
ANNUAL FINANCIAL REPORT UNION COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
UNION COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
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UNION COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Union County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Union County as of and for the year ended June 30, 2008.

Results

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

Our audit resulted in ten 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 AND UNION COUNTY SCHOOL DEPARTMENT

- ◆ Union County and the Union County School Department do not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF COUNTY MAYOR

- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
 - ◆ The office had not established a formal purchase order system.
 - ◆ The general ledger payroll liability account for health insurance was not reconciled with billings.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ Material audit adjustments were required for proper financial statement presentation.
 - ◆ The office had not established a formal purchase order system.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The Central Cafeteria Fund had a cash overdraft of \$87,851 at June 30, 2008.
 - ◆ The School Department made inappropriate payments to an education assistant using federal Special Education funds.
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately among the 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.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

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Union County Officials

June 30, 2008

Officials

Larry Lay, County Mayor
Clayton Helms, Highway Superintendent
Charles Thomas, Director of Schools
Gina Buckner, Trustee
Ronald Irick, Assessor of Property
Pam Ailor, County Clerk
Barbara Williams, Circuit and General Sessions Courts Clerk
Doris Seymour, Clerk and Master
Mary Kitts, Register
Earl Loy, Jr., Sheriff

Board of County Commissioners

Gary England, Chairman	Kenny Hill
Greg Davis	Brenda Jessee
Dean Hill	R.L. Jones
Elmer Bailey	Janet Holloway
Lynn Beeler	Joyce Meltabarger
Stanley Boles	Mike Sexton
Wayne Cole	J.T. Washam
Wayne Collins	Doyle Welch
Charlie Cox	

Highway Commission

Jimmy McElhaney, Chairman	Joe Bailey
Darrell Dyer	Johnny Raley
Paul Hill	Jimmy DeVault
Jack Simmons	

Board of Education

David Coppock, Chairman	Brian Oaks
Billy Sexton	Gerald Smith
Mark DeVault	Chris Upton
Don Morgan	

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FINANCIAL SECTION

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**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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October 16, 2008

INDEPENDENT AUDITOR'S REPORT

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

To the County Mayor and Board of County Commissioners:

We have audited 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, 2008, which collectively comprise Union County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the

aggregate discretely presented component units' financial statements referred to above do not include amounts for the Union County Emergency Communications District and the Union County Solid Waste Authority, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Union County, Tennessee, at June 30, 2008, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, Tennessee, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2008, 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.

As described in Note V.B., Union County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and GASB Statement No. 50, Pension Disclosures.

The management of Union County 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, pension, and postemployment information on pages 71 through 77 are not required parts of the basic financial statements but they do provide 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/sb

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Union County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Government Governmental Activities	Component Unit Union County School Department
<u>ASSETS</u>		
Cash	\$ 66,788	\$ 0
Equity in Pooled Cash and Investments	4,150,727	353,860
Accounts Receivable	610,686	1,719
Allowance for Uncollectibles	(283,477)	0
Due from Other Governments	462,161	799,700
Due from Primary Government	0	735
Property Taxes Receivable	3,578,816	2,464,656
Allowance for Uncollectible Property Taxes	(156,973)	(108,104)
Prepaid Items	207,538	0
Notes Receivable - Current	19,376	0
Notes Receivable - Long-term	220,514	0
Capital Assets:		
Assets Not Depreciated:		
Land	566,080	1,345,209
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,545,408	12,191,922
Infrastructure	3,174,246	26,250
Other Capital Assets	421,782	549,898
Total Assets	<u>\$ 15,583,672</u>	<u>\$ 17,625,845</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 16,236	\$ 0
Accrued Payroll	35,816	0
Accrued Interest Payable	90,029	0
Cash Overdraft	0	87,851
Payroll Deductions Payable	10,563	327
Due to Component Units	735	
Other Current Liabilities	171,000	349,637
Deferred Revenue - Property Taxes	3,213,293	2,212,928
Noncurrent Liabilities:		
Due Within One Year	902,485	369,445
Due in More than One Year	11,263,078	469,757
Total Liabilities	<u>\$ 15,703,235</u>	<u>\$ 3,489,945</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Union County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 5,086,922	\$ 13,958,889
Restricted for:		
Ambulance Service	415,762	0
Highways	681,888	0
Debt Service	1,805,523	0
Capital Projects	109,658	0
Drug Control	57,157	0
Computerized Systems	59,130	0
Courthouse and Jail Maintenance	68,446	0
State and Federal Assistance Programs	0	377,046
Unrestricted	<u>(8,404,049)</u>	<u>(200,035)</u>
Total Net Assets	<u>\$ (119,563)</u>	<u>\$ 14,135,900</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, 2008

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Government Activities	Union County School Department	
			Grants and Contributions	Contributions				
Primary Government:								
Governmental Activities:								
General Government	\$ 1,070,155	\$ 229,191	\$ 20,502	\$ 0	\$ 0	\$(820,462)	\$ 0	0
Finance	601,189	380,235	8,692	0	0	(212,262)	0	0
Administration of Justice	517,060	400,043	6,825	0	0	(110,192)	0	0
Public Safety	1,597,592	197,057	140,248	0	0	(1,260,287)	0	0
Public Health and Welfare	1,488,361	876,997	121,742	0	0	(489,622)	0	0
Social, Cultural, and Recreational Services	205,003	1,743	6,663	0	0	(196,597)	0	0
Agriculture and Natural Resources	67,607	0	0	0	0	(67,607)	0	0
Other Operations	260,562	0	0	0	0	(260,562)	0	0
Highways	2,177,843	253,166	1,425,436	146,185	0	(353,056)	0	0
Interest on Long-term Debt	401,573	0	0	0	0	(401,573)	0	0
Debt Service	13,639	0	0	0	0	(13,639)	0	0
Total Primary Government	\$ 8,400,584	\$ 2,338,432	\$ 1,730,108	\$ 146,185	\$ 0	\$(4,185,859)	\$ 0	0
Component Unit:								
Union County School Department	\$ 24,905,578	\$ 390,477	\$ 3,982,119	\$ 24,808	\$ 0	\$ 0	\$ (20,508,174)	0
Total Component Unit	\$ 24,905,578	\$ 390,477	\$ 3,982,119	\$ 24,808	\$ 0	\$ 0	\$ (20,508,174)	0

(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	Component Unit	
				Capital Grants and Contributions	Primary Governmental Activities
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes		\$	2,178,891	\$	2,234,381
Property Taxes Levied for Ambulance Service			333,149		0
Property Taxes Levied for Highways			238,036		0
Property Taxes Levied for Debt Service			459,442		0
Local Option Sales Taxes			366,844		855,992
Business Tax			96,358		0
Wholesale Beer Tax			84,612		0
Mineral Severance Tax			80,960		0
Litigation Tax - General			37,058		0
Litigation Tax - Special Purpose			35,474		0
Other Local Taxes			16,336		2,219
Grants and Contributions Not Restricted to Specific Programs			1,361,910		16,786,216
Unrestricted Investment Income			198,897		735
Miscellaneous			48,090		10,139
Total General Revenues			\$ 5,536,057		\$ 19,889,682
Change in Net Assets			\$	\$	(618,492)
Net Assets, July 1, 2007			(4,801,278)		14,754,392
Restatement of Net Assets (Infrastructure)			3,257,596		0
Restatement of Net Assets (Other Highway Department Capital Assets)			73,921		0
Net Assets, June 30, 2008			\$ (119,563)		\$ 14,135,900

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

Union County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	66,438	0	0	0	0	350	66,788
Equity in Pooled Cash and Investments	1,479,317	307,561	273,971	1,847,399	242,479		4,150,727
Accounts Receivable	192,776	414,548	2,312	0	1,050	0	610,686
Allowance for Uncollectibles	0	(283,477)	0	0	0	0	(283,477)
Due from Other Governments	199,645	0	262,516	0	0	0	462,161
Due from Other Funds	6,840	0	0	0	9,836	0	16,676
Property Taxes Receivable	2,430,893	371,387	270,099	506,437	0	0	3,578,816
Allowance for Uncollectible Property Taxes	(106,623)	(16,290)	(11,847)	(22,213)	0	0	(156,973)
Prepaid Items	68,444	0	139,094	0	0	0	207,538
Notes Receivable - Current	0	0	0	19,376	0	0	19,376
Notes Receivable - Long-term	0	0	0	135,014	85,500	0	220,514
Total Assets	\$ 4,337,730	\$ 793,729	\$ 936,145	\$ 2,486,013	\$ 339,215	\$ 8,892,832	

ASSETS

Cash
Equity in Pooled Cash and Investments
Accounts Receivable
Allowance for Uncollectibles
Due from Other Governments
Due from Other Funds
Property Taxes Receivable
Allowance for Uncollectible Property Taxes
Prepaid Items
Notes Receivable - Current
Notes Receivable - Long-term

Total Assets

LIABILITIES AND FUND BALANCES

\$	1,236	3,256	11,744	0	0	0	16,236
Accounts Payable	0	35,816	0	0	0	0	35,816
Accrued Payroll	10,563	0	0	0	0	0	10,563
Payroll Deductions Payable	9,836	5,440	0	0	1,400	0	16,676
Due to Other Funds	0	0	0	735	0	0	735
Due to Component Units	0	0	0	0	171,000	0	171,000
Other Current Liabilities	2,182,613	333,455	242,513	454,712	0	0	3,213,293
Deferred Revenue - Current Property Taxes	132,607	20,259	14,733	27,627	0	0	195,226
Deferred Revenue - Delinquent Property Taxes	61,733	61,230	121,451	0	0	0	244,414
Other Deferred Revenues	\$ 2,398,588	\$ 459,456	\$ 390,441	\$ 483,074	\$ 172,400	\$ 3,903,959	
Total Liabilities							
Fund Balances	\$ 32,396	0	0	0	0	0	32,396
Reserved for Computer System - Register	10,588	0	0	0	0	0	10,588
Reserved for Automation Purposes - General Sessions Court	3,394	0	0	0	0	0	3,394
Reserved for Automation Purposes - Chancery Court							

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$ 12,752 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	12,752
0	0	0	135,014	0	85,500	0	220,514
68,446	0	0	0	0	0	0	68,446
1,811,566	0	0	0	0	0	0	1,811,566
0	334,273	545,704	0	0	57,157	0	937,134
0	0	0	1,867,925	0	0	0	1,867,925
0	0	0	0	0	24,158	0	24,158
\$ 1,939,142 \$	\$ 334,273 \$	\$ 545,704 \$	\$ 2,002,939 \$	\$ 166,815 \$	\$ 0 \$	\$ 0 \$	\$ 4,988,873
\$ 4,337,730 \$	\$ 793,729 \$	\$ 936,145 \$	\$ 2,486,013 \$	\$ 339,215 \$	\$ 0 \$	\$ 0 \$	\$ 8,892,832

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Automation Purposes - Sheriff
Reserved for Long-term Notes Receivable
Reserved for Other General Purposes
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

Union County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2008

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)		\$ 4,988,873
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 566,080	
Add: buildings and improvements net of accumulated depreciation	2,545,408	
Add: other capital assets net of accumulated depreciation	421,782	
Add: infrastructure net of accumulated depreciation	<u>3,174,246</u>	6,707,516
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (1,921,685)	
Less: other loans payable	(2,135,000)	
Less: capital leases payable	(7,845)	
Less: bonds payable	(6,505,000)	
Less: landfill closure/postclosure care costs payable	(1,596,033)	
Less: accrued interest on bonds and other loans	<u>(90,029)</u>	(12,255,592)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>439,640</u>
Net assets of governmental activities (Exhibit A)		<u>\$ (119,563)</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, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway/ Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,968,008	\$ 326,741	\$ 308,040	\$ 458,257	\$ 0	\$ 0	\$ 4,061,046
Licenses and Permits	67,621	0	0	0	0	0	67,621
Fines, Forfeitures, and Penalties	89,999	0	0	0	42,580	0	132,579
Charges for Current Services	36,808	934,210	600	0	720	0	972,338
Other Local Revenues	62,560	2,650	32,685	198,897	6,540	0	303,332
Fees Received from County Officials	761,397	0	0	0	0	0	761,397
State of Tennessee	1,132,836	2,000	1,576,433	0	10,954	0	2,722,223
Federal Government	189,563	0	0	0	0	0	189,563
Other Governments and Citizens Groups	0	0	222,089	293,185	0	0	515,274
<u>Total Revenues</u>	<u>\$ 5,308,792</u>	<u>\$ 1,265,601</u>	<u>\$ 2,139,847</u>	<u>\$ 950,339</u>	<u>\$ 60,794</u>	<u>\$ 0</u>	<u>\$ 9,725,373</u>
<u>Expenditures</u>							
Current:							
General Government	\$ 901,343	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 901,343
Finance	554,178	0	0	0	0	0	554,178
Administration of Justice	391,928	0	0	0	720	0	392,648
Public Safety	1,729,674	0	0	0	40,210	0	1,769,884
Public Health and Welfare	285,990	1,287,426	0	0	0	0	1,573,416
Social, Cultural, and Recreational Services	186,882	0	0	0	0	0	186,882
Agriculture and Natural Resources	64,235	0	0	0	0	0	64,235
Other Operations	567,639	0	0	0	85,500	0	653,139
Highways	46,462	0	2,025,520	0	0	0	2,071,982
Debt Service:							
Principal on Debt	0	0	20,973	806,915	0	0	827,888
Interest on Debt	0	0	763	404,963	0	0	405,726
Other Debt Service	0	0	37	13,602	0	0	13,639
Capital Projects	26,997	0	0	0	853,996	0	880,993
<u>Total Expenditures</u>	<u>\$ 4,755,328</u>	<u>\$ 1,287,426</u>	<u>\$ 2,047,293</u>	<u>\$ 1,225,480</u>	<u>\$ 980,426</u>	<u>\$ 0</u>	<u>\$ 10,295,953</u>

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 553,464	\$ (21,825)	\$ 92,554	\$ (275,141)	\$ (919,632)	\$ (570,580)	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 60,600	\$ 0	\$ 0	\$ 0	\$ 400,100	\$ 460,700	
Insurance Recovery	0	49,231	0	0	0	49,231	
Transfers In	0	0	0	64,008	9,836	73,844	
Transfers Out	(9,836)	(64,008)	0	0	0	(73,844)	
Total Other Financing Sources (Uses)	\$ 50,764	\$ (14,777)	\$ 0	\$ 64,008	\$ 409,936	\$ 509,931	
Net Change in Fund Balances	\$ 604,228	\$ (36,602)	\$ 92,554	\$ (211,133)	\$ (509,696)	\$ (60,649)	
Fund Balance, July 1, 2007	1,334,914	370,875	453,150	2,214,072	676,511	5,049,522	
Fund Balance, June 30, 2008	\$ 1,939,142	\$ 334,273	\$ 545,704	\$ 2,002,939	\$ 166,815	\$ 4,988,873	

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

Exhibit C-4

Union County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

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)	\$ (60,649)	
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 1,294,354	
Less: current year depreciation expense	<u>(280,257)</u>	1,014,097
<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, 2008	\$ 439,640	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(414,231)</u>	25,409
<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>		
Less: note proceeds	\$ (460,700)	
Add: principal payments on notes	246,915	
Add: principal payments on other loans	220,000	
Add: principal payments on bonds	340,000	
Add: principal payments on capital leases	<u>20,973</u>	367,188
<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>4,153</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,350,198</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, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 527,245
Due from Other Governments	<u>113,420</u>
Total Assets	<u><u>\$ 640,665</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 113,420
Due to Litigants, Heirs, and Others	<u>527,245</u>
Total Liabilities	<u><u>\$ 640,665</u></u>

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

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UNION COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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 Union County 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.

