UNION COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

Prepared By:
Union County Commissioner's Office

UNION COUNTY, GEORGIA

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Honorable Lamar Paris, Commissioner
of Union County, Georgia
Blairsville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Union County, Georgia** (the "County"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Union County Department of Public Health, which represents 13 percent, 14 percent, and 68 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Union County Department of Public Health, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County, Georgia as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 16, Union County, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2012. Our opinions are not modified with respect to this matter.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 5 through 13) 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, schedule of expenditures of federal awards, and schedule of expenditures of special purpose local option sales tax proceeds (collectively "the supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of Union County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Union County, Georgia annual financial report, Union County's management is pleased to provide this narrative discussion and analysis of the financial activities of Union County for the year ended December 31, 2012. Union County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

Union County's assets exceeded its liabilities by $43,899,313 (net position) for the year reported. This represents an increase of $767,750 over the previous year.

Total net position is comprised of the following:

1) Capital assets, net of related debt, of $36,849,920 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
2) Net position of $3,768,547 is restricted by constraints imposed from outside Union County such as debt covenants, grantors, laws, or regulations.
3) At the end of the current year, unassigned General Fund balance decreased from $6,342,036 to $2,362,223. This decrease of $3,979,813 is approximately 33.8 percent of total General Fund expenditures.

Union County's governmental funds reported total ending fund balance of $7,233,373 this year. This compares to the restated prior year ending fund balance of $6,720,856 showing an increase of $512,517 during the current year.

At the end of the current fiscal year, unassigned fund balance for Union County's governmental funds was $2,362,223. The decrease in unassigned funds is due primarily to the decrease in fund balance in the General Fund.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document is intended to serve as an introduction to Union County's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. Union County also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

Union County's comprehensive annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about Union County's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the Statement of Net Position. This is the government-wide statement of position presenting information that includes all of Union County's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Union County as a whole is improving or deteriorating. Evaluation of the overall health of Union County would extend to other non-financial factors such as diversification of the taxpayer base or the condition of County infrastructure, in addition to the financial information provided in this report.

The government-wide financial statements are designed to provide readers with a broad overview of Union County's finances, in a manner similar to private-sector business. The Statement of Activities, reports how Union County's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of Union County's distinct activities or functions on revenues provided by Union County's taxpayers.

In the Statement of Net Position and the Statement of Activities, Union County is divided into three kinds of activities:

- Governmental activities - Most of Union County's basic services are reported here, including the police, fire, community development, transportation, information services, environmental and general administration. Property taxes, public service taxes and franchise fees finance the majority of these activities.
- Business-type activities - Union County charges a fee to customers to help it cover all or most of the cost of certain services it provides. Union County's Golf Course and park and recreation activities are reported here.
- Component units - Union County includes two separate legal entities in its report - Union County Department of Public Health and Union County Development Authority. Although legally separate, these "component units" are important because Union County appoints the majority of the governing body, pays a portion of operating cost, and is financially accountable for them.

The Government-wide financial statements are presented on pages 14 through 17 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. Within the basic financial statements, fund financial statements focus on Union County's most significant funds rather than Union County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

Union County has three kinds of funds:

Governmental funds - The majority of Union County's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of Union County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance for Union County's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences

between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The basic governmental fund financial statements are presented pages 18 through 22 of this report.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

Union County maintains two major and fourteen non-major governmental funds. Union County's major governmental funds are the General Fund and SPLOST III Fund. Union County's non-major funds types consist of nine (9) special revenue funds, three (3) capital project funds, and two (2) debt service governmental fund-types.

Proprietary funds - Union County charges customers for the services it provides, whether to outside customers or to other units within Union County. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, Union County's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. These are reported in the fund financial statements and generally report services for which Union County charges customers a fee. The two County proprietary funds are classified as enterprise funds. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to Union County's organization for the County's golf course and park and recreation activities.

The basic proprietary fund financial statements are presented on pages 23 through 25 of this report.

Fiduciary funds - Union County uses fiduciary funds to account for resources held for the benefit of parties outside county government. Although these funds are presented in the fund set of statements, they do not appear in the government-wide financial statements because the resources of fiduciary funds are not available to support Union County government's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. These funds are presented on page 26 of this report.

Notes to the Financial Statements

The basic financial statements include notes that explain some of the information in the financial statements and provide information that is more detailed. The notes are essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 27 of this report.

Budgetary Presentations

A budgetary comparison statement is included as a "basic financial statement" for the general fund. This statement demonstrates compliance with Union County's adopted and final revised budget.

Supplementary Financial Information

As discussed, Union County reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds and the schedule of expenditures of special purpose local option sales taxes are presented as supplementary financial information of this report beginning on page 63.

Financial Analysis of Union County as a Whole

Union County's net position at year-end is approximately $43.9 million. The following table provides a summary of Union County's net position.

