
ANNUAL FINANCIAL REPORT UNION COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



ANNUAL FINANCIAL REPORT
UNION COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2010

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

JAMES R. ARNETTE
Director

BRYAN W. BURKLIN, CPA, CGFM
Audit Manager

LESTER TACKETT, CPA, CGFM
Auditor 4

MARK FAWVER
AMY HEMBREE, CPA
DOUG SANDIDGE, CISA, CFE
State Auditors

This financial report is available at www.tn.gov/comptroller

UNION COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Union County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	25
Notes to the Financial Statements		26-59
REQUIRED SUPPLEMENTARY INFORMATION:		60
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	61-62
Ambulance Service Fund	E-2	63
Highway/Public Works Fund	E-3	64
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Union County School Department	E-4	65
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Union County School Department	E-5	66

	Exhibit	Page(s)
Notes to the Required Supplementary Information		67
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		68
Nonmajor Governmental Funds:		69
Combining Balance Sheet	F-1	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	F-3	72
Major Governmental Fund:		73
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	74
Fiduciary Funds:		75
Combining Statement of Fiduciary Assets and Liabilities	H-1	76
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	77
Component Unit:		
Discretely Presented Union County School Department:		78
Statement of Activities	I-1	79
Balance Sheet – Governmental Funds	I-2	80
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	81
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	82
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	83
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	I-7	85
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-8	86-87
School Federal Projects Fund	I-9	88
Central Cafeteria Fund	I-10	89
Miscellaneous Schedules:		90
Schedule of Changes in Long-term Notes, Other Loans, and Bonds – Primary Government and Discretely Presented Union County School Department	J-1	91
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Union County School Department	J-2	92-93

	Exhibit	Page(s)
Schedule of Notes Receivable	J-3	94
Schedule of Transfers – Primary Government and Discretely Presented Union County School Department		
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Union County School Department	J-4	95
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	96
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Union County School Department	J-6	97-101
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	102-103
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Union County School Department	J-8	104-118
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	119-130
	J-10	131
<u>SINGLE AUDIT SECTION</u>		132
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		133-135
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		136-138
Schedule of Expenditures of Federal Awards and State Grants		139-140
Schedule of Audit Findings Not Corrected		141-142
Schedule of Findings and Questioned Costs		143-150
Auditee Reporting Responsibilities		151

Audit Highlights
Annual Financial Report
Union County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Union County as of and for the year ended June 30, 2010.

Results

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

Our audit resulted in eight 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 and Best Practice

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

UNION COUNTY

- ◆ Union County does not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF COUNTY MAYOR

- ◆ Material audit adjustments were required for proper financial statement presentation of the General and General Debt Service funds.
 - ◆ Payroll taxes were not reported timely resulting in assessments of interest and penalties totaling \$4,000.
 - ◆ The office had not established a formal purchase order system.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ A material audit adjustment was required for proper financial statement presentation of the Highway/Public Works Fund.
 - ◆ The Highway Department had not established a formal purchase order system.
-

OTHER FINDINGS

- ◆ Union County has material recurring audit findings.
 - ◆ Duties were not segregated adequately among the officials and employees at the Ambulance Service and in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
-

BEST PRACTICE

Union County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Union County.

INTRODUCTORY SECTION

Union County Officials

June 30, 2010

Officials

Larry Lay, County Mayor
Clayton Helms, Highway Superintendent
Wayne Goforth, Director of Schools
Gina Buckner, Trustee
Donna Jones, Assessor of Property
Pam Ailor, County Clerk
Barbara Williams, Circuit and General Sessions Courts Clerk
Beulah Warwick, Clerk and Master
Mary Kitts, Register
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
Calvin Chesney	

Highway Commission

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

Board of Education

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

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 28, 2010

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, 2010, which collectively comprise Union County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In our opinion, except for the effects of not including the financial statements of the Union County Emergency Communications District and the Union County Solid Waste Authority as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Union County, Tennessee, as of June 30, 2010, and the results of operations of the aggregate discretely presented component units, for the year 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, 2010, 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 September 28, 2010, 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 Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

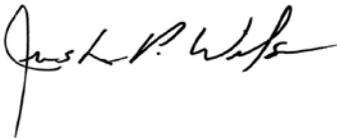
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 61 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's 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 by us 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Union County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Government Governmental Activities	Component Unit Union County School Department
<u>ASSETS</u>		
Cash	\$ 350	\$ 6,258,370
Equity in Pooled Cash and Investments	4,395,287	882,384
Accounts Receivable	322,690	4,882
Allowance for Uncollectibles	(183,634)	0
Due from Other Governments	493,834	578,567
Property Taxes Receivable	3,872,638	2,667,005
Allowance for Uncollectible Property Taxes	(188,093)	(129,536)
Prepaid Items	218,129	0
Notes Receivable - Current	49,574	0
Notes Receivable - Long-term	122,233	0
Capital Assets:		
Assets Not Depreciated:		
Land	566,080	1,617,038
Construction in Progress	0	890,345
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,335,099	11,238,882
Infrastructure	3,254,385	19,950
Other Capital Assets	411,792	474,480
Total Assets	<u>\$ 15,670,364</u>	<u>\$ 24,502,367</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 162,980	\$ 16,692
Accrued Payroll	6,233	0
Accrued Interest Payable	83,955	0
Contracts Payable	0	276,039
Retainage Payable	0	26,593
Payroll Deductions Payable	1,342	0
Due to State of Tennessee	20	0
Other Current Liabilities	204	415,480
Capital Outlay Notes Payable	2,771	0
Deferred Revenue - Property Taxes	3,444,467	2,372,133
Noncurrent Liabilities:		
Due Within One Year	1,274,769	21,074
Due in More Than One Year	14,636,008	870,076
Total Liabilities	<u>\$ 19,612,749</u>	<u>\$ 3,998,087</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	\$ 5,516,023	\$ 14,125,887
Restricted for:		
Ambulance Service	192,193	0
Highways	586,858	0
Debt Service	1,561,892	0
Capital Projects	134,132	5,982,981
Drug Control	21,694	0
Computerized Systems	73,637	0
Courthouse and Jail Maintenance	113,555	0
Victims Assistance	47,787	0
Library	20,039	0
Sexual Offender Registration	8,520	0
Archives and Records Management	20,517	0
State and Federal Assistance Programs	0	505,775
Unrestricted	<u>(12,239,232)</u>	<u>(110,363)</u>
Total Net Assets (Deficit)	<u>\$ (3,942,385)</u>	<u>\$ 20,504,280</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, 2010

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Governmental Activities	Component Unit		
			Grants and Contributions	Contributions			Governmental School Department	Department	
Primary Government:									
Governmental Activities:									
General Government	\$ 967,291	\$ 325,818	\$ 24,728	\$ 0	\$ 0	(616,745)	\$ 0	0	0
Finance	717,318	389,705	7,241	0	0	(320,372)	0	0	0
Administration of Justice	496,506	375,976	9,000	0	0	(111,530)	0	0	0
Public Safety	2,346,649	217,574	69,605	0	0	(2,059,470)	0	0	0
Public Health and Welfare	1,783,625	975,547	213,104	0	0	(594,974)	0	0	0
Social, Cultural, and Recreational Services	241,005	2,924	19,928	0	0	(218,153)	0	0	0
Agriculture and Natural Resources	94,275	0	0	0	0	(94,275)	0	0	0
Other Operations	678,464	0	456,999	0	0	(221,465)	0	0	0
Highways	1,817,191	14,352	1,416,850	31,639	0	(354,350)	0	0	0
Instruction	0	0	0	0	0	0	0	0	0
Support Services	45,580	0	0	0	0	(45,580)	0	0	0
Operation of Non-Instructional Services	11,888	0	0	0	0	(11,888)	0	0	0
Education	7,160,000	0	0	0	0	(7,160,000)	0	0	0
Interest on Long-term Debt	413,280	0	0	0	0	(413,280)	0	0	0
Debt Service	26,650	0	0	0	0	(26,650)	0	0	0
Total Primary Government	\$ 16,799,722	\$ 2,301,896	\$ 2,217,455	\$ 31,639	\$ 31,639	(12,248,732)	\$ 0	\$ (14,423,924)	0
Component Unit:									
Union County School Department	\$ 26,036,433	\$ 389,157	\$ 4,122,016	\$ 7,101,336	\$ 7,101,336	0	\$ 0	\$ (14,423,924)	0
Total Component Unit	\$ 26,036,433	\$ 389,157	\$ 4,122,016	\$ 7,101,336	\$ 7,101,336	0	\$ 0	\$ (14,423,924)	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	Capital Grants and Contributions	Component Unit	
					Primary Government Activities	Union County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 2,333,031	\$ 2,390,353
Property Taxes Levied for Ambulance Service					357,710	0
Property Taxes Levied for Highways					255,813	0
Property Taxes Levied for Debt Service					491,678	0
Local Option Sales Taxes					336,813	910,833
Wheel Tax					248,080	0
Business Tax					51,802	0
Wholesale Beer Tax					111,199	0
Mineral Severance Tax					85,382	0
Litigation Tax - General					36,308	0
Litigation Tax - Special Purpose					35,685	0
Litigation Tax - Jail, Workhouse, or Courthouse					14,292	0
Other Local Taxes					1,183	1,546
Grants and Contributions Not Restricted to Specific Programs					1,642,921	17,776,695
Unrestricted Investment Income					118,260	1,841
Miscellaneous					145,747	29,689
Total General Revenues					\$ 6,265,904	\$ 21,110,957
Change in Net Assets					\$ (5,982,828)	\$ 6,687,033
Net Assets, July 1, 2009					2,040,443	13,817,247
Net Assets (Deficit), June 30, 2010					\$ (3,942,385)	\$ 20,504,280

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

Union County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 350	\$ 350	
Equity in Pooled Cash and Investments	2,500,125	220,142	233,997	1,339,827	101,196	4,395,287	
Accounts Receivable	15,650	294,411	7,000	0	5,629	322,690	
Allowance for Uncollectibles	0	(183,634)	0	0	0	(183,634)	
Due from Other Governments	204,251	0	289,583	0	0	493,834	
Due from Other Funds	8,539	0	0	72,661	0	81,200	
Property Taxes Receivable	2,630,471	401,877	292,275	548,015	0	3,872,638	
Allowance for Uncollectible Property Taxes	(127,761)	(19,519)	(14,196)	(26,617)	0	(188,093)	
Prepaid Items	67,313	0	137,218	13,598	0	218,129	
Notes Receivable - Current	0	0	0	21,074	28,500	49,574	
Advances to Other Funds	0	0	0	73,752	0	73,752	
Notes Receivable - Long-term	0	0	0	93,733	28,500	122,233	
Total Assets	\$ 5,298,588	\$ 713,277	\$ 945,877	\$ 2,136,043	\$ 164,175	\$ 9,257,960	

ASSETS

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 58,286	\$ 7,804	\$ 93,890	\$ 0	\$ 3,000	\$ 162,980
Accrued Payroll	0	6,233	0	0	0	6,233
Payroll Deductions Payable	1,342	0	0	0	0	1,342
Accrued Interest Payable	0	0	0	4,596	0	4,596
Due to Other Funds	0	75,851	0	0	5,349	81,200
Due to State of Tennessee	20	0	0	0	0	20
Advances Payable to Other Funds	0	73,752	0	0	0	73,752
Capital Outlay Notes Payable	0	0	0	2,771	0	2,771
Other Current Liabilities	204	0	0	0	0	204
Deferred Revenue - Current Property Taxes	2,339,638	357,444	259,960	487,425	0	3,444,467
Deferred Revenue - Delinquent Property Taxes	153,385	23,434	17,043	31,955	0	225,817
Other Deferred Revenues	71,771	60,812	129,720	0	0	262,303
Total Liabilities	\$ 2,624,646	\$ 605,330	\$ 500,613	\$ 526,747	\$ 8,349	\$ 4,265,685

(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		
LIABILITIES AND FUND BALANCES (Cont.)								
Fund Balances								
Reserved for Sexual Offender Registration	\$ 8,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	8,520
Reserved for Victims Assistance Programs	47,787	0	0	0	0	0	0	47,787
Reserved for Computer System - Register	36,050	0	0	0	0	0	0	36,050
Reserved for Automation Purposes - General Sessions Court	1,319	0	0	0	0	0	0	1,319
Reserved for Automation Purposes - Chancery Court	6,467	0	0	0	0	0	0	6,467
Reserved for Automation Purposes - Sheriff	17,571	0	0	0	0	0	0	17,571
Reserved for Automation Purposes - County Clerk	12,230	0	0	0	0	0	0	12,230
Reserved for Archives and Records Management - County Clerk	20,517	0	0	0	0	0	0	20,517
Reserved for Loan Program	0	0	0	73,752	0	0	0	73,752
Reserved for Long-term Notes Receivable	0	0	0	93,733	28,500	0	0	122,233
Reserved for Other General Purposes	133,594	0	0	173,886	0	0	0	307,480
Unreserved, Reported In:								
General Fund	2,389,887	0	0	0	0	0	0	2,389,887
Special Revenue Funds	0	107,947	445,264	0	21,694	0	0	574,905
Debt Service Funds	0	0	0	1,267,925	0	0	0	1,267,925
Capital Projects Funds	0	0	0	0	105,632	0	0	105,632
Total Fund Balances	\$ 2,673,942	\$ 107,947	\$ 445,264	\$ 1,609,296	\$ 155,826	\$ 0	\$ 164,175	\$ 4,992,275
Total Liabilities and Fund Balances	\$ 5,298,588	\$ 713,277	\$ 945,877	\$ 2,136,043	\$ 164,175	\$ 0	\$ 0	\$ 9,257,960

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, 2010

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)		\$	4,992,275
(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		2,335,099	
Add: other capital assets net of accumulated depreciation		411,792	
Add: infrastructure net of accumulated depreciation		<u>3,254,385</u>	6,567,356
(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	\$	(1,280,608)	
Less: other loans payable		(1,665,000)	
Less: bonds payable		(12,960,000)	
Less: other postemployment benefits liability		(5,169)	
Less: accrued interest on bonds and other loans		<u>(79,359)</u>	(15,990,136)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>488,120</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(3,942,385)</u></u>

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

Union County, Tennessee
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2010

