,583</u>	<u>\$ 75,717</u>	<u>\$ 84,300</u>
Net Change in Fund Balances	\$ 8,583	\$ 0	\$ 8,583	\$ 75,717	\$ 84,300
Fund Balance, July 1, 2005	25,493	0	25,493	151,414	176,907
Fund Balance, June 30, 2006	<u>\$ 34,076</u>	<u>\$ 0</u>	<u>\$ 34,076</u>	<u>\$ 227,131</u>	<u>\$ 261,207</u>

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 24,224	\$ 12,000	\$ 12,000	\$ 12,224
Other Local Revenues	150	0	150	0
Total Revenues	<u>\$ 24,374</u>	<u>\$ 12,000</u>	<u>\$ 12,150</u>	<u>\$ 12,224</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 17	\$ 0	\$ 0	\$ (17)
<u>Public Safety</u>				
Drug Enforcement	15,774	24,300	24,450	8,676
Total Expenditures	<u>\$ 15,791</u>	<u>\$ 24,300</u>	<u>\$ 24,450</u>	<u>\$ 8,659</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,583</u>	<u>\$ (12,300)</u>	<u>\$ (12,300)</u>	<u>\$ 20,883</u>
Net Change in Fund Balance	\$ 8,583	\$ (12,300)	\$ (12,300)	\$ 20,883
Fund Balance, July 1, 2005	<u>25,493</u>	<u>25,493</u>	<u>25,493</u>	<u>0</u>
Fund Balance, June 30, 2006	<u><u>\$ 34,076</u></u>	<u><u>\$ 13,193</u></u>	<u><u>\$ 13,193</u></u>	<u><u>\$ 20,883</u></u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of debt principal, interest, and related costs.

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 453,086	\$ 433,205	\$ 433,205	\$ 19,881
Other Local Revenues	105,137	100,000	100,000	5,137
Other Governments and Citizens Groups	500,000	567,085	567,085	(67,085)
Total Revenues	<u>\$ 1,058,223</u>	<u>\$ 1,100,290</u>	<u>\$ 1,100,290</u>	<u>\$ (42,067)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 82,877	\$ 206,490	\$ 206,490	\$ 123,613
Education	525,000	525,000	525,000	0
<u>Interest on Debt</u>				
General Government	4,027	15,031	15,031	11,004
Education	325,995	384,385	384,385	58,390
<u>Other Debt Service</u>				
General Government	12,503	31,000	31,000	18,497
Total Expenditures	<u>\$ 950,402</u>	<u>\$ 1,161,906</u>	<u>\$ 1,161,906</u>	<u>\$ 211,504</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 107,821</u>	<u>\$ (61,616)</u>	<u>\$ (61,616)</u>	<u>\$ 169,437</u>
Net Change in Fund Balance	\$ 107,821	\$ (61,616)	\$ (61,616)	\$ 169,437
Fund Balance, July 1, 2005	<u>1,742,534</u>	<u>1,742,534</u>	<u>1,742,534</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 1,850,355</u>	<u>\$ 1,680,918</u>	<u>\$ 1,680,918</u>	<u>\$ 169,437</u>

Fiduciary Funds

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

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

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

Union County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 819,179	\$ 819,179
Due from Other Governments	83,513	0	83,513
Total Assets	<u>\$ 83,513</u>	<u>\$ 819,179</u>	<u>\$ 902,692</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 83,513	\$ 0	\$ 83,513
Due to Litigants, Heirs, and Others	0	819,179	819,179
Total Liabilities	<u>\$ 83,513</u>	<u>\$ 819,179</u>	<u>\$ 902,692</u>

Exhibit H-2

Union County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 420,687	\$ 420,687	\$ 0
Due From Other Governments	64,802	83,513	64,802	83,513
Total Assets	\$ 64,802	\$ 504,200	\$ 485,489	\$ 83,513
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 64,802	\$ 504,200	\$ 485,489	\$ 83,513
Total Liabilities	\$ 64,802	\$ 504,200	\$ 485,489	\$ 83,513
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 687,914	\$ 3,216,411	\$ 3,085,146	\$ 819,179
Total Assets	\$ 687,914	\$ 3,216,411	\$ 3,085,146	\$ 819,179
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 687,914	\$ 3,216,411	\$ 3,085,146	\$ 819,179
Total Liabilities	\$ 687,914	\$ 3,216,411	\$ 3,085,146	\$ 819,179
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 687,914	\$ 3,216,411	\$ 3,085,146	\$ 819,179
Equity in Pooled Cash and Investments	0	420,687	420,687	0
Due From Other Governments	64,802	83,513	64,802	83,513
Total Assets	\$ 752,716	\$ 3,720,611	\$ 3,570,635	\$ 902,692
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 64,802	\$ 504,200	\$ 485,489	\$ 83,513
Due to Litigants, Heirs, and Others	687,914	3,216,411	3,085,146	819,179
Total Liabilities	\$ 752,716	\$ 3,720,611	\$ 3,570,635	\$ 902,692

Union County School Department

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

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

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

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

Exhibit I-1

Union County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Union County School Department
June 30, 2006

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>Funds</u>
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,110,243	\$ 18,926	\$ 111,840	\$ 1,241,009
Accounts Receivable	42,133	0	0	42,133
Due from Other Governments	359,622	11,154	24,290	395,066
Property Taxes Receivable	2,227,574	0	0	2,227,574
Allowance for Uncollectible Property Taxes	(112,119)	0	0	(112,119)
Total Assets	<u>\$ 3,627,453</u>	<u>\$ 30,080</u>	<u>\$ 136,130</u>	<u>\$ 3,793,663</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Other Current Liabilities	\$ 196,264	\$ 0	\$ 0	\$ 196,264
Deferred Revenue - Current Property Taxes	1,989,049	0	0	1,989,049
Deferred Revenue - Delinquent Property Taxes	116,165	0	0	116,165
Other Deferred Revenues	74,075	0	0	74,075
Total Liabilities	<u>\$ 2,375,553</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,375,553</u>
<u>Fund Balances</u>				
Reserved for Title I Grants to Local Education Agencies	\$ 0	\$ 1,304	\$ 0	\$ 1,304
Reserved for Special Education - Grants to States	0	22,929	0	22,929
Other Federal Reserves	0	5,847	0	5,847
Unreserved, Reported In:				
General Fund	1,251,900	0	0	1,251,900
Special Revenue Funds	0	0	136,130	136,130
Total Fund Balances	<u>\$ 1,251,900</u>	<u>\$ 30,080</u>	<u>\$ 136,130</u>	<u>\$ 1,418,110</u>
Total Liabilities and Fund Balances	<u>\$ 3,627,453</u>	<u>\$ 30,080</u>	<u>\$ 136,130</u>	<u>\$ 3,793,663</u>

Exhibit I-2

Union County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Union County School Department
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit I-1)		\$	1,418,110
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: Land	\$	1,345,209	
Add: Building and improvements net of accumulated depreciation		12,627,117	
Add: Other capital assets net of accumulated depreciation		<u>253,828</u>	14,226,154
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>190,240</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>15,834,504</u></u>

Exhibit I-3

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, 2006

	Major Funds		Nonmajor	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,925,073	\$ 0	\$ 0	\$ 2,925,073
Licenses and Permits	3,337	0	0	3,337
Charges for Current Services	31,599	0	386,585	418,184
Other Local Revenues	126,024	0	815	126,839
State of Tennessee	15,019,743	0	17,494	15,037,237
Federal Government	485,901	1,772,575	864,215	3,122,691
Total Revenues	<u>\$ 18,591,677</u>	<u>\$ 1,772,575</u>	<u>\$ 1,269,109</u>	<u>\$ 21,633,361</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 11,424,934	\$ 1,712,674	\$ 0	\$ 13,137,608
Support Services	6,212,395	481,065	0	6,693,460
Operation of Non-Instructional Services	110,840	0	1,280,423	1,391,263
Capital Outlay	0	65,381	0	65,381
Debt Service:				
Other Debt Service	500,000	0	0	500,000
Total Expenditures	<u>\$ 18,248,169</u>	<u>\$ 2,259,120</u>	<u>\$ 1,280,423</u>	<u>\$ 21,787,712</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 343,508</u>	<u>\$ (486,545)</u>	<u>\$ (11,314)</u>	<u>\$ (154,351)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 7,046	\$ 0	\$ 6,000	\$ 13,046
Transfers Out	(6,000)	(7,046)	0	(13,046)
Total Other Financing Sources (Uses)	<u>\$ 1,046</u>	<u>\$ (7,046)</u>	<u>\$ 6,000</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 344,554	\$ (493,591)	\$ (5,314)	\$ (154,351)
Fund Balance, July 1, 2005	<u>907,346</u>	<u>523,671</u>	<u>141,444</u>	<u>1,572,461</u>
Fund Balance, June 30, 2006	<u>\$ 1,251,900</u>	<u>\$ 30,080</u>	<u>\$ 136,130</u>	<u>\$ 1,418,110</u>