Summary of Net Position (Exhibit A-1)

	Governmental Activities 2011	Governmental Activities 2012	Business-type Activities 2011	Business-type Activities 2012	Total 2011	Total 2012	Percentage of Total 2012
Assets:							
Current	$ 15,607,405	$ 15,889,431	$ (308,557)	$ (400,232)	$ 15,298,848	$ 15,489,199	26%
Noncurrent	37,343,067	41,864,135	2,946,597	2,939,108	40,289,664	44,803,243	74%
Total assets	52,950,472	57,753,566	2,638,040	2,538,876	55,588,512	60,292,442	
Liabilities and Deferred Inflows of Resources:							
Current and Deferred Inflows of Resources	1,171,120	7,476,739	74,417	49,445	1,245,537	7,526,184	46%
Long-term	4,317,680	8,756,475	-	110,470	4,317,680	8,866,945	54%
Total Liabilities and Deferred Inflows of Resources	5,488,800	16,233,214	74,417	159,915	5,563,217	16,393,129	
Net Position:							
Investment in Capital Assets, Net of Related Debt	33,765,527	34,016,430	2,946,597	2,833,490	36,712,124	36,849,920	84%
Restricted	3,515,360	3,768,547	-	-	3,515,360	3,768,547	9%
Unrestricted	10,180,785	3,735,375	(382,974)	(454,529)	9,797,811	3,280,846	7%
Total Net Position	$ 47,461,672	$ 41,520,352	$ 2,563,623	$ 2,378,961	$ 50,025,295	$ 43,899,313	

Union County continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. For Union County overall, the current ratio is 2 to 1. The national trend indicators state that the standard ratio is 2 to 1.

Union County reported positive balances in net position for governmental type activities. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is $2,378,961. This analysis focuses on the net position (Exhibit A-1) and revenues and expenses (Exhibit A-2) of Union County's governmental and business-type activities. Net position increased $952,412 for governmental activities and decreased by $184,662 for Business-type activities. Union County's overall financial position improved during 2012.

Note that approximately 71.1 percent of the governmental activities' net position is tied up in capital. Union County uses these capital assets to provide services to its citizens. However, with business-type activities, Union County has spent approximately 100 percent of its net position on capital. Capital assets in the business-type activities provide services and

generate revenues for this fund. 83.9 percent of Union County's total net position is included in capital assets, net of related debt.

The following table provides a summary of Union County's changes in net position:

Summary of Statement of Activities (Exhibit A-2)

	Governmental Activities 2011	Governmental Activities 2012	Business-type Activities 2011	Business-type Activities 2012	Total 2011	Total 2012	Percentage of Total 2012
Revenues:							
Program revenues:							
Charges for services	$ 1,957,745	$ 1,806,337	$ 784,580	$ 1,113,009	$ 2,742,325	$ 2,919,346	15.0%
Operating grants	1,157,347	1,017,967	-	-	1,157,347	1,017,967	5.2%
Capital grants	2,557,399	795,410	-	-	2,557,399	795,410	4.1%
General revenues:							
Property taxes	7,248,255	6,967,769	-	-	7,248,255	6,967,769	35.9%
Business taxes	958,469	925,139	-	-	958,469	925,139	4.8%
Sales taxes	6,433,393	6,286,494	-	-	6,433,393	6,286,494	32.4%
Other taxes	26,596	494,248	-	-	26,596	494,248	2.5%
Interest	25,102	19,113	-	-	25,102	19,113	0.1%
Miscellaneous	61,499	-	-	-	61,499	-	0.0%
Gain on disposal	30,061	730	-	-	30,061	730	0.0%
Total revenues	20,455,866	18,313,207	784,580	1,113,009	21,240,446	19,426,216	
Program Expenses:							
General government	3,546,797	3,487,077	-	-	3,546,797	3,487,077	18.7%
Judicial	987,315	984,616	-	-	987,315	984,616	5.3%
Public safety	5,967,294	6,044,087	-	-	5,967,294	6,044,087	32.4%
Public works	2,778,705	3,543,852	-	-	2,778,705	3,543,852	19.0%
Health and welfare	1,167,070	1,177,351	-	-	1,167,070	1,177,351	6.3%
Cultrue and recreation	211,468	286,553	-	-	211,468	286,553	1.5%
Housing and development	594,081	655,262	-	-	594,081	655,262	3.5%
Interest	135,831	284,178	-	-	135,831	284,178	1.5%
Golf course	-	-	683,496	868,126	683,496	868,126	4.7%
Meeks park	-	-	1,005,682	1,327,364	1,005,682	1,327,364	7.1%
Total Expenses	15,388,561	16,462,976	1,689,178	2,195,490	17,077,739	18,658,466	
Excess of revenues over (under) expenses	5,067,305	1,850,231	(904,598)	(1,082,481)	4,162,707	767,750	
Net transfers	(702,570)	(897,819)	702,570	897,819	-	-	
Change in net position	4,364,735	952,412	(202,028)	(184,662)	4,162,707	767,750	
Begninning net position	43,242,844	47,461,672	2,765,651	2,563,623	46,008,495	50,025,295	
Restatements	(145,907)	(6,893,732)		-	(145,907)	(6,893,732)	
Ending net position	$ 47,461,672	$ 41,520,352	$ 2,563,623	$ 2,378,961	$ 50,025,295	$ 43,899,313	