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’s 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 Funds – These funds are used to account for financial resources to be used in the acquisition and construction of major capital projects.

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 fund:

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.

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

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

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

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

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

2. Receivables and Payables

Activity between funds 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 2.4 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 Community Development/Industrial Park Fund represent amounts owed to the City of Maynardville as partial funding of a waterline extension and improvement project.

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 (\$68,444) and the Highway/Public Works Fund (\$139,094) represent amounts paid for insurance premiums for the 2008-09 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, equipment and infrastructure (roads) of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

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

5. Compensated Absences

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 refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

As of June 30, 2008, Union County had \$8,948,936 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. The Reserved for Other General Purposes in the General Fund represents amounts reserved for courthouse and jail maintenance.

8. Prior-period Adjustments

Infrastructure (\$3,257,596) and other capital assets (\$73,921) were restated because capital assets of the Highway Department had been omitted in the prior year annual financial report.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Union County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

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

Primary Government

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

Discretely Presented Union County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

B. Cash Overdraft

The discretely presented School Department's Central Cafeteria Fund had a cash overdraft of \$87,851 at June 30, 2008. This cash overdraft resulted from the issuance of warrants in excess of cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2008.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the General Debt Service Fund by \$4,841. This was the result of interest on variable rate debt exceeding amounts appropriated.

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
Other Finance	\$ 924
Rabies and Animal Control	1,050

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.

D. Noncompliance with Grant Requirements

The Union County School Department did not comply with certain requirements of the U.S. Office of Management and Budget Circular A-133 Compliance Supplement for the Special Education Cluster: Special Education - Grants to States (CFDA No. 84.027) and Special Education - Preschool Grants (CFDA No. 84.173) programs from the U.S. Department of Education. This resulted in questioned costs of \$10,102 being reported in the Schedule of Findings and Questioned Costs in the Single Audit section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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, 2008.

B. Notes Receivable

The note receivable of \$154,390 in the General Debt Service Fund on June 30, 2008, resulted from the county (primary government) financing projects for the Union County School Department. This note is split into a current note receivable (\$19,376) representing the amount due within one year and a long-term note receivable (\$135,014) representing the amount due beyond one year. A reserve for the noncurrent portion of the note receivable was established since this amount is not available to meet current obligations.

The note receivable of \$85,500 in the Community Development/Industrial Park Fund on June 30, 2008, resulted from the county (primary government), financing projects for the City of Maynardville. Management cannot present a breakdown between current and long-term receivables as repayment will be based upon the completion of the city projects. A reserve for the entire note receivable was established since this amount is not available to meet current obligations.

C. Capital Assets

Primary Government

Capital assets activity for the year ended June 30, 2008, was as follows.

Governmental Activities:

	Restated			Balance
	Balance			Balance
	7-1-07	Increases	Decreases	6-30-08
Capital Assets Not Depreciated:				
Land	\$ 466,080	\$ 100,000	\$ 0	\$ 566,080
Construction in Progress	642,395	0	(642,395)	0
Total Capital Assets Not Depreciated	\$ 1,108,475	\$ 100,000	\$ (642,395)	\$ 566,080
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,891,524	\$ 1,600,000	\$ 0	\$ 3,491,524
Infrastructure (Roads)	3,334,000	0	0	3,334,000
Other Capital Assets	826,026	236,749	(61,317)	1,001,458
Total Capital Assets Depreciated	\$ 6,051,550	\$ 1,836,749	\$ (61,317)	\$ 7,826,982
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 881,904	\$ 64,212	\$ 0	\$ 946,116
Infrastructure (Roads)	76,404	83,350	0	159,754
Other Capital Assets	508,298	132,695	(61,317)	579,676
Total Accumulated Depreciation	\$ 1,466,606	\$ 280,257	\$ (61,317)	\$ 1,685,546
Total Capital Assets Depreciated, Net	\$ 4,584,944	\$ 1,556,492	\$ 0	\$ 6,141,436
Governmental Activities Capital Assets, Net	\$ 5,693,419	\$ 1,656,492	\$ (642,395)	\$ 6,707,516

Capital assets, July 1, 2007, have been restated because Highway Department infrastructure (\$3,257,596 net of accumulated depreciation) and other capital assets of the Highway Department (\$73,921 net of accumulated depreciation) had been omitted in the prior year's financial statements.

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

Governmental Activities:

General Government	\$ 37,696
Public Safety	56,617
Public Health and Welfare	74,639
Social, Cultural, and Recreational Services	1,300
Other	4,144
Highway	<u>105,861</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 280,257</u></u>

Discretely Presented Union County School Department

Capital assets activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Balance 7-1-07	Increases	Balance 6-30-08
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	\$ 19,850,049	\$ 63,768	\$ 19,913,817
Infrastructure	31,500	0	31,500
Other Capital Assets	740,322	33,210	773,532
Total Capital Assets Depreciated	<u>\$ 20,621,871</u>	<u>\$ 96,978</u>	<u>\$ 20,718,849</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 7,227,692	\$ 494,203	\$ 7,721,895
Infrastructure	2,100	3,150	5,250
Other Capital Assets	122,272	101,362	223,634
Total Accumulated Depreciation	<u>\$ 7,352,064</u>	<u>\$ 598,715</u>	<u>\$ 7,950,779</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,269,807</u>	<u>\$ (501,737)</u>	<u>\$ 12,768,070</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 14,615,016</u></u>	<u><u>\$ (501,737)</u></u>	<u><u>\$ 14,113,279</u></u>

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

Governmental Activities:

Instruction	\$ 74,021
Support Services	<u>524,694</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 598,715</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
Nonmajor governmental	General	\$ 9,836
General	Nonmajor governmental	1,400
"	Ambulance Service	5,440

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Due to/from Primary Government and Component Units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit:	Primary government:	
Central Cafeteria	General Debt Service	\$ 735

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Primary Government:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>
Ambulance Service Fund	\$ 64,008	\$ 0
General Fund	0	9,836
Totals	<u>\$ 64,008</u>	<u>\$ 9,836</u>

Discretely Presented Union County School Department:

Transfers Out	<u>Transfers In</u> General Purpose School
Nonmajor governmental funds	\$ 30,404
Totals	<u>\$ 30,404</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.

E. Capital Lease

In a prior year, Union County entered into a five-year lease-purchase agreement for Highway Department equipment. The terms of the agreement require total lease payments of \$48,050, 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 Highway/Public Works Fund. The assets acquired through these capital leases have been capitalized and reflected in the governmental activities of the primary government.

Future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 7,985
Total Minimum Lease Payment	\$ 7,985
Amount Representing Interest	(140)
Present Value of Minimum Lease Payment	<u>\$ 7,845</u>

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation

bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, notes, and other loans outstanding were issued for original terms of up to 17 years for bonds, up to eight 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, 2008, will be retired from the General Debt Service Fund.

General obligation bonds, notes, other loans, and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Amount of Issue	Balance 6-30-08
General Obligation Bonds -			
School Refunding	2 to 3.7 %	\$ 7,710,000	\$ 6,505,000
Capital Outlay Notes	4.29 to 4.75	2,167,700	1,921,685
Other Loans - School			
Building and Improvements	Variable	4,000,000	2,135,000
Capital Lease	4.25	48,050	7,845

In the 1995-96 year, Union County 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 (BMA) Municipal Index. In addition, the county pays various fees (liquidity, trustee, remarketing, and issuer) in connection with this loan. At June 30, 2008, the variable rate was 2.75 percent, and other fees were approximately .56 percent.

The annual requirements to amortize all bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2014-2018	2,905,000	653,500	3,558,500
2019-2020	1,740,000	96,270	1,836,270
Total	\$ 6,505,000	\$ 1,717,695	\$ 8,222,695

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 314,640	\$ 103,453	\$ 418,093
2010	329,420	69,313	398,733
2011	279,475	54,514	333,989
2012	232,996	42,186	275,182
2013	243,699	32,118	275,817
2014-2016	521,455	32,288	553,743
Total	\$ 1,921,685	\$ 333,872	\$ 2,255,557

Year Ending June 30	Principal	Interest	Other	
			Fees	Total
2009	\$ 230,000	\$ 58,713	\$ 12,078	\$ 300,791
2010	240,000	52,388	10,777	303,165
2011	250,000	45,788	9,419	305,207
2012	260,000	38,913	8,005	306,918
2013	270,000	31,763	6,534	308,297
2014-2016	885,000	49,226	10,126	944,352
Total	\$ 2,135,000	\$ 276,791	\$ 56,939	\$ 2,468,730

There is \$2,002,939 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$365, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases outstanding totaled \$593, based on the 2000 federal census.

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2007	\$ 6,845,000	\$ 1,707,900	\$ 28,818
Additions	0	460,700	0
Deductions	(340,000)	(246,915)	(20,973)
Balance, June 30, 2008	<u>\$ 6,505,000</u>	<u>\$ 1,921,685</u>	<u>\$ 7,845</u>
Balance Due Within One Year	<u>\$ 350,000</u>	<u>\$ 314,640</u>	<u>\$ 7,845</u>

	Other Loans	Landfill Closure/ Postclosure Care Cost
Balance, July 1, 2007	\$ 2,355,000	\$ 1,596,033
Deductions	(220,000)	0
Balance June 30, 2008	<u>\$ 2,135,000</u>	<u>\$ 1,596,033</u>
Balance Due Within One Year	<u>\$ 230,000</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 12,165,563
Less: Balance Due Within One Year	<u>(902,485)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,263,078</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.

Discretely Presented Union County School Department

The annual requirements to amortize the note outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 19,376	\$ 6,624	\$ 26,000
2010	20,207	5,793	26,000
2011	21,074	4,926	26,000
2012	21,978	4,022	26,000
2013	22,921	3,079	26,000
2014-2015	48,835	3,165	52,000
Total	\$ 154,391	\$ 27,609	\$ 182,000

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

Governmental Activities:

	Notes	Other Post- Employment Benefits	Other Long-term Liabilities
Balance, July 1, 2007	\$ 172,722	\$ 0	\$ 726,418
Additions	0	269,718	0
Deductions	(18,331)	0	(311,325)
Balance, June 30, 2008	\$ 154,391	\$ 269,718	\$ 415,093
Balance Due Within One Year	\$ 19,376	\$ 0	\$ 350,069

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 839,202
Less: Balance Due Within One Year	<u>(369,445)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 469,757</u>

The other postemployment benefit liability is the amount that the School Department recorded in complying with provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. For further discussion on this statement see footnote V.B.

The other long-term liability represents the amount that has been agreed upon to settle a dispute raised by the teacher's association regarding the county School Department's share of health insurance costs for prior years.

G. Pledges of Future Revenues

Component Unit Revenues Pledged for Primary Government Debt

The School Department has pledged to pay a minimum of \$500,000 from its future revenues to the primary government's General Debt Service Fund to be applied toward the retirement of certain school debt. The County Commission agreed to a lower contribution for the current year, budgeting only \$294,000 to be paid by the School Department for the 2007-08 year. The related debt was issued by the primary government for the construction of a high school and is payable through 2020. Total principal and interest remaining on the debt is \$10,691,425 with annual requirements ranging from \$862,751 in the next fiscal year to \$917,745 in the final year.

H. On-Behalf Payments – Discretely Presently Union County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Union County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$26,354 and \$9,100, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

The Highway Department joined the Local Government Group Insurance Fund (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 was 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 (TCA), 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.

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

The primary government, with the exception of the Highway Department, provides health insurance coverage through a commercial insurance provider. Settled claims during this year, which is the first year that coverage has been provided, did not exceed commercial insurance coverage.

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

The School Department carries commercial insurance for 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

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment health care, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the county's financial statements. In previous years, the Union County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition. GASB Statement No. 45 had no effect on

the financial statements of the primary government for the year ended June 30, 2008, since the county does not currently provide any postemployment benefits to its employees. However, it is reasonably expected that Union County may provide OPEB benefits in subsequent years.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements, the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Union County. This statement requires Union County to provide more detailed disclosures of pledged future revenues than in previous years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Union County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

Director of Schools Charles Thomas resigned August 11, 2008, at which time, the Board of Education appointed Wayne Goforth as interim director of schools.

Clerk and Master Doris Seymour retired August 31, 2008, and was succeeded by Beulah Warwick effective September 1, 2008.

Assessor of Property Ronald Irick retired August 31, 2008, and was succeeded by Donna Jones effective September 1, 2008.

On August 5, 2008, the county's General Debt Service Fund loaned \$225,000 (revenue anticipation note) to the School Department's General Purpose School Fund for temporary operating funds.

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 letters from the attorneys of the primary government and the School Department, management believes that the

potential claims against the county and School Department not covered by insurance resulting from such litigation would not materially affect the financial statements.