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, 2006

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-3)		\$ (154,351)
<p>(1) Governmental funds report capital outlay 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 amount that capital outlays exceeded depreciation is itemized as follows:</p>		
Add: Capital outlays in the current period	\$ 189,378	
Less: Current year depreciation	<u>(481,733)</u>	(292,355)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: Deferred delinquent property tax and other deferred June 30, 2006	\$ 190,240	
Less: Deferred delinquent property tax and other deferred June 30, 2005	<u>(154,360)</u>	<u>35,880</u>
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ (410,826)</u></u>

Exhibit I-5

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,925,073	\$ 2,750,762	\$ 2,750,762	\$ 174,311
Licenses and Permits	3,337	2,000	2,000	1,337
Charges for Current Services	31,599	19,000	19,000	12,599
Other Local Revenues	126,024	21,000	151,221	(25,197)
State of Tennessee	15,019,743	15,191,371	15,165,330	(145,587)
Federal Government	485,901	24,840	470,721	15,180
Total Revenues	<u>\$ 18,591,677</u>	<u>\$ 18,008,973</u>	<u>\$ 18,559,034</u>	<u>\$ 32,643</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 8,654,234	\$ 8,491,612	\$ 8,682,770	\$ 28,536
Special Education Program	1,964,125	1,980,007	1,980,007	15,882
Vocational Education Program	716,224	686,324	716,498	274
Adult Education Program	90,351	90,113	92,413	2,062
<u>Support Services</u>				
Health Services	48,019	46,795	49,094	1,075
Other Student Support	296,916	302,373	302,373	5,457
Regular Instruction Program	1,196,942	1,039,933	1,228,911	31,969
Special Education Program	103,897	103,898	103,898	1
Vocational Education Program	112,806	113,556	113,556	750
Adult Programs	86,089	91,386	91,386	5,297
Board of Education	379,462	406,789	386,289	6,827
Director of Schools	129,199	142,824	142,824	13,625
Office of the Principal	1,009,220	964,015	1,056,665	47,445
Fiscal Services	158,164	160,593	160,593	2,429
Operation of Plant	1,282,536	1,254,875	1,282,536	0
Maintenance of Plant	293,371	318,678	344,111	50,740
Transportation	1,017,993	1,028,945	1,050,633	32,640
Central and Other	97,781	107,832	107,832	10,051
<u>Operation of Non-Instructional Services</u>				
Food Service	4,582	8,286	8,286	3,704
Community Services	106,258	159,139	159,139	52,881
<u>Capital Outlay</u>				
Regular Capital Outlay	0	5,000	5,000	5,000
<u>Other Debt Service</u>				
Education	500,000	500,000	500,000	0
Total Expenditures	<u>\$ 18,248,169</u>	<u>\$ 18,002,973</u>	<u>\$ 18,564,814</u>	<u>\$ 316,645</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 343,508</u>	<u>\$ 6,000</u>	<u>\$ (5,780)</u>	<u>\$ 349,288</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 7,046	\$ 0	\$ 0	\$ 7,046
Transfers Out	(6,000)	(6,000)	(6,000)	0
Total Other Financing Sources (Uses)	<u>\$ 1,046</u>	<u>\$ (6,000)</u>	<u>\$ (6,000)</u>	<u>\$ 7,046</u>
Net Change in Fund Balance	\$ 344,554	\$ 0	\$ (11,780)	\$ 356,334
Fund Balance, July 1, 2005	907,346	897,994	897,994	9,352
Fund Balance, June 30, 2006	<u>\$ 1,251,900</u>	<u>\$ 897,994</u>	<u>\$ 886,214</u>	<u>\$ 365,686</u>

Exhibit I-6

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Union County School Department
School Federal Projects Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,772,575	\$ 0	\$ 1,772,575	\$ 2,831,545	\$ 3,283,423	\$ (1,510,848)
Total Revenues	\$ 1,772,575	\$ 0	\$ 1,772,575	\$ 2,831,545	\$ 3,283,423	\$ (1,510,848)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 1,024,395	\$ 0	\$ 1,024,395	\$ 1,079,618	\$ 1,218,115	\$ 193,720
Special Education Program	594,095	0	594,095	839,171	1,109,473	515,378
Vocational Education Program	94,184	0	94,184	95,159	95,159	975
<u>Support Services</u>						
Health Services	3,530	0	3,530	9,836	9,836	6,306
Other Student Support	11,472	0	11,472	20,190	20,190	8,718
Regular Instruction Program	245,212	0	245,212	451,728	471,527	226,315
Special Education Program	42,450	0	42,450	66,074	59,086	16,636
Transportation	160,501	0	160,501	186,509	193,009	32,508
Central and Other	17,900	0	17,900	26,290	39,290	21,390
<u>Capital Outlay</u>						
Regular Capital Outlay	65,381	(51,790)	13,591	34,915	44,915	31,324
Total Expenditures	\$ 2,259,120	\$ (51,790)	\$ 2,207,330	\$ 2,809,490	\$ 3,260,600	\$ 1,053,270
Excess (Deficiency) of Revenues Over Expenditures	\$ (486,545)	\$ 51,790	\$ (434,755)	\$ 22,055	\$ 22,823	\$ (457,578)
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (7,046)	\$ 0	\$ (7,046)	\$ (22,055)	\$ (22,823)	\$ 15,777
Total Other Financing Sources (Uses)	\$ (7,046)	\$ 0	\$ (7,046)	\$ (22,055)	\$ (22,823)	\$ 15,777

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (493,591)	\$ 51,790	\$ (441,801)	\$ 0	\$ 0	\$ (441,801)
Fund Balance, July 1, 2005	523,671	(51,790)	471,881	0	0	471,881
Fund Balance, June 30, 2006	\$ 30,080	\$ 0	\$ 30,080	\$ 0	\$ 0	\$ 30,080

Exhibit I-7

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 386,585	\$ 440,500	\$ 386,585	\$ 0
Other Local Revenues	815	0	0	815
State of Tennessee	17,494	19,000	17,494	0
Federal Government	864,215	779,500	855,925	8,290
Total Revenues	<u>\$ 1,269,109</u>	<u>\$ 1,239,000</u>	<u>\$ 1,260,004</u>	<u>\$ 9,105</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,280,423	\$ 1,245,000	\$ 1,287,556	\$ 7,133
Total Expenditures	<u>\$ 1,280,423</u>	<u>\$ 1,245,000</u>	<u>\$ 1,287,556</u>	<u>\$ 7,133</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,314)</u>	<u>\$ (6,000)</u>	<u>\$ (27,552)</u>	<u>\$ 16,238</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 6,000	\$ 6,000	\$ 6,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (5,314)	\$ 0	\$ (21,552)	\$ 16,238
Fund Balance, July 1, 2005	<u>141,444</u>	<u>0</u>	<u>21,552</u>	<u>119,892</u>
Fund Balance, June 30, 2006	<u>\$ 136,130</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 136,130</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Union County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Sheriff Vehicles	\$ 83,769	4.25 %	1-31-03	1-31-06	\$ 28,595	\$ 28,595	\$ 0
Construction of a Senior Citizens Center	83,962	3.5	6-11-03	6-10-06	28,956	28,956	0
Sheriff Vehicles	76,000	3.5	2-12-04	2-12-07	51,538	25,326	26,212
Total Notes Payable					<u>\$ 109,089</u>	<u>\$ 82,877</u>	<u>\$ 26,212</u>
<u>OTHER LOANS PAYABLE</u>							
<u>Public Building Authority Loan Agreement:</u>							
<u>Payable through Highway/Public Works Fund</u>							
Street and Road Improvements	1,000,000	Variable	3-7-1997	7-1-07	\$ 244,854	\$ 119,000	\$ 125,854
Total Payable through Highway/Public Works Fund					<u>\$ 244,854</u>	<u>\$ 119,000</u>	<u>\$ 125,854</u>
<u>Payable through General Debt Service Fund</u>							
School Buildings and Facilities	4,000,000	Variable	12-1-1995	12-1-16	\$ 2,775,000	\$ 205,000	\$ 2,570,000
Total Payable through General Debt Service Fund					<u>\$ 2,775,000</u>	<u>\$ 205,000</u>	<u>\$ 2,570,000</u>
Total Other Loans Payable					<u>\$ 3,019,854</u>	<u>\$ 324,000</u>	<u>\$ 2,695,854</u>
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through Highway/Public Works Fund</u>							
Road Equipment (Backhoe)	53,772	4.25	7-20-03	5-20-08	\$ 33,242	\$ 10,937	\$ 22,305
Road Equipment (Tractor and Mower)	48,050	4.25	4-1-04	3-1-09	36,845	9,260	27,585
Total Capital Leases Payable					<u>\$ 70,087</u>	<u>\$ 20,197</u>	<u>\$ 49,890</u>