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Education Capital Projects	Other Governmental Funds		
Revenues								
Local Taxes	\$ 3,103,923	\$ 354,682	\$ 338,992	\$ 735,629	\$ 0	\$ 0	\$ 0	\$ 4,533,226
Licenses and Permits	52,055	0	0	0	0	0	0	52,055
Fines, Forfeitures, and Penalties	119,194	0	0	0	0	0	10,350	129,544
Charges for Current Services	160,861	976,261	1,811	0	0	0	1,447	1,140,380
Other Local Revenues	165,774	11,500	32,535	118,260	0	0	2,895	330,964
Fees Received from County Officials	721,202	0	0	0	0	0	0	721,202
State of Tennessee	1,213,844	46,330	1,396,387	0	0	0	0	2,656,561
Federal Government	625,491	0	0	0	0	0	0	625,491
Other Governments and Citizens Groups	189,545	0	0	380,000	0	0	0	569,545
Total Revenues	\$ 6,351,889	\$ 1,388,773	\$ 1,769,725	\$ 1,233,889	\$ 0	\$ 0	\$ 14,692	\$ 10,758,968
Expenditures								
Current:								
General Government	\$ 889,460	0	0	0	0	0	0	\$ 889,460
Finance	636,157	0	0	0	0	0	0	636,157
Administration of Justice	432,718	0	0	0	0	0	1,447	434,165
Public Safety	2,002,835	0	0	0	0	0	78,322	2,081,157
Public Health and Welfare	310,279	1,295,276	0	0	0	0	0	1,605,555
Social, Cultural, and Recreational Services	212,229	0	0	0	0	0	0	212,229
Agriculture and Natural Resources	72,653	0	0	0	0	0	0	72,653
Other Operations	1,188,069	0	0	0	0	0	0	1,188,069
Highways	47,450	0	1,668,410	0	0	0	0	1,715,860
Support Services	45,580	0	0	0	0	0	0	45,580
Operation of Non-Instructional Services	11,888	0	0	0	0	0	0	11,888
Debt Service:								
Principal on Debt	0	0	0	921,437	0	0	0	921,437
Interest on Debt	0	0	0	410,780	0	0	0	410,780
Other Debt Service	0	0	0	26,650	0	0	0	26,650
Capital Projects	0	0	0	0	7,160,000	0	7,209	7,167,209
Total Expenditures	\$ 5,849,318	\$ 1,295,276	\$ 1,668,410	\$ 1,358,867	\$ 7,160,000	\$ 0	\$ 86,978	\$ 17,418,849
Excess (Deficiency) of Revenues Over Expenditures	\$ 502,571	\$ 93,497	\$ 101,315	\$ (124,978)	\$ (7,160,000)	\$ 0	\$ (72,286)	\$ (6,659,881)

(Continued)

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	Education Capital Projects	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>								
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,160,000	\$ 0	\$ 0	\$ 7,160,000
Insurance Recovery	30,285	9,937	0	0	0	0	0	40,222
Transfers In	0	0	0	64,009	0	37,000	0	101,009
Transfers Out	(37,000)	(64,009)	0	0	0	0	0	(101,009)
Total Other Financing Sources (Uses)	\$ (6,715)	\$ (54,072)	\$ 0	\$ 64,009	\$ 7,160,000	\$ 37,000	\$ 0	\$ 7,200,222
Net Change in Fund Balances	\$ 495,856	\$ 39,425	\$ 101,315	\$ (60,969)	\$ 0	\$ (35,286)	\$ 0	\$ 540,341
Fund Balance, July 1, 2009	2,178,086	68,522	343,949	1,670,265	0	191,112	0	4,451,934
Fund Balance, June 30, 2010	\$ 2,673,942	\$ 107,947	\$ 445,264	\$ 1,609,296	\$ 0	\$ 155,826	\$ 0	\$ 4,992,275

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, 2010

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)		\$	540,341
(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	\$	36,116	
Less: current year depreciation expense		<u>(370,979)</u>	(334,863)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: book value of assets disposed			(11,500)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$	488,120	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(418,694)</u>	69,426
(4) 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.			
Add: principal payments on notes	\$	326,437	
Add: principal payments on other loans		240,000	
Add: principal payments on bonds		355,000	
Less: debt issued		<u>(7,160,000)</u>	(6,238,563)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(2,500)	
Change in other postemployment benefits liability		<u>(5,169)</u>	<u>(7,669)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (5,982,828)</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 604,570
Due from Other Governments	<u>102,825</u>
Total Assets	<u><u>\$ 707,395</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 102,825
Due to Litigants, Heirs, and Others	<u>604,570</u>
Total Liabilities	<u><u>\$ 707,395</u></u>

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

UNION COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

The Union County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the 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 Veteran St
Suite A
Maynardville, TN 37807

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

B. Government-wide and Fund Financial Statements

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

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

function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Union County issues all debt for the discretely presented Union County School Department. Net debt issues of \$7,080,696 were contributed by the county to the School Department during the year ended June 30, 2010.

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

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

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

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

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

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

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

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

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

Union County reports the following major governmental funds:

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

Ambulance Service Fund – This 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.

Educational Capital Projects – This fund accounts for debt issued by Union County that is subsequently contributed to the discretely presented Union County School Department for construction and renovation projects.

Additionally, Union County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Union

County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

Educational Capital Projects Fund – The Education Capital Projects Fund is used to account for American Recovery Reinvestment Act funding for the School Department’s building construction and renovation.

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer’s Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county’s own legally issued bonds or notes.

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

Cash on deposit with paying agent represents bond proceeds held by the State School Bond Authority on behalf of the Union County School Department. Those funds are transferred to the county trustee as payments become due on school construction contracts.

2. Receivables and Payables

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

Advances from other 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. Ambulance Service receivables for uncollectibles are comprised of estimated amounts for write-offs involving Medicare and Medicaid and estimated amounts of other collections based on the history of the source of receipt (i.e., insurance

companies and private citizens). The allowance for uncollectible property taxes is equal to 2.75 percent of total taxes levied.

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

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

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

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

Most payables are disaggregated on the face of the financial statements. Other Current Liabilities in the discretely presented General Purpose School Fund (\$415,480) 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 (\$67,313) and the Highway/Public Works funds (\$137,218) represent amounts paid for insurance premiums for the 2010-11 year. The prepaid item in the General Debt Service Fund (\$13,598) represents an amount paid for principal and interest on debt due subsequent to June 30, 2010.

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

7. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2010, Union County had \$14,854,275 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 represents amounts in the General Fund reserved for courthouse and jail maintenance and amounts in the General Debt Service Fund reserved for principal and interest on the Qualified School Construction Bonds.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Union County School Department

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

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

Primary Government

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

Discretely Presented Union County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Fund Deficits/Net Assets Deficit

The Other Capital Projects Fund of the discretely presented Union County School Department had a deficit in unreserved fund balance of \$1,080,747 at June 30, 2010. This deficit resulted from the unperformed portions of construction contracts of \$1,040,075 being reserved as encumbrances. Funding for these future expenditures was provided by the issuance of capital outlay notes totaling \$1,138,000 subsequent to June 30, 2010.

C. Expenditures Exceeded Appropriations

General Fund expenditures exceeded appropriations approved by the County Commission in the Other Finance and the Victims Assistance Programs major appropriation categories (the legal level of control) by \$2,626 and \$2,071, respectively.

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2010.

B. Notes Receivable

The note receivable in the General Debt Service Fund on June 30, 2010, resulted from the primary government financing projects for the discretely presented Union County School Department. This note is reflected as a current note receivable (\$21,074) representing the amount due within one year and a long-term note receivable (\$93,733) 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 in the Community Development/Industrial Park Fund on June 30, 2010, resulted from the county financing projects for the City of Maynardville. This note is reflected as a current note receivable (\$28,500) representing the amount due within one year and a long-term note receivable (\$28,500) 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.

C. Capital Assets

Primary Government

Capital assets activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 566,080	\$ 0	\$ 0	\$ 566,080
Construction in Progress	244,608	8,560	(253,168)	0
Total Capital Assets Not Depreciated	<u>\$ 810,688</u>	<u>\$ 8,560</u>	<u>\$ (253,168)</u>	<u>\$ 566,080</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,491,524	\$ 0	\$ 0	\$ 3,491,524
Infrastructure	3,334,000	253,168	0	3,587,168
Other Capital Assets	1,296,733	27,556	(11,500)	1,312,789
Total Capital Assets Depreciated	<u>\$ 8,122,257</u>	<u>\$ 280,724</u>	<u>\$ (11,500)</u>	<u>\$ 8,391,481</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,051,270	\$ 105,155	\$ 0	\$ 1,156,425
Infrastructure	243,104	89,679	0	332,783
Other Capital Assets	724,852	176,145	0	900,997
Total Accumulated Depreciation	<u>\$ 2,019,226</u>	<u>\$ 370,979</u>	<u>\$ 0</u>	<u>\$ 2,390,205</u>
Total Capital Assets Depreciated, Net	<u>\$ 6,103,031</u>	<u>\$ (90,255)</u>	<u>\$ (11,500)</u>	<u>\$ 6,001,276</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,913,719</u>	<u>\$ (81,695)</u>	<u>\$ (264,668)</u>	<u>\$ 6,567,356</u>

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

Governmental Activities:

General Government	\$ 38,270
Public Safety	79,778
Public Health and Welfare	146,909
Social, Cultural, and Recreational Services	1,300
Highway	<u>104,722</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 370,979</u>

Discretely Presented Union County School Department

Capital assets activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 1,345,209	\$ 271,829	\$ 1,617,038
Construction in Progress	0	890,345	890,345
Total Capital Assets Not Depreciated	\$ 1,345,209	\$ 1,162,174	\$ 2,507,383
Capital Assets Depreciated:			
Buildings and Improvements	\$ 19,947,792	\$ 0	\$ 19,947,792
Infrastructure	31,500	0	31,500
Other Capital Assets	866,180	62,835	929,015
Total Capital Assets Depreciated	\$ 20,845,472	\$ 62,835	\$ 20,908,307
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 8,218,427	\$ 490,483	\$ 8,708,910
Infrastructure	8,400	3,150	11,550
Other Capital Assets	334,604	119,931	454,535
Total Accumulated Depreciation	\$ 8,561,431	\$ 613,564	\$ 9,174,995
Total Capital Assets Depreciated, Net	\$ 12,284,041	\$ (550,729)	\$ 11,733,312
Governmental Activities Capital Assets, Net	\$ 13,629,250	\$ 611,445	\$ 14,240,695

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

Governmental Activities:

Instruction	\$ 82,655
Support Services	528,934
Operation of Non-Instructional Services	<u>1,975</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 613,564</u>

D. Construction Commitments

The discretely presented School Department had uncompleted construction contracts of approximately \$6,619,000 for the construction of a new school and additional renovations to various other schools. The majority of the funding has been received, and additional funding was received from the subsequent issuance of debt in the form of a capital outlay note.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	Ambulance Service	\$ 72,661
General	Ambulance Service	3,190
"	Nonmajor Governmental	5,349

The balance reflected in the General Debt Service Fund as due from the Ambulance Service Fund is the amount of an interfund loan scheduled to be received in the next fiscal year. The other balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Advances to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	Ambulance Service	\$ 73,752

In a previous year, the General Debt Service Fund loaned the Ambulance Service Fund \$218,000 to partially fund the purchase of ambulances and other equipment. The balance of the loan at June 30, 2010, is \$146,413. The amount of this loan expected to be repaid within one year (\$72,661) is reflected as due to/from other funds. The remainder (\$73,752) is reflected as advances to/from other funds and is expected to be repaid during the 2011-12 fiscal year.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

Primary Government:

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Funds
Ambulance Service Fund	\$ 64,009	\$ 0
General Fund	0	37,000
Total	<u>\$ 64,009</u>	<u>\$ 37,000</u>

Discretely Presented Union County School Department:

Transfer Out	Transfer In	
	General Purpose School	
Federal Projects Fund	\$	22,557

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.

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, 2010, will be retired from the General Debt Service Fund.

General obligation bonds, notes, and other loans outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds -			
School Refunding	2 to 3.7	\$ 7,710,000	\$ 5,800,000
Capital Outlay Notes	4.29 to 4.75	1,993,700	1,280,608
Other Loans - School			
Building and Improvements	Variable	4,000,000	1,665,000
Qualified School Construction Bonds	1.515	7,160,000	7,160,000

In the 1995-96 year, Union County entered into a loan agreement with the Public Building Authority (PBA) of Sevier County, Tennessee. Under this loan agreement, the authority loaned \$4,000,000 to Union County for various renovation and construction projects. Originally this loan was repayable at a variable interest rate based on the Bond Market Association (BMA) Municipal Index. In addition, on a quarterly basis the county paid interest and other fees (liquidity, trustee, remarketing, and issuer) in connection with this loan. However, due to the downgrading of the PBA's bond insurer's credit rating, the PBA was unable to remarket the variable rate bonds upon which the loan agreement was based. Consequently, the bonds were purchased by KBC Bank under a standby bond purchase agreement. That agreement requires that interest be accrued based on the prime rate and paid monthly to KBC Bank. At June 30, 2010, the county paid interest of 3.25 percent under this loan agreement. The county continues to pay certain other fees associated with the debt, but not the liquidity and remarketing fees. Fees totaled .34 percent of the balance of the outstanding debt at June 30, 2010.

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

The annual requirements to amortize all bonds, notes, and other loans outstanding as of June 30, 2010, including interest payments and other fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 282,458	\$ 55,829	\$ 338,287
2012	232,996	42,821	275,817
2013	243,699	32,825	276,524
2014	253,460	22,371	275,831
2015	264,300	11,497	275,797
2016	3,695	158	3,853
Total	\$ 1,280,608	\$ 165,501	\$ 1,446,109

Year Ending June 30	Other Loans			
	Principal	Interest	Fees	Total
2011	\$ 250,000	\$ 53,445	\$ 5,736	\$ 309,181
2012	260,000	45,293	4,875	310,168
2013	270,000	36,816	3,979	310,795
2014	285,000	28,001	3,049	316,050
2015	295,000	18,712	2,067	315,779
2016	305,000	9,098	1,051	315,149
Total	\$ 1,665,000	\$ 191,365	\$ 20,757	\$ 1,877,122

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 742,311	\$ 303,684	\$ 1,045,995
2012	831,773	292,584	1,124,357
2013	846,773	281,034	1,127,807
2014	861,773	269,034	1,130,807
2015	876,773	256,169	1,132,942
2016-2020	6,033,865	983,885	7,017,750
2021-2025	2,233,865	542,370	2,776,235
2026-2027	532,867	117,514	650,381
Total	\$ 12,960,000	\$ 3,046,274	\$ 16,006,274

There is \$1,609,296 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$728, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans outstanding totaled \$893, 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, 2010:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2009	\$ 6,155,000	\$ 1,607,045	\$ 1,905,000
Additions	7,160,000	0	0
Deductions	(355,000)	(326,437)	(240,000)
Balance, June 30, 2010	<u>\$ 12,960,000</u>	<u>\$ 1,280,608</u>	<u>\$ 1,665,000</u>
Balance Due Within One Year	<u>\$ 742,311</u>	<u>\$ 282,458</u>	<u>\$ 250,000</u>

	Other Postemployment Benefits
Balance, July 1, 2009	\$ 0
Additions	12,000
Deductions	(6,831)
Balance, June 30, 2010	<u>\$ 5,169</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 15,910,777
Less: Balance Due Within One Year	<u>(1,274,769)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 14,636,008</u>

Discretely Presented Union County School Department

In a previous year, as a prerequisite to the primary government issuing a specific debt, which included funding for various school renovations totaling \$345,440, the governing bodies of the primary government and the School Department executed an agreement that the School Department would

provide one-half of the funding needed to service that debt. This agreement has been reflected as a note payable in the financial statements of the School Department.

The annual requirements to amortize the note outstanding as of June 30, 2010, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
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	\$ 114,808	\$ 15,192	\$ 130,000

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

Governmental Activities:

	Notes	Other Postemployment Benefits
Balance, July 1, 2009	\$ 135,015	\$ 556,975
Additions	0	351,324
Deductions	(20,207)	(131,957)
Balance, June 30, 2010	\$ 114,808	\$ 776,342
Balance Due Within One Year	\$ 21,074	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 891,150
Less: Balance Due Within One Year	<u>(21,074)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 870,076</u>

G. Pledge of Future Revenues

Wheel Tax Approved by County Commission

The County Commission approved a wheel tax for vehicle title registrations or renewals channeled through the Office of County Clerk effective January 1, 2010, and pledged the collections generated from this wheel tax to pay the debt service requirements of the \$7,160,000 Qualified School Construction Bonds. The bonds are also guaranteed by the general obligation pledge of the county in the event the wheel tax revenue is insufficient to meet the debt service requirements on the bonds. The County Commission resolution noted that the wheel tax levy and collections would stop once adequate funding has been provided to retire the bonds. As of June 30, 2010, future requirements for principal, interest, and administrative fees on the bonds total \$9,037,084 payable on a monthly basis through September 1, 2026. For the current year, the only debt service expenditure related to the bond was interest of \$71,713. Wheel tax revenue generated (net of trustee's commission) was \$245,599. The unexpended portion of the wheel tax revenues (\$173,886) has been reserved on the financial statements of the General Debt Service Fund.