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 \$2,771,349 contract with the state Department of Environment and Conservation 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 \$1,596,033 bond 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, 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, 2008, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

G. Retirement Commitments

Employees

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://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, 2008, was 5.17 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, 2008, was 2.59 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, 2008, Union County's annual pension cost of \$137,381 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 postretirement 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. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$137,381	100%	\$0
6-30-07	105,544	100	0
6-30-06	79,835	100	0

Board of Education Employees

For the year ended June 30, 2008, Union County's annual pension cost of \$65,313 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 postretirement 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. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$65,313	100%	\$0
6-30-07	64,387	100	0
6-30-06	0	100	0

Funded Status and Funding Progress

General County Employees

As of July 1, 2007, the most recent actuarial valuation date, the plan was 89.19 percent funded. The actuarial accrued liability for benefits was \$3.12 million, and the actuarial value of assets was \$2.79 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.33 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.43 million, and the ratio of the UAAL to the covered payroll was 13.91 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Board of Education Employees

As of July 1, 2007, the most recent actuarial valuation date, the plan was 99.17 percent funded. The actuarial accrued liability for benefits was \$5.18 million, and the actuarial value of assets was \$5.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.31 million, and the ratio of the UAAL to the covered payroll was 1.86 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us>.

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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$741,066, \$715,271, and \$599,144, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare supplement plan. The required contribution rate for retired teachers ranges from 35 to 75 percent based on the years of service. During the year ended June 30, 2008, the discretely presented Union County School Department contributed \$89,282 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 359,000
Interest on the NPO	0
Adjustment to the ARC	0
Annual OPEB cost	<hr/> \$ 359,000
Amount of contribution	<hr/> (89,282)
Increase/decrease in NPO	\$ 269,718
Net OPEB obligation, 7-1-07	<hr/> 0
Net OPEB obligation, 6-30-08	<hr/> <hr/> \$ 269,718

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-08	Local Education Group	\$ 359,000	25 %	\$ 269,718

* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 2,730,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,730,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 11,528,367
UAAL as a % of covered payroll	24%

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

Actuarial Methods and Assumptions

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

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Mayor

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

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 154, Private Acts of 1943 and the Uniform Road Law, Section 54-7-113, TCA, which provide for purchases 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, TCA, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,968,008	\$ 2,748,711	\$ 2,767,556	\$ 200,452
Licenses and Permits	67,621	50,250	60,091	7,530
Fines, Forfeitures, and Penalties	89,999	120,757	122,009	(32,010)
Charges for Current Services	36,808	26,500	26,554	10,254
Other Local Revenues	62,560	27,000	43,478	19,082
Fees Received from County Officials	761,397	624,202	635,210	126,187
State of Tennessee	1,132,836	1,009,769	990,251	142,585
Federal Government	189,563	80,680	270,243	(80,680)
Total Revenues	\$ 5,308,792	\$ 4,687,869	\$ 4,915,392	\$ 393,400
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 54,683	\$ 55,196	\$ 55,196	\$ 513
Board of Equalization	630	800	800	170
Budget and Finance Committee	1,200	1,200	1,200	0
County Mayor/Executive	157,208	157,836	157,836	628
County Attorney	17,718	13,048	18,955	1,237
Election Commission	103,875	109,568	109,568	5,693
Register of Deeds	119,108	127,345	130,015	10,907
Development	10,384	10,743	10,743	359
County Buildings	298,788	268,666	310,637	11,849
Other General Administration	137,749	198,259	140,245	2,496
<u>Finance</u>				
Property Assessor's Office	83,392	83,785	84,535	1,143
Reappraisal Program	45,952	55,925	55,175	9,223
County Trustee's Office	152,656	159,930	159,930	7,274
County Clerk's Office	206,254	206,445	208,945	2,691
Other Finance	65,924	49,000	65,000	(924)
<u>Administration of Justice</u>				
Circuit Court	200,071	195,350	201,602	1,531
General Sessions Court	86,376	92,903	92,903	6,527
Chancery Court	105,481	110,082	110,082	4,601
<u>Public Safety</u>				
Sheriff's Department	970,413	738,414	987,037	16,624
Jail	604,568	554,662	618,690	14,122
Juvenile Services	58,802	65,874	67,374	8,572
Fire Prevention and Control	64,191	65,000	65,000	809
Rescue Squad	20,000	20,000	20,000	0
County Coroner/Medical Examiner	11,700	12,000	12,000	300
<u>Public Health and Welfare</u>				
Local Health Center	147,051	186,506	186,506	39,455
Rabies and Animal Control	11,050	10,000	10,000	(1,050)
Crippled Children Services	1,000	1,000	1,000	0

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Appropriation to State	\$ 22,500	\$ 22,500	\$ 22,500	\$ 0
Sanitation Management	4,691	6,000	6,000	1,309
Convenience Centers	99,698	108,412	108,412	8,714
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	83,967	90,828	101,764	17,797
Libraries	63,769	67,093	69,093	5,324
Parks and Fair Boards	34,146	44,875	51,925	17,779
Other Social, Cultural, and Recreational	5,000	5,000	10,000	5,000
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	29,958	39,105	39,105	9,147
Forest Service	500	500	500	0
Soil Conservation	33,777	34,199	34,199	422
<u>Other Operations</u>				
Veterans' Services	13,234	13,385	13,385	151
Other Charges	19,000	15,500	20,500	1,500
Employee Benefits	396,721	445,151	440,151	43,430
Payments to Cities	21,000	21,000	21,000	0
Miscellaneous	117,684	69,500	168,945	51,261
<u>Highways</u>				
Traffic Control	5,149	7,200	7,200	2,051
Litter and Trash Collection	41,313	42,164	42,164	851
<u>Capital Projects</u>				
Other General Government Projects	26,997	21,180	44,138	17,141
Total Expenditures	<u>\$ 4,755,328</u>	<u>\$ 4,603,129</u>	<u>\$ 5,081,955</u>	<u>\$ 326,627</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 553,464</u>	<u>\$ 84,740</u>	<u>\$ (166,563)</u>	<u>\$ 720,027</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 60,600	\$ 0	\$ 60,600	\$ 0
Transfers Out	(9,836)	0	(9,836)	0
Total Other Financing Sources (Uses)	<u>\$ 50,764</u>	<u>\$ 0</u>	<u>\$ 50,764</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 604,228	\$ 84,740	\$ (115,799)	\$ 720,027
Fund Balance, July 1, 2007	<u>1,334,914</u>	<u>989,680</u>	<u>989,680</u>	<u>345,234</u>
Fund Balance, June 30, 2008	<u>\$ 1,939,142</u>	<u>\$ 1,074,420</u>	<u>\$ 873,881</u>	<u>\$ 1,065,261</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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 326,741	\$ 319,683	\$ 319,683	\$ 7,058
Charges for Current Services	934,210	1,000,000	1,000,000	(65,790)
Other Local Revenues	2,650	0	0	2,650
State of Tennessee	2,000	0	2,000	0
Total Revenues	<u>\$ 1,265,601</u>	<u>\$ 1,319,683</u>	<u>\$ 1,321,683</u>	<u>\$ (56,082)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 1,287,426	\$ 1,249,391	\$ 1,359,391	\$ 71,965
Total Expenditures	<u>\$ 1,287,426</u>	<u>\$ 1,249,391</u>	<u>\$ 1,359,391</u>	<u>\$ 71,965</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (21,825)</u>	<u>\$ 70,292</u>	<u>\$ (37,708)</u>	<u>\$ 15,883</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 49,231	0	\$ 49,230	\$ 1
Transfers Out	(64,008)	(65,000)	(65,000)	992
Total Other Financing Sources (Uses)	<u>\$ (14,777)</u>	<u>\$ (65,000)</u>	<u>\$ (15,770)</u>	<u>\$ 993</u>
Net Change in Fund Balance	\$ (36,602)	\$ 5,292	\$ (53,478)	\$ 16,876
Fund Balance, July 1, 2007	<u>370,875</u>	<u>252,000</u>	<u>252,000</u>	<u>118,875</u>
Fund Balance, June 30, 2008	<u>\$ 334,273</u>	<u>\$ 257,292</u>	<u>\$ 198,522</u>	<u>\$ 135,751</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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 308,040	\$ 323,824	\$ 323,824	\$ (15,784)
Charges for Current Services	600	0	0	600
Other Local Revenues	32,685	28,500	28,500	4,185
State of Tennessee	1,576,433	1,555,423	1,555,423	21,010
Other Governments and Citizens Groups	222,089	150,000	370,334	(148,245)
Total Revenues	<u>\$ 2,139,847</u>	<u>\$ 2,057,747</u>	<u>\$ 2,278,081</u>	<u>\$ (138,234)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 117,881	\$ 122,410	\$ 122,410	\$ 4,529
Highway and Bridge Maintenance	1,159,729	1,174,104	1,350,354	190,625
Operation and Maintenance of Equipment	133,443	164,000	165,100	31,657
Ferry Operations	44,563	44,000	44,575	12
Other Charges	175,402	212,700	214,200	38,798
Employee Benefits	374,881	333,500	386,700	11,819
Capital Outlay	19,621	142,989	143,256	123,635
<u>Principal on Debt</u>				
Highways and Streets	20,973	13,500	20,973	0
<u>Interest on Debt</u>				
Highways and Streets	763	0	763	0
<u>Other Debt Service</u>				
Highways and Streets	37	0	37	0
Total Expenditures	<u>\$ 2,047,293</u>	<u>\$ 2,207,203</u>	<u>\$ 2,448,368</u>	<u>\$ 401,075</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 92,554</u>	<u>\$ (149,456)</u>	<u>\$ (170,287)</u>	<u>\$ 262,841</u>
Net Change in Fund Balance	\$ 92,554	\$ (149,456)	\$ (170,287)	\$ 262,841
Fund Balance, July 1, 2007	453,150	149,456	170,287	282,863
Fund Balance, June 30, 2008	<u>\$ 545,704</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 545,704</u>

Exhibit E-4

Union County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

General County Employees

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 2,790	\$ 3,128	\$ 338	89.19 %	\$ 2,430	13.91 %

Board of Education Employees

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 5,140	\$ 5,183	\$ 43	99.17 %	\$ 2,317	1.86 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-5

Union County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Union County School Department
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a/b)	(c)	
<u>Local Education Group Plan</u>						
6-30-07	\$ 0	\$ 2,730	\$ 2,730	0 %	\$ 11,528	24 %

UNION COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

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 Union County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the 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 Union County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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 as follows:

<u>Major Category</u>	<u>Amount</u> <u>Overspent</u>
Other Finance	\$ 924
Rabies and Animal Control	1,050

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

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

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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 Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for expenditures related to the renovation of the county jail and other projects.

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

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Exhibit F-1

Union County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds		Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Control	Constituti- onal Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
\$	0	350	350	0	0	0	350
Equity in Pooled Cash and Investments	57,157	0	57,157	24,158	161,164	185,322	242,479
Accounts Receivable	0	1,050	1,050	0	0	0	1,050
Due from Other Funds	0	0	0	0	9,836	9,836	9,836
Notes Receivable - Long-term	0	0	0	0	85,500	85,500	85,500
Total Assets	\$ 57,157	\$ 1,400	\$ 58,557	\$ 24,158	\$ 256,500	\$ 280,658	\$ 339,215
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	0	1,400	1,400	0	0	0	1,400
Other Current Liabilities	0	0	0	0	171,000	171,000	171,000
Total Liabilities	\$ 0	\$ 1,400	\$ 1,400	\$ 0	\$ 171,000	\$ 171,000	\$ 172,400
<u>Fund Balances</u>							
Reserved for Long-term Notes Receivable	0	0	0	0	85,500	85,500	85,500
Unreserved	57,157	0	57,157	24,158	0	24,158	81,315
Total Fund Balances	\$ 57,157	\$ 0	\$ 57,157	\$ 24,158	\$ 85,500	\$ 109,658	\$ 166,815
Total Liabilities and Fund Balances	\$ 57,157	\$ 1,400	\$ 58,557	\$ 24,158	\$ 256,500	\$ 280,658	\$ 339,215

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, 2008

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 42,580	\$ 0	\$ 42,580	\$ 0	\$ 0	\$ 0	\$ 42,580
Charges for Current Services	0	720	720	0	0	0	720
Other Local Revenues	6,540	0	6,540	0	0	0	6,540
State of Tennessee	10,954	0	10,954	0	0	0	10,954
Total Revenues	\$ 60,074	\$ 720	\$ 60,794	\$ 0	\$ 0	\$ 0	\$ 60,794
<u>Expenditures</u>							
Current:							
Administration of Justice	\$ 0	\$ 720	\$ 720	\$ 0	\$ 0	\$ 0	\$ 720
Public Safety	40,210	0	40,210	0	0	0	40,210
Other Operations	0	0	0	0	85,500	85,500	85,500
Capital Projects	0	0	0	853,996	0	853,996	853,996
Total Expenditures	\$ 40,210	\$ 720	\$ 40,930	\$ 853,996	\$ 85,500	\$ 939,496	\$ 980,426
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,864	\$ 0	\$ 19,864	\$ (853,996)	\$ (85,500)	\$ (939,496)	\$ (919,632)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 400,100	\$ 0	\$ 400,100	\$ 400,100
Transfers In	0	0	0	0	9,836	9,836	9,836
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 400,100	\$ 9,836	\$ 409,936	\$ 409,936
Net Change in Fund Balances Fund Balance, July 1, 2007	\$ 19,864	\$ 0	\$ 19,864	\$ (453,896)	\$ (75,664)	\$ (529,560)	\$ (509,696)
	37,293	0	37,293	478,054	161,164	639,218	676,511
Fund Balance, June 30, 2008	\$ 57,157	\$ 0	\$ 57,157	\$ 24,158	\$ 85,500	\$ 109,658	\$ 166,815

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 42,580	\$ 21,700	\$ 21,700	\$ 20,880
Other Local Revenues	6,540	0	0	6,540
State of Tennessee	10,954	0	0	10,954
Total Revenues	<u>\$ 60,074</u>	<u>\$ 21,700</u>	<u>\$ 21,700</u>	<u>\$ 38,374</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 40,210	\$ 20,000	\$ 46,500	\$ 6,290
Total Expenditures	<u>\$ 40,210</u>	<u>\$ 20,000</u>	<u>\$ 46,500</u>	<u>\$ 6,290</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 19,864</u>	<u>\$ 1,700</u>	<u>\$ (24,800)</u>	<u>\$ 44,664</u>
Net Change in Fund Balance	\$ 19,864	\$ 1,700	\$ (24,800)	\$ 44,664
Fund Balance, July 1, 2007	<u>37,293</u>	<u>12,049</u>	<u>38,549</u>	<u>(1,256)</u>
Fund Balance, June 30, 2008	<u><u>\$ 57,157</u></u>	<u><u>\$ 13,749</u></u>	<u><u>\$ 13,749</u></u>	<u><u>\$ 43,408</u></u>

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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.