(Continued)

Union County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Schools Refunding Bond 2003 Series	\$ 7,710,000	2 to 3.7 %	6-27-03	4-1-20	\$ 7,495,000	\$ 320,000	\$ 7,175,000
Total Bonds Payable					<u>\$ 7,495,000</u>	<u>\$ 320,000</u>	<u>\$ 7,175,000</u>

Exhibit J-2

Union County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 330,000	\$ 225,360	\$ 555,360
2008	340,000	218,760	558,760
2009	350,000	211,960	561,960
2010	355,000	204,085	559,085
2011	370,000	195,210	565,210
2012	385,000	184,110	569,110
2013	400,000	172,560	572,560
2014	415,000	160,560	575,560
2015	430,000	147,695	577,695
2016	450,000	133,935	583,935
2017	790,000	119,085	909,085
2018	820,000	92,225	912,225
2019	855,000	63,525	918,525
2020	885,000	32,745	917,745
Total	<u>\$ 7,175,000</u>	<u>\$ 2,161,815</u>	<u>\$ 9,336,815</u>

Exhibit J-3

Union County, Tennessee
Schedule of Transfers
Discretely Presented Union County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	Central Cafeteria	To provide funds for operations	\$ 6,000
School Federal Projects	General Purpose School	To transfer indirect costs	<u>7,046</u>
Total Transfers			<u>\$ 13,046</u>

Exhibit J-4

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, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 57,804	\$ 50,000	Auto Owners Insurance Company
Director of Schools	State Board of Education and County Board of Education	76,000 (1)	50,000	"
Highway Superintendent	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	50,048	513,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	15,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	50,248 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	55,052	50,000	"
Employee Blanket Bond - County and School Employees: Errors and Omissions Policy			1,000,000	Next Generation Underwriters

(1) Includes chief executive officer supplement of \$1,000.

(2) Includes special commissioner fees of \$200.

Exhibit J-5

Union County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2006

	Special Revenue Funds					Debt Service	Capital	Total
	General	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Fund General Debt Service	Projects Fund Community Development/ Industrial Park	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,248,716	\$ 208,090	\$ 0	\$ 0	\$ 56,557	\$ 402,375	\$ 0	\$ 1,915,738
Trustee's Collections - Prior Year	80,120	13,356	0	0	3,644	25,490	0	122,610
Circuit/Clerk & Master Collections - Prior Years	57,346	9,252	0	0	3,022	20,574	0	90,194
Interest and Penalty	11,946	1,991	0	0	543	3,801	0	18,281
Pick-up Taxes	2,659	443	0	0	121	846	0	4,069
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	8,598	0	0	0	0	0	0	8,598
Payments in-Lieu-of Taxes - Other	148,261	0	0	0	0	0	0	148,261
<u>County Local Option Taxes</u>								
Local Option Sales Tax	346,568	0	0	0	0	0	0	346,568
Litigation Tax - General	32,064	0	0	0	0	0	0	32,064
Litigation Tax - Special Purpose	29,960	0	0	0	0	0	0	29,960
Litigation Tax - Jail, Workhouse, or Courthouse	12,672	0	0	0	0	0	0	12,672
Business Tax	117,037	0	0	0	0	0	0	117,037
Mineral Severance Tax	0	0	0	0	103,378	0	0	103,378
<u>Statutory Local Taxes</u>								
Wholesale Beer Tax	82,706	0	0	0	0	0	0	82,706
Interstate Telecommunications Tax	2,242	0	0	0	0	0	0	2,242
Total Local Taxes	\$ 2,185,490	\$ 233,132	\$ 0	\$ 0	\$ 167,265	\$ 453,086	\$ 0	\$ 3,038,973
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 24,834	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,834
<u>Permits</u>								
Building Permits	76,915	0	0	0	0	0	0	76,915
Total Licenses and Permits	\$ 101,749	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 101,749
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 26,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,333
Fines for Littering	190	0	0	0	0	0	0	190
Officers Costs	2,640	0	0	0	0	0	0	2,640

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service	Capital	Total
	General	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Fund General Debt Service	Projects Fund Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Game and Fish Fines	\$ 5,935	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,935
Drug Control Fines	0	0	16,848	0	0	0	0	16,848
Jail Fees	1,069	0	0	0	0	0	0	1,069
Data Entry Fee - Circuit Court	872	0	0	0	0	0	0	872
<u>Criminal Court</u>								
Fines	1,033	0	0	0	0	0	0	1,033
<u>General Sessions Court</u>								
Fines	27,047	0	0	0	0	0	0	27,047
Officers Costs	23,976	0	0	0	0	0	0	23,976
Game and Fish Fines	1,808	0	0	0	0	0	0	1,808
Drug Control Fines	0	0	6,184	0	0	0	0	6,184
Jail Fees	13	0	0	0	0	0	0	13
Data Entry Fee - General Sessions Court	18,572	0	0	0	0	0	0	18,572
<u>Juvenile Court</u>								
Fines	2,306	0	0	0	0	0	0	2,306
Officers Costs	1,444	0	0	0	0	0	0	1,444
Data Entry Fee - Juvenile Court	184	0	0	0	0	0	0	184
<u>Chancery Court</u>								
Officers Costs	6,858	0	0	0	0	0	0	6,858
Data Entry Fee - Chancery Court	1,200	0	0	0	0	0	0	1,200
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	1,192	0	0	0	0	1,192
Total Fines, Forfeitures, and Penalties	\$ 121,480	\$ 0	\$ 24,224	\$ 0	\$ 0	\$ 0	\$ 0	145,704
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Self-Insurance Premiums/Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300	\$ 0	\$ 0	300
Patient Charges	0	1,050,222	0	0	0	0	0	1,050,222
Other General Service Charges	531	0	0	0	0	0	0	531
<u>Fees</u>								
Engineer Review Fees	2,125	0	0	0	0	0	0	2,125
Copy Fees	2,913	0	0	0	0	0	0	2,913

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service	Capital	Total
	General	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Fund General Debt Service	Projects Fund Community Development/ Industrial Park	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Library Fees	\$ 1,413	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,413
Constitutional Officers' Fees and Commissions	0	0	0	147	0	0	0	147
Special Commissioner Fees/Special Master Fees	0	0	0	200	0	0	0	200
Data Processing Fee - Register	10,666	0	0	0	0	0	0	10,666
Data Processing Fee - Sheriff	2,640	0	0	0	0	0	0	2,640
Sexual Offender Registration Fees - Sheriff	2,720	0	0	0	0	0	0	2,720
<u>Other Charges for Services</u>								
Other Charges for Services	1,402	0	0	0	3,296	0	0	4,698
Total Charges for Current Services	\$ 24,410	\$ 1,050,222	\$ 0	\$ 347	\$ 3,596	\$ 0	\$ 0	1,078,575
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	105,134	\$ 0	105,134
Lease/Rentals	38,851	0	0	0	0	0	0	38,851
Sale of Gasoline	0	0	0	0	21,326	0	0	21,326
Miscellaneous Refunds	45,138	50	0	0	521	3	0	45,712
<u>Nonrecurring Items</u>								
Insurance Recovery	24,931	0	0	0	0	0	0	24,931
Sale of Equipment	3,092	0	0	0	2,500	0	0	5,592
Sale of Property	0	0	0	0	0	0	68,400	68,400
Damages Recovered from Individuals	0	0	0	0	386	0	0	386
Contributions & Gifts	11,067	0	150	0	0	0	0	11,217
<u>Other Local Revenues</u>								
Other Local Revenues	3,512	0	0	0	0	0	0	3,512
Total Other Local Revenues	\$ 126,591	\$ 50	\$ 150	\$ 0	\$ 24,733	\$ 105,137	\$ 68,400	325,061
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 168,206	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	168,206
Circuit Court Clerk	50,136	0	0	0	0	0	0	50,136
General Sessions Court Clerk	63,676	0	0	0	0	0	0	63,676
Clerk and Master	72,484	0	0	0	0	0	0	72,484