Component Unit Revenues Pledged for Primary Government Debt

In addition to the amount reflected as a note payable discussed in note IV.E., the School Department has pledged to pay a minimum of \$500,000 annually from its future revenues to the primary government's General Debt Service Fund to be applied toward the retirement of other school debt. However, for the last three years, the County Commission agreed to accept lower contributions. During the current fiscal year, the total contribution was \$380,000. The related debt was issued by the primary government for various school capital projects and is payable through 2020. Total principal, interest, and other fees remaining on the debt are \$8,978,772 with annual requirements ranging from \$874,391 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, 2010, were \$27,517 and \$8,875, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Union County issued revenue anticipation notes in advance of revenue collected and deposited the proceeds in the General Purpose School and School Federal Projects funds of the discretely presented School Department. These notes were necessary to provide cash flow until the expected revenues were received. Short-term debt activity for the year ended June 30, 2010, was as follows:

Fund	Balance 7-1-09	Issued	Paid	Balance 6-30-10
General Purpose School	\$ 0	\$ 800,000	\$ (800,000)	\$ 0
School Federal Projects	0	300,000	(300,000)	0

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

V. OTHER INFORMATION

A. Risk Management

The 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 Financial 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. The county does not allow retirees to participate in the commercial insurance

plan. Settled claims during this year and the previous year (first year coverage 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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance, nonfinancial in nature, and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Union County had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Union County may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Union County's derivative transactions. GASB Statement

No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Union County had not participated in any derivative transactions as of June 30, 2010. However, it is reasonably expected that Union County may enter into derivative transactions in subsequent years.

C. Subsequent Events

Subsequent to June 30, 2010, Union County issued capital outlay notes totaling \$1,138,000 and deposited the proceeds into the Other Capital Projects Fund maintained by the discretely presented School Department to fund unperformed construction contracts for building improvements. The principal and interest requirements for this debt will be paid by the General Debt Service Fund.

Union County also issued capital outlay notes totaling \$69,100 to finance the acquisition of a tractor and mower boom for the Highway Department. The principal and interest requirement will be paid from the Highway/Public Works Fund.

The county's Debt Service Fund loaned \$400,000 (revenue anticipation note) to the School Department's General Purpose School Fund for temporary operating funds. The General Purpose School Fund subsequently loaned \$100,000 to the School Federal Projects Fund to provide temporary operating funds.

On August 31, 2010, Larry Lay left the Office of County Mayor and was succeeded by Michael Williams.

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.

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

is contingently liable for landfill postclosure costs as reported by the Union County Solid Waste Authority.

E. 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, 2010, 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

F. Retirement Commitments

Plan Description

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

entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

County Employees

Union County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 5.42 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.

School Department Employees

Union County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 4.41 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

County Employees

For the year ended June 30, 2010, Union County's annual pension cost of \$166,002 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$166,002	100%	\$0
6-30-09	158,252	100	0
6-30-08	137,381	100	0

School Department Employees

For the year ended June 30, 2010, Union County’s annual pension cost of \$147,709 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$147,709	100%	\$0
6-30-09	112,642	100	0
6-30-08	65,313	100	0

Funded Status and Funding Progress

County Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81.47 percent funded. The actuarial accrued liability for benefits was \$4.06 million, and the actuarial value of assets was \$3.31 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.75 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.86 million, and the ratio of the UAAL to the covered payroll was 26.35 percent.

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

The annual required contribution 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 Department Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 92.61 percent funded. The actuarial accrued liability for benefits was \$5.84 million, and the actuarial value of assets was \$5.41 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.43 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.47 million, and the ratio of the UAAL to the covered payroll was 17.46 percent.

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

The annual required contribution 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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008, were \$767,295, \$783,601, and \$741,066, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

The Union County Highway Department and the School Department participate in the state-administered Local Education Group Insurance Plan, Local Government Group Insurance Plan, and the Medicare Supplement Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for local education employees, Section 8-27-207, TCA, for local governments, and Section 8-27-701, TCA, for the Medicare Supplement. 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 plans are 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 plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2010, the Highway Department and the discretely presented School Department contributed \$6,831 and \$131,957, respectively for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan	Education Medicare Supplement Plan
ARC	\$ 12,000	\$ 285,000	\$ 65,000
Interest on the NPO	0	25,064	0
Adjustment to the ARC	0	(23,740)	0
Annual OPEB cost	\$ 12,000	\$ 286,324	\$ 65,000
Amount of contribution	(6,831)	(131,507)	(450)
Increase/decrease in NPO	\$ 5,169	\$ 154,817	\$ 64,550
Net OPEB obligation, 7-1-09	0	556,975	0
Net OPEB obligation, 6-30-10	\$ 5,169	\$ 711,792	\$ 64,550

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Government Group*	\$ 12,000	57 %	\$ 5,169
6-30-08	Local Education Group	359,000	25	269,718
6-30-09	"	362,323	21	556,975
6-30-10	"	286,324	46	711,792
6-30-10	Education Medicare Supplement*	65,000	1	64,550

* Data only available for one year.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 86,000	\$ 2,258,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 86,000	\$ 2,258,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 693,606	\$ 11,756,628
UAAL as a % of covered payroll	12%	19%

Funded Status and Funding Progress (Cont.)

	<u>Education Medicare Supplement Plan</u>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 668,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 668,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 0
UAAL as a % of covered payroll	N/A

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

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for the Local Education Plan was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by 2021. The annual healthcare cost trend rate for the Medicare Supplement Plan was one percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. These

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.

H. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,103,923	\$ 3,214,099	\$ 3,219,299	\$ (115,376)
Licenses and Permits	52,055	47,000	47,000	5,055
Fines, Forfeitures, and Penalties	119,194	87,100	104,887	14,307
Charges for Current Services	160,861	108,600	109,826	51,035
Other Local Revenues	165,774	47,500	72,496	93,278
Fees Received from County Officials	721,202	707,644	707,644	13,558
State of Tennessee	1,213,844	2,422,699	1,774,330	(560,486)
Federal Government	625,491	227,875	727,917	(102,426)
Other Governments and Citizens Groups	189,545	0	234,843	(45,298)
Total Revenues	\$ 6,351,889	\$ 6,862,517	\$ 6,998,242	\$ (646,353)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 57,099	\$ 57,588	\$ 57,588	\$ 489
Board of Equalization	780	800	800	20
Beer Board	200	0	600	400
Budget and Finance Committee	1,800	1,200	1,800	0
County Mayor/Executive	159,945	165,630	165,430	5,485
County Attorney	13,461	13,837	14,337	876
Election Commission	93,667	99,238	108,053	14,386
Register of Deeds	123,973	134,493	134,493	10,520
Development	13,806	15,167	15,167	1,361
County Buildings	260,027	317,567	330,873	70,846
Other General Administration	164,702	318,000	172,631	7,929
<u>Finance</u>				
Property Assessor's Office	103,536	88,749	111,863	8,327
Reappraisal Program	68,468	58,473	74,856	6,388
County Trustee's Office	167,267	165,523	171,323	4,056
County Clerk's Office	219,260	222,566	243,016	23,756
Other Finance	77,626	70,000	75,000	(2,626)
<u>Administration of Justice</u>				
Circuit Court	200,901	202,477	203,055	2,154
General Sessions Court	103,410	104,502	103,525	115
Chancery Court	109,878	115,704	115,704	5,826
Victims Assistance Programs	18,529	0	16,458	(2,071)
<u>Public Safety</u>				
Sheriff's Department	1,022,090	834,483	1,053,977	31,887
Special Patrols	78,195	89,938	89,938	11,743
Jail	717,377	642,876	721,597	4,220
Juvenile Services	63,273	69,701	69,701	6,428
Fire Prevention and Control	85,000	85,000	85,000	0
Rescue Squad	20,000	20,000	20,000	0
Other Emergency Management	0	0	240	240

(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 Safety (Cont.)</u>				
County Coroner/Medical Examiner	\$ 16,900	\$ 12,000	\$ 18,200	\$ 1,300
<u>Public Health and Welfare</u>				
Local Health Center	177,928	196,100	258,300	80,372
Appropriation to State	22,500	22,500	22,500	0
Sanitation Management	6,546	6,500	6,700	154
Convenience Centers	103,305	108,412	108,412	5,107
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	84,515	92,548	99,834	15,319
Libraries	86,176	72,015	93,432	7,256
Parks and Fair Boards	36,538	39,451	39,878	3,340
Other Social, Cultural, and Recreational	5,000	5,000	5,000	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	37,750	40,818	45,786	8,036
Forest Service	500	500	500	0
Soil Conservation	34,403	34,904	34,904	501
<u>Other Operations</u>				
Veterans' Services	13,579	13,704	13,704	125
Other Charges	142,115	30,500	214,975	72,860
Employee Benefits	490,099	578,182	578,182	88,083
Payments to Cities	21,000	21,000	21,000	0
ARRA Grant # 1	23,924	0	24,000	76
ARRA Grant # 2	0	167,875	0	0
Miscellaneous	497,352	1,146,186	1,158,275	660,923
<u>Highways</u>				
Operation and Maintenance of Equipment	17,650	0	17,650	0
Litter and Trash Collection	29,800	43,028	30,414	614
<u>Support Services</u>				
Vocational Education Program	45,580	121,533	121,533	75,953
<u>Operation of Non-Instructional Services</u>				
Community Services	11,888	0	11,888	0
Total Expenditures	\$ 5,849,318	\$ 6,646,268	\$ 7,082,092	\$ 1,232,774
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 502,571	\$ 216,249	\$ (83,850)	\$ 586,421
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 30,285	\$ 0	\$ 19,324	\$ 10,961
Transfers Out	(37,000)	0	(37,000)	0
Total Other Financing Sources (Uses)	\$ (6,715)	\$ 0	\$ (17,676)	\$ 10,961
Net Change in Fund Balance				
Fund Balance, July 1, 2009	\$ 2,178,086	\$ 1,607,084	\$ 1,607,084	\$ 571,002
Fund Balance, June 30, 2010				
	\$ 2,673,942	\$ 1,823,333	\$ 1,505,558	\$ 1,168,384

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 354,682	\$ 334,342	\$ 334,342	\$ 20,340
Charges for Current Services	976,261	1,100,000	1,100,000	(123,739)
Other Local Revenues	11,500	0	11,500	0
State of Tennessee	46,330	0	46,330	0
Total Revenues	<u>\$ 1,388,773</u>	<u>\$ 1,434,342</u>	<u>\$ 1,492,172</u>	<u>\$ (103,399)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 1,295,276	\$ 1,303,461	\$ 1,347,398	\$ 52,122
Total Expenditures	<u>\$ 1,295,276</u>	<u>\$ 1,303,461</u>	<u>\$ 1,347,398</u>	<u>\$ 52,122</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 93,497</u>	<u>\$ 130,881</u>	<u>\$ 144,774</u>	<u>\$ (51,277)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 9,937	\$ 0	\$ 9,937	\$ 0
Transfers Out	(64,009)	(65,000)	(65,000)	991
Total Other Financing Sources (Uses)	<u>\$ (54,072)</u>	<u>\$ (65,000)</u>	<u>\$ (55,063)</u>	<u>\$ 991</u>
Net Change in Fund Balance	\$ 39,425	\$ 65,881	\$ 89,711	\$ (50,286)
Fund Balance, July 1, 2009	<u>68,522</u>	<u>300,000</u>	<u>300,000</u>	<u>(231,478)</u>
Fund Balance, June 30, 2010	<u>\$ 107,947</u>	<u>\$ 365,881</u>	<u>\$ 389,711</u>	<u>\$ (281,764)</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 338,992	\$ 337,744	\$ 337,744	\$ 1,248
Charges for Current Services	1,811	0	0	1,811
Other Local Revenues	32,535	26,500	26,500	6,035
State of Tennessee	1,396,387	1,560,218	1,560,218	(163,831)
Other Governments and Citizens Groups	0	150,000	150,000	(150,000)
Total Revenues	<u>\$ 1,769,725</u>	<u>\$ 2,074,462</u>	<u>\$ 2,074,462</u>	<u>\$ (304,737)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 121,519	\$ 127,627	\$ 127,627	\$ 6,108
Highway and Bridge Maintenance	783,048	1,084,194	1,038,169	255,121
Operation and Maintenance of Equipment	119,350	181,300	184,300	64,950
Ferry Operations	46,675	46,700	46,700	25
Other Charges	165,710	190,000	190,025	24,315
Employee Benefits	413,558	412,500	455,500	41,942
Capital Outlay	18,550	117,989	117,989	99,439
Total Expenditures	<u>\$ 1,668,410</u>	<u>\$ 2,160,310</u>	<u>\$ 2,160,310</u>	<u>\$ 491,900</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 101,315</u>	<u>\$ (85,848)</u>	<u>\$ (85,848)</u>	<u>\$ 187,163</u>
Net Change in Fund Balance	\$ 101,315	\$ (85,848)	\$ (85,848)	\$ 187,163
Fund Balance, July 1, 2009	<u>343,949</u>	<u>85,848</u>	<u>85,848</u>	<u>258,101</u>
Fund Balance, June 30, 2010	<u>\$ 445,264</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 445,264</u>

Exhibit E-4

Union County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Union County School Department
June 30, 2010

(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)
--------------------------------	--	--	--------------------------------------	--------------------------	---------------------------	---

Primary Government

7-1-07	\$ 2,790	\$ 3,128	338	89.19 %	\$ 2,430	13.91 %
7-1-09	3,310	4,063	753	81.47	2,857	26.35

School Department

7-1-07	5,140	5,183	43	99.17	2,317	1.86
7-1-09	5,409	5,841	432	92.61	2,473	17.46

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 went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-5

Union County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Union County School Department
June 30, 2010

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded		UAAAL as a Percentage of Covered Payroll (b-a)/c
				AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	
<u>PRIMARY GOVERNMENT</u>						
Local Government Group	7-1-09	\$ 0	\$ 86	86	0 %	\$ 694 12 %
<u>DISCRETELY PRESENTED</u>						
<u>UNION COUNTY SCHOOL DEPARTMENT</u>						
Local Education Group	7-1-07	0	2,730	2,730	0	11,528 24
"	7-1-09	0	2,258	2,258	0	11,757 19
Medicare Supplement	7-1-09	0	668	668	0	N/A N/A

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

UNION COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Major Category</u>	<u>Amount Overspent</u>
Other Finance	\$ 2,626
Victims Assistance Programs	2,071

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects 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.