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Exhibit G

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 458,257	\$ 443,345	\$ 443,345	\$ 14,912
Other Local Revenues	198,897	104,000	104,000	94,897
Other Governments and Citizens Groups	293,185	502,611	235,797	57,388
Total Revenues	<u>\$ 950,339</u>	<u>\$ 1,049,956</u>	<u>\$ 783,142</u>	<u>\$ 167,197</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 210,411	\$ 210,486	\$ 210,486	\$ 75
Education	596,504	596,505	596,504	0
<u>Interest on Debt</u>				
General Government	77,503	76,279	76,279	(1,224)
Education	327,460	320,370	320,370	(7,090)
<u>Other Debt Service</u>				
General Government	13,602	17,000	17,000	3,398
Total Expenditures	<u>\$ 1,225,480</u>	<u>\$ 1,220,640</u>	<u>\$ 1,220,639</u>	<u>\$ (4,841)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (275,141)</u>	<u>\$ (170,684)</u>	<u>\$ (437,497)</u>	<u>\$ 162,356</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 64,008	\$ 65,000	\$ 65,000	\$ (992)
Total Other Financing Sources (Uses)	<u>\$ 64,008</u>	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ (992)</u>
Net Change in Fund Balance	\$ (211,133)	\$ (105,684)	\$ (372,497)	\$ 161,364
Fund Balance, July 1, 2007	<u>2,214,072</u>	<u>2,040,567</u>	<u>2,040,567</u>	<u>173,505</u>
Fund Balance, June 30, 2008	<u><u>\$ 2,002,939</u></u>	<u><u>\$ 1,934,883</u></u>	<u><u>\$ 1,668,070</u></u>	<u><u>\$ 334,869</u></u>

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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.

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Exhibit H-1

Union County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 527,245	\$ 527,245
Due from Other Governments	113,420	0	113,420
Total Assets	<u>\$ 113,420</u>	<u>\$ 527,245</u>	<u>\$ 640,665</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 113,420	\$ 0	\$ 113,420
Due to Litigants, Heirs, and Others	0	527,245	527,245
Total Liabilities	<u>\$ 113,420</u>	<u>\$ 527,245</u>	<u>\$ 640,665</u>

Exhibit H-2

Union County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 453,807	\$ 453,807	\$ 0
Due from Other Governments	78,043	113,420	78,043	113,420
Total Assets	\$ 78,043	\$ 567,227	\$ 531,850	\$ 113,420
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 78,043	\$ 567,227	\$ 531,850	\$ 113,420
Total Liabilities	\$ 78,043	\$ 567,227	\$ 531,850	\$ 113,420
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 722,188	\$ 3,532,114	\$ 3,727,057	\$ 527,245
Total Assets	\$ 722,188	\$ 3,532,114	\$ 3,727,057	\$ 527,245
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 722,188	\$ 3,532,114	\$ 3,727,057	\$ 527,245
Total Liabilities	\$ 722,188	\$ 3,532,114	\$ 3,727,057	\$ 527,245
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 722,188	\$ 3,532,114	\$ 3,727,057	\$ 527,245
Equity in Pooled Cash and Investments	0	453,807	453,807	0
Due from Other Governments	78,043	113,420	78,043	113,420
Total Assets	\$ 800,231	\$ 4,099,341	\$ 4,258,907	\$ 640,665
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 78,043	\$ 567,227	\$ 531,850	\$ 113,420
Due to Litigants, Heirs, and Others	722,188	3,532,114	3,727,057	527,245
Total Liabilities	\$ 800,231	\$ 4,099,341	\$ 4,258,907	\$ 640,665

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 the 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.

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Exhibit I-1

Union County, Tennessee
 Statement of Activities
Discretely Presented Union County School Department
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:							
Instruction	\$ 14,585,967	\$ 0	\$ 1,742,313	\$ 0	\$ 0	\$ (12,843,654)	
Support Services	8,539,584	24,056	1,187,208		24,808	(7,303,512)	
Operation of Non-Instructional Services	1,478,720	366,421	1,052,598		0	(59,701)	
Debt Service	301,307	0	0		0	(301,307)	
Total Governmental Activities	\$ 24,905,578	\$ 390,477	\$ 3,982,119	\$ 24,808	\$ (20,508,174)		
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 2,234,381		
Local Option Sales Taxes					855,992		
Other Local Taxes					2,219		
Grants and Contributions Not Restricted to Specific Programs					16,786,216		
Unrestricted Investment Income					735		
Miscellaneous					10,139		
Total General Revenues					\$ 19,889,682		
Change in Net Assets					\$ (618,492)		
Net Assets, July 1, 2007					14,754,392		
Net Assets, June 30, 2008					\$ 14,135,900		

Exhibit I-2

Union County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Union County School Department
June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 298,007	\$ 55,853	\$ 353,860
Accounts Receivable	1,719	0	1,719
Due from Other Governments	507,097	292,603	799,700
Due from Primary Government	0	735	735
Property Taxes Receivable	2,464,656	0	2,464,656
Allowance for Uncollectible Property Taxes	(108,104)	0	(108,104)
Total Assets	<u>\$ 3,163,375</u>	<u>\$ 349,191</u>	<u>\$ 3,512,566</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 0	\$ 327	\$ 327
Cash Overdraft	0	87,851	87,851
Other Current Liabilities	349,637	0	349,637
Deferred Revenue - Current Property Taxes	2,212,928	0	2,212,928
Deferred Revenue - Delinquent Property Taxes	134,448	0	134,448
Other Deferred Revenues	92,508	0	92,508
Total Liabilities	<u>\$ 2,789,521</u>	<u>\$ 88,178</u>	<u>\$ 2,877,699</u>
<u>Fund Balances</u>			
Reserved for Basic Education Program	\$ 116,033	\$ 0	\$ 116,033
Reserved for Title I Grants to Local Education Agencies	0	28,941	28,941
Reserved for Special Education - Grants to States	0	27,349	27,349
Other Federal Reserves	0	2,811	2,811
Unreserved, Reported In:			
General Fund	257,821	0	257,821
Special Revenue Funds	0	201,912	201,912
Total Fund Balances	<u>\$ 373,854</u>	<u>\$ 261,013</u>	<u>\$ 634,867</u>
Total Liabilities and Fund Balances	<u>\$ 3,163,375</u>	<u>\$ 349,191</u>	<u>\$ 3,512,566</u>

Exhibit I-3

Union County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Union County School Department
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	634,867
(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		12,191,922	
Add: infrastructure net of accumulated depreciation		26,250	
Add: other capital assets net of accumulated depreciation		<u>549,898</u>	14,113,279
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			226,956
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(154,391)	
Less: other long-term liabilities		<u>(684,811)</u>	<u>(839,202)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 14,135,900</u>

Exhibit I-4

Union County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Union County School Department
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,120,654	\$ 0	\$ 3,120,654
Licenses and Permits	1,636	0	1,636
Charges for Current Services	24,056	366,421	390,477
Other Local Revenues	88,759	1,079	89,838
State of Tennessee	16,634,956	16,750	16,651,706
Federal Government	939,525	3,009,686	3,949,211
Total Revenues	<u>\$ 20,809,586</u>	<u>\$ 3,393,936</u>	<u>\$ 24,203,522</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 13,060,910	\$ 1,504,457	\$ 14,565,367
Support Services	7,577,487	510,477	8,087,964
Operation of Non-Instructional Services	97,280	1,318,003	1,415,283
Capital Outlay	12,089	0	12,089
Debt Service:			
Principal on Debt	18,332	0	18,332
Interest on Debt	7,307	0	7,307
Other Debt Service	294,000	0	294,000
Total Expenditures	<u>\$ 21,067,405</u>	<u>\$ 3,332,937</u>	<u>\$ 24,400,342</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (257,819)</u>	<u>\$ 60,999</u>	<u>\$ (196,820)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 30,404	\$ 0	\$ 30,404
Transfers Out	0	(30,404)	(30,404)
Total Other Financing Sources (Uses)	<u>\$ 30,404</u>	<u>\$ (30,404)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (227,415)	\$ 30,595	\$ (196,820)
Fund Balance, July 1, 2007	<u>601,269</u>	<u>230,418</u>	<u>831,687</u>
Fund Balance, June 30, 2008	<u>\$ 373,854</u>	<u>\$ 261,013</u>	<u>\$ 634,867</u>

Exhibit I-5

Union County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Union County School Department
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ (196,820)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 96,978	
Less: current year depreciation expense	<u>(598,715)</u>	(501,737)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 226,956	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(206,829)</u>	20,127
(3) The issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Add: principal payments on note		18,331
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits	\$ (269,717)	
Change in other long-term liabilities	<u>311,324</u>	<u>41,607</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (618,492)</u>

Exhibit I-6

Union County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Union County School Department
June 30, 2008

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 55,853	\$ 0	\$ 55,853
Due from Other Governments	3,248	289,355	292,603
Due from Primary Government	0	735	735
Total Assets	<u>\$ 59,101</u>	<u>\$ 290,090</u>	<u>\$ 349,191</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 0	\$ 327	\$ 327
Cash Overdraft	0	87,851	87,851
Total Liabilities	<u>\$ 0</u>	<u>\$ 88,178</u>	<u>\$ 88,178</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 28,941	\$ 0	\$ 28,941
Reserved for Special Education - Grants to States	27,349	0	27,349
Other Federal Reserves	2,811	0	2,811
Unreserved	0	201,912	201,912
Total Fund Balances	<u>\$ 59,101</u>	<u>\$ 201,912</u>	<u>\$ 261,013</u>
Total Liabilities and Fund Balances	<u>\$ 59,101</u>	<u>\$ 290,090</u>	<u>\$ 349,191</u>

Exhibit I-7

Union County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Union County School Department
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 366,421	\$ 366,421
Other Local Revenues	0	1,079	1,079
State of Tennessee	0	16,750	16,750
Federal Government	2,093,423	916,263	3,009,686
Total Revenues	<u>\$ 2,093,423</u>	<u>\$ 1,300,513</u>	<u>\$ 3,393,936</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,504,457	\$ 0	\$ 1,504,457
Support Services	510,477	0	510,477
Operation of Non-Instructional Services	0	1,318,003	1,318,003
Total Expenditures	<u>\$ 2,014,934</u>	<u>\$ 1,318,003</u>	<u>\$ 3,332,937</u>
Excess (Deficiency) of Revenues			
Over Expenditures	\$ 78,489	\$ (17,490)	\$ 60,999
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (30,404)	\$ 0	\$ (30,404)
Total Other Financing Sources (Uses)	<u>\$ (30,404)</u>	<u>\$ 0</u>	<u>\$ (30,404)</u>
Net Change in Fund Balances	\$ 48,085	\$ (17,490)	\$ 30,595
Fund Balance, July 1, 2007	11,016	219,402	230,418
Fund Balance, June 30, 2008	<u>\$ 59,101</u>	<u>\$ 201,912</u>	<u>\$ 261,013</u>

Exhibit I-8

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Union County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,120,654	\$ 3,111,368	\$ 3,136,368	\$ (15,714)
Licenses and Permits	1,636	2,000	2,000	(364)
Charges for Current Services	24,056	25,000	25,000	(944)
Other Local Revenues	88,759	56,822	90,735	(1,976)
State of Tennessee	16,634,956	17,329,327	16,698,469	(63,513)
Federal Government	939,525	25,000	986,205	(46,680)
Total Revenues	\$ 20,809,586	\$ 20,549,517	\$ 20,938,777	\$ (129,191)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 10,100,674	\$ 9,863,597	\$ 10,107,719	\$ 7,045
Special Education Program	2,035,356	2,016,856	2,035,356	0
Vocational Education Program	878,373	900,560	900,560	22,187
Adult Education Program	46,507	66,783	66,783	20,276
<u>Support Services</u>				
Health Services	51,414	53,924	53,924	2,510
Other Student Support	275,617	287,167	277,167	1,550
Regular Instruction Program	2,005,569	1,816,556	2,122,339	116,770
Special Education Program	115,054	115,054	115,054	0
Vocational Education Program	122,657	122,657	122,657	0
Adult Programs	88,145	92,758	92,758	4,613
Other Programs	35,454	0	35,454	0
Board of Education	356,586	375,086	356,586	0
Director of Schools	158,473	161,993	158,493	20
Office of the Principal	1,164,778	1,147,291	1,165,291	513
Fiscal Services	174,914	183,096	175,596	682
Operation of Plant	1,499,980	1,392,080	1,499,984	4
Maintenance of Plant	314,126	324,129	314,129	3
Transportation	1,103,573	1,083,575	1,103,575	2
Central and Other	111,147	114,949	114,949	3,802
<u>Operation of Non-Instructional Services</u>				
Food Service	5,738	8,646	8,646	2,908
Community Services	91,542	91,543	91,543	1
<u>Capital Outlay</u>				
Regular Capital Outlay	12,089	11,578	12,090	1
<u>Principal on Debt</u>				
Education	18,332	18,332	18,332	0
<u>Interest on Debt</u>				
Education	7,307	7,307	7,307	0
<u>Other Debt Service</u>				
Education	294,000	294,000	294,000	0
Total Expenditures	\$ 21,067,405	\$ 20,549,517	\$ 21,250,292	\$ 182,887

(Continued)

Exhibit I-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ (257,819)	\$ 0	\$ (311,515)	\$ 53,696
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 30,404	\$ 0	\$ 30,404	\$ 0
Total Other Financing Sources (Uses)	\$ 30,404	\$ 0	\$ 30,404	\$ 0
Net Change in Fund Balance	\$ (227,415)	\$ 0	\$ (281,111)	\$ 53,696
Fund Balance, July 1, 2007	601,269	605,925	605,925	(4,656)
Fund Balance, June 30, 2008	\$ 373,854	\$ 605,925	\$ 324,814	\$ 49,040

Exhibit I-9

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Union County School Department
School Federal Projects Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,093,423	\$ 2,373,523	\$ 2,377,906	\$ (284,483)
Total Revenues	\$ 2,093,423	\$ 2,373,523	\$ 2,377,906	\$ (284,483)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 825,239	\$ 933,552	\$ 933,553	\$ 108,314
Special Education Program	619,422	727,657	762,551	143,129
Vocational Education Program	59,796	55,788	59,796	0
<u>Support Services</u>				
Health Services	0	4,262	0	0
Other Student Support	18,400	20,578	27,664	9,264
Regular Instruction Program	282,533	312,360	312,360	29,827
Special Education Program	48,189	91,937	75,934	27,745
Transportation	142,722	171,642	157,011	14,289
Central and Other	18,633	25,343	18,633	0
Total Expenditures	\$ 2,014,934	\$ 2,343,119	\$ 2,347,502	\$ 332,568
Excess (Deficiency) of Revenues Over Expenditures	\$ 78,489	\$ 30,404	\$ 30,404	\$ 48,085
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (30,404)	\$ (30,404)	\$ (30,404)	\$ 0
Total Other Financing Sources (Uses)	\$ (30,404)	\$ (30,404)	\$ (30,404)	\$ 0
Net Change in Fund Balance	\$ 48,085	\$ 0	\$ 0	\$ 48,085
Fund Balance, July 1, 2007	11,016	0	0	11,016
Fund Balance, June 30, 2008	\$ 59,101	\$ 0	\$ 0	\$ 59,101