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds				Highway / Public Works	Debt Service Fund General Debt Service	Capital Projects Fund Community Development/ Industrial Park	Total
		Ambulance Service	Drug Control	Constitu- tional Officers - Fees					
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees-In-Lieu of Salary (Cont.)</u>									
Register	\$ 114,093	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	114,093
Sheriff	7,806	0	0	0	0	0	0	0	7,806
Trustee	175,356	0	0	0	0	0	0	0	175,356
Total Fees Received from County Officials	\$ 651,757	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	651,757
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Aging Programs	7,019	0	0	0	0	0	0	0	7,019
Other General Government Grants	4,662	0	0	0	0	0	0	0	4,662
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	9,337	0	0	0	0	0	0	0	9,337
<u>Health and Welfare Grants</u>									
Public Health Nurses	104,219	0	0	0	0	0	0	0	104,219
<u>Public Works Grants</u>									
Litter Program	29,237	0	0	0	0	0	0	0	29,237
<u>Other State Revenues</u>									
Income Tax	12,195	0	0	0	0	0	0	0	12,195
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	22,643	0	0	0	0	0	0	0	22,643
State Revenue Sharing - T.V.A.	537,209	0	0	0	0	0	0	0	537,209
Contracted Prisoner Boarding	88,190	0	0	0	0	0	0	0	88,190
Gasoline and Motor Fuel Tax	0	0	0	0	1,368,065	0	0	0	1,368,065
Petroleum Special Tax	0	0	0	0	14,325	0	0	0	14,325
Reappraisal Program Reimbursement	8,235	0	0	0	0	0	0	0	8,235
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	0	18,544	0	18,544
Total State of Tennessee	\$ 865,538	\$ 0	\$ 0	\$ 0	\$ 1,382,390	\$ 0	\$ 18,544	\$ 0	2,266,472
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 29,149	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	29,149

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds				Debt Service	Capital	Total
		Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Fund	Projects Fund	
					General	Community		
					Debt	Development/ Industrial		
					Service	Park		
<u>Federal Government (Cont.)</u>								
<u>Federal Through State (Cont.)</u>								
Homeland Security Grants	\$ 63,297	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	63,297
Other Federal through State	11,050	0	0	0	0	0	0	11,050
Total Federal Government	\$ 103,496	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	103,496
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 19,072	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 0	519,072
Other	8,840	0	0	0	0	0	0	8,840
Total Other Governments and Citizens Groups	\$ 27,912	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 0	527,912
Total	\$ 4,208,423	\$ 1,283,404	\$ 24,374	\$ 347	\$ 1,577,984	\$ 1,058,223	\$ 86,944	\$ 8,239,699

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, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,882,455	\$ 0	\$ 0	\$ 1,882,455
Trustee's Collections - Prior Year	110,826	0	0	110,826
Circuit/Clerk & Master Collections - Prior Years	86,020	0	0	86,020
Interest and Penalty	17,918	0	0	17,918
Pick-up Taxes	3,988	0	0	3,988
<u>County Local Option Taxes</u>				
Local Option Sales Tax	776,611	0	0	776,611
<u>Statutory Local Taxes</u>				
Bank Excise Tax	44,180	0	0	44,180
Interstate Telecommunications Tax	3,075	0	0	3,075
Total Local Taxes	\$ 2,925,073	\$ 0	\$ 0	\$ 2,925,073
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,539	\$ 0	\$ 0	\$ 1,539
<u>Permits</u>				
Other Permits	1,798	0	0	1,798
Total Licenses and Permits	\$ 3,337	\$ 0	\$ 0	\$ 3,337
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 229,548	\$ 229,548
Lunch Payments - Adults	0	0	32,610	32,610
Income from Breakfast	0	0	37,372	37,372
A la carte Sales	0	0	87,055	87,055
Receipts from Individual Schools	30,139	0	0	30,139
<u>Other Charges for Services</u>				
Other Charges for Services	1,460	0	0	1,460
Total Charges for Current Services	\$ 31,599	\$ 0	\$ 386,585	\$ 418,184
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 815	\$ 815
Miscellaneous Refunds	2,791	0	0	2,791
<u>Nonrecurring Items</u>				
Insurance Recovery	81,708	0	0	81,708
Sale of Equipment	362	0	0	362
Resale of Materials - T&I House	15,105	0	0	15,105
Contributions & Gifts	10,000	0	0	10,000
<u>Other Local Revenues</u>				
Other Local Revenues	16,058	0	0	16,058
Total Other Local Revenues	\$ 126,024	\$ 0	\$ 815	\$ 126,839
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 14,488,973	\$ 0	\$ 0	\$ 14,488,973
School Food Service	0	0	17,494	17,494
Driver Education	12,614	0	0	12,614
Career Ladder Program	154,260	0	0	154,260
Career Ladder - Extended Contract	50,989	0	0	50,989
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	134,302	0	0	134,302
Other State Grants	178,605	0	0	178,605
Total State of Tennessee	\$ 15,019,743	\$ 0	\$ 17,494	\$ 15,037,237

(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	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 605,960	\$ 605,960
Breakfast	0	0	229,836	229,836
USDA - Other	0	0	28,419	28,419
Adult Education State Grant Program	63,136	0	0	63,136
Vocational Education - Basic Grants to States	0	105,657	0	105,657
Title I Grants to Local Education Agencies	0	899,538	0	899,538
Innovative Education Program Strategies	0	77,231	0	77,231
Special Education - Grants to States	38,560	470,786	0	509,346
Special Education Preschool Grants	0	20,689	0	20,689
Eisenhower Professional Development State Grants	43,150	183,772	0	226,922
Other Federal through State	341,055	14,902	0	355,957
Total Federal Government	\$ 485,901	\$ 1,772,575	\$ 864,215	\$ 3,122,691
Total	\$ 18,591,677	\$ 1,772,575	\$ 1,269,109	\$ 21,633,361

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	46,382	
Audit Services		4,223	
Contracts with Government Agencies		5,825	
Printing, Stationery, and Forms		484	
Total County Commission			\$ 56,914

Board of Equalization

Board and Committee Members Fees	\$	600	
Total Board of Equalization			600

Budget and Finance Committee

Board and Committee Members Fees	\$	900	
Total Budget and Finance Committee			900

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Accountants/Bookkeepers		57,397	
Part-time Personnel		12,917	
Data Processing Services		5,413	
Legal Notices, Recording, and Court Costs		500	
Maintenance & Repair Services - Equipment		1,147	
Printing, Stationery, and Forms		2,000	
Travel		1,519	
Office Supplies		5,000	
Premiums on Corporate Surety Bonds		174	
Other Charges		145	
Data Processing Equipment		1,316	
Office Equipment		953	
Total County Mayor/Executive			146,285

County Attorney

County Official/Administrative Officer	\$	11,160	
Legal Services		1,000	
Total County Attorney			12,160

Election Commission

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		18,500	
Election Commission		1,050	
Data Processing Services		3,000	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Legal Notices, Recording, and Court Costs	\$	175	
Printing, Stationery, and Forms		810	
Travel		1,262	
Office Supplies		679	
Office Equipment		187	
Total Election Commission			\$ 75,711

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Clerical Personnel		47,730	
Data Processing Services		11,041	
Office Supplies		3,871	
Premiums on Corporate Surety Bonds		97	
Other Charges		200	
Total Register of Deeds			112,987

Development

Board and Committee Members Fees	\$	1,440	
Consultants		7,722	
Total Development			9,162

County Buildings

Custodial Personnel	\$	19,070	
Maintenance Personnel		24,574	
Maintenance Agreements		4,121	
Maintenance & Repair Services - Buildings		22,500	
Pest Control		754	
Custodial Supplies		14,133	
Electricity		68,151	
Natural Gas		9,814	
Water and Sewer		10,601	
Other Supplies and Materials		3,544	
Building and Contents Insurance		71,638	
Other Charges		500	
Building Improvements		8,354	
Furniture and Fixtures		594	
Total County Buildings			258,348