Exhibit F-1

Union County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	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	0	350
Equity in Pooled Cash and Investments	24,064	0	24,064	43,631	33,501	77,132	0	101,196
Accounts Receivable	630	4,999	5,629	0	0	0	0	5,629
Notes Receivable - Current	0	0	0	0	28,500	28,500	0	28,500
Notes Receivable - Long-term	0	0	0	0	28,500	28,500	0	28,500
Total Assets	\$ 24,694	\$ 5,349	\$ 30,043	\$ 43,631	\$ 90,501	\$ 134,132	\$	164,175
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 3,000	0	3,000	0	0	0	0	3,000
Due to Other Funds	0	5,349	5,349	0	0	0	0	5,349
Total Liabilities	\$ 3,000	\$ 5,349	\$ 8,349	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,349
<u>Fund Balances</u>								
Reserved for Long-term Notes Receivable	\$ 0	0	0	0	28,500	28,500	0	28,500
Unreserved	21,694	0	21,694	43,631	62,001	105,632	0	127,326
Total Fund Balances	\$ 21,694	\$ 0	\$ 21,694	\$ 43,631	\$ 90,501	\$ 134,132	\$	155,826
Total Liabilities and Fund Balances	\$ 24,694	\$ 5,349	\$ 30,043	\$ 43,631	\$ 90,501	\$ 134,132	\$	164,175

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, 2010

	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	\$ 10,350	\$ 0	\$ 10,350	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,350
Charges for Current Services	0	1,447	1,447	0	0	0	0	1,447
Other Local Revenues	2,895	0	2,895	0	0	0	0	2,895
Total Revenues	\$ 13,245	\$ 1,447	\$ 14,692	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,692
<u>Expenditures</u>								
Current:								
Administration of Justice	\$ 0	\$ 1,447	\$ 1,447	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,447
Public Safety	78,322	0	78,322	0	0	0	0	78,322
Capital Projects	0	0	0	7,209	0	7,209	0	7,209
Total Expenditures	\$ 78,322	\$ 1,447	\$ 79,769	\$ 7,209	\$ 0	\$ 7,209	\$ 0	\$ 86,978
Excess (Deficiency) of Revenues Over Expenditures	\$ (65,077)	\$ 0	\$ (65,077)	\$ (7,209)	\$ 0	\$ (7,209)	\$ (72,286)	
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 0	\$ 0	\$ 37,000	\$ 0	\$ 37,000	\$ 0	\$ 37,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 37,000	\$ 0	\$ 37,000	\$ 0	\$ 37,000
Net Change in Fund Balances	\$ (65,077)	\$ 0	\$ (65,077)	\$ 29,791	\$ 0	\$ 29,791	\$ 0	\$ (35,286)
Fund Balance, July 1, 2009	86,771	0	86,771	13,840	90,501	104,341	191,112	
Fund Balance, June 30, 2010	\$ 21,694	\$ 0	\$ 21,694	\$ 43,631	\$ 90,501	\$ 134,132	\$ 155,826	

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 10,350	\$ 9,000	\$ 9,000	\$ 1,350
Other Local Revenues	2,895	0	0	2,895
State of Tennessee	0	0	6,000	(6,000)
Total Revenues	<u>\$ 13,245</u>	<u>\$ 9,000</u>	<u>\$ 15,000</u>	<u>\$ (1,755)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 78,322	\$ 45,300	\$ 80,484	\$ 2,162
Total Expenditures	<u>\$ 78,322</u>	<u>\$ 45,300</u>	<u>\$ 80,484</u>	<u>\$ 2,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (65,077)</u>	<u>\$ (36,300)</u>	<u>\$ (65,484)</u>	<u>\$ 407</u>
Net Change in Fund Balance	\$ (65,077)	\$ (36,300)	\$ (65,484)	\$ 407
Fund Balance, July 1, 2009	<u>86,771</u>	<u>53,487</u>	<u>70,971</u>	<u>15,800</u>
Fund Balance, June 30, 2010	<u><u>\$ 21,694</u></u>	<u><u>\$ 17,187</u></u>	<u><u>\$ 5,487</u></u>	<u><u>\$ 16,207</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Union County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 735,629	\$ 474,570	\$ 674,570	\$ 61,059
Other Local Revenues	118,260	142,000	142,000	(23,740)
Other Governments and Citizens Groups	380,000	500,000	380,000	0
Total Revenues	<u>\$ 1,233,889</u>	<u>\$ 1,116,570</u>	<u>\$ 1,196,570</u>	<u>\$ 37,319</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	285,877	259,842	288,860	2,983
Education	635,560	587,905	635,560	0
<u>Interest on Debt</u>				
General Government	57,524	57,149	63,531	6,007
Education	353,256	368,846	410,037	56,781
<u>Other Debt Service</u>				
General Government	12,984	18,000	18,000	5,016
Education	13,666	12,293	13,666	0
Total Expenditures	<u>\$ 1,358,867</u>	<u>\$ 1,304,035</u>	<u>\$ 1,429,654</u>	<u>\$ 70,787</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (124,978)</u>	<u>\$ (187,465)</u>	<u>\$ (233,084)</u>	<u>\$ 108,106</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 64,009	\$ 0	\$ 64,000	\$ 9
Total Other Financing Sources (Uses)	<u>\$ 64,009</u>	<u>\$ 0</u>	<u>\$ 64,000</u>	<u>\$ 9</u>
Net Change in Fund Balance	\$ (60,969)	\$ (187,465)	\$ (169,084)	\$ 108,115
Fund Balance, July 1, 2009	<u>1,670,265</u>	<u>1,267,276</u>	<u>1,267,276</u>	<u>402,989</u>
Fund Balance, June 30, 2010	<u>\$ 1,609,296</u>	<u>\$ 1,079,811</u>	<u>\$ 1,098,192</u>	<u>\$ 511,104</u>

Fiduciary Funds

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

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

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

Exhibit H-1

Union County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 604,570	\$ 604,570
Due from Other Governments	102,825	0	102,825
Total Assets	<u>\$ 102,825</u>	<u>\$ 604,570</u>	<u>\$ 707,395</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 102,825	\$ 0	\$ 102,825
Due to Litigants, Heirs, and Others	0	604,570	604,570
Total Liabilities	<u>\$ 102,825</u>	<u>\$ 604,570</u>	<u>\$ 707,395</u>

Exhibit H-2

Union County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 569,212	\$ 569,212	\$ 0
Due from Other Governments	97,646	102,825	97,646	102,825
Total Assets	\$ 97,646	\$ 672,037	\$ 666,858	\$ 102,825
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 97,646	\$ 672,037	\$ 666,858	\$ 102,825
Total Liabilities	\$ 97,646	\$ 672,037	\$ 666,858	\$ 102,825
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 867,887	\$ 2,656,002	\$ 2,919,319	\$ 604,570
Accounts Receivable	15	0	15	0
Total Assets	\$ 867,887	\$ 2,656,002	\$ 2,919,334	\$ 604,570
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 867,902	\$ 2,656,002	\$ 2,919,334	\$ 604,570
Total Liabilities	\$ 867,902	\$ 2,656,002	\$ 2,919,334	\$ 604,570
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 867,887	\$ 2,656,002	\$ 2,919,319	\$ 604,570
Equity in Pooled Cash and Investments	0	569,212	569,212	0
Accounts Receivable	15	0	15	0
Due from Other Governments	97,646	102,825	97,646	102,825
Total Assets	\$ 965,548	\$ 3,328,039	\$ 3,586,192	\$ 707,395
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 97,646	\$ 672,037	\$ 666,858	\$ 102,825
Due to Litigants, Heirs, and Others	867,902	2,656,002	2,919,334	604,570
Total Liabilities	\$ 965,548	\$ 3,328,039	\$ 3,586,192	\$ 707,395

Union County School Department

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

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

School Federal Projects Fund – The School Federal Projects Fund is used to account for 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.

Educational Capital Projects Fund – The Educational Capital Projects Fund is used to account for American Recovery and Reinvestment Act funding for building construction and renovations of the School Department.

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

Exhibit I-1

Union County, Tennessee
Statement of Activities
Discretely Presented Union County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Charges for Services	Expenses	Net (Expense) Revenue and Changes in Net Assets Total
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities			
Governmental Activities:						
Instruction	\$ 14,902,240	\$ 0	\$ 2,186,252	\$ 0	\$ 14,902,240	\$ (2,186,252)
Support Services	9,166,160	35,721	706,293	35,721	9,237,881	(1,334,663)
Operation of Non-Instructional Services	1,582,241	353,436	1,229,471	353,436	1,582,241	12,519
Debt Service	385,792	0	0	0	385,792	(385,792)
Total Governmental Activities	\$ 26,036,433	\$ 389,157	\$ 4,122,016	\$ 389,157	\$ 26,036,433	\$ (14,423,924)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes						\$ 2,390,353
Local Option Sales Taxes						910,833
Other Local Taxes						1,546
Grants and Contributions Not Restricted to Specific Programs						17,776,695
Unrestricted Investment Income						1,841
Miscellaneous						29,689
Total General Revenues						\$ 21,110,957
Change in Net Assets						\$ 6,687,033
Net Assets, July 1, 2009						13,817,247
Net Assets, June 30, 2010						\$ 20,504,280

Exhibit I-2

Union County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Union County School Department
June 30, 2010

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General Purpose School	School Federal Projects	Education Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 6,258,370	\$ 0	\$ 6,258,370
Equity in Pooled Cash and Investments	667,863	10,868	3,263	200,390	882,384
Accounts Receivable	4,882	0	0	0	4,882
Due from Other Governments	451,995	8,226	0	118,346	578,567
Property Taxes Receivable	2,667,005	0	0	0	2,667,005
Allowance for Uncollectible Property Taxes	(129,536)	0	0	0	(129,536)
Total Assets	\$ 3,662,209	\$ 19,094	\$ 6,261,633	\$ 318,736	\$ 10,261,672
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 10,445	\$ 6,247	\$ 16,692
Contracts Payable	0	0	241,614	34,425	276,039
Retainage Payable	0	0	26,593	0	26,593
Other Current Liabilities	415,480	0	0	0	415,480
Deferred Revenue - Current Property Taxes	2,372,133	0	0	0	2,372,133
Deferred Revenue - Delinquent Property Taxes	155,514	0	0	0	155,514
Other Deferred Revenues	80,622	0	0	0	80,622
Total Liabilities	\$ 3,023,749	\$ 0	\$ 278,652	\$ 40,672	\$ 3,343,073
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 5,578,719	\$ 1,040,075	\$ 6,618,794
Reserved for Basic Education Program	167,945	0	0	0	167,945
Reserved for Title I Grants to Local Education Agencies	0	3,553	0	0	3,553
Reserved for Special Education - Grants to States	0	12,014	0	0	12,014
Other Federal Reserves	0	3,527	0	0	3,527
Unreserved, Reported In:					
General Fund	470,515	0	0	0	470,515
Special Revenue Funds	0	0	0	318,736	318,736
Capital Projects Funds (Deficit)	0	0	404,262	(1,080,747)	(676,485)
Total Fund Balances	\$ 638,460	\$ 19,094	\$ 5,982,981	\$ 278,064	\$ 6,918,599
Total Liabilities and Fund Balances	\$ 3,662,209	\$ 19,094	\$ 6,261,633	\$ 318,736	\$ 10,261,672

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, 2010

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)		\$ 6,918,599
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,617,038	
Add: construction in progress	890,345	
Add: building and improvements net of accumulated depreciation	11,238,882	
Add: infrastructure net of accumulated depreciation	19,950	
Add: other capital assets net of accumulated depreciation	<u>474,480</u>	14,240,695
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		236,136
(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	\$ (114,808)	
Less: other postemployment benefits liability	<u>(776,342)</u>	<u>(891,150)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 20,504,280</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, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Federal Projects	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,303,774	\$ 0	\$ 0	\$ 0	\$ 3,303,774
Licenses and Permits	1,961	0	0	0	1,961
Charges for Current Services	34,506	0	0	353,436	387,942
Other Local Revenues	126,234	0	8,787	1,841	136,862
State of Tennessee	16,579,245	0	0	15,648	16,594,893
Federal Government	798,680	3,144,379	0	1,098,862	5,041,921
Other Governments and Citizens Groups	69,242	0	7,080,696	0	7,149,938
Total Revenues	<u>\$ 20,913,642</u>	<u>\$ 3,144,379</u>	<u>\$ 7,089,483</u>	<u>\$ 1,469,787</u>	<u>\$ 32,617,291</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 12,749,763	\$ 1,884,479	\$ 0	\$ 0	\$ 14,634,242
Support Services	7,425,048	1,237,636	0	0	8,662,684
Operation of Non-Instructional Services	114,983	0	0	1,403,398	1,518,381
Capital Outlay	6,500	0	0	0	6,500
Debt Service:					
Principal on Debt	20,207	0	0	0	20,207
Interest on Debt	5,792	0	0	0	5,792
Other Debt Service	380,000	0	0	0	380,000
Capital Projects	0	0	1,106,502	40,672	1,147,174
Total Expenditures	<u>\$ 20,702,293</u>	<u>\$ 3,122,115</u>	<u>\$ 1,106,502</u>	<u>\$ 1,444,070</u>	<u>\$ 26,374,980</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 211,349	\$ 22,264	\$ 5,982,981	\$ 25,717	\$ 6,242,311
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 5,516	\$ 0	\$ 0	\$ 0	\$ 5,516
Transfers In	22,557	0	0	0	22,557
Transfers Out	0	(22,557)	0	0	(22,557)
Total Other Financing Sources (Uses)	<u>\$ 28,073</u>	<u>\$ (22,557)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,516</u>
Net Change in Fund Balances	\$ 239,422	\$ (293)	\$ 5,982,981	\$ 25,717	\$ 6,247,827
Fund Balance, July 1, 2009	399,038	19,387	0	252,347	670,772
Fund Balance, June 30, 2010	<u>\$ 638,460</u>	<u>\$ 19,094</u>	<u>\$ 5,982,981</u>	<u>\$ 278,064</u>	<u>\$ 6,918,599</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, 2010

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)		\$ 6,247,827
<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	\$ 1,225,009	
Less: current year depreciation expense	<u>(613,564)</u>	611,445
<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, 2010	\$ 236,136	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(209,215)</u>	26,921
<p>(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.</p>		
Add: principal payments on note		20,207
<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 other postemployment benefits liability		<u>(219,367)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 6,687,033</u>

Exhibit I-6

Union County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Union County School Department
June 30, 2010

	Special Revenue Fund <u>Central Cafeteria</u>	Capital Projects Fund <u>Other Capital Projects</u>	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 200,390	\$ 0	\$ 200,390
Due from Other Governments	118,346	0	118,346
Total Assets	\$ 318,736	\$ 0	\$ 318,736
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 6,247	\$ 6,247
Contracts Payable	0	34,425	34,425
Total Liabilities	\$ 0	\$ 40,672	\$ 40,672
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 0	\$ 1,040,075	\$ 1,040,075
Unreserved (Deficit)	318,736	(1,080,747)	(762,011)
Total Fund Balances	\$ 318,736	\$ (40,672)	\$ 278,064
Total Liabilities and Fund Balances	\$ 318,736	\$ 0	\$ 318,736