Exhibit I-10

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Union County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 366,421	\$ 404,000	\$ 366,421	\$ 0
Other Local Revenues	1,079	0	1,421	(342)
State of Tennessee	16,750	17,500	16,750	0
Federal Government	916,263	908,500	925,368	(9,105)
Total Revenues	<u>\$ 1,300,513</u>	<u>\$ 1,330,000</u>	<u>\$ 1,309,960</u>	<u>\$ (9,447)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,318,003	\$ 1,330,000	\$ 1,331,420	\$ 13,417
Total Expenditures	<u>\$ 1,318,003</u>	<u>\$ 1,330,000</u>	<u>\$ 1,331,420</u>	<u>\$ 13,417</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (17,490)</u>	<u>\$ 0</u>	<u>\$ (21,460)</u>	<u>\$ 3,970</u>
Net Change in Fund Balance	\$ (17,490)	\$ 0	\$ (21,460)	\$ 3,970
Fund Balance, July 1, 2007	<u>219,402</u>	<u>218,326</u>	<u>218,326</u>	<u>1,076</u>
Fund Balance, June 30, 2008	<u><u>\$ 201,912</u></u>	<u><u>\$ 218,326</u></u>	<u><u>\$ 196,866</u></u>	<u><u>\$ 5,046</u></u>

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MISCELLANEOUS SCHEDULES

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Exhibit J-1

Union County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
 Primary Government and Discretely Presented Union County School Department
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
PRIMARY GOVERNMENT								
NOTES PAYABLE								
Payable through General Debt Service Fund								
Jail and Courthouse Renovations (\$1,187,560) and School Renovations (\$345,440)	\$ 1,533,000	4.29 %	2-6-07	2-1-15	\$ 1,533,000	\$ 0	\$ 162,000	\$ 1,371,000
Ambulance Vehicles (1)	174,000	4.75	10-24-06	10-24-09	174,900	0	55,585	119,315
Land and Convenience Center	100,000	4.75	12-14-07	12-14-10	0	100,000	0	100,000
Sheriff's Vehicles	60,600	4.75	12-14-07	12-14-10	0	60,600	0	60,600
Building/Courthouse Annex	200,000	4.29	7-2-07	7-1-15	0	200,000	19,547	180,453
Jail Project/Parking Lot Paving	100,100	4.29	7-2-07	7-1-15	0	100,100	9,783	90,317
Total Notes Payable					\$ 1,707,900	\$ 460,700	\$ 246,915	\$ 1,921,685
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund								
School Buildings and Facilities	4,000,000	Variable	12-1-1995	12-1-16	\$ 2,355,000	\$ 0	\$ 220,000	\$ 2,135,000
Total Other Loans Payable					\$ 2,355,000	\$ 0	\$ 220,000	\$ 2,135,000
CAPITAL LEASES PAYABLE								
Payable through Highway/Public Works Fund								
Road Equipment (Backhoe)	53,772	4.25	7-20-03	5-20-08	\$ 10,894	\$ 0	\$ 10,894	\$ 0
Road Equipment (Tractor and Mower)	48,050	4.25	4-1-04	3-1-09	17,924	0	10,079	7,845
Total Capital Leases Payable					\$ 28,818	\$ 0	\$ 20,973	\$ 7,845

(1) This note was shown as payable from the Ambulance Service Fund in the prior annual financial report.

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>PRIMARY GOVERNMENT (Cont.)</u>								
<u>BONDS PAYABLE</u>								
Payable through General Debt Service Fund								
Schools Refunding Bond 2003 Series	\$ 7,710,000	2 to 3.7 %	6-27-03	4-1-20	\$ 6,845,000	\$ 0	\$ 340,000	\$ 6,505,000
Total Bonds Payable					\$ 6,845,000	\$ 0	\$ 340,000	\$ 6,505,000

DISCRETELY PRESENTED UNION COUNTY SCHOOL DEPARTMENT

NOTES PAYABLE

Payable through General Purpose School Fund								
Schools Renovations - Borrowed from Primary Government	172,722	4.29	2-6-07	2-1-15	\$ 172,722	\$ 0	\$ 18,331	\$ 154,391
Total Notes Payable					\$ 172,722	\$ 0	\$ 18,331	\$ 154,391

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 314,640	\$ 103,453	\$ 418,093
2010	329,420	69,313	398,733
2011	279,475	54,514	333,989
2012	232,996	42,186	275,182
2013	243,699	32,118	275,817
2014	253,460	21,605	275,065
2015	264,300	10,670	274,970
2016	3,695	13	3,708
Total	<u>\$ 1,921,685</u>	<u>\$ 333,872</u>	<u>\$ 2,255,557</u>

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Other Loan Requirements
2009	\$ 230,000	\$ 58,713	\$ 12,078	\$ 300,791
2010	240,000	52,388	10,777	303,165
2011	250,000	45,788	9,419	305,207
2012	260,000	38,913	8,005	306,918
2013	270,000	31,763	6,534	308,297
2014	285,000	24,338	5,007	314,345
2015	295,000	16,500	3,394	314,894
2016	305,000	8,388	1,725	315,113
Total	<u>\$ 2,135,000</u>	<u>\$ 276,791</u>	<u>\$ 56,939</u>	<u>\$ 2,468,730</u>

(Continued)

Exhibit J-2

Union County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Union County School Department (Cont.)

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Capital Lease Requirements
2009	\$ 7,845	\$ 140	\$ 7,985
Total	\$ 7,845	\$ 140	\$ 7,985

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
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	\$ 6,505,000	\$ 1,717,695	\$ 8,222,695

DISCRETELY PRESENTED UNION SCHOOL DEPARTMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 19,376	\$ 6,624	\$ 26,000
2010	20,207	5,793	26,000
2011	21,074	4,926	26,000
2012	21,978	4,022	26,000
2013	22,921	3,079	26,000
2014	23,905	2,095	26,000
2015	24,930	1,070	26,000
Total	\$ 154,391	\$ 27,609	\$ 182,000

Exhibit J-3

Union County, Tennessee
Schedule of Notes Receivable
June 30, 2008

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Notes</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>General Debt Service Fund</u> Capital Outlay Note (1)	Union County School Department	\$ 172,722	2-6-07	2-1-15	4.29%	\$ 154,390
<u>Community Development/ Industrial Park Fund</u>	City of Maynardville	85,500	2-29-08	7-1-11	0	85,500
Total Notes Receivable						<u>\$ 239,890</u>

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

Exhibit J-4

Union County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Union County School Department
For the Year Ended June 30, 2008

From Fund	To Fund	Purpose	Amount
<u>PRIMARY GOVERNMENT</u>			
Ambulance Service General	General Debt Service Community Development/ Industrial Park	Debt service requirements Operations	\$ 64,008 9,836
Total Transfers Primary Government			<u>\$ 73,844</u>
<u>DISCRETELY PRESENTED UNION COUNTY</u> <u>SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 30,404</u>
Total Transfers Discretely Presented Union County School Department			<u>\$ 30,404</u>

Exhibit J-5

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, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 63,377	\$ 50,000	Auto Owners Insurance Company
Director of Schools	State Board of Education and County Board of Education	81,000 (1)	50,000	"
Highway Superintendent	Section 8-24-102, <u>TCA</u>	60,360	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,872	513,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,872	15,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	54,872 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	54,872	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	60,360 (3)	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) Does not include special commissioner fee of \$640.
- (3) Does not include law enforcement supplement of \$600.

Exhibit J-6

Union County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds							Total
	General	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway/ Public Works	Debt Service Fund		
						General Debt Service	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,974,531	\$ 302,073	0	0	220,131	\$ 413,240	\$ 2,909,975	
Trustee's Collections - Prior Year	93,739	14,647	0	0	3,998	26,104	138,488	
Circuit/Clerk & Master Collections - Prior Years	43,875	7,201	0	0	1,917	13,846	66,839	
Interest and Penalty	14,726	2,417	0	0	844	4,393	22,380	
Pick-up Taxes	2,517	403	0	0	190	674	3,784	
Payments in-Lieu-of Taxes - T.V.A.	4,595	0	0	0	0	0	4,595	
Payments in-Lieu-of Taxes - Local Utilities	202,251	0	0	0	0	0	202,251	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	361,949	0	0	0	0	0	361,949	
Litigation Tax - General	37,058	0	0	0	0	0	37,058	
Litigation Tax - Special Purpose	35,474	0	0	0	0	0	35,474	
Litigation Tax - Jail, Workhouse, or Courthouse	14,575	0	0	0	0	0	14,575	
Business Tax	96,358	0	0	0	0	0	96,358	
Mineral Severance Tax	0	0	0	0	80,960	0	80,960	
<u>Statutory Local Taxes</u>								
Wholesale Beer Tax	84,612	0	0	0	0	0	84,612	
Interstate Telecommunications Tax	1,748	0	0	0	0	0	1,748	
Total Local Taxes	\$ 2,968,008	\$ 326,741	0	0	\$ 308,040	\$ 458,257	\$ 4,061,046	
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 28,676	0	0	0	0	0	28,676	
<u>Permits</u>								
Beer Permits	1,250	0	0	0	0	0	1,250	
Building Permits	37,695	0	0	0	0	0	37,695	
Total Licenses and Permits	\$ 67,621	0	0	0	0	0	67,621	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 10,369	0	0	0	0	0	10,369	
Fines for Littering	95	0	0	0	0	0	95	
Officers Costs	3,556	0	0	0	0	0	3,556	

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Total
	General	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway/ Public Works	Debt Service Fund		
						General Debt Service	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Drug Control Fines			10,156	0	0	0	0	10,156
Data Entry Fee - Circuit Court	352	0	0	0	0	0	0	352
<u>Criminal Court</u>								
Fines	2,171	0	0	0	0	0	0	2,171
Courtroom Security Fee	116	0	0	0	0	0	0	116
<u>General Sessions Court</u>								
Fines	21,065	0	0	0	0	0	0	21,065
Officers Costs	29,174	0	0	0	0	0	0	29,174
Game and Fish Fines	1,103	0	0	0	0	0	0	1,103
Drug Control Fines	0	0	5,757	0	0	0	0	5,757
Jail Fees	48	0	0	0	0	0	0	48
Data Entry Fee - General Sessions Court	10,910	0	0	0	0	0	0	10,910
Courtroom Security Fee	792	0	0	0	0	0	0	792
<u>Juvenile Court</u>								
Fines	1,223	0	0	0	0	0	0	1,223
Officers Costs	2,359	0	0	0	0	0	0	2,359
Data Entry Fee - Juvenile Court	736	0	0	0	0	0	0	736
<u>Chancery Court</u>								
Officers Costs	4,305	0	0	0	0	0	0	4,305
Data Entry Fee - Chancery Court	1,607	0	0	0	0	0	0	1,607
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	1,079	0	0	0	0	1,079
Courtroom Security Fee	18	0	0	0	0	0	0	18
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	25,588	0	0	0	0	25,588
Total Fines, Forfeitures, and Penalties	\$ 89,999	\$ 0	\$ 42,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 132,579
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Self-Insurance Premiums/Contributions	0	0	0	0	600	0	0	600
Patient Charges	0	934,210	0	0	0	0	0	934,210
Other General Service Charges	54	0	0	0	0	0	0	54

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Charges for Current Services (Cont.)</u>							
<u>Fees</u>							
Engineer Review Fees	\$ 2,306	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,306
Copy Fees	3,043	0	0	0	0	0	3,043
Library Fees	1,743	0	0	0	0	0	1,743
Constitutional Officers' Fees and Commissions	0	0	0	720	0	0	720
Data Processing Fee - Register	8,860	0	0	0	0	0	8,860
Data Processing Fee - Sheriff	2,750	0	0	0	0	0	2,750
Sexual Offender Registration Fees - Sheriff	2,100	0	0	0	0	0	2,100
<u>Other Charges for Services</u>	15,952	0	0	0	0	0	15,952
Total Charges for Current Services	\$ 36,808	\$ 934,210	\$ 0	\$ 720	\$ 600	\$ 0	\$ 972,338
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 198,897	\$ 198,897
Lease/Rentals	23,485	0	0	0	0	0	23,485
Sale of Gasoline	0	0	0	0	31,077	0	31,077
Miscellaneous Refunds	26,808	0	0	0	3	0	26,811
<u>Nonrecurring Items</u>							
Sale of Equipment	1,245	2,650	6,540	0	1,605	0	12,040
Damages Recovered from Individuals	600	0	0	0	0	0	600
Contributions and Gifts	2,437	0	0	0	0	0	2,437
<u>Other Local Revenues</u>	7,985	0	0	0	0	0	7,985
Total Other Local Revenues	\$ 62,560	\$ 2,650	\$ 6,540	\$ 0	\$ 32,685	\$ 198,897	\$ 303,332
<u>Fees Received from County Officials</u>							
<u>Fees In-Lieu-of Salary</u>							
County Clerk	\$ 173,756	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 173,756
Circuit Court Clerk	60,144	0	0	0	0	0	60,144
General Sessions Court Clerk	121,720	0	0	0	0	0	121,720
Clerk and Master	84,880	0	0	0	0	0	84,880
Register	107,924	0	0	0	0	0	107,924