Other General Administration

Communication	\$	53,828	
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(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Dues and Memberships	\$	7,136	
Maintenance & Repair Services - Office Equipment		4,463	
Maintenance & Repair Services - Vehicles		736	
Postal Charges		27,026	
Duplicating Supplies		4,058	
Gasoline		2,300	
Other Charges		5,626	
Administration Equipment		10,633	
Total Other General Administration			\$ 115,806

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Clerical Personnel		25,257	
Legal Notices, Recording, and Court Costs		107	
Printing, Stationery, and Forms		300	
Travel		1,191	
Office Supplies		363	
Premiums on Corporate Surety Bonds		60	
Total Property Assessor's Office			77,326

Reappraisal Program

Clerical Personnel	\$	21,569	
Other Salaries & Wages		17,114	
Contracts with Other Public Agencies		9,008	
Travel		378	
Other Charges		2,059	
Total Reappraisal Program			50,128

County Trustee's Office

County Official/Administrative Officer	\$	50,048	
Clerical Personnel		75,607	
Data Processing Services		4,000	
Legal Notices, Recording, and Court Costs		800	
Maintenance & Repair Services - Office Equipment		406	
Printing, Stationery, and Forms		7,426	
Travel		439	
Office Supplies		2,762	
Premiums on Corporate Surety Bonds		1,307	
Office Equipment		1,928	
Total County Trustee's Office			144,723

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$ 50,048	
Clerical Personnel	108,613	
Maintenance & Repair Services - Office Equipment	400	
Travel	1,266	
Office Supplies	3,017	
Premiums on Corporate Surety Bonds	174	
Office Equipment	<u>2</u>	
Total County Clerk's Office		\$ 163,520

Other Finance

Trustee's Commission	\$ 49,931	
Total Other Finance		49,931

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 50,048	
Clerical Personnel	63,359	
Jury and Witness Fees	12,121	
Data Processing Services	10,000	
Travel	463	
Library Books/Media	10,928	
Office Supplies	7,397	
Premiums on Corporate Surety Bonds	135	
Office Equipment	<u>3,629</u>	
Total Circuit Court		158,080

General Sessions Court

Judge(s)	\$ 61,562	
Travel	<u>977</u>	
Total General Sessions Court		62,539

Chancery Court

County Official/Administrative Officer	\$ 50,048	
Clerical Personnel	43,604	
Travel	19	
Office Supplies	4,077	
Premiums on Corporate Surety Bonds	234	
Office Equipment	<u>200</u>	
Total Chancery Court		98,182

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 55,052	
Deputy(ies)	370,730	
Investigator(s)	93,273	
Salary Supplements	7,644	
Dispatchers/Radio Operators	87,507	
Guards	365	
Secretary(ies)	36,400	
Other Salaries & Wages	11,046	
Maintenance & Repair Services - Equipment	3,774	
Maintenance & Repair Services - Office Equipment	955	
Maintenance & Repair Services - Vehicles	21,650	
Travel	3,394	
Tuition	2,702	
Gasoline	51,915	
Law Enforcement Supplies	178	
Office Supplies	6,829	
Tires and Tubes	5,970	
Uniforms	8,035	
Vehicle Parts	11,770	
Premiums on Corporate Surety Bonds	193	
Other Charges	5,499	
Motor Vehicles	24,770	
Office Equipment	1,200	
Total Sheriff's Department		\$ 810,851

Jail

Guards	\$ 171,332	
Cafeteria Personnel	35,771	
Maintenance & Repair Services - Buildings	14,446	
Medical and Dental Services	48,305	
Pest Control	299	
Other Contracted Services	45,000	
Custodial Supplies	9,000	
Drugs and Medical Supplies	18,549	
Food Preparation Supplies	371	
Food Supplies	37,706	
Other Charges	801	
Food Service Equipment	814	
Total Jail		382,394

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Youth Service Officer(s)	\$ 7,592	
Psychological Personnel	31,115	
Contracts with Private Agencies	17,939	
Travel	619	
Office Supplies	934	
Office Equipment	100	
Total Juvenile Services		\$ 58,299

Fire Prevention and Control

Contributions	\$ 38,500	
Total Fire Prevention and Control		38,500

Rescue Squad

Contributions	\$ 14,575	
Total Rescue Squad		14,575

County Coroner/Medical Examiner

Other Contracted Services	\$ 10,520	
Total County Coroner/Medical Examiner		10,520

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 89,517	
Contributions	34,286	
Travel	1,192	
Other Charges	35	
Total Local Health Center		125,030

Rabies and Animal Control

Contributions	\$ 5,000	
Total Rabies and Animal Control		5,000

Crippled Children Services

Contributions	\$ 1,000	
Total Crippled Children Services		1,000

Appropriation to State

Contracts with Government Agencies	\$ 22,500	
Total Appropriation to State		22,500

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management

Contracts with Private Agencies	\$ 3,656	
Total Sanitation Management		\$ 3,656

Convenience Centers

Laborers	\$ 9,597	
Custodial Personnel	1,477	
Maintenance Personnel	10,336	
Other Salaries & Wages	1,476	
Total Convenience Centers		22,886

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 21,885	
Secretary(ies)	27,900	
Custodial Personnel	6,469	
Contributions	1,253	
Maintenance & Repair Services - Buildings	1,498	
Maintenance & Repair Services - Equipment	403	
Maintenance & Repair Services - Vehicles	697	
Pest Control	163	
Travel	253	
Custodial Supplies	596	
Gasoline	2,400	
Office Supplies	976	
Water and Sewer	592	
Other Supplies and Materials	341	
Total Senior Citizens Assistance		65,426

Libraries

Librarians	\$ 35,809	
Other Salaries & Wages	2,279	
Contracts with Public Carriers	200	
Contributions	424	
Printing, Stationery, and Forms	175	
Travel	420	
Office Supplies	4,249	
Other Charges	1,482	
Total Libraries		45,038

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

Other Salaries & Wages	\$ 9,573	
Contributions	162	
Maintenance Agreements	6,097	
Maintenance & Repair Services - Buildings	10,241	
Other Charges	320	
Total Parks and Fair Boards		\$ 26,393

Other Social, Cultural, and Recreational

Contributions	\$ 5,000	
Total Other Social, Cultural, and Recreational		5,000

Agriculture & Natural Resources

Agriculture Extension Service

Contracts with Government Agencies	\$ 21,556	
Operating Lease Payments	3,457	
Office Supplies	597	
Office Equipment	312	
Total Agriculture Extension Service		25,922

Forest Service

Contributions	\$ 500	
Total Forest Service		500

Soil Conservation

Secretary(ies)	\$ 26,520	
Rentals	3,000	
Other Charges	2,218	
Total Soil Conservation		31,738

Other Operations

Veterans' Services

Supervisor/Director	\$ 12,000	
Travel	489	
Office Supplies	100	
Total Veterans' Services		12,589

Contributions to Other Agencies

Contributions	\$ 1,000	
Total Contributions to Other Agencies		1,000

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$ 182,485	
State Retirement	73,276	
Unemployment Compensation	9,743	
Workers' Compensation Insurance	27,309	
Total Employee Benefits		\$ 292,813

Payments to Cities

Contributions	\$ 10,000	
Total Payments to Cities		10,000

Miscellaneous

Contributions	\$ 11,300	
Premiums on Corporate Surety Bonds	80	
Vehicle and Equipment Insurance	14,000	
Other Charges	3,128	
State Aid Projects	60,186	
Total Miscellaneous		88,694

Highways

Litter and Trash Collection

Foremen	\$ 21,975	
Other Salaries & Wages	9,725	
Maintenance & Repair Services - Vehicles	954	
Travel	652	
Gasoline	1,200	
Office Supplies	2,694	
Other Charges	150	
Total Litter and Trash Collection		37,350

Capital Projects

Other General Government Projects

Maintenance & Repair Services - Buildings	\$ 3,000	
Land	24,485	
State Aid Projects	15,047	
Total Other General Government Projects		42,532

Total General Fund \$ 3,773,508

(Continued)