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, 2010

	Special Revenue Fund <u>Central Cafeteria</u>	Capital Projects Fund <u>Other Capital Projects</u>	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 353,436	\$ 0	\$ 353,436
Other Local Revenues	1,841	0	1,841
State of Tennessee	15,648	0	15,648
Federal Government	1,098,862	0	1,098,862
Total Revenues	<u>\$ 1,469,787</u>	<u>\$ 0</u>	<u>\$ 1,469,787</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 1,403,398	\$ 0	\$ 1,403,398
Capital Projects	0	40,672	40,672
Total Expenditures	<u>\$ 1,403,398</u>	<u>\$ 40,672</u>	<u>\$ 1,444,070</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 66,389</u>	<u>\$ (40,672)</u>	<u>\$ 25,717</u>
Net Change in Fund Balances	\$ 66,389	\$ (40,672)	\$ 25,717
Fund Balance, July 1, 2009	252,347	0	252,347
Fund Balance, June 30, 2010	<u>\$ 318,736</u>	<u>\$ (40,672)</u>	<u>\$ 278,064</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,303,774	\$ 3,363,073	\$ 3,363,073	\$ (59,299)
Licenses and Permits	1,961	1,350	1,350	611
Charges for Current Services	34,506	23,000	44,578	(10,072)
Other Local Revenues	126,234	39,732	117,237	8,997
State of Tennessee	16,579,245	16,568,037	16,568,415	10,830
Federal Government	798,680	361,566	848,728	(50,048)
Other Governments and Citizens Groups	69,242	0	77,348	(8,106)
Total Revenues	<u>\$ 20,913,642</u>	<u>\$ 20,356,758</u>	<u>\$ 21,020,729</u>	<u>\$ (107,087)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 10,352,638	\$ 9,860,852	\$ 10,362,134	\$ 9,496
Special Education Program	1,448,009	1,453,992	1,448,012	3
Vocational Education Program	908,303	924,551	924,551	16,248
Adult Education Program	40,813	41,569	41,569	756
<u>Support Services</u>				
Health Services	86,815	88,324	88,324	1,509
Other Student Support	351,583	356,531	356,531	4,948
Regular Instruction Program	1,386,054	1,279,229	1,407,254	21,200
Special Education Program	421,431	415,439	421,439	8
Vocational Education Program	124,940	120,508	125,970	1,030
Adult Programs	88,345	89,727	89,727	1,382
Other Programs	36,392	0	36,392	0
Board of Education	371,574	400,310	410,525	38,951
Director of Schools	143,026	149,540	149,540	6,514
Office of the Principal	1,189,692	1,203,279	1,213,769	24,077
Fiscal Services	193,574	204,664	204,664	11,090
Operation of Plant	1,527,424	1,616,625	1,671,461	144,037
Maintenance of Plant	309,113	324,079	347,379	38,266
Transportation	1,076,050	1,122,955	1,080,404	4,354
Central and Other	119,035	120,817	120,817	1,782
<u>Operation of Non-Instructional Services</u>				
Food Service	6,081	6,339	6,339	258
Community Services	108,902	118,985	118,985	10,083
<u>Capital Outlay</u>				
Regular Capital Outlay	6,500	5,000	11,500	5,000
<u>Principal on Debt</u>				
Education	20,207	20,207	20,207	0
<u>Interest on Debt</u>				
Education	5,792	5,793	5,793	1
<u>Other Debt Service</u>				
Education	380,000	450,000	380,000	0
Total Expenditures	<u>\$ 20,702,293</u>	<u>\$ 20,379,315</u>	<u>\$ 21,043,286</u>	<u>\$ 340,993</u>

(Continued)

Exhibit I-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 211,349	\$ (22,557)	\$ (22,557)	\$ 233,906
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 5,516	\$ 0	\$ 0	\$ 5,516
Transfers In	22,557	22,557	22,557	0
Total Other Financing Sources (Uses)	\$ 28,073	\$ 22,557	\$ 22,557	\$ 5,516
Net Change in Fund Balance	\$ 239,422	\$ 0	\$ 0	\$ 239,422
Fund Balance, July 1, 2009	399,038	399,038	399,038	0
Fund Balance, June 30, 2010	\$ 638,460	\$ 399,038	\$ 399,038	\$ 239,422

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,144,379	\$ 4,212,287	\$ 4,213,809	\$ (1,069,430)
Total Revenues	\$ 3,144,379	\$ 4,212,287	\$ 4,213,809	\$ (1,069,430)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 831,400	\$ 1,158,287	\$ 1,126,484	\$ 295,084
Special Education Program	1,001,008	1,347,004	1,265,732	264,724
Vocational Education Program	52,071	51,388	52,076	5
<u>Support Services</u>				
Health Services	2,194	758	18,143	15,949
Other Student Support	106,245	114,075	114,905	8,660
Regular Instruction Program	745,377	1,035,536	1,067,337	321,960
Special Education Program	240,956	287,446	367,198	126,242
Transportation	142,864	195,236	179,377	36,513
Total Expenditures	\$ 3,122,115	\$ 4,189,730	\$ 4,191,252	\$ 1,069,137
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,264	\$ 22,557	\$ 22,557	\$ (293)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (22,557)	\$ (22,557)	\$ (22,557)	\$ 0
Total Other Financing Sources (Uses)	\$ (22,557)	\$ (22,557)	\$ (22,557)	\$ 0
Net Change in Fund Balance	\$ (293)	\$ 0	\$ 0	\$ (293)
Fund Balance, July 1, 2009	19,387	8,374	8,374	11,013
Fund Balance, June 30, 2010	\$ 19,094	\$ 8,374	\$ 8,374	\$ 10,720

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 353,436	\$ 378,000	\$ 353,435	\$ 1
Other Local Revenues	1,841	0	0	1,841
State of Tennessee	15,648	16,147	15,648	0
Federal Government	1,098,862	1,029,529	1,098,614	248
Total Revenues	<u>\$ 1,469,787</u>	<u>\$ 1,423,676</u>	<u>\$ 1,467,697</u>	<u>\$ 2,090</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,403,398	\$ 1,423,676	\$ 1,409,252	\$ 5,854
Total Expenditures	<u>\$ 1,403,398</u>	<u>\$ 1,423,676</u>	<u>\$ 1,409,252</u>	<u>\$ 5,854</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 66,389</u>	<u>\$ 0</u>	<u>\$ 58,445</u>	<u>\$ 7,944</u>
Net Change in Fund Balance	\$ 66,389	\$ 0	\$ 58,445	\$ 7,944
Fund Balance, July 1, 2009	<u>252,347</u>	<u>252,347</u>	<u>252,347</u>	<u>0</u>
Fund Balance, June 30, 2010	<u><u>\$ 318,736</u></u>	<u><u>\$ 252,347</u></u>	<u><u>\$ 310,792</u></u>	<u><u>\$ 7,944</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Union County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Union County School Department
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Debt Service Fund								
Jail and Courthouse Renovations (\$1,187,560)	\$ 1,533,000	4.29 %	2-6-07	2-1-15	\$ 1,199,000	\$ 0	\$ 180,000	\$ 1,019,000
Ambulance Vehicles	174,000	4.75	10-24-06	10-24-09	61,068	0	61,068	0
Land and Convenience Center	100,000	4.75	12-14-07	12-14-10	68,230	0	33,315	34,915
Sheriff's Vehicles	60,600	4.75	12-14-07	12-14-10	41,348	0	20,186	21,162
Building/Courthouse Annex	200,000	4.29	7-2-07	7-1-15	158,213	0	21,237	136,976
Jail Project/Parking Lot Paving	100,100	4.29	7-2-07	7-1-15	79,186	0	10,631	68,555
Total Notes Payable					\$ 1,607,045	\$ 0	\$ 326,437	\$ 1,280,608
<u>OTHER LOANS PAYABLE</u>								
Payable through General Debt Service Fund								
School Buildings and Facilities	4,000,000	Variable	12-1-1995	6-30-16	\$ 1,905,000	\$ 0	\$ 240,000	\$ 1,665,000
Total Other Loans Payable					\$ 1,905,000	\$ 0	\$ 240,000	\$ 1,665,000
<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	\$ 6,155,000	\$ 0	\$ 355,000	\$ 5,800,000
Qualified School Construction Bond	7,160,000	1.515	12-17-09	9-1-26	0	7,160,000	0	7,160,000
Total Bonds Payable					\$ 6,155,000	\$ 7,160,000	\$ 355,000	\$ 12,960,000
<u>DISCRETELY PRESENTED UNION COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Purpose School Fund								
Schools Renovations - Borrowed from Primary Government	172,722	4.29	2-6-07	2-1-15	\$ 135,015	\$ 0	\$ 20,207	\$ 114,808
Total Notes Payable					\$ 135,015	\$ 0	\$ 20,207	\$ 114,808

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		Total
	Principal	Interest	
2011	\$ 282,458	\$ 55,829	\$ 338,287
2012	232,996	42,821	275,817
2013	243,699	32,825	276,524
2014	253,460	22,371	275,831
2015	264,300	11,497	275,797
2016	3,695	158	3,853
Total	\$ 1,280,608	\$ 165,501	\$ 1,446,109

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2011	\$ 250,000	\$ 53,445	\$ 5,736	\$ 309,181
2012	260,000	45,293	4,875	310,168
2013	270,000	36,816	3,979	310,795
2014	285,000	28,001	3,049	316,050
2015	295,000	18,712	2,067	315,779
2016	305,000	9,098	1,051	315,149
Total	\$ 1,665,000	\$ 191,365	\$ 20,757	\$ 1,877,122

(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	Bonds		
	Principal	Interest	Total
2011	\$ 742,311	\$ 303,684	\$ 1,045,995
2012	831,773	292,584	1,124,357
2013	846,773	281,034	1,127,807
2014	861,773	269,034	1,130,807
2015	876,773	256,169	1,132,942
2016	896,773	242,409	1,139,182
2017	1,236,773	227,559	1,464,332
2018	1,266,773	200,699	1,467,472
2019	1,301,773	171,999	1,473,772
2020	1,331,773	141,219	1,472,992
2021	446,773	108,474	555,247
2022	446,773	108,474	555,247
2023	446,773	108,474	555,247
2024	446,773	108,474	555,247
2025	446,773	108,474	555,247
2026	490,752	108,474	599,226
2027	42,115	9,040	51,155
Total	\$ 12,960,000	\$ 3,046,274	\$ 16,006,274

DISCRETELY PRESENTED UNION COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
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	\$ 114,808	\$ 15,192	\$ 130,000

Exhibit J-3

Union County, Tennessee
Schedule of Notes Receivable
June 30, 2010

<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%	\$ 114,807
<u>Community Development/Industrial Park Fund</u>	City of Maynardville	85,500	2-29-08	7-1-11	0	<u>57,000</u>
Total Notes Receivable						<u>\$ 171,807</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, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Ambulance Service General	General Debt Service Community Development/Industrial Park	Debt service Operations	\$ 64,009 37,000
Total Transfers Primary Government			<u>\$ 101,009</u>
<u>DISCRETELY PRESENTED</u> <u>UNION COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 22,557
Total Transfers Discretely Presented Union County School Department			<u>\$ 22,557</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, 2010

Official	Authorization for Salary	\$	Salary Paid During Period	\$	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>		66,702		50,000	Auto Owners Insurance Company
Director of Schools	State Board of Education and County Board of Education		86,000 (1)		(2)	
Highway Superintendent	Section 8-24-102, <u>TCA</u>		63,527		100,000	"
Trustee	Section 8-24-102, <u>TCA</u>		57,751		700,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>		57,751		15,000	"
County Clerk	Section 8-24-102, <u>TCA</u>		57,751		50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>		57,751		50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge		57,751 (3)		50,000	"
Register	Section 8-24-102, <u>TCA</u>		57,751		25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>		63,527 (4)		25,000	"
Employee Blanket Bond - County and School Employees: Errors and Omissions Policy					1,000,000	Next Generation Underwriters

- (1) Includes chief executive officer training supplement of \$1,000.
- (2) Coverage is provided through the Employee Blanket Bond - County and School Employees.
- (3) Does not include special commissioner fees of \$1,447.
- (4) Does not include a law enforcement training supplement of \$600.

Exhibit J-6

Union County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2010

	Special Revenue Funds						Debt Service Fund	Total
	General	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,094,301	\$ 321,378	\$ 0	\$ 0	\$ 232,651	\$ 438,243	\$ 3,086,573	
Trustee's Collections - Prior Year	144,172	20,614	0	0	16,019	28,108	208,913	
Circuit/Clerk & Master Collections - Prior Years	51,228	9,097	0	0	2,329	16,300	78,954	
Interest and Penalty	22,856	3,493	0	0	2,539	4,762	33,650	
Pick-up Taxes	651	100	0	0	72	136	959	
Payments in-Lieu-of Taxes - T.V.A.	4,595	0	0	0	0	0	4,595	
Payments in-Lieu-of Taxes - Local Utilities	203,315	0	0	0	0	0	203,315	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	332,393	0	0	0	0	0	332,393	
Wheel Tax	0	0	0	0	0	248,080	248,080	
Litigation Tax - General	36,308	0	0	0	0	0	36,308	
Litigation Tax - Special Purpose	35,685	0	0	0	0	0	35,685	
Litigation Tax - Jail, Workhouse, or Courthouse	14,292	0	0	0	0	0	14,292	
Business Tax	51,802	0	0	0	0	0	51,802	
Mineral Severance Tax	0	0	0	0	85,382	0	85,382	
<u>Statutory Local Taxes</u>								
Wholesale Beer Tax	109,584	0	0	0	0	0	109,584	
Beer Privilege Tax	1,615	0	0	0	0	0	1,615	
Interstate Telecommunications Tax	1,126	0	0	0	0	0	1,126	
Total Local Taxes	\$ 3,103,923	\$ 354,682	\$ 0	\$ 0	\$ 338,992	\$ 735,629	\$ 4,533,226	
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 32,607	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,607	
<u>Permits</u>								
Beer Permits	238	0	0	0	0	0	238	
Building Permits	19,210	0	0	0	0	0	19,210	
Total Licenses and Permits	\$ 52,055	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,055	

(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>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 14,752	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,752
Officers Costs	3,141	0	0	0	0	0	0	3,141
Drug Control Fines	0	0	5,433	0	0	0	0	5,433
Data Entry Fee - Circuit Court	496	0	0	0	0	0	0	496
Victims Assistance Assessments	4,306	0	0	0	0	0	0	4,306
<u>Criminal Court</u>								
Fines	2,718	0	0	0	0	0	0	2,718
Courtroom Security Fee	124	0	0	0	0	0	0	124
<u>General Sessions Court</u>								
Fines	19,073	0	0	0	0	0	0	19,073
Officers Costs	28,455	0	0	0	0	0	0	28,455
Game and Fish Fines	1,662	0	0	0	0	0	0	1,662
Drug Control Fines	0	0	4,917	0	0	0	0	4,917
Jail Fees	65	0	0	0	0	0	0	65
Data Entry Fee - General Sessions Court	10,627	0	0	0	0	0	0	10,627
Courtroom Security Fee	734	0	0	0	0	0	0	734
Victims Assistance Assessments	19,730	0	0	0	0	0	0	19,730
<u>Juvenile Court</u>								
Fines	947	0	0	0	0	0	0	947
Officers Costs	2,904	0	0	0	0	0	0	2,904
Data Entry Fee - Juvenile Court	500	0	0	0	0	0	0	500
Victims Assistance Assessments	3,664	0	0	0	0	0	0	3,664
<u>Chancery Court</u>								
Officers Costs	3,714	0	0	0	0	0	0	3,714
Data Entry Fee - Chancery Court	1,574	0	0	0	0	0	0	1,574
<u>Judicial District Drug Program</u>								
Courtroom Security Fee	8	0	0	0	0	0	0	8
Total Fines, Forfeitures, and Penalties	\$ 119,194	\$ 0	\$ 10,350	\$ 0	\$ 0	\$ 0	\$ 0	129,544