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway/ Public Works		
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees In Lieu of Salary (Cont.)</u>							
Sheriff	\$ 6,494	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,494
Trustee	206,479	0	0	0	0	0	206,479
Total Fees Received from County Officials	\$ 761,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 761,397
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 6,825	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,825
Aging Programs	1,881	0	0	0	0	0	1,881
Other General Government Grants	4,782	0	0	0	0	0	4,782
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	10,142	0	0	0	0	0	10,142
<u>Health and Welfare Grants</u>							
Public Health Nurses	53,364	0	0	0	0	0	53,364
<u>Public Works Grants</u>							
State Aid Program	0	0	0	0	146,185	0	146,185
Litter Program	8,921	0	0	0	0	0	8,921
<u>Other State Revenues</u>							
Income Tax	35,341	0	0	0	0	0	35,341
Beer Tax	19,312	0	0	0	0	0	19,312
Alcoholic Beverage Tax	26,302	0	0	0	0	0	26,302
State Revenue Sharing - T.V.A.	674,021	0	0	0	0	0	674,021
Contracted Prisoner Boarding	185,713	0	0	0	0	0	185,713
Gasoline and Motor Fuel Tax	0	0	0	0	1,409,451	0	1,409,451
Petroleum Special Tax	0	0	0	0	14,302	0	14,302
Reappraisal Program Reimbursement	8,692	0	0	0	0	0	8,692
Registrar's Salary Supplement	20,502	0	0	0	0	0	20,502
Other State Grants	77,038	2,000	0	0	6,495	0	85,533
Other State Revenues	0	0	10,954	0	0	0	10,954
Total State of Tennessee	\$ 1,132,836	\$ 2,000	\$ 10,954	\$ 0	\$ 1,576,433	\$ 0	\$ 2,722,223

(Continued)

Exhibit J-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Federal Government</u>								
Federal Through State								
Community Development	\$ 9,005	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,005	
Homeland Security Grants	111,677	0	0	0	0	0	111,677	
Other Federal through State	68,881	0	0	0	0	0	68,881	
Total Federal Government	\$ 189,563	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 189,563	
<u>Other Governments and Citizens Groups</u>								
Other Governments								
Paving and Maintenance Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 222,089	\$ 0	\$ 222,089	
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 222,089	\$ 293,185	\$ 293,185	
Total	\$ 5,308,792	\$ 1,265,601	\$ 60,074	\$ 720	\$ 2,139,847	\$ 950,339	\$ 9,725,373	

Exhibit J-7

Union County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Union County School Department
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,011,115	\$ 0	\$ 0	\$ 2,011,115
Trustee's Collections - Prior Year	123,074	0	0	123,074
Circuit/Clerk & Master Collections - Prior Years	66,395	0	0	66,395
Interest and Penalty	20,793	0	0	20,793
Pick-up Taxes	3,213	0	0	3,213
<u>County Local Option Taxes</u>				
Local Option Sales Tax	833,444	0	0	833,444
<u>Statutory Local Taxes</u>				
Bank Excise Tax	60,401	0	0	60,401
Interstate Telecommunications Tax	2,219	0	0	2,219
Total Local Taxes	\$ 3,120,654	\$ 0	\$ 0	\$ 3,120,654
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,264	\$ 0	\$ 0	\$ 1,264
<u>Permits</u>				
Other Permits	372	0	0	372
Total Licenses and Permits	\$ 1,636	\$ 0	\$ 0	\$ 1,636
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 254,900	\$ 254,900
Lunch Payments - Adults	0	0	24,547	24,547
Income from Breakfast	0	0	16,065	16,065
A la carte Sales	0	0	70,909	70,909
Receipts from Individual Schools	23,536	0	0	23,536
<u>Other Charges for Services</u>				
Other Charges for Services	520	0	0	520
Total Charges for Current Services	\$ 24,056	\$ 0	\$ 366,421	\$ 390,477
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 735	\$ 735
Miscellaneous Refunds	44,208	0	344	44,552
<u>Nonrecurring Items</u>				
Resale of Materials - T&I House	12,212	0	0	12,212
Contributions and Gifts	7,500	0	0	7,500
<u>Other Local Revenues</u>				
Other Local Revenues	24,839	0	0	24,839
Total Other Local Revenues	\$ 88,759	\$ 0	\$ 1,079	\$ 89,838
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 35,454	\$ 0	\$ 0	\$ 35,454
<u>State Education Funds</u>				
Basic Education Program	15,689,356	0	0	15,689,356
School Food Service	0	0	16,750	16,750
Other State Education Funds	15,392	0	0	15,392

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder Program	\$ 161,974	\$ 0	\$ 0	\$ 161,974
Career Ladder - Extended Contract	50,968	0	0	50,968
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	168,505	0	0	168,505
Other State Grants	487,839	0	0	487,839
Other State Revenues	25,468	0	0	25,468
Total State of Tennessee	\$ 16,634,956	\$ 0	\$ 16,750	\$ 16,651,706
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 655,961	\$ 655,961
Breakfast	0	0	246,257	246,257
USDA - Other	0	0	14,045	14,045
Adult Education State Grant Program	63,654	0	0	63,654
Vocational Education - Basic Grants to States	0	75,771	0	75,771
Title I Grants to Local Education Agencies	0	856,941	0	856,941
Innovative Education Program Strategies	0	9,377	0	9,377
Special Education - Grants to States	18,500	809,698	0	828,198
Special Education Preschool Grants	0	19,732	0	19,732
English Language Acquisition Grants	0	2,064	0	2,064
Rural Education	0	113,871	0	113,871
Eisenhower Professional Development State Grants	0	184,882	0	184,882
Other Federal through State	857,371	21,087	0	878,458
Total Federal Government	\$ 939,525	\$ 2,093,423	\$ 916,263	\$ 3,949,211
Total	\$ 20,809,586	\$ 2,093,423	\$ 1,300,513	\$ 24,203,522

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 49,524	
Audit Services	4,063	
Printing, Stationery, and Forms	1,096	
Total County Commission		\$ 54,683

Board of Equalization

Board and Committee Members Fees	\$ 630	
Total Board of Equalization		630

Budget and Finance Committee

Board and Committee Members Fees	\$ 1,200	
Total Budget and Finance Committee		1,200

County Mayor/Executive

County Official/Administrative Officer	\$ 63,377	
Accountants/Bookkeepers	61,051	
Part-time Personnel	13,457	
Data Processing Services	4,988	
Legal Notices, Recording, and Court Costs	368	
Printing, Stationery, and Forms	2,074	
Travel	1,908	
Office Supplies	7,481	
Other Charges	685	
Data Processing Equipment	958	
Office Equipment	861	
Total County Mayor/Executive		157,208

County Attorney

County Official/Administrative Officer	\$ 11,163	
Legal Services	648	
Other Charges	5,907	
Total County Attorney		17,718

Election Commission

County Official/Administrative Officer	\$ 54,872
Deputy(ies)	19,633
Election Commission	1,925
Election Workers	13,839
Data Processing Services	3,000
Legal Notices, Recording, and Court Costs	1,714

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Printing, Stationery, and Forms	\$	1,289	
Travel		1,437	
Office Supplies		2,312	
Other Charges		954	
Office Equipment		2,900	
Total Election Commission			\$ 103,875

Register of Deeds

County Official/Administrative Officer	\$	54,872	
Clerical Personnel		50,752	
Data Processing Services		10,733	
Office Supplies		2,696	
Other Charges		55	
Total Register of Deeds			119,108

Development

Board and Committee Members Fees	\$	1,441	
Consultants		8,943	
Total Development			10,384

County Buildings

Custodial Personnel	\$	20,279	
Maintenance Personnel		26,836	
Maintenance Agreements		897	
Maintenance and Repair Services - Buildings		43,456	
Pest Control		948	
Custodial Supplies		16,379	
Electricity		78,091	
Natural Gas		16,220	
Water and Sewer		19,907	
Other Supplies and Materials		4,242	
Building and Contents Insurance		37,822	
Other Charges		7,999	
Building Improvements		23,356	
Furniture and Fixtures		2,356	
Total County Buildings			298,788

Other General Administration

Communication	\$	76,348	
Dues and Memberships		9,857	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Maintenance and Repair Services - Office Equipment	\$	4,750	
Maintenance and Repair Services - Vehicles		945	
Postal Charges		30,021	
Duplicating Supplies		3,589	
Gasoline		3,761	
Other Charges		386	
Administration Equipment		8,092	
Total Other General Administration			\$ 137,749

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	54,872	
Clerical Personnel		26,857	
Travel		1,224	
Office Supplies		439	
Total Property Assessor's Office			83,392

Reappraisal Program

Clerical Personnel	\$	22,935	
Other Salaries and Wages		18,990	
Contracts with Other Public Agencies		2,725	
Travel		612	
Other Charges		690	
Total Reappraisal Program			45,952

County Trustee's Office

County Official/Administrative Officer	\$	54,872	
Clerical Personnel		80,204	
Data Processing Services		3,462	
Legal Notices, Recording, and Court Costs		346	
Maintenance and Repair Services - Office Equipment		120	
Printing, Stationery, and Forms		9,380	
Travel		280	
Office Supplies		3,472	
Office Equipment		520	
Total County Trustee's Office			152,656

County Clerk's Office

County Official/Administrative Officer	\$	54,872
Clerical Personnel		128,701

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Data Processing Services	\$ 13,041	
Travel	4,185	
Office Supplies	5,154	
Premiums on Corporate Surety Bonds	261	
Office Equipment	40	
Total County Clerk's Office		\$ 206,254

Other Finance

Trustee's Commission	\$ 65,924	
Total Other Finance		65,924

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 54,872	
Clerical Personnel	88,426	
Jury and Witness Fees	11,627	
Data Processing Services	15,903	
Travel	630	
Library Books/Media	11,716	
Office Supplies	7,256	
Office Equipment	9,641	
Total Circuit Court		200,071

General Sessions Court

Judge(s)	\$ 77,151	
Other Salaries and Wages	7,341	
Travel	1,742	
Office Supplies	142	
Total General Sessions Court		86,376

Chancery Court

County Official/Administrative Officer	\$ 54,872	
Clerical Personnel	47,210	
Office Supplies	3,324	
Premiums on Corporate Surety Bonds	75	
Total Chancery Court		105,481

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 60,360	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Deputy(ies)	\$	390,061	
Investigator(s)		97,386	
Salary Supplements		10,200	
Secretary(ies)		38,693	
Contracts with Government Agencies		150,862	
Maintenance and Repair Services - Equipment		2,517	
Maintenance and Repair Services - Office Equipment		1,020	
Maintenance and Repair Services - Vehicles		18,068	
Travel		5,109	
Tuition		4,738	
Gasoline		83,314	
Law Enforcement Supplies		7,420	
Office Supplies		10,076	
Tires and Tubes		6,723	
Uniforms		5,773	
Vehicle Parts		17,218	
Other Charges		2,623	
Motor Vehicles		58,252	
Total Sheriff's Department			\$ 970,413

Jail

Guards	\$	259,846	
Cafeteria Personnel		38,037	
Maintenance and Repair Services - Buildings		26,934	
Medical and Dental Services		89,160	
Pest Control		84	
Other Contracted Services		45,625	
Custodial Supplies		14,625	
Drugs and Medical Supplies		32,014	
Food Preparation Supplies		663	
Food Supplies		95,937	
Other Charges		1,156	
Food Service Equipment		487	
Total Jail			604,568

Juvenile Services

Youth Service Officer(s)	\$	3,331
Psychological Personnel		49,732
Contracts with Private Agencies		2,351
Travel		569

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Office Supplies	\$ 2,743	
Office Equipment	76	
Total Juvenile Services		\$ 58,802

Fire Prevention and Control

Contributions	\$ 64,191	
Total Fire Prevention and Control		64,191

Rescue Squad

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

County Coroner/Medical Examiner

Other Contracted Services	\$ 11,700	
Total County Coroner/Medical Examiner		11,700

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 98,620	
Contributions	45,074	
Travel	3,357	
Total Local Health Center		147,051

Rabies and Animal Control

Board and Committee Members Fees	\$ 1,050	
Contributions	10,000	
Total Rabies and Animal Control		11,050

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

Sanitation Management

Contracts with Private Agencies	\$ 4,691	
Total Sanitation Management		4,691

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers

Laborers	\$ 99,698	
Total Convenience Centers		\$ 99,698

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 23,275	
Secretary(ies)	30,516	
Custodial Personnel	6,592	
Contributions	7,050	
Maintenance and Repair Services - Buildings	906	
Maintenance and Repair Services - Vehicles	982	
Pest Control	168	
Travel	500	
Custodial Supplies	1,290	
Gasoline	3,952	
Office Supplies	5,494	
Water and Sewer	653	
Other Supplies and Materials	509	
Furniture and Fixtures	2,080	
Total Senior Citizens Assistance		83,967

Libraries

Librarians	\$ 41,219	
Other Salaries and Wages	18,157	
Contracts with Public Carriers	225	
Contributions	334	
Travel	631	
Office Supplies	3,203	
Total Libraries		63,769

Parks and Fair Boards

Other Salaries and Wages	\$ 28,224	
Maintenance Agreements	19	
Maintenance and Repair Services - Buildings	5,331	
Building Construction	572	
Total Parks and Fair Boards		34,146

Other Social, Cultural, and Recreational

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

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Contracts with Government Agencies	\$	23,085	
Contracts with Private Agencies		328	
Operating Lease Payments		6,075	
Office Supplies		470	
Total Agriculture Extension Service			\$ 29,958

Forest Service

Contributions	\$	500	
Total Forest Service			500

Soil Conservation

Secretary(ies)	\$	28,199	
Rentals		3,000	
Other Charges		2,578	
Total Soil Conservation			33,777

Other Operations

Veterans' Services

Supervisor/Director	\$	12,751	
Travel		458	
Office Supplies		25	
Total Veterans' Services			13,234

Other Charges

Contributions	\$	19,000	
Total Other Charges			19,000

Employee Benefits

Social Security	\$	190,221	
State Retirement		109,637	
Medical Insurance		56,376	
Unemployment Compensation		10,487	
Workers' Compensation Insurance		30,000	
Total Employee Benefits			396,721

Payments to Cities

Contributions	\$	21,000	
Total Payments to Cities			21,000

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Other Charges	\$ 5,095	
State Aid Projects	112,589	
Total Miscellaneous		\$ 117,684

Highways

Traffic Control

Gasoline	\$ 5,149	
Total Traffic Control		5,149

Litter and Trash Collection

Foremen	\$ 23,509	
Other Salaries and Wages	10,980	
Maintenance and Repair Services - Vehicles	1,389	
Travel	632	
Gasoline	3,573	
Office Supplies	1,211	
Other Charges	19	
Total Litter and Trash Collection		41,313

Capital Projects

Other General Government Projects

Maintenance and Repair Services - Buildings	\$ 5,697	
Motor Vehicles	8,121	
State Aid Projects	13,179	
Total Other General Government Projects		26,997

Total General Fund \$ 4,755,328

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 45,833
Clerical Personnel	27,040
Attendants	682,030
In-Service Training	2,004
Social Security	55,835
State Retirement	28,377
Medical Insurance	39,362
Communication	12,151
Data Processing Services	3,691