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

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$	42,000	
Clerical Personnel		25,000	
Attendants		588,268	
In-Service Training		3,430	
Social Security		50,128	
State Retirement		20,012	
Medical Insurance		50,311	
Communication		9,616	
Data Processing Services		1,200	
Dues and Memberships		389	
Licenses		750	
Maintenance & Repair Services - Buildings		1,243	
Maintenance & Repair Services - Vehicles		20,329	
Medical and Dental Services		380	
Printing, Stationery, and Forms		4,363	
Travel		2,283	
Disposal Fees		1,479	
Other Contracted Services		6,000	
Custodial Supplies		1,063	
Data Processing Supplies		846	
Diesel Fuel		31,005	
Drugs and Medical Supplies		24,103	
Electricity		7,331	
Natural Gas		2,052	
Office Supplies		1,451	
Tires and Tubes		3,637	
Uniforms		4,704	
Water and Sewer		914	
Other Supplies and Materials		5,938	
Building and Contents Insurance		3,700	
Liability Insurance		10,500	
Trustee's Commission		14,943	
Vehicle and Equipment Insurance		10,680	
Workers' Compensation Insurance		52,499	
Interest on Notes		5,519	
Communication Equipment		5,958	
Data Processing Equipment		1,779	
Furniture and Fixtures		71	
Total Ambulance/Emergency Medical Services			\$ 1,015,874
Total Ambulance Service Fund			\$ 1,015,874

(Continued)

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

Drug Control Fund

General Government

Other General Administration

Other Charges	\$ 17	
Total Other General Administration		\$ 17

Public Safety

Drug Enforcement

Data Processing Services	\$ 1,175	
Veterinary Services	70	
Animal Food and Supplies	289	
Law Enforcement Supplies	5,750	
Other Supplies and Materials	159	
Trustee's Commission	242	
Other Charges	1,000	
Motor Vehicles	4,950	
Office Equipment	2,139	
Total Drug Enforcement		<u>15,774</u>

Total Drug Control Fund \$ 15,791

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 67	
Total County Clerk's Office		\$ 67

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 200	
Constitutional Officers' Operating Expenses	80	
Total Chancery Court		<u>280</u>

Total Constitutional Officers - Fees Fund 347

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 55,052
Accountants/Bookkeepers	4,200
Secretary(ies)	29,000
Board and Committee Members Fees	3,850
Advertising	456

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Dues and Memberships	\$	150	
Office Supplies		2,553	
Total Administration			\$ 95,261

Highway and Bridge Maintenance

Foremen	\$	46,614	
Equipment Operators		39,686	
Equipment Operators - Heavy		78,898	
Equipment Operators - Light		76,294	
Truck Drivers		79,276	
Laborers		90,440	
Rentals		250	
Other Contracted Services		48,781	
Asphalt - Cold Mix		73,111	
Asphalt - Hot Mix		42,134	
Crushed Stone		34,531	
Other Road Supplies		789	
Pipe - Metal		2,732	
Road Signs		191	
Other Supplies and Materials		79	
Total Highway and Bridge Maintenance			613,806

Operation and Maintenance of Equipment

Mechanic(s)	\$	4,812	
Other Contracted Services		203	
Diesel Fuel		39,007	
Equipment Parts - Heavy		6,032	
Equipment Parts - Light		21,401	
Garage Supplies		2,943	
Gasoline		27,917	
Lubricants		2,522	
Small Tools		259	
Tires and Tubes		2,495	
Total Operation and Maintenance of Equipment			107,591

Ferry Operations

Equipment Operators - Heavy	\$	40,762	
Total Ferry Operations			40,762

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Unemployment Compensation	\$	4,130	
Communication		2,136	
Electricity		2,224	
Fuel Oil		2,289	
Water and Sewer		183	
Excess Risk Insurance		64,449	
Premiums on Corporate Surety Bonds		2,715	
Trustee's Commission		16,238	
Vehicle and Equipment Insurance		31,531	
Workers' Compensation Insurance		79,995	
Other Charges		1,008	
Total Other Charges			\$ 206,898

Employee Benefits

Social Security	\$	41,567	
Extension Service Medicare		2	
Employee and Dependent Insurance		240,807	
Total Employee Benefits			282,376

Capital Outlay

Bridge Construction	\$	44,199	
Total Capital Outlay			44,199

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	20,197	
Principal on Other Loans		119,000	
Total Highways and Streets			139,197

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	2,588	
Interest on Other Loans		7,603	
Total Highways and Streets			10,191

Other Debt Service

Highways and Streets

Other Charges	\$	1,042	
Total Highways and Streets			1,042

Total Highway/Public Works Fund \$ 1,541,323

(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	\$ 82,877	
Total General Government		\$ 82,877

Education

Principal on Bonds	\$ 320,000	
Principal on Other Loans	205,000	
Total Education		525,000

Interest on Debt

General Government

Interest on Notes	\$ 4,027	
Total General Government		4,027

Education

Interest on Bonds	\$ 231,760	
Interest on Other Loans	94,235	
Total Education		325,995

Other Debt Service

General Government

Other Contracted Services	\$ 2,500	
Trustee's Commission	10,003	
Total General Government		12,503

Total General Debt Service Fund		\$ 950,402
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Community Development/Industrial Park Fund

Other Operations

Industrial Development

Other Contracted Services	\$ 10,000	
Site Development	504	
Other Construction	723	
Total Industrial Development		\$ 11,227

Total Community Development/Industrial Park Fund		11,227
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Total Governmental Funds - Primary Government		<u>\$ 7,308,472</u>
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Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,501,462	
Career Ladder Program	99,305	
Career Ladder Extended Contracts	73,883	
Homebound Teachers	23,654	
Clerical Personnel	11,618	
Educational Assistants	117,516	
Other Salaries & Wages	64,627	
Certified Substitute Teachers	46,979	
Non-certified Substitute Teachers	100,254	
Social Security	414,446	
State Retirement	366,323	
Life Insurance	4,152	
Medical Insurance	416,241	
Unemployment Compensation	14,117	
Employer Medicare	96,927	
Maintenance & Repair Services - Equipment	477	
Instructional Supplies and Materials	82,653	
Textbooks	202,965	
Other Supplies and Materials	15,669	
Regular Instruction Equipment	966	
Total Regular Instruction Program		\$ 8,654,234

Special Education Program

Teachers	\$ 1,206,752
Career Ladder Program	12,000
Homebound Teachers	28,197
Educational Assistants	139,256
Other Salaries & Wages	18,790
Certified Substitute Teachers	7,043
Non-certified Substitute Teachers	24,030
Social Security	83,498
State Retirement	65,434
Life Insurance	727
Medical Insurance	92,216
Unemployment Compensation	3,179
Employer Medicare	19,528
Contracts with Other School Systems	23,927
Maintenance & Repair Services - Equipment	3,758
Other Contracted Services	132,981

(Continued)

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.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	10,150	
Other Supplies and Materials		50,336	
Special Education Equipment		42,323	
Total Special Education Program			\$ 1,964,125

Vocational Education Program

Teachers	\$	531,004	
Career Ladder Program		3,992	
Certified Substitute Teachers		2,984	
Non-certified Substitute Teachers		8,002	
Social Security		31,430	
State Retirement		28,430	
Life Insurance		296	
Medical Insurance		47,043	
Unemployment Compensation		1,016	
Employer Medicare		7,351	
Maintenance & Repair Services - Equipment		2,112	
Instructional Supplies and Materials		18,256	
T&I Construction Materials		15,105	
Textbooks		8,000	
Other Supplies and Materials		4,858	
Vocational Instruction Equipment		6,345	
Total Vocational Education Program			716,224

Adult Education Program

Teachers	\$	51,472	
Clerical Personnel		994	
Other Salaries & Wages		19,096	
Social Security		4,317	
State Retirement		2,831	
Life Insurance		23	
Medical Insurance		3,067	
Unemployment Compensation		122	
Employer Medicare		1,010	
Instructional Supplies and Materials		7,419	
Total Adult Education Program			90,351

(Continued)

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

Health Services

Medical Personnel	\$	35,910	
Social Security		1,889	
State Retirement		1,975	
Medical Insurance		5,908	
Unemployment Compensation		56	
Employer Medicare		442	
Travel		1,495	
Other Supplies and Materials		344	
Total Health Services			\$ 48,019

Other Student Support

Career Ladder Program	\$	2,745	
Guidance Personnel		239,023	
Social Security		13,801	
State Retirement		13,297	
Life Insurance		137	
Medical Insurance		18,325	
Unemployment Compensation		332	
Employer Medicare		3,228	
Evaluation and Testing		5,858	
Travel		170	
Total Other Student Support			296,916

Regular Instruction Program

Supervisor/Director	\$	216,742	
Career Ladder Program		4,988	
Librarians		156,406	
Other Salaries & Wages		261,164	
Social Security		38,153	
State Retirement		25,412	
Life Insurance		205	
Medical Insurance		30,197	
Unemployment Compensation		820	
Employer Medicare		8,923	
Maintenance & Repair Services - Equipment		57,720	
Travel		48,200	
Other Contracted Services		59,772	
Library Books/Media		2,984	
Other Supplies and Materials		205,770	

(Continued)

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.)