(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>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 0	\$ 976,261	\$ 0	\$ 0	\$ 0	\$ 0	\$ 976,261
Other General Service Charges	78	0	0	0	0	0	78
<u>Fees</u>							
Engineer Review Fees	3,135	0	0	0	0	0	3,135
Copy Fees	2,417	0	0	0	0	0	2,417
Library Fees	2,924	0	0	0	0	0	2,924
Archives and Records Management Fee - County Clerk	12,261	0	0	0	0	0	12,261
Special Commissioner Fees/Special Master Fees	0	0	0	1,447	0	0	1,447
Data Processing Fee - Register	14,436	0	0	0	0	0	14,436
Data Processing Fee - Sheriff	4,262	0	0	0	0	0	4,262
Sexual Offender Registration Fees - Sheriff	2,500	0	0	0	0	0	2,500
Data Processing Fee - County Clerk	1,372	0	0	0	0	0	1,372
<u>Other Charges for Services</u>	117,476	0	0	0	1,811	0	119,287
Total Charges for Current Services	\$ 160,861	\$ 976,261	\$ 0	\$ 1,447	\$ 1,811	\$ 0	\$ 1,140,380
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118,260	\$ 118,260
Lease/Rentals	41,105	0	0	0	0	0	41,105
Sale of Gasoline	0	0	0	0	14,352	0	14,352
Miscellaneous Refunds	84,774	0	25	0	18,083	0	102,882
<u>Nonrecurring Items</u>							
Sale of Equipment	0	11,500	0	0	100	0	11,600
Sale of Property	857	0	0	0	0	0	857
Damages Recovered from Individuals	3,035	0	0	0	0	0	3,035
Contributions and Gifts	16,179	0	0	0	0	0	16,179
<u>Other Local Revenues</u>	19,824	0	2,870	0	0	0	22,694
Total Other Local Revenues	\$ 165,774	\$ 11,500	\$ 2,895	\$ 0	\$ 32,535	\$ 118,260	\$ 330,964

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Total
	General	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 168,407	\$ 0	\$ 0	\$ 0	\$ 0	\$ 168,407
Circuit Court Clerk	46,790	0	0	0	0	46,790
General Sessions Court Clerk	122,381	0	0	0	0	122,381
Clerk and Master	75,814	0	0	0	0	75,814
Register	81,122	0	0	0	0	81,122
Sheriff	6,762	0	0	0	0	6,762
Trustee	219,926	0	0	0	0	219,926
Total Fees Received from County Officials	\$ 721,202	\$ 0	\$ 0	\$ 0	\$ 0	\$ 721,202
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	1,751	0	0	0	0	1,751
Other General Government Grants	3,610	0	0	0	0	3,610
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	10,200	0	0	0	0	10,200
Health and Welfare Grants	69,912	0	0	0	0	69,912
Public Health Nurses						
<u>Public Works Grants</u>						
Litter Program	31,639	0	0	0	0	31,639
<u>Other State Revenues</u>						
Income Tax	26,840	0	0	0	0	26,840
Beer Tax	17,778	0	0	0	0	17,778
Alcoholic Beverage Tax	28,119	0	0	0	0	28,119
Mixed Drink Tax	2,005	0	0	0	0	2,005
State Revenue Sharing - T. V.A.	793,446	0	0	0	0	793,446
Contracted Prisoner Boarding	184,730	0	0	0	0	184,730
Gasoline and Motor Fuel Tax	0	0	0	0	1,357,385	1,357,385
Petroleum Special Tax	0	0	0	0	13,110	13,110
Reappraisal Program Reimbursement	7,241	0	0	0	0	7,241

(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>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Registrar's Salary Supplement	\$ 24,728	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,728
Other State Grants	503	0	0	0	25,892	0	26,395
Other State Revenues	2,342	46,330	0	0	0	0	48,672
Total State of Tennessee	\$ 1,213,844	\$ 46,330	\$ 0	\$ 0	\$ 1,396,387	\$ 0	\$ 2,656,561
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 433,075	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 433,075
Homeland Security Grants	59,405	0	0	0	0	0	59,405
ARRA Grant # 1	23,924	0	0	0	0	0	23,924
Other Federal through State	109,087	0	0	0	0	0	109,087
Total Federal Government	\$ 625,491	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 625,491
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 380,000	\$ 380,000
Contracted Services	189,545	0	0	0	0	0	189,545
Total Other Governments and Citizens Groups	\$ 189,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 380,000	\$ 569,545
<u>Total</u>	\$ 6,351,889	\$ 1,388,773	\$ 13,245	\$ 1,447	\$ 1,769,725	\$ 1,233,889	\$ 10,758,968

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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,132,786	\$ 0	\$ 0	\$ 0	\$ 2,132,786
Trustee's Collections - Prior Year	136,794	0	0	0	136,794
Circuit/Clerk & Master Collections - Prior Years	76,842	0	0	0	76,842
Interest and Penalty	23,174	0	0	0	23,174
Pick-up Taxes	660	0	0	0	660
<u>County Local Option Taxes</u>					
Local Option Sales Tax	904,009	0	0	0	904,009
<u>Statutory Local Taxes</u>					
Bank Excise Tax	27,963	0	0	0	27,963
Interstate Telecommunications Tax	1,546	0	0	0	1,546
Total Local Taxes	\$ 3,303,774	\$ 0	\$ 0	\$ 0	\$ 3,303,774
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,682	\$ 0	\$ 0	\$ 0	\$ 1,682
<u>Permits</u>					
Other Permits	279	0	0	0	279
Total Licenses and Permits	\$ 1,961	\$ 0	\$ 0	\$ 0	\$ 1,961
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 260,629	\$ 0	\$ 260,629
Lunch Payments - Adults	0	0	25,797	0	25,797
Income from Breakfast	0	0	6,412	0	6,412
A la carte Sales	0	0	60,598	0	60,598
Receipts from Individual Schools	34,031	0	0	0	34,031
<u>Other Charges for Services</u>					
Other Charges for Services	475	0	0	0	475
Total Charges for Current Services	\$ 34,506	\$ 0	\$ 353,436	\$ 0	\$ 387,942
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 1,841	\$ 8,787	\$ 10,628
Miscellaneous Refunds	112,319	0	0	0	112,319
<u>Nonrecurring Items</u>					
Contributions and Gifts	13,415	0	0	0	13,415
<u>Other Local Revenues</u>					
Other Local Revenues	500	0	0	0	500
Total Other Local Revenues	\$ 126,234	\$ 0	\$ 1,841	\$ 8,787	\$ 136,862
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 36,392	\$ 0	\$ 0	\$ 0	\$ 36,392
<u>State Education Funds</u>					
Basic Education Program	15,144,806	0	0	0	15,144,806
Basic Education Program - ARRA	539,900	0	0	0	539,900
School Food Service	0	0	15,648	0	15,648
Driver Education	8,412	0	0	0	8,412

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Other State Education Funds	\$ 2,038	\$ 0	\$ 0	\$ 0	\$ 2,038
Coordinated School Health - ARRA	90,000	0	0	0	90,000
Internet Connectivity - ARRA	8,562	0	0	0	8,562
Family Resource Centers - ARRA	33,300	0	0	0	33,300
Career Ladder Program	148,349	0	0	0	148,349
Career Ladder - Extended Contract - ARRA	32,741	0	0	0	32,741
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	198,361	0	0	0	198,361
Other State Grants	325,684	0	0	0	325,684
Safe Schools - ARRA	10,700	0	0	0	10,700
Total State of Tennessee	\$ 16,579,245	\$ 0	\$ 15,648	\$ 0	\$ 16,594,893
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 758,176	\$ 0	\$ 758,176
Breakfast	0	0	278,101	0	278,101
USDA - Other	0	0	50,732	0	50,732
USDA Food Service Equipment Grant - ARRA	0	0	11,853	0	11,853
Adult Education State Grant Program	65,965	0	0	0	65,965
Vocational Education - Basic Grants to States	0	69,046	0	0	69,046
Title I Grants to Local Education Agencies	484,495	1,379,209	0	0	1,863,704
Special Education - Grants to States	0	1,361,174	0	0	1,361,174
Special Education Preschool Grants	0	31,150	0	0	31,150
English Language Acquisition Grants	0	2,324	0	0	2,324
Rural Education	0	63,483	0	0	63,483
Education for Homeless Children and Youth	0	105	0	0	105
Eisenhower Professional Development State Grants	0	222,769	0	0	222,769
Other Federal through State	248,220	15,119	0	0	263,339
Total Federal Government	\$ 798,680	\$ 3,144,379	\$ 1,098,862	\$ 0	\$ 5,041,921
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 7,080,696	\$ 7,080,696
Contracted Services	69,242	0	0	0	69,242
Total Other Governments and Citizens Groups	\$ 69,242	\$ 0	\$ 0	\$ 7,080,696	\$ 7,149,938
Total	\$ 20,913,642	\$ 3,144,379	\$ 1,469,787	\$ 7,089,483	\$ 32,617,291

Exhibit J-8

Union County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 50,994	
Audit Services	5,342	
Printing, Stationery, and Forms	763	
Total County Commission		\$ 57,099

Board of Equalization

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

Beer Board

Board and Committee Members Fees	\$ 200	
Total Beer Board		200

Budget and Finance Committee

Board and Committee Members Fees	\$ 1,800	
Total Budget and Finance Committee		1,800

County Mayor/Executive

County Official/Administrative Officer	\$ 66,702	
Accountants/Bookkeepers	62,574	
Part-time Personnel	14,079	
Data Processing Services	5,356	
Legal Notices, Recording, and Court Costs	514	
Maintenance and Repair Services - Equipment	951	
Printing, Stationery, and Forms	470	
Travel	3,177	
Office Supplies	4,463	
Other Charges	47	
Data Processing Equipment	1,000	
Office Equipment	612	
Total County Mayor/Executive		159,945

County Attorney

County Official/Administrative Officer	\$ 11,163	
Legal Services	2,000	
Other Charges	298	
Total County Attorney		13,461

Election Commission

County Official/Administrative Officer	\$ 49,917	
--	-----------	--

(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.)

Deputy(ies)	\$	20,950	
Election Commission		2,150	
Election Workers		3,475	
Data Processing Services		3,212	
Legal Notices, Recording, and Court Costs		2,300	
Maintenance and Repair Services - Equipment		2,610	
Printing, Stationery, and Forms		910	
Travel		4,175	
Other Contracted Services		2,196	
Office Supplies		1,577	
Other Charges		195	
Total Election Commission			\$ 93,667

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		52,021	
Data Processing Services		7,453	
Office Supplies		2,716	
Other Charges		80	
Office Equipment		3,952	
Total Register of Deeds			123,973

Development

Board and Committee Members Fees	\$	4,800	
Consultants		9,006	
Total Development			13,806

County Buildings

Custodial Personnel	\$	20,786	
Maintenance Personnel		37,508	
Maintenance Agreements		836	
Maintenance and Repair Services - Buildings		55,755	
Pest Control		1,553	
Custodial Supplies		11,339	
Electricity		85,479	
Natural Gas		16,549	
Water and Sewer		21,352	
Other Supplies and Materials		5,952	
Building and Contents Insurance		2,451	
Other Charges		35	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Furniture and Fixtures	\$ 432	
Total County Buildings		\$ 260,027

Other General Administration

Communication	\$ 88,290	
Dues and Memberships	10,661	
Maintenance and Repair Services - Office Equipment	4,548	
Maintenance and Repair Services - Vehicles	1,323	
Postal Charges	38,631	
Duplicating Supplies	4,728	
Gasoline	1,813	
Other Supplies and Materials	942	
Other Charges	4,211	
Administration Equipment	9,555	
Total Other General Administration		164,702

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 57,751	
Clerical Personnel	29,979	
Legal Notices, Recording, and Court Costs	126	
Maintenance and Repair Services - Office Equipment	40	
Printing, Stationery, and Forms	78	
Travel	2,264	
Office Supplies	874	
Office Equipment	12,424	
Total Property Assessor's Office		103,536

Reappraisal Program

Clerical Personnel	\$ 25,591	
Other Salaries and Wages	21,464	
Contracts with Other Public Agencies	19,393	
Data Processing Services	800	
Travel	1,220	
Total Reappraisal Program		68,468

County Trustee's Office

County Official/Administrative Officer	\$ 57,751	
Clerical Personnel	82,351	
Data Processing Services	4,033	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Printing, Stationery, and Forms	\$	7,290	
Travel		216	
Office Supplies		4,126	
Office Equipment		11,500	
Total County Trustee's Office			\$ 167,267

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		132,915	
Data Processing Services		12,993	
Maintenance and Repair Services - Office Equipment		210	
Travel		4,218	
Maintenance and Repair Services - Records		694	
Office Supplies		6,444	
Office Equipment		4,035	
Total County Clerk's Office			219,260

Other Finance

Trustee's Commission	\$	77,626	
Total Other Finance			77,626

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		92,176	
Jury and Witness Fees		11,018	
Data Processing Services		14,840	
Travel		306	
Library Books/Media		14,035	
Office Supplies		8,080	
Office Equipment		2,695	
Total Circuit Court			200,901

General Sessions Court

Judge(s)	\$	82,528	
Other Salaries and Wages		19,000	
Travel		1,693	
Office Supplies		189	
Total General Sessions Court			103,410

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		48,392	
Travel		60	
Office Supplies		3,539	
Office Equipment		136	
Total Chancery Court			\$ 109,878

Victims Assistance Programs

Contributions	\$	18,529	
Total Victims Assistance Programs			18,529

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Deputy(ies)		427,436	
Investigator(s)		135,576	
Salary Supplements		10,200	
Secretary(ies)		51,701	
Contracts with Government Agencies		151,000	
Maintenance and Repair Services - Equipment		1,285	
Maintenance and Repair Services - Office Equipment		1,600	
Maintenance and Repair Services - Vehicles		21,882	
Travel		4,302	
Tuition		3,905	
Gasoline		81,896	
Law Enforcement Supplies		1,647	
Office Supplies		10,793	
Tires and Tubes		9,952	
Uniforms		9,318	
Vehicle Parts		22,879	
Criminal Investigation of Applicants - TBI		1,350	
Other Charges		2,596	
Law Enforcement Equipment		893	
Office Equipment		7,624	
Special Education Equipment		728	
Total Sheriff's Department			1,022,090

Special Patrols

Deputy(ies)	\$	78,195	
Total Special Patrols			78,195

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Medical Personnel	\$	6,144	
Guards		309,200	
Cafeteria Personnel		44,125	
Maintenance and Repair Services - Buildings		10,441	
Medical and Dental Services		116,094	
Other Contracted Services		45,000	
Custodial Supplies		14,857	
Drugs and Medical Supplies		35,299	
Food Preparation Supplies		355	
Food Supplies		134,944	
Other Charges		258	
Food Service Equipment		660	
Total Jail			\$ 717,377

Juvenile Services

Youth Service Officer(s)	\$	21,988	
Psychological Personnel		33,912	
Contracts with Private Agencies		3,730	
Travel		530	
Office Supplies		2,747	
Office Equipment		366	
Total Juvenile Services			63,273

Fire Prevention and Control

Contributions	\$	85,000	
Total Fire Prevention and Control			85,000

Rescue Squad

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

County Coroner/Medical Examiner

Other Contracted Services	\$	16,900	
Total County Coroner/Medical Examiner			16,900

Public Health and Welfare

Local Health Center

Medical Personnel	\$	125,026	
Contributions		41,315	
Travel		2,416	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Charges	\$ 9,171	
Total Local Health Center		\$ 177,928

Appropriation to State

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

Sanitation Management

Contracts with Private Agencies	\$ 6,546	
Total Sanitation Management		6,546

Convenience Centers

Laborers	\$ 53,722	
Contributions	49,583	
Total Convenience Centers		103,305

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 23,850	
Secretary(ies)	30,603	
Custodial Personnel	7,154	
Contributions	7,146	
Maintenance and Repair Services - Buildings	1,070	
Maintenance and Repair Services - Equipment	235	
Maintenance and Repair Services - Vehicles	3,995	
Pest Control	336	
Travel	1,187	
Custodial Supplies	780	
Gasoline	2,492	
Office Supplies	2,064	
Water and Sewer	887	
Other Supplies and Materials	1,238	
State Aid Projects	1,478	
Total Senior Citizens Assistance		84,515