(Continued)

Exhibit J-8

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

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Dues and Memberships	\$	399	
Licenses		969	
Maintenance and Repair Services - Buildings		1,850	
Maintenance and Repair Services - Vehicles		32,255	
Medical and Dental Services		237	
Postal Charges		5,463	
Printing, Stationery, and Forms		3,803	
Travel		2,796	
Disposal Fees		1,021	
Other Contracted Services		8,399	
Custodial Supplies		1,361	
Data Processing Supplies		1,471	
Diesel Fuel		49,531	
Drugs and Medical Supplies		31,162	
Electricity		8,293	
Natural Gas		1,224	
Office Supplies		1,335	
Tires and Tubes		4,554	
Uniforms		5,066	
Water and Sewer		699	
Other Supplies and Materials		7,024	
Building and Contents Insurance		3,477	
Liability Insurance		9,868	
Trustee's Commission		17,789	
Vehicle and Equipment Insurance		10,038	
Workers' Compensation Insurance		50,470	
Principal on Bonds		1	
Interest on Notes		1	
Building Improvements		6,814	
Communication Equipment		3,678	
Data Processing Equipment		16,661	
Furniture and Fixtures		1,303	
Motor Vehicles		97,732	
Health Equipment		4,359	
Total Ambulance/Emergency Medical Services			\$ 1,287,426

Total Ambulance Service Fund \$ 1,287,426

(Continued)

Exhibit J-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Travel	\$	1,658	
Law Enforcement Supplies		15,896	
Trustee's Commission		535	
Other Charges		6,892	
Motor Vehicles		15,171	
Office Equipment		58	
Total Drug Enforcement			\$ 40,210

Total Drug Control Fund \$ 40,210

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	640	
Constitutional Officers' Operating Expenses		80	
Total Chancery Court			\$ 720

Total Constitutional Officers - Fees Fund 720

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,360	
Accountants/Bookkeepers		7,700	
Secretary(ies)		31,500	
Board and Committee Members Fees		16,800	
Advertising		450	
Dues and Memberships		150	
Office Supplies		921	
Total Administration			\$ 117,881

Highway and Bridge Maintenance

Foremen	\$	51,156
Equipment Operators		23,594
Equipment Operators - Heavy		86,341
Equipment Operators - Light		123,039
Truck Drivers		61,265
Laborers		140,967
Rentals		250
Other Contracted Services		117,010

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Asphalt - Cold Mix	\$ 156,051	
Asphalt - Hot Mix	321,101	
Crushed Stone	56,135	
Other Road Supplies	1,346	
Pipe - Metal	21	
Road Signs	19,843	
Other Supplies and Materials	1,610	
Total Highway and Bridge Maintenance		\$ 1,159,729

Operation and Maintenance of Equipment

Mechanic(s)	\$ 25,580	
Other Contracted Services	254	
Diesel Fuel	41,079	
Equipment Parts - Heavy	3,716	
Equipment Parts - Light	17,471	
Garage Supplies	3,384	
Gasoline	33,983	
Lubricants	3,878	
Tires and Tubes	4,098	
Total Operation and Maintenance of Equipment		133,443

Ferry Operations

Equipment Operators - Heavy	\$ 44,563	
Total Ferry Operations		44,563

Other Charges

Communication	\$ 2,186	
Electricity	2,602	
Fuel Oil	7,024	
Water and Sewer	754	
Trustee's Commission	21,849	
Vehicle and Equipment Insurance	91,328	
Workers' Compensation Insurance	49,623	
Other Charges	36	
Total Other Charges		175,402

Employee Benefits

Social Security	\$ 50,895	
Extension Service Medicare	3,596	
Employee and Dependent Insurance	320,390	
Total Employee Benefits		374,881

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Highway Equipment	\$ 9,495	
Maintenance Equipment	8,590	
Right-of-Way	<u>1,536</u>	
Total Capital Outlay		\$ 19,621

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$ <u>20,973</u>	
Total Highways and Streets		20,973

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$ <u>763</u>	
Total Highways and Streets		763

Other Debt Service

Highways and Streets

Other Charges	\$ <u>37</u>	
Total Highways and Streets		<u>37</u>

Total Highway/Public Works Fund \$ 2,047,293

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ <u>210,411</u>	
Total General Government		\$ 210,411

Education

Principal on Bonds	\$ 340,000	
Principal on Notes	36,504	
Principal on Other Loans	<u>220,000</u>	
Total Education		596,504

Interest on Debt

General Government

Interest on Notes	\$ <u>77,503</u>	
Total General Government		77,503

(Continued)

Exhibit J-8

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education</u>		
Interest on Bonds	\$ 218,760	
Interest on Notes	7,410	
Interest on Other Loans	101,290	
Total Education		\$ 327,460
<u>Other Debt Service</u>		
<u>General Government</u>		
Other Contracted Services	\$ 482	
Trustee's Commission	13,120	
Total General Government		13,602
Total General Debt Service Fund		\$ 1,225,480
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Architects	\$ 48,218	
Land	100,000	
Site Development	22,500	
Building Purchases	200,000	
Other Construction	483,278	
Total Other General Government Projects		\$ 853,996
Total General Capital Projects Fund		853,996
<u>Community Development/Industrial Park Fund</u>		
<u>Other Operations</u>		
<u>Other Economic and Community Development</u>		
Contributions	\$ 85,500	
Total Other Economic and Community Development		\$ 85,500
Total Community Development/Industrial Park Fund		85,500
Total Governmental Funds - Primary Government		<u>\$ 10,295,953</u>

Exhibit J-9

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Union County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,345,609	
Career Ladder Program	95,525	
Career Ladder Extended Contracts	66,335	
Homebound Teachers	23,190	
Clerical Personnel	12,217	
Educational Assistants	235,120	
Other Salaries and Wages	64,278	
Certified Substitute Teachers	57,610	
Non-certified Substitute Teachers	103,686	
Social Security	476,719	
State Retirement	469,210	
Life Insurance	4,140	
Medical Insurance	723,315	
Unemployment Compensation	13,248	
Employer Medicare	112,168	
Maintenance and Repair Services - Equipment	490	
Other Contracted Services	893	
Instructional Supplies and Materials	83,950	
Textbooks	206,606	
Other Supplies and Materials	5,351	
Regular Instruction Equipment	1,014	
Total Regular Instruction Program		\$ 10,100,674

Special Education Program

Teachers	\$ 1,034,104
Career Ladder Program	10,940
Homebound Teachers	22,631
Educational Assistants	180,503
Speech Pathologist	139,298
Other Salaries and Wages	82,561
Certified Substitute Teachers	8,071
Non-certified Substitute Teachers	16,277
Social Security	86,594
State Retirement	80,037
Life Insurance	730
Medical Insurance	116,760
Unemployment Compensation	3,108
Employer Medicare	20,983
Maintenance and Repair Services - Equipment	5,512

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Contracted Services	\$ 105,590	
Instructional Supplies and Materials	11,695	
Other Supplies and Materials	103,818	
Special Education Equipment	6,144	
Total Special Education Program		\$ 2,035,356

Vocational Education Program

Teachers	\$ 649,737	
Career Ladder Program	4,420	
Career Ladder Extended Contracts	1,332	
Certified Substitute Teachers	2,624	
Non-certified Substitute Teachers	12,876	
Social Security	38,746	
State Retirement	39,755	
Life Insurance	342	
Medical Insurance	75,114	
Unemployment Compensation	997	
Employer Medicare	9,315	
Maintenance and Repair Services - Equipment	2,240	
Instructional Supplies and Materials	19,829	
Textbooks	4,874	
Other Supplies and Materials	9,890	
Vocational Instruction Equipment	6,282	
Total Vocational Education Program		878,373

Adult Education Program

Teachers	\$ 14,674	
Clerical Personnel	2,387	
Other Salaries and Wages	20,259	
Social Security	1,749	
State Retirement	749	
Unemployment Compensation	114	
Employer Medicare	541	
Instructional Supplies and Materials	6,034	
Total Adult Education Program		46,507

Support Services

Health Services

Medical Personnel	\$ 38,807	
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(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Social Security	\$	2,047	
State Retirement		2,422	
Medical Insurance		7,208	
Unemployment Compensation		56	
Employer Medicare		479	
Other Supplies and Materials		395	
Total Health Services			\$ 51,414

Other Student Support

Career Ladder Program	\$	1,920	
Guidance Personnel		217,333	
Social Security		17,150	
State Retirement		13,905	
Life Insurance		114	
Medical Insurance		16,153	
Unemployment Compensation		280	
Employer Medicare		3,172	
Evaluation and Testing		5,330	
Travel		260	
Total Other Student Support			275,617

Regular Instruction Program

Supervisor/Director	\$	312,773	
Career Ladder Program		4,985	
Librarians		165,145	
Clerical Personnel		10,800	
Other Salaries and Wages		221,168	
Social Security		41,307	
State Retirement		33,239	
Life Insurance		228	
Medical Insurance		38,188	
Unemployment Compensation		1,076	
Employer Medicare		10,167	
Maintenance and Repair Services - Equipment		59,932	
Travel		71,697	
Other Contracted Services		126,159	
Library Books/Media		2,265	
Other Supplies and Materials		673,194	
In Service/Staff Development		133,898	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Charges	\$ 1,648	
Other Equipment	97,700	
Total Regular Instruction Program		\$ 2,005,569

Special Education Program

Supervisor/Director	\$ 71,261	
Career Ladder Program	1,000	
Social Security	4,944	
State Retirement	4,988	
Life Insurance	23	
Medical Insurance	5,433	
Unemployment Compensation	56	
Employer Medicare	1,156	
Travel	13,194	
In Service/Staff Development	12,999	
Total Special Education Program		115,054

Vocational Education Program

Supervisor/Director	\$ 65,540	
Career Ladder Program	3,000	
Career Ladder Extended Contracts	10,923	
Secretary(ies)	25,455	
Social Security	6,477	
State Retirement	5,618	
Life Insurance	23	
Unemployment Compensation	112	
Employer Medicare	1,515	
Travel	3,994	
Total Vocational Education Program		122,657

Adult Programs

Supervisor/Director	\$ 71,124	
Career Ladder Program	1,000	
Social Security	4,454	
State Retirement	4,500	
Life Insurance	23	
Medical Insurance	5,433	
Unemployment Compensation	56	
Employer Medicare	1,042	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

In Service/Staff Development	\$ 513	
Total Adult Programs		\$ 88,145

Other Programs

On-Behalf Payments to OPEB	\$ 35,454	
Total Other Programs		35,454

Board of Education

Board and Committee Members Fees	\$ 16,800	
Social Security	1,042	
Employer Medicare	244	
Audit Services	5,900	
Dues and Memberships	9,646	
Legal Services	298	
Other Supplies and Materials	71,606	
Liability Insurance	79,459	
Trustee's Commission	79,024	
Workers' Compensation Insurance	92,567	
Total Board of Education		356,586

Director of Schools

County Official/Administrative Officer	\$ 80,000	
Career Ladder Program	1,000	
Secretary(ies)	27,381	
Social Security	6,720	
State Retirement	5,764	
Life Insurance	3,095	
Unemployment Compensation	56	
Employer Medicare	1,572	
Communication	15,314	
Postal Charges	5,114	
Travel	2,278	
Other Contracted Services	4,726	
Office Supplies	5,453	
Total Director of Schools		158,473

Office of the Principal

Principals	\$ 414,943	
Career Ladder Program	8,000	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Extended Contracts	\$	17,929	
Assistant Principals		188,166	
Secretary(ies)		200,995	
Clerical Personnel		32,452	
Social Security		51,527	
State Retirement		45,298	
Life Insurance		251	
Medical Insurance		48,188	
Unemployment Compensation		1,388	
Employer Medicare		12,051	
Communication		31,728	
Other Supplies and Materials		111,862	
Total Office of the Principal			\$ 1,164,778

Fiscal Services

Accountants/Bookkeepers	\$	107,483	
Clerical Personnel		29,674	
Other Salaries and Wages		2,400	
Social Security		8,210	
State Retirement		6,020	
Medical Insurance		7,653	
Unemployment Compensation		171	
Employer Medicare		1,943	
Travel		1,372	
Other Contracted Services		7,908	
Data Processing Supplies		1,830	
Other Supplies and Materials		250	
Total Fiscal Services			174,914

Operation of Plant

Custodial Personnel	\$	362,301	
Social Security		22,451	
State Retirement		7,699	
Unemployment Compensation		1,856	
Employer Medicare		5,251	
Other Contracted Services		60,671	
Custodial Supplies		37,790	
Electricity		624,668	
Natural Gas		192,670	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Water and Sewer	\$ 66,873	
Boiler Insurance	6,850	
Building and Contents Insurance	110,900	
Total Operation of Plant		\$ 1,499,980

Maintenance of Plant

Maintenance Personnel	\$ 81,648	
Social Security	5,048	
State Retirement	1,960	
Unemployment Compensation	225	
Employer Medicare	1,181	
Maintenance and Repair Services - Buildings	20,664	
Maintenance and Repair Services - Vehicles	210	
Other Supplies and Materials	203,190	
Total Maintenance of Plant		314,126

Transportation

Other Salaries and Wages	\$ 26,141	
Social Security	1,621	
Unemployment Compensation	209	
Employer Medicare	379	
Contracts with Vehicle Owners	1,045,124	
Maintenance and Repair Services - Vehicles	13,244	
Diesel Fuel	11,605	
Other Supplies and Materials	3,000	
Vehicle and Equipment Insurance	2,250	
Total Transportation		1,103,573

Central and Other

Other Salaries and Wages	\$ 96,535	
Social Security	5,856	
State Retirement	2,549	
Unemployment Compensation	236	
Employer Medicare	1,369	
Travel	180	
Other Supplies and Materials	4,422	
Total Central and Other		111,147

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Other Salaries and Wages	\$	5,178	
Social Security		321	
State Retirement		134	
Unemployment Compensation		30	
Employer Medicare		75	
Total Food Service			\$ 5,738

Community Services

Supervisor/Director	\$	30,900	
Other Salaries and Wages		29,774	
Social Security		3,598	
State Retirement		2,699	
Medical Insurance		10,556	
Unemployment Compensation		112	
Employer Medicare		842	
Travel		1,721	
Other Supplies and Materials		11,340	
Total Community Services			91,542

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	3,600	
Building Construction		3,889	
Site Development		4,600	
Total Regular Capital Outlay			12,089