In Service/Staff Development	\$	18,123	
Other Equipment		61,363	
Total Regular Instruction Program			\$ 1,196,942

Special Education Program

Supervisor/Director	\$	74,431	
Career Ladder Program		1,000	
Social Security		4,665	
State Retirement		4,149	
Life Insurance		23	
Unemployment Compensation		56	
Employer Medicare		1,091	
Travel		12,171	
In Service/Staff Development		6,311	
Total Special Education Program			103,897

Vocational Education Program

Supervisor/Director	\$	60,716	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		10,119	
Secretary(ies)		23,062	
Social Security		5,980	
State Retirement		4,061	
Life Insurance		23	
Unemployment Compensation		112	
Employer Medicare		1,398	
Travel		4,335	
Total Vocational Education Program			112,806

Adult Programs

Supervisor/Director	\$	70,677	
Career Ladder Program		1,000	
Social Security		4,140	
State Retirement		3,791	
Life Insurance		23	
Medical Insurance		3,103	
Unemployment Compensation		56	
Employer Medicare		968	
Travel		630	

(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.)

Adult Programs (Cont.)

In Service/Staff Development	\$ 1,701	
Total Adult Programs		\$ 86,089

Board of Education

Board and Committee Members Fees	\$ 16,800	
Social Security	1,042	
Employer Medicare	244	
Audit Services	5,500	
Dues and Memberships	8,416	
Legal Services	1,626	
Other Supplies and Materials	65,352	
Liability Insurance	97,336	
Trustee's Commission	79,791	
Workers' Compensation Insurance	103,355	
Total Board of Education		379,462

Director of Schools

County Official/Administrative Officer	\$ 75,000	
Career Ladder Program	1,000	
Secretary(ies)	11,401	
Social Security	5,419	
State Retirement	4,180	
Life Insurance	3,095	
Unemployment Compensation	27	
Employer Medicare	1,267	
Communication	12,185	
Postal Charges	4,940	
Travel	2,852	
Other Contracted Services	4,739	
Office Supplies	3,094	
Total Director of Schools		129,199

Office of the Principal

Principals	\$ 363,077	
Career Ladder Program	7,000	
Career Ladder Extended Contracts	11,689	
Assistant Principals	179,103	
Secretary(ies)	153,897	
Clerical Personnel	46,619	

(Continued)

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 (Cont.)

Social Security	\$	45,228	
State Retirement		28,729	
Life Insurance		228	
Medical Insurance		29,451	
Unemployment Compensation		1,413	
Employer Medicare		10,578	
Communication		27,066	
Other Supplies and Materials		105,142	
Total Office of the Principal			\$ 1,009,220

Fiscal Services

Accountants/Bookkeepers	\$	101,200	
Clerical Personnel		23,062	
Other Salaries & Wages		2,200	
Social Security		7,484	
State Retirement		3,620	
Medical Insurance		6,349	
Unemployment Compensation		173	
Employer Medicare		1,750	
Travel		1,487	
Other Contracted Services		6,865	
Data Processing Supplies		632	
Other Supplies and Materials		3,342	
Total Fiscal Services			158,164

Operation of Plant

Custodial Personnel	\$	340,208	
Social Security		20,938	
Unemployment Compensation		1,823	
Employer Medicare		4,897	
Other Contracted Services		59,090	
Custodial Supplies		39,560	
Electricity		523,238	
Fuel Oil		68,049	
Natural Gas		75,000	
Water and Sewer		57,231	
Boiler Insurance		6,983	
Building and Contents Insurance		78,704	
Plant Operation Equipment		6,815	
Total Operation of Plant			1,282,536

(Continued)

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

Maintenance Personnel	\$	76,097	
Social Security		4,691	
Unemployment Compensation		113	
Employer Medicare		1,097	
Maintenance & Repair Services - Buildings		35,327	
Maintenance & Repair Services - Vehicles		486	
Travel		603	
Other Supplies and Materials		174,957	
Total Maintenance of Plant			\$ 293,371

Transportation

Other Salaries & Wages	\$	24,646	
Social Security		1,528	
Unemployment Compensation		197	
Employer Medicare		357	
Contracts with Vehicle Owners		967,104	
Diesel Fuel		2,187	
Other Supplies and Materials		6,455	
Transportation Equipment		15,519	
Total Transportation			1,017,993

Central and Other

Other Salaries & Wages	\$	86,497	
Social Security		4,815	
State Retirement		90	
Unemployment Compensation		257	
Employer Medicare		1,126	
Travel		366	
Other Supplies and Materials		4,630	
Total Central and Other			97,781

Operation of Non-Instructional Services

Food Service

Other Salaries & Wages	\$	4,225	
Social Security		262	
Unemployment Compensation		34	
Employer Medicare		61	
Total Food Service			4,582

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Supervisor/Director	\$	30,000	
Other Salaries & Wages		27,923	
Social Security		3,439	
State Retirement		1,200	
Medical Insurance		9,710	
Unemployment Compensation		168	
Employer Medicare		804	
Travel		1,328	
Other Supplies and Materials		4,494	
Other Charges		27,192	
Total Community Services	\$		106,258

Other Debt Service

Education

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

Total General Purpose School Fund \$ 18,248,169

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	428,895	
Educational Assistants		117,960	
Other Salaries & Wages		177,281	
Non-certified Substitute Teachers		6,612	
Social Security		44,765	
State Retirement		31,953	
Medical Insurance		39,785	
Unemployment Compensation		1,798	
Employer Medicare		11,078	
Instructional Supplies and Materials		48,135	
Other Supplies and Materials		38,648	
Regular Instruction Equipment		77,485	
Total Regular Instruction Program	\$		1,024,395

Special Education Program

Teachers	\$	97,845	
Educational Assistants		129,885	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries & Wages	\$	147,357	
Social Security		22,663	
State Retirement		7,296	
Medical Insurance		5,427	
Unemployment Compensation		1,773	
Employer Medicare		5,300	
Other Contracted Services		10,847	
Instructional Supplies and Materials		20,000	
Other Supplies and Materials		145,702	
Total Special Education Program	\$		594,095

Vocational Education Program

Other Contracted Services	\$	2,000	
Instructional Supplies and Materials		54,043	
Other Supplies and Materials		4,837	
Vocational Instruction Equipment		33,304	
Total Vocational Education Program			94,184

Support Services

Health Services

Other Supplies and Materials	\$	3,530	
Total Health Services			3,530

Other Student Support

Travel	\$	10,688	
In Service/Staff Development		784	
Total Other Student Support			11,472

Regular Instruction Program

Supervisor/Director	\$	73,859	
Clerical Personnel		43,066	
Social Security		6,673	
State Retirement		4,062	
Medical Insurance		3,294	
Unemployment Compensation		158	
Employer Medicare		1,561	
Travel		8,568	
Other Supplies and Materials		42,035	
In Service/Staff Development		53,847	

(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 (Cont.)

Regular Instruction Program (Cont.)

Other Equipment	\$ 8,089	
Total Regular Instruction Program		\$ 245,212

Special Education Program

Travel	\$ 22,720	
In Service/Staff Development	19,730	
Total Special Education Program		42,450

Transportation

Other Salaries & Wages	\$ 11,796	
Social Security	731	
Unemployment Compensation	31	
Employer Medicare	171	
Contracts with Parents	23,163	
Contracts with Vehicle Owners	122,609	
In Service/Staff Development	2,000	
Total Transportation		160,501

Central and Other

Other Salaries & Wages	\$ 6,500	
Social Security	403	
Unemployment Compensation	94	
Employer Medicare	94	
Other Supplies and Materials	4,220	
Other Equipment	6,589	
Total Central and Other		17,900

Capital Outlay

Regular Capital Outlay

Building Construction	\$ 65,381	
Total Regular Capital Outlay		65,381

Total School Federal Projects Fund		\$ 2,259,120
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 34,702
Accountants/Bookkeepers	17,850

(Continued)

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

Central Cafeteria Fund (Cont.)
Operation of Non-Instructional Services (Cont.)
Food Service (Cont.)