Libraries

Librarians	\$ 39,763	
Other Salaries and Wages	25,788	
Contracts with Public Carriers	375	
Travel	729	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Office Supplies	\$ 5,113	
Other Charges	3,352	
State Aid Projects	11,056	
Total Libraries		\$ 86,176

Parks and Fair Boards

Other Salaries and Wages	\$ 30,450	
Maintenance Agreements	199	
Maintenance and Repair Services - Buildings	5,536	
Electricity	10	
Other Charges	287	
Other Construction	56	
Total Parks and Fair Boards		36,538

Other Social, Cultural, and Recreational

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

Agriculture and Natural Resources

Agriculture Extension Service

Contracts with Government Agencies	\$ 28,733	
Contracts with Private Agencies	150	
Operating Lease Payments	6,000	
Travel	1,127	
Office Supplies	1,740	
Total Agriculture Extension Service		37,750

Forest Service

Contributions	\$ 500	
Total Forest Service		500

Soil Conservation

Secretary(ies)	\$ 28,904	
Rentals	3,000	
Other Charges	2,499	
Total Soil Conservation		34,403

Other Operations

Veterans' Services

Supervisor/Director	\$ 13,079	
---------------------	-----------	--

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Travel	\$ 500	
Total Veterans' Services		\$ 13,579

Other Charges

Other Salaries and Wages	\$ 19,202	
Contributions	30,500	
Travel	1,221	
Other Contracted Services	91,141	
Office Supplies	51	
Total Other Charges		142,115

Employee Benefits

Social Security	\$ 221,976	
State Retirement	130,481	
Medical Insurance	118,548	
Unemployment Compensation	14,600	
Penalties	4,000	
Workers' Compensation Insurance	494	
Total Employee Benefits		490,099

Payments to Cities

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

ARRA Grant # 1

Other Equipment	\$ 23,924	
Total ARRA Grant # 1		23,924

Miscellaneous

Contributions	\$ 999	
Other Charges	133	
Communication Equipment	299	
State Aid Projects	495,921	
Total Miscellaneous		497,352

Highways

Operation and Maintenance of Equipment

Transportation Equipment	\$ 17,650	
Total Operation and Maintenance of Equipment		17,650

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection

Foremen	\$	10,977	
Other Salaries and Wages		11,837	
Dues and Memberships		150	
Maintenance and Repair Services - Vehicles		613	
Travel		775	
Gasoline		4,135	
Office Supplies		1,146	
Other Charges		167	
Total Litter and Trash Collection			\$ 29,800

Support Services

Vocational Education Program

Salary Supplements	\$	40,028	
Communication		1,056	
Dues and Memberships		600	
Postal Charges		124	
Travel		1,942	
Office Supplies		705	
Office Equipment		1,125	
Total Vocational Education Program			45,580

Operation of Non-Instructional Services

Community Services

Contracts with Government Agencies	\$	11,888	
Total Community Services			11,888

Total General Fund \$ 5,849,318

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$	46,556	
Clerical Personnel		44,815	
Attendants		731,303	
In-Service Training		2,728	
Social Security		60,304	
State Retirement		33,750	
Medical Insurance		43,015	
Unemployment Compensation		227	
Communication		13,721	

(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.)

Data Processing Services	\$	8,180	
Dues and Memberships		410	
Licenses		2,900	
Maintenance and Repair Services - Buildings		1,769	
Maintenance and Repair Services - Vehicles		39,159	
Medical and Dental Services		60	
Postal Charges		2,015	
Printing, Stationery, and Forms		1,635	
Travel		3,769	
Disposal Fees		1,600	
Other Contracted Services		8,400	
Custodial Supplies		1,408	
Data Processing Supplies		370	
Diesel Fuel		42,133	
Drugs and Medical Supplies		30,443	
Electricity		9,144	
Natural Gas		3,676	
Office Supplies		2,285	
Tires and Tubes		5,704	
Uniforms		6,098	
Water and Sewer		876	
Other Supplies and Materials		8,177	
Building and Contents Insurance		3,827	
Liability Insurance		10,862	
Trustee's Commission		17,005	
Vehicle and Equipment Insurance		11,049	
Workers' Compensation Insurance		51,980	
Interest on Notes		3,270	
Building Improvements		12,525	
Communication Equipment		1,958	
Data Processing Equipment		1,279	
Furniture and Fixtures		1,772	
Motor Vehicles		9,379	
Health Equipment		13,740	
Total Ambulance/Emergency Medical Services			<u>\$ 1,295,276</u>

Total Ambulance Service Fund

\$ 1,295,276

(Continued)

Exhibit J-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Data Processing Services	\$	590	
Evaluation and Testing		1,000	
Maintenance and Repair Services - Vehicles		10,822	
Veterinary Services		95	
Animal Food and Supplies		248	
Law Enforcement Supplies		28,453	
Trustee's Commission		475	
Other Charges		886	
Law Enforcement Equipment		35,223	
Motor Vehicles		530	
Total Drug Enforcement			\$ 78,322

Total Drug Control Fund \$ 78,322

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	1,447	
Total Chancery Court			\$ 1,447

Total Constitutional Officers - Fees Fund 1,447

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Accountants/Bookkeepers		7,700	
Secretary(ies)		32,500	
Board and Committee Members Fees		16,400	
Advertising		386	
Dues and Memberships		150	
Maintenance and Repair Services - Equipment		225	
Office Supplies		631	
Total Administration			\$ 121,519

Highway and Bridge Maintenance

Foremen	\$	53,244	
Equipment Operators		24,638	
Equipment Operators - Heavy		92,290	
Equipment Operators - Light		133,338	

(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.)

Truck Drivers	\$ 66,085	
Laborers	146,987	
Rentals	250	
Other Contracted Services	21,876	
Asphalt - Cold Mix	166,939	
Asphalt - Hot Mix	30,535	
Crushed Stone	41,278	
Other Road Supplies	3,740	
Pipe - Metal	1,165	
Road Signs	640	
Other Supplies and Materials	43	
Total Highway and Bridge Maintenance		\$ 783,048

Operation and Maintenance of Equipment

Mechanic(s)	\$ 26,622	
Other Contracted Services	300	
Diesel Fuel	34,819	
Equipment Parts - Heavy	1,193	
Equipment Parts - Light	18,074	
Garage Supplies	4,265	
Gasoline	23,711	
Lubricants	3,975	
Small Tools	66	
Tires and Tubes	6,282	
Other Supplies and Materials	43	
Total Operation and Maintenance of Equipment		119,350

Ferry Operations

Equipment Operators - Heavy	\$ 46,675	
Total Ferry Operations		46,675

Other Charges

Communication	\$ 2,309	
Electricity	2,987	
Fuel Oil	2,551	
Water and Sewer	1,280	
Excess Risk Insurance	22,201	
Trustee's Commission	19,274	
Vehicle and Equipment Insurance	66,331	
Workers' Compensation Insurance	48,777	
Total Other Charges		165,710

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$ 52,946	
Extension Service Medicare	25,759	
Employee and Dependent Insurance	334,853	
Total Employee Benefits		\$ 413,558

Capital Outlay

Bridge Construction	\$ 8,560	
Highway Equipment	9,990	
Total Capital Outlay		18,550

Total Highway/Public Works Fund \$ 1,668,410

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 285,877	
Total General Government		\$ 285,877

Education

Principal on Bonds	\$ 355,000	
Principal on Notes	40,560	
Principal on Other Loans	240,000	
Total Education		635,560

Interest on Debt

General Government

Interest on Notes	\$ 57,524	
Total General Government		57,524

Education

Interest on Bonds	\$ 275,798	
Interest on Notes	11,591	
Interest on Other Loans	65,867	
Total Education		353,256

Other Debt Service

General Government

Trustee's Commission	\$ 12,984	
Total General Government		12,984

(Continued)

Exhibit J-8

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service (Cont.)</u>		
<u>Education</u>		
Other Debt Service	\$ 13,666	
Total Education		<u>\$ 13,666</u>
Total General Debt Service Fund		\$ 1,358,867
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Other Construction	\$ 7,209	
Total Other General Government Projects		<u>\$ 7,209</u>
Total General Capital Projects Fund		7,209
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 7,080,696	
Other Debt Issuance Charges	79,304	
Total Education Capital Projects		<u>\$ 7,160,000</u>
Total Education Capital Projects Fund		<u>7,160,000</u>
Total Governmental Funds - Primary Government		<u><u>\$ 17,418,849</u></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, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,015,513	
Career Ladder Program	89,975	
Career Ladder Extended Contracts	60,414	
Homebound Teachers	17,555	
Clerical Personnel	14,349	
Educational Assistants	281,325	
Other Salaries and Wages	52,686	
Certified Substitute Teachers	77,958	
Non-certified Substitute Teachers	129,205	
Social Security	461,021	
State Retirement	480,761	
Life Insurance	4,109	
Medical Insurance	877,296	
Unemployment Compensation	10,374	
Employer Medicare	108,320	
Maintenance and Repair Services - Equipment	415	
Instructional Supplies and Materials	201,724	
Textbooks	168,679	
Other Supplies and Materials	29,303	
Regular Instruction Equipment	271,656	
Total Regular Instruction Program		\$ 10,352,638

Special Education Program

Teachers	\$ 747,676
Career Ladder Program	8,978
Homebound Teachers	5,362
Educational Assistants	127,882
Speech Pathologist	60,453
Other Salaries and Wages	4,826
Certified Substitute Teachers	12,255
Non-certified Substitute Teachers	17,600
Social Security	58,290
State Retirement	58,113
Life Insurance	670
Medical Insurance	93,058
Unemployment Compensation	1,489
Employer Medicare	14,002
Maintenance and Repair Services - Equipment	396
Tuition	1,690

(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	\$ 139,156	
Instructional Supplies and Materials	16,916	
Textbooks	42,443	
Other Supplies and Materials	29,326	
Special Education Equipment	7,428	
Total Special Education Program		\$ 1,448,009

Vocational Education Program

Teachers	\$ 672,404	
Career Ladder Program	3,982	
Certified Substitute Teachers	3,752	
Non-certified Substitute Teachers	10,358	
Social Security	40,937	
State Retirement	43,905	
Life Insurance	342	
Medical Insurance	82,616	
Unemployment Compensation	786	
Employer Medicare	9,581	
Maintenance and Repair Services - Equipment	1,791	
Instructional Supplies and Materials	17,853	
Textbooks	5,000	
Other Supplies and Materials	8,604	
Vocational Instruction Equipment	6,392	
Total Vocational Education Program		908,303

Adult Education Program

Teachers	\$ 12,488	
Other Salaries and Wages	22,719	
Social Security	1,772	
State Retirement	1,378	
Unemployment Compensation	56	
Employer Medicare	510	
Instructional Supplies and Materials	1,890	
Total Adult Education Program		40,813

Support Services

Health Services

Medical Personnel	\$ 58,699	
Social Security	2,920	

(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.)

State Retirement	\$	3,794	
Life Insurance		46	
Medical Insurance		17,121	
Unemployment Compensation		79	
Employer Medicare		683	
Travel		1,899	
Other Supplies and Materials		1,574	
Total Health Services			\$ 86,815

Other Student Support

Career Ladder Program	\$	1,930	
Guidance Personnel		277,742	
Social Security		16,948	
State Retirement		17,955	
Life Insurance		137	
Medical Insurance		21,131	
Unemployment Compensation		252	
Employer Medicare		3,964	
Evaluation and Testing		11,524	
Total Other Student Support			351,583

Regular Instruction Program

Supervisor/Director	\$	215,704
Career Ladder Program		3,982
Librarians		147,887
Other Salaries and Wages		318,002
Social Security		41,390
State Retirement		38,917
Life Insurance		365
Medical Insurance		45,682
Unemployment Compensation		787
Employer Medicare		9,681
Communication		1,638
Operating Lease Payments		110
Maintenance and Repair Services - Equipment		54,728
Travel		63,977
Other Contracted Services		134,982
Library Books/Media		8,270
Other Supplies and Materials		167,127

(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.)

In Service/Staff Development	\$ 74,823	
Other Charges	2,564	
Special Education Equipment	3,850	
Other Equipment	51,588	
Total Regular Instruction Program		\$ 1,386,054

Special Education Program

Supervisor/Director	\$ 78,943	
Career Ladder Program	1,000	
Psychological Personnel	47,488	
Clerical Personnel	27,677	
Other Salaries and Wages	117,065	
Social Security	15,504	
State Retirement	15,774	
Life Insurance	91	
Medical Insurance	27,792	
Unemployment Compensation	219	
Employer Medicare	3,626	
Travel	10,994	
Other Supplies and Materials	44,191	
In Service/Staff Development	31,067	
Total Special Education Program		421,431

Vocational Education Program

Supervisor/Director	\$ 65,540	
Career Ladder Program	3,000	
Career Ladder Extended Contracts	10,923	
Secretary(ies)	25,948	
Social Security	6,508	
State Retirement	6,246	
Life Insurance	23	
Unemployment Compensation	84	
Employer Medicare	1,522	
Travel	5,146	
Total Vocational Education Program		124,940

Adult Programs

Supervisor/Director	\$ 71,124	
Social Security	4,397	

(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.)

State Retirement	\$	4,566	
Life Insurance		23	
Medical Insurance		5,227	
Unemployment Compensation		42	
Employer Medicare		1,028	
In Service/Staff Development		1,938	
Total Adult Programs	\$		88,345

Other Programs

On-Behalf Payments to OPEB	\$	36,392	
Total Other Programs			36,392

Board of Education

Other Salaries and Wages	\$	3,600	
Board and Committee Members Fees		25,200	
Social Security		1,786	
State Retirement		231	
Unemployment Compensation		3	
Employer Medicare		418	
Audit Services		6,300	
Dues and Memberships		10,419	
Legal Services		2,127	
Other Supplies and Materials		59,557	
Liability Insurance		80,529	
Trustee's Commission		86,870	
Workers' Compensation Insurance		87,734	
Other Charges		6,800	
Total Board of Education			371,574

Director of Schools

County Official/Administrative Officer	\$	86,000	
Career Ladder Program		1,000	
Social Security		5,361	
State Retirement		5,585	
Life Insurance		23	
Medical Insurance		12,996	
Employer Medicare		1,254	
Communication		12,585	
Postal Charges		1,982	

(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.)

Director of Schools (Cont.)

Travel	\$ 9,741	
Other Contracted Services	5,130	
Office Supplies	1,369	
Total Director of Schools		\$ 143,026

Office of the Principal

Principals	\$ 398,201	
Career Ladder Program	5,000	
Assistant Principals	208,053	
Secretary(ies)	255,054	
Clerical Personnel	15,994	
Social Security	52,988	
State Retirement	46,952	
Life Insurance	228	
Medical Insurance	40,932	
Unemployment Compensation	1,071	
Employer Medicare	12,392	
Communication	29,573	
Other Supplies and Materials	123,254	
Total Office of the Principal		1,189,692

Fiscal Services

Accountants/Bookkeepers	\$ 113,902	
Clerical Personnel	40,099	
Social Security	9,232	
State Retirement	8,244	
Medical Insurance	8,747	
Unemployment Compensation	126	
Employer Medicare	2,159	
Travel	648	
Other Contracted Services	7,166	
Data Processing Supplies	1,499	
Other Supplies and Materials	1,752	
Total Fiscal Services		193,574

Operation of Plant

Custodial Personnel	\$ 397,347	
Social Security	24,587	
State Retirement	13,861	

(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.)