Principal on Debt

Education

Principal on Notes	\$	18,332	
Total Education			18,332

Interest on Debt

Education

Interest on Notes	\$	7,307	
Total Education			7,307

Other Debt Service

Education

Other Debt Service	\$	294,000	
Total Education			294,000

Total General Purpose School Fund \$ 21,067,405

(Continued)

Exhibit J-9

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	361,920	
Educational Assistants		122,348	
Other Salaries and Wages		133,780	
Certified Substitute Teachers		4,439	
Non-certified Substitute Teachers		20,612	
Social Security		38,954	
State Retirement		33,894	
Medical Insurance		34,707	
Unemployment Compensation		1,323	
Employer Medicare		9,110	
Instructional Supplies and Materials		23,702	
Other Supplies and Materials		40,450	
Total Regular Instruction Program	\$		825,239

Special Education Program

Teachers	\$	218,901	
Educational Assistants		116,893	
Other Salaries and Wages		144,990	
Non-certified Substitute Teachers		1,161	
Social Security		29,312	
State Retirement		21,728	
Medical Insurance		34,018	
Unemployment Compensation		1,165	
Employer Medicare		6,836	
Maintenance and Repair Services - Equipment		203	
Other Contracted Services		85	
Instructional Supplies and Materials		18,692	
Other Supplies and Materials		25,438	
Total Special Education Program			619,422

Vocational Education Program

Instructional Supplies and Materials	\$	24,000	
Other Supplies and Materials		9,383	
Vocational Instruction Equipment		26,413	
Total Vocational Education Program			59,796

Support Services

Other Student Support

Travel	\$	12,660	
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(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Supplies and Materials	\$ 2,425	
In Service/Staff Development	<u>3,315</u>	
Total Other Student Support		\$ 18,400

Regular Instruction Program

Supervisor/Director	\$ 78,943	
Clerical Personnel	29,273	
Other Salaries and Wages	49,413	
Social Security	8,962	
State Retirement	8,754	
Medical Insurance	7,653	
Unemployment Compensation	168	
Employer Medicare	2,093	
Travel	19,826	
Other Supplies and Materials	20,125	
In Service/Staff Development	33,940	
Other Charges	19,504	
Other Equipment	<u>3,879</u>	
Total Regular Instruction Program		282,533

Special Education Program

Travel	\$ 13,471	
In Service/Staff Development	<u>34,718</u>	
Total Special Education Program		48,189

Transportation

Contracts with Parents	\$ 9,698	
Contracts with Vehicle Owners	129,024	
In Service/Staff Development	<u>4,000</u>	
Total Transportation		142,722

Central and Other

Other Salaries and Wages	\$ 16,071	
Social Security	996	
State Retirement	90	
Unemployment Compensation	100	
Employer Medicare	233	
Other Charges	<u>1,143</u>	
Total Central and Other		<u>18,633</u>

Total School Federal Projects Fund \$ 2,014,934

(Continued)

Exhibit J-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	39,614	
Accountants/Bookkeepers		21,630	
Cafeteria Personnel		418,717	
Social Security		29,758	
State Retirement		11,389	
Unemployment Compensation		1,824	
Employer Medicare		6,959	
Communication		3,006	
Maintenance and Repair Services - Equipment		34,815	
Other Contracted Services		22,831	
Food Preparation Supplies		85,076	
Food Supplies		626,281	
Office Supplies		3,262	
Other Supplies and Materials		343	
Other Charges		6,057	
Food Service Equipment		6,441	
Total Food Service			<u>\$ 1,318,003</u>

Total Central Cafeteria Fund \$ 1,318,003

Total Governmental Funds - Union County School Department \$ 24,400,342

Exhibit J-10

Union County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 453,807
Total Cash Receipts	<u>\$ 453,807</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 449,269
Trustee's Commission	4,538
Total Cash Disbursements	<u>\$ 453,807</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION

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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

October 16, 2008

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, 2008, which collectively comprise Union County's basic financial statements and have issued our report thereon dated October 16, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.02, 08.03, 08.04, 08.05, 08.06, 08.07, and 08.09.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Union County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08.01, 08.02, and 08.05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We consider item 08.10 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Union County in separate communications.

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

Very truly yours,

A handwritten signature in black ink 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/sb

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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

October 16, 2008

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, 2008. Union County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Union County's management. Our responsibility is to express an opinion on Union County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union County's compliance with those requirements and performing

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

As described in items 08.08 and 08.11 in the accompanying Schedule of Findings and Questioned Costs, the Union County School Department did not comply with certain requirements regarding activities allowed or unallowed, allowable costs/costs principles, and matching, level of effort and earmarking, that are applicable to its Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants program. Compliance with such requirements is necessary, in our opinion, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County as of and for the year ended June 30, 2008, and have issued our report thereon dated October 16, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Union County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 management, the county mayor, highway superintendent, director of schools, others within the entity, County Commission, Board of Education, 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.

Yours very truly,



John G. Morgan
Comptroller of the Treasury

JGM/sb

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Union County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

Federal/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Expenditures
Passed-through State Department of Agriculture: National School Lunch Program (Commodities - Noncash Assistance)	10.550	N/A	\$ 63,437 (4)
Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program	10.553	N/A	246,257
National School Lunch Program	10.555	N/A	659,111 (4)
Passed-through East Tennessee Human Resource Agency: Child Nutrition Cluster: Summer Food Service Program for Children	10.559	N/A	10,895
Total U.S. Department of Agriculture			\$ 979,700
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	(2)	\$ 9,005
Passed-through State Housing Development Agency: HOME Investment Partnerships Program	14.239	(2)	503
Total U.S. Department of Housing and Urban Development			\$ 9,508
U.S. Department of the Interior Passed-through State Department of Environment and Conservation: Historic Preservation Fund Grants-In-Aid	15.904	(2)	\$ 10,080
Total U.S. Department of the Interior			\$ 10,080
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies	84.010	N/A	\$ 828,000
Special Education Cluster: Special Education - Grants to States	84.027	N/A	804,525
Special Education - Preschool Grants	84.173	N/A	24,308
Career and Technical Education - Basic Grants to States	84.048	N/A	75,771
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	21,058
State Grants for Innovative Programs	84.298	N/A	4,103
Education Technology State Grants	84.318	(2)	8,561
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(2)	119,976
Reading First State Grants	84.357	(2)	716,548
Rural Education	84.358	N/A	119,135
Improving Teacher Quality State Grants	84.367	N/A	175,693
English Language Acquisition Grants	84.365	N/A	2,684
Passed-through State Department of Labor and Workforce Development: Adult Education - State Grant Program	84.002	Z-08-020837-00	63,654
Passed-through State Department of Human Services: Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	20,848
Total U.S. Department of Education			\$ 2,984,864
U.S. Department of Health and Human Services: Passed-through East Tennessee Human Resource Agency: Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 15,744
Passed-through State Department of Health: Grants to States for Operation of Offices of Rural Health	93.913	Z-08-020390-01	52,634
Total U.S. Department of Health and Human Services			\$ 68,378

(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 Homeland Security: Passed-through State Department of Military: Homeland Security Grant Program	97.067	(3)	\$ 111,677
Total U.S. Department of Homeland Security			\$ 111,677
Total Expenditures of Federal Awards			\$ 4,164,207

<u>State Grants</u>		Contract Number	
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	\$ 6,825
State Reappraisal - Comptroller of the Treasury	N/A	(2)	8,692
Health Department Programs - State Department of Health	N/A	Z-08-020390-01	53,364
Litter Grant - State Department of Transportation	N/A	(2)	8,921
Safety Grant - State Department of Education	N/A	(2)	21,200
Adult Education - State Department of Labor and Workforce Development	N/A	Z-08-020837-00	26,240
Early Childhood Education Grants - State Department of Education		(2)	300,350
Family Resource Center - State Department of Education	N/A	(2)	33,300
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	24,000
Coordinated School Health Grant - State Department of Education	N/A	(2)	95,000
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	6,495
AOC Grant - State Court Systems Administrator	N/A	(2)	7,309
Total State Grants			\$ 591,696

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) Z-05-025216-01: \$3,307; GG-07-22125-00: \$49,077; GG-08-24135-00: \$59,293.
- (4) Total for CFDA No. 10.555 is \$722,548.

Union County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Union County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.02	150	A formal purchase order system had not been established

OFFICE OF HIGHWAY SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.03	151	A formal purchase order system had not been established

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.06	152-153	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
07.07	153	A central system of accounting, budgeting, and purchasing had not been adopted

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UNION COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Union County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Union County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. A qualified opinion was issued on compliance for major programs.
6. Our audit revealed one finding that is 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), the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and Reading First State Grants (CFDA No. 84.357) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Union County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

UNION COUNTY AND UNION COUNTY SCHOOL DEPARTMENT

FINDING 08.01 UNION COUNTY AND THE UNION COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Union County's and the Union County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with generally accepted accounting principles requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the county's and the School Department's external auditors, to assist Union County and the School Department in preparing financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills necessary to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Union County and the School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

OFFICE OF COUNTY MAYOR

FINDING 08.02 **THE GENERAL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted accounting principles require Union County to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, certain general ledger account balances in the General Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Union County should have appropriate processes in place to ensure that its general ledgers are materially correct.

FINDING 08.03 **THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**

(Internal Control – Significant Deficiency 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 office and to document purchasing commitments. This deficiency can be attributed to the failure of management to correct audit findings noted in prior reports. The absence of a formal purchase order system increases the risk of unauthorized purchases.

RECOMMENDATION

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

FINDING 08.04 THE GENERAL LEDGER PAYROLL LIABILITY ACCOUNT FOR HEALTH INSURANCE WAS NOT RECONCILED WITH BILLINGS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

During the current year, Union County began providing its employees a health insurance program. Monthly insurance premiums are funded from employee payroll deductions and county contributions. We noted that the employee payroll deduction account for health insurance premiums reflected month ending balances that exceeded the related insurance billings. These payroll deduction account balances should have been less than the related billings since they exclude the county's contribution; however, management had not recognized this irregularity and had not performed any reconciliation of payroll deductions and county contributions with the monthly billings. Sound business practice would dictate that payroll deduction accounts and county contributions be reconciled with billings monthly. The failure to regularly reconcile payroll deduction accounts and county contributions with billings is a significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Officials should ensure that general ledger payroll deduction accounts and county contributions are reconciled with billings monthly. Any errors noted should be corrected promptly.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 08.05 MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted accounting principles require the Highway Department to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, various general ledger accounts were not materially correct, and multiple audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the Highway Department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the Highway Department in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the Highway Department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The Highway Department should have appropriate processes in place to ensure that its general ledger accounts are materially correct.

FINDING 08.06 **THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Highway Department had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments. This deficiency can be attributed to the failure of management to correct audit findings noted in prior reports. The absence of a formal purchase order system increases the risk of unauthorized purchases.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 08.07 **THE CENTRAL CAFETERIA FUND HAD A CASH OVERDRAFT**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Central Cafeteria Fund had a cash overdraft of \$87,851 at June 30, 2008. This overdraft resulted from the issuance of warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2008, when additional federal funds were received.

RECOMMENDATION

The School Department should not issue warrants in excess of cash on deposit with the county trustee.

FINDING 08.08 THE SCHOOL DEPARTMENT MADE INAPPROPRIATE PAYMENTS TO AN EDUCATION ASSISTANT USING FEDERAL SPECIAL EDUCATION FUNDS
(Noncompliance Under OMB Circular A-133)

The Special Education Grant Cluster was audited as a major program during the year in compliance with OMB Circular A-133. This involved examination of federal funds allocated to the School Department and expended under the Special Education – Grants to States and the Special Education – Preschool Grants programs. Our objective was to determine compliance with the various requirements for federal programs outlined in OMB Circular A-133.

During the period under audit, the State of Tennessee, Department of Education, Division of Special Education conducted a review of homebound services for students with disabilities in Union County. Our compliance testing included examining the results of that review, which revealed the following deficiencies:

- A. From July 2000 through June 2007, the School Department used federal special education grant funds to pay an education assistant's salary totaling \$10,102 for providing homebound services to a student. However, it is inappropriate for an education assistant to provide services to a homebound student. These services must be provided by licensed personnel. As a result, the state Division of Special Education has requested that the School Department repay the federal special education grant funds used for this purpose. This is a violation of the activities allowed or unallowed and allowable costs compliance requirements for federal programs, and is a questioned cost under the provisions of OMB Circular A-133 for the period examined.
- B. Also, from January 2000 through May 2008, local funds were also expended for the above-noted purpose. While these expenditures did not involve federal funds directly, local funds spent for special education are used to determine compliance with maintenance of effort requirements of the program. Beginning with the 2003-04 school year, the state Division of Special Education has asked that the School Department revise and resubmit state special education expenditure reports by deducting amounts paid to this education assistant for salary and benefits. Once revised, a determination will be made as to whether the School Department met maintenance of effort requirements for the years in question. The revisions and resulting determinations were still pending as of the date of this report. Therefore, we are unable to determine compliance with the maintenance of effort requirements of the program.

RECOMMENDATION

Federal IDEA and local special education expenditures should be for allowable program purposes. The School Department should comply with the state's request for repayment of funds and revision of special education expenditure reports.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 08.09 **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 – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the 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 accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of managements' decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

FINDING 08.10 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practice indicates that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: Special Education Cluster: Special Education - Grants to States and Special Education - Preschool Grants	08.11	84.027 and 84.173	Circular A-133, Section 500 (d)(1)	Noncompliance - See Finding 08.08 - The School Department made inappropriate payments to an educational assistant using federal special education funds. The School Department also included certain inappropriate costs in documenting compliance with maintenance of effort requirements of the grant.	\$ 10,102

**UNION COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

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

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

FINDINGS 08.08 and 08.11

Contact Persons: Sandra Price, Special Education Supervisor
Glen Coppock, School Business Manager

Corrective action planned: On September 17, 2008, a letter was sent to Joe Fisher, Assistant Commissioner, releasing 09-01 IDEA Part B monies in repayment for the \$10,102. The monies will be deducted from the 09-01 funds. Conditional approval for the 09-01 funds was sent September 10, 2008, for the State Department of Education. A budget amendment was submitted for approval.

On September 17, 2008, the maintenance of effort calculations were addressed through a letter to Joe Fisher. For the school years 2003-04 through 2007-08, Ms. Woods' salary and benefits were deducted from our special education general purpose funds and maintenance of effort was recalculated. According to our calculations we continued to meet maintenance of effort yearly.

Although we have completed our corrective action plan, we have not yet received any response on our efforts to correct these issues.

Anticipated completion date: 2008-09