Cafeteria Personnel	\$	433,408	
Social Security		30,130	
Unemployment Compensation		1,411	
Employer Medicare		7,046	
Communication		2,619	
Maintenance & Repair Services - Equipment		21,117	
Travel		6,134	
Other Contracted Services		13,994	
Food Preparation Supplies		61,714	
Food Supplies		598,121	
Office Supplies		1,408	
Other Supplies and Materials		9,936	
Other Charges		11,253	
Food Service Equipment		29,580	
Total Food Service			\$ 1,280,423
Total Central Cafeteria Fund			\$ 1,280,423
Total Governmental Funds - Union County School Department			\$ 21,787,712

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, 2006

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 420,687
Total Cash Receipts	<u>\$ 420,687</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 416,480
Trustee's Commission	4,207
Total Cash Disbursements	<u>\$ 420,687</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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

August 29, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Union County's basic financial statements and have issued our report thereon dated August 29, 2006. Our report expresses an adverse opinion on the financial statements of the governmental activities of Union County, Tennessee, because of the omission of the Highway Department's capital assets and the depreciation on those assets. Our opinion on the aggregate discretely presented components was qualified due to the omission of two discretely presented component units. Our opinion on each major fund and the aggregate remaining fund information was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable

conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Union County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items: 06.02, 06.03, 06.05, 06.06, and 06.07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06.05 to be a material weakness.

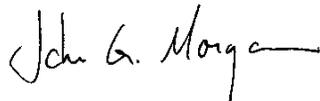
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01 and 06.04.

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

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 29, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Union County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Union County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Union County's management. Our responsibility is to express an opinion on Union County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Union County's compliance with those requirements.

In our opinion, Union County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Union County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Union County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 29, 2006. Our report expresses an adverse opinion on the financial statements of the governmental activities of Union County, Tennessee, because of the omission of the Highway Department's capital assets and the depreciation on those assets. Our opinion on the aggregate discretely presented component units was qualified due to the omission of two discretely presented component units. Our opinion on each major fund and the aggregate remaining fund information was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

Union County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture: Food Donation (Noncash Assistance)	10.550	N/A	\$ 97,857
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	229,836
National School Lunch Program	10.555	N/A	610,089
Passed-through East Tennessee Human Resource Agency			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	N/A	24,290
Total U.S. Department of Agriculture			<u>\$ 962,072</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11890-00	\$ 29,149
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	(2)	1,166
Total U.S. Department of Housing and Urban Development			<u>\$ 30,315</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
Incentive Grants - WIA Section 503	17.267	Z-04-025669-01	\$ 834
Total U.S. Department of Labor			<u>\$ 834</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 921,330
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	813,251
Special Education - Preschool Grants	84.173	N/A	25,886
Vocational Education - Basic Grants to States	84.048	N/A	105,657
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	20,025
State Grants for Innovative Programs	84.298	N/A	81,445
Education Technology State Grants	84.318	(2)	67,252
Reading First State Grants	84.357	(3)	244,704
Rural Education	84.358	N/A	133,453
English Language Acquisition Grants	84.365	N/A	
Improving Teacher Quality State Grants	84.367	N/A	182,000
Passed-through the University of Tennessee:			
Reading First State Grants	84.357	(3)	32,961
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	63,136
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	45,459
Total U.S. Department of Education			<u>\$ 2,737,046</u>

(Continued)

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

Federal/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Expenditures
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)	\$ 9,884
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	(2)	14,972
Total U.S. Department of Health and Human Services			\$ 24,856
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022501-01	\$ 31,445
Homeland Security Grant Program	97.067	Z-05-025216-00	31,852
Total U.S. Department of Homeland Security			\$ 63,297
Total Expenditures of Federal Awards			\$ 3,818,420
<u>State Grants</u>			
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	\$ 9,000
State Reappraisal - Comptroller of the Treasury	N/A	(2)	8,235
Health Department Programs - State Department of Health	N/A	(2)	104,219
Litter Grant - State Department of Transportation	N/A	(2)	29,237
Safety Grant - State Department of Education	N/A	(2)	23,401
Adult Education - State Department of Labor and Workforce Development	N/A	Z-06-027829-00	17,566
Family Resource Center - State Department of Education	N/A	(2)	33,300
Families First - State Department of Labor and Workforce Development	N/A	Z-06-02723-00	7,613
State Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	(2)	18,544
Senior Center Grant - East TN Area Agency on Aging & Disability	N/A	(2)	4,662
Total State Grants			\$ 255,777

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 Reading First State Grants (CFDA No. 84.357) was \$277,665.

Union County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2006

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, and the Union County School Department for the year ended June 30, 2005, which have not been corrected.

UNION COUNTY

Finding Number	Page Number	Subject
05.01	146	Capital assets were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.04	148	A formal purchase order system had not been established

OFFICE OF HIGHWAY SUPERINTENDENT

Finding Number	Page Number	Subject
05.06	148	A formal purchase order system had not been established
05.07	149	A complete list of county roads was not submitted to the County Commission for approval

OTHER FINDINGS

Finding Number	Page Number	Subject
05.10	151	Duties were not segregated adequately at the Ambulance Service and in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
05.11	151	A central system of accounting, budgeting, and purchasing had not been adopted

UNION COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the governmental activities of Union County. A qualified opinion was issued on the aggregate discretely presented component units, and an unqualified opinion was issued on each major fund and on the aggregate remaining fund information of Union County.
2. The audit of the financial statements of Union County disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Union County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 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. Management did not offer written responses to the findings and recommendations. Officials did offer oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

UNION COUNTY

FINDING 06.01 CAPITAL ASSETS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Material Noncompliance Under Government Auditing Standards)

The Highway Department did not identify and determine the historical value of its capital assets (buildings, equipment, infrastructure, etc.) and the related depreciation amounts of these assets for the governmental activities of the primary government. This information is necessary to present government-wide financial statements for all of the county's activities, as required by Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. As a result of this omission, the primary government's governmental activities included in the government-wide financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on this opinion unit.

RECOMMENDATION

The Highway Department should compile and maintain records that properly account for its capital assets. These records should document the historical costs of the capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

OFFICE OF COUNTY MAYOR

FINDING 06.02 A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Mayor's Office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

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

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 06.03 **A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.04 **A COMPLETE LIST OF COUNTY ROADS WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**
(Noncompliance Under Government Auditing Standards)

A complete list of all county roads was not submitted to the County Commission for approval. Instead, the highway superintendent only submitted a list of roads by road name. Section 54-10-103, Tennessee Code Annotated, requires the highway superintendent to submit a list of county roads to the County Commission for approval at the January session each year. This list must include the classification, width, distance of each county road maintained, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department officials need a current, approved list of county roads to determine which roads the department is authorized to work.

RECOMMENDATION

The highway superintendent should submit to the County Commission a list of county roads that includes the classification, width, and distance of each road, and a summary of changes as required by state statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 06.05 A THEFT OF \$5,902.58 OCCURRED IN THE GENERAL SESSIONS COURT CLERK'S OFFICE SUBSEQUENT TO JUNE 30, 2006
(Internal Control – Material Weakness Under Government Auditing Standards)

The general sessions court clerk notified us that on August 28, 2006, she discovered that a bank deposit bag was missing from her office. She stated that the bag contained \$5,902.58 which had been collected in General Sessions Court on August 25, 2006. The clerk also notified the county mayor and the Sheriff's Department. The Sheriff's Department is conducting an investigation; however, as of the date of this report, no one has been charged in the theft. The missing funds consist of checks and money orders totaling \$1,551.84 and cash totaling \$4,350.74. The clerk is in the process of contacting customers who paid by check and requesting that they stop payment on the stolen checks and issue a replacement if the check has not cleared their account. The clerk has also filed a claim with the county's insurance carrier.

RECOMMENDATION

The clerk should ensure that all funds are properly secured until deposited into the official bank account. County officials should continue their efforts to recover the missing collections.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.06 DUTIES WERE NOT SEGREGATED ADEQUATELY AT THE AMBULANCE SERVICE AND IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees at the Ambulance Service and in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

FINDING 06.07 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

County officials should consider adopting the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

UNION COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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

Director of Schools – Summary Schedule of Prior-year Audit Findings

FINDINGS 05.08 and 05.12

We have requested payroll reimbursements on a more timely schedule. This has corrected the excessive expenditures before receiving grant funds. We have also monitored our Special Education, Title I and Title II positions and other expenditures and have requested funds based on cash needs. This has corrected the excessive balances at year end.

On Friday, March 24, 2006, a Fiscal Consultant and a Federal Program Consultant met with Union County officials concerning the OMB Circular A-133 findings from the June 30, 2005, audit report.