Unemployment Compensation	\$	1,691	
Employer Medicare		5,750	
Other Contracted Services		78,572	
Custodial Supplies		43,998	
Electricity		583,423	
Natural Gas		188,931	
Water and Sewer		68,494	
Boiler Insurance		6,655	
Building and Contents Insurance		114,115	
Total Operation of Plant			\$ 1,527,424

Maintenance of Plant

Maintenance Personnel	\$	103,483	
Social Security		6,416	
State Retirement		4,440	
Unemployment Compensation		216	
Employer Medicare		1,501	
Maintenance and Repair Services - Vehicles		203	
Other Supplies and Materials		192,854	
Total Maintenance of Plant			309,113

Transportation

Other Salaries and Wages	\$	29,736	
Social Security		1,829	
Unemployment Compensation		177	
Employer Medicare		428	
Contracts with Vehicle Owners		1,016,654	
Maintenance and Repair Services - Vehicles		3,543	
Diesel Fuel		7,783	
Other Supplies and Materials		3,000	
Vehicle and Equipment Insurance		3,000	
Special Education Equipment		9,900	
Total Transportation			1,076,050

Central and Other

Other Salaries and Wages	\$	102,412	
Social Security		6,301	
State Retirement		5,331	
Medical Insurance		2,381	

(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.)

Central and Other (Cont.)

Unemployment Compensation	\$	336	
Employer Medicare		1,474	
Other Supplies and Materials		800	
Total Central and Other			\$ 119,035

Operation of Non-Instructional Services

Food Service

Other Salaries and Wages	\$	5,398	
Social Security		335	
State Retirement		238	
Unemployment Compensation		32	
Employer Medicare		78	
Total Food Service			6,081

Community Services

Supervisor/Director	\$	44,921	
Other Salaries and Wages		31,727	
Social Security		4,566	
State Retirement		4,283	
Medical Insurance		16,622	
Unemployment Compensation		84	
Employer Medicare		1,068	
Travel		2,215	
Other Supplies and Materials		3,416	
Total Community Services			108,902

Capital Outlay

Regular Capital Outlay

Architects	\$	1,500	
Land		5,000	
Total Regular Capital Outlay			6,500

Principal on Debt

Education

Principal on Notes	\$	20,207	
Total Education			20,207

(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.)

Interest on Debt

Education

Interest on Notes	\$ 5,792	
Total Education		\$ 5,792

Other Debt Service

Education

Other Debt Service	\$ 380,000	
Total Education		<u>380,000</u>

Total General Purpose School Fund \$ 20,702,293

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 304,059	
Educational Assistants	130,280	
Certified Substitute Teachers	1,120	
Non-certified Substitute Teachers	11,805	
Social Security	28,380	
State Retirement	26,615	
Medical Insurance	18,737	
Unemployment Compensation	882	
Employer Medicare	6,645	
Instructional Supplies and Materials	300,051	
Other Supplies and Materials	2,721	
Fee Waivers	105	
Total Regular Instruction Program		\$ 831,400

Special Education Program

Teachers	\$ 488,725
Educational Assistants	198,434
Speech Pathologist	43,644
Non-certified Substitute Teachers	4,640
Social Security	44,962
State Retirement	42,961
Medical Insurance	43,608
Unemployment Compensation	1,358
Employer Medicare	10,420
Other Contracted Services	1,035
Instructional Supplies and Materials	22,094

(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.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$ 1,046	
Special Education Equipment	98,081	
Total Special Education Program		\$ 1,001,008

Vocational Education Program

Instructional Supplies and Materials	\$ 23,386	
Other Supplies and Materials	9,030	
Vocational Instruction Equipment	19,655	
Total Vocational Education Program		52,071

Support Services

Health Services

Other Supplies and Materials	\$ 2,194	
Total Health Services		2,194

Other Student Support

Other Salaries and Wages	\$ 59,746	
Social Security	3,704	
State Retirement	3,836	
Medical Insurance	5,550	
Unemployment Compensation	65	
Employer Medicare	866	
Travel	20,044	
Other Contracted Services	564	
Other Charges	11,870	
Total Other Student Support		106,245

Regular Instruction Program

Supervisor/Director	\$ 78,943	
Clerical Personnel	33,016	
Other Salaries and Wages	386,795	
Social Security	29,249	
State Retirement	29,787	
Medical Insurance	28,045	
Unemployment Compensation	425	
Employer Medicare	6,840	
Communication	4,010	
Travel	22,758	
Periodicals	3,636	

(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.)

Regular Instruction Program (Cont.)

Other Supplies and Materials	\$ 13,500	
In Service/Staff Development	68,148	
Other Charges	36,263	
Other Equipment	3,962	
Total Regular Instruction Program		\$ 745,377

Special Education Program

Psychological Personnel	\$ 44,034	
Secretary(ies)	116,601	
Social Security	9,473	
State Retirement	7,929	
Medical Insurance	6,151	
Unemployment Compensation	318	
Employer Medicare	2,215	
Travel	430	
Other Supplies and Materials	3,701	
In Service/Staff Development	50,104	
Total Special Education Program		240,956

Transportation

Contracts with Parents	\$ 8,748	
Contracts with Vehicle Owners	134,116	
Total Transportation		142,864

Total School Federal Projects Fund \$ 3,122,115

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 49,865
Accountants/Bookkeepers	23,248
Cafeteria Personnel	464,876
Social Security	33,355
State Retirement	22,248
Medical Insurance	15,070
Unemployment Compensation	3,157
Employer Medicare	7,801
Communication	6,989
Maintenance and Repair Services - Equipment	43,987

(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 (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Postal Charges	\$ 40	
Travel	2,090	
Other Contracted Services	21,177	
Food Preparation Supplies	75,176	
Food Supplies	584,592	
Office Supplies	11,468	
Other Supplies and Materials	3,672	
Other Charges	11,321	
Food Service Equipment	23,266	
Total Food Service		<u>\$ 1,403,398</u>

Total Central Cafeteria Fund \$ 1,403,398

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$ 176,389	
Engineering Services	20,328	
Other Charges	4,800	
Building Construction	635,456	
Land	256,829	
Site Development	12,700	
Total Education Capital Projects		<u>\$ 1,106,502</u>

Total Education Capital Projects Fund 1,106,502

Other Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	<u>\$ 40,672</u>	
Total Education Capital Projects		<u>\$ 40,672</u>

Total Other Capital Projects Fund 40,672

Total Governmental Funds - Union County School Department \$ 26,374,980

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, 2010

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 569,212
Total Cash Receipts	<u>\$ 569,212</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 563,520
Trustee's Commission	<u>5,692</u>
Total Cash Disbursements	<u>\$ 569,212</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
Cash Balance, June 30, 2010	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

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

September 28, 2010

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, 2010, which collectively comprise Union County's basic financial statements and have issued our report thereon dated September 28, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01, 10.02, 10.05, and 10.07.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.04, 10.06, and 10.08.

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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 10.03.

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, director of schools, highway superintendent, Board of County Commissioners, Board of Education, others within Union County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

September 28, 2010

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, 2010. Union County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Union County's management. Our responsibility is to express an opinion on Union County's compliance based on our audit.

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

In our opinion, Union County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over compliance.

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

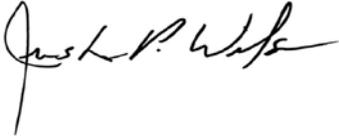
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County as of and for the year ended June 30, 2010, and have issued our report thereon dated September 28, 2010. 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, director of schools, highway superintendent, Board of County Commissioners, Board of Education, others within the entity, 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,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Union County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

Federal/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 73,738 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	278,101
National School Lunch Program	10.555	N/A	762,333 (3)
ARRA- Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	11,853
Fresh Fruit and Vegetable Program	10.582	N/A	31,681
Passed-through East Tennessee Human Resource Agency:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	N/A	14,894
Total U.S. Department of Agriculture			<u>\$ 1,172,600</u>
U.S. Department of Housing and Urban Development			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-09-27510-00	\$ 430,450 (4)
Passed-through State Housing Development Agency:			
Community Development Block Grants/State's Program	14.228	NSP1-09-041	2,625 (4)
Total U.S. Department of Housing and Urban Development			<u>\$ 433,075</u>
U.S. Department of Justice:			
Passed-through State Department of Finance and Administration:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)			
Program/Grants to States and Territories	16.803	(2)	\$ 23,924
Total U.S. Department of Justice			<u>\$ 23,924</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-10-138	\$ 4,992
Total U.S. Department of Transportation			<u>\$ 4,992</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,029,055
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	802,999
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	746,145
Special Education - Grants to States, Recovery Act	84.391	N/A	612,977
Special Education - Preschool Grants	84.173	N/A	27,900
Career and Technical Education - Basic Grants to States	84.048	N/A	69,041
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	15,402
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	(2)	10,631
Education Technology State Grants, Recovery Act	84.386	(2)	26,144
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(2)	136,311
Reading First State Grants	84.357	(2)	92,133
Rural Education	84.358	N/A	64,109
Improving Teacher Quality State Grants	84.367	N/A	190,675
English Language Acquisition Grants	84.365	N/A	2,392
School Improvement Grants	84.377	(2)	30,492
Education for Homeless Children and Youth, Recovery Act	84.387	N/A	105
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	(2)	539,900
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	(2)	175,303

(Continued)

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

Federal/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z-10-218562-00	\$ 65,965
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	19,776
Total U.S. Department of Education			<u>\$ 4,657,455</u>
U.S. Department of Health and Human Services:			
Passed-through East Tennessee Human Resource Agency:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	(2)	\$ 1,250
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	13,317
Passed-through State Department of Health:			
Grants to States for Operation of Offices of Rural Health	93.913	(5)	89,528
Total U.S. Department of Health and Human Services			<u>\$ 104,095</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(6)	\$ 59,405
Total U.S. Department of Homeland Security			<u>\$ 59,405</u>
Total Expenditures of Federal Awards			<u>\$ 6,455,546</u>
		<u>Contract Number</u>	
<u>State Grants</u>			
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	\$ 9,000
State Reappraisal - Comptroller of the Treasury	N/A	(2)	7,241
Health Department Programs - State Department of Health	N/A	(7)	69,912
Litter Grant - State Department of Transportation	N/A	(2)	31,639
Senoir Center Grant - East Tennessee Area Agency on Aging and Disability	N/A	(2)	3,610
Adult Education - State Department of Labor and Workforce Development	N/A	Z-10-218562-00	21,988
Early Childhood Education Grants - State Department of Education	N/A	(2)	302,696
Total State Grants			<u>\$ 446,086</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$836,071.
- (4) Total for CFDA No. 14.228 is \$433,075.
- (5) Z-09-213770: \$16,043; Z-10-219852: \$73,485.
- (6) GG-08-24135-00: \$4,993; 34101-000-000-0476: \$54,412.
- (7) Z-09-213770: \$16,698; Z-10-219852: \$53,213.

Union County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

UNION COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	166	Union County does not have the resources to produce financial statements and notes to the financial statements

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.02	167	The General and General Debt Service funds required material audit adjustments for proper financial statement presentation
09.06	169-170	The office had not established a formal purchase order system

OFFICE OF HIGHWAY SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.10	171-172	A material audit adjustment was required for proper financial statement presentation
09.11	172	The office had not established a formal purchase order system

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.12	172-173	Duties were not segregated adequately at the Ambulance Service and in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

UNION COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Union County disclosed significant deficiencies in internal control. Four of these deficiencies were considered to be material weaknesses.
3. The audit disclosed 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. An unqualified opinion was issued on compliance for major programs.
6. Our audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); the Title I Part A Cluster: Title I Grants to Local Education Agencies and Title I Grants to Local Education Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Community Development Block Grants/State's Program (CFDA No. 14.228); the Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants (CFDA Nos. 84.027, 84.391, and 84.173); and State Fiscal Stabilization Fund Cluster: State Fiscal Fund (SFSF) – Education State Grants, Recovery Act and State Fiscal Fund (SFSF) – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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; however, management did not provide responses for inclusion in this report.

UNION COUNTY

FINDING 10.01 **UNION COUNTY DOES 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 financial statements be the product of a financial reporting system that offers 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 GAAP requires that the county 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 external auditors, to assist Union County in preparing its financial statements and notes as a matter of convenience as long as the county has the skills needed to prepare its financial statements and notes. However, management, including the accounting staff, does not have the technical skills necessary to prepare GAAP financial statements and disclosures. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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 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 financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

OFFICE OF COUNTY MAYOR

FINDING 10.02 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2010, various general ledger account balances of the General and General Debt Service funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Union County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the 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. This deficiency is the result of management's failure to correct the finding noted in the prior-year report. 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 10.03 **PAYROLL TAXES WERE NOT REPORTED TIMELY RESULTING IN ASSESSMENTS OF INTEREST AND PENALTIES TOTALING \$4,000**
(Noncompliance Under Government Auditing Standards)

Union County maintains a payroll bank clearing account to deposit employee payroll taxes due the Internal Revenue Service (IRS) and is required to notify the IRS of these deposits so withdrawals can be made from the county's account. In one instance, although the deposit for these payroll taxes was made to the clearing account, the IRS was not notified timely to provide for the current withdrawal of the deposit. The IRS assessed the county interest and penalties totaling \$4,000 due to this failure to notify timely, and the county paid the assessment to avoid any additional interest. Management has appealed this assessment; however, as of the date of this report no ruling on the appeal has been made.

RECOMMENDATION

Federal payroll taxes deposited to the payroll bank clearing account should be reported to the IRS on a timely basis to avoid interest and penalty assessments.

FINDING 10.04 THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 10.05 A MATERIAL AUDIT ADJUSTMENT WAS REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2010, various general ledger account balances in the Highway/Public Works Fund were not materially correct, and an audit adjustment was required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Highway Department to have adequate internal controls over the maintenance of its accounting records. This material audit adjustment was required because the Highway Department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the Highway Department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented an audit adjustment 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 10.06 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 exists because management failed to correct this finding noted in the prior-year audit report. The absence of a formal purchase order system increases the risk of unauthorized purchases.

RECOMMENDATION

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

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 10.07 UNION COUNTY HAS MATERIAL RECURRING AUDIT FINDINGS
(Internal Control – Material Weakness Under Government Auditing Standards)

Union County has material audit findings that have been reported in its annual financial reports for three or more consecutive years. These recurring material findings are listed below:

<u>Finding Numbers</u>	<u>Description</u>
------------------------	--------------------

UNION COUNTY

10.01, 09.01, 08.01	Union County does not have the resources to produce financial statements and notes to the financial statements
---------------------	--

OFFICE OF COUNTY MAYOR

10.02, 09.02, 08.02	Material audit adjustments were required for proper financial statement presentation
---------------------	--

OFFICE OF HIGHWAY SUPERINENDENT

10.05, 09.10, 08.05	Material audit adjustments were required for proper financial statement presentation
---------------------	--

The recurring nature of the above-noted findings indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Union County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Union County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

FINDING 10.08

DUTIES WERE NOT SEGREGATED ADEQUATELY AMONG THE OFFICIALS AND EMPLOYEES AT THE AMBULANCE SERVICE AND IN THE OFFICES OF CIRCUIT AND GENERAL SESSIONS COURT CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

BEST PRACTICE

A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED

Union County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate 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. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Union County. Therefore, we recommend the adoption of 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, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

UNION COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010

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