GOVERNMENTAL REVENUES

Union County's governmental activities are heavily reliant on property taxes and public service taxes to support governmental operation. Property taxes provided 36 percent and sales and use taxes provided 35.9 percent of Union County's total revenues. Also, note that the program revenues cover only 24.3 percent of the governmental operating expenses. This means that the taxpayers and Union County's other general revenues fund 75.7 percent of the governmental activities. As a result, the general economy and the local businesses have a major impact on Union County's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

This table presents the cost of each of Union County's programs, including the net costs (i.e., total costs less revenues generated by the activities). The net costs illustrate the financial burden that was placed on Union County's taxpayers by each of these functions.

The most significant governmental expense for Union County is providing Public Safety services such as Fire and Police protection. This comprises 32.4 percent of the total governmental expenses, which was $6,044,087 for 2012. Public Safety expenses are offset by revenues collected from a variety of sources, with the largest being fines and forfeitures. The second largest cost for governmental activities is public works, totaling over $3.5 million or 19.0 percent of governmental expenses. Public works expenses are offset by capital grants and contributions, which totaled $602,100 for 2012.

- The cost of all governmental activities this year was $16,462,976.
- The revenue amount that paid for most of these activities came from Union County property taxes, sales tax and business taxes of $14,673,650.
- Some of the costs were paid by those who would benefit directly from the programs and subsidies from other governments and organizations through grants and/or contributions.

Governmental Activities (Exhibit A-3)

	Total Cost of Service 2011	Net Cost of Service 2011	Total Cost of Service 2012	Net Cost of Service 2012
General government	$ 3,546,797	$ (2,405,894)	$ 3,487,077	$ (2,247,172)
Judicial	987,315	(941,114)	984,616	(312,691)
Public safety	5,967,294	(4,107,817)	6,044,087	(5,235,256)
Public works	2,778,705	(2,219,856)	3,543,852	(2,941,752)
Health and welfare	1,167,070	(899,766)	1,177,351	(1,157,953)
Culture and recreation	211,468	1,490,825	286,553	(285,243)
Housing and development	594,081	(496,617)	655,262	(379,017)
Interest	135,831	(135,831)	284,178	(284,178)
	$ 15,388,561	$ (9,716,070)	$ 16,462,976	$ (12,843,262)

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

The cost of all Proprietary (Business Type) activities this year was $868,126 for the Golf Course and $1,327,364 for Meeks Park, the amounts paid by the users of the systems were $750,074 and $362,935 respectively. This resulted in a net cost to operate of $118,052 and $964,429, respectively.

Financial Analysis of Union County's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements.

Governmental funds reported ending fund balances of $7,233,373. Of this year-end total, $3,695,992 is restricted, $759,568 is nonspendable, $86,156 is committed, and $329,434 is assigned. Unassigned fund balance totaled $2,362,223 reflecting a decrease from the prior year.

The total ending fund balances of governmental funds show an increase of $512,517 or a 7.6 percent increase.

Major Governmental Funds

The General Fund is Union County's primary operating fund and the largest source of the day-to-day service delivery. The General Fund's fund balance decreased by $2,426,526 due primarily from interfund reallocations.

The SPLOST III Fund accounts for the collection and expenditures related to the County's 2009 SPLOST or SPLOST III. The SPLOST III Fund's fund balance increased by $764,162 due to the timing of construction of various projects.

The Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status on a fund basis for enterprise funds. Union County has two enterprise funds, the Golf Course which reflected an increase of $213,029 in operating revenues which still resulted in an operating loss of $61,795 before depreciation. Total enterprise fund revenue increased $328,429. Meeks Park sustained an operating loss of $837,901 before depreciation for programs provided at Meeks Park and through the recreation department. This is a result of the rise in costs and the lack of participation in programs offered by the recreation department.

Component Units

Component units are legally separate organizations for which Union County is financially accountable. Union County is financially accountable for an organization if Union County appoints a voting majority of the organization's governing board and (1) Union County is able to significantly influence the programs or services performed or provided by the organizations; or (2) Union County is legally entitled to or can otherwise access the organization's resources; Union County's is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or Union County is obligated for the debt of the organization.

Discretely presented component units generally are reported only at the government-wide financial reporting level. Union County has two discretely presented component units: the Union County Department of Public Health and Union County Development Authority.

Budgetary Highlights

The General Fund - The General Fund's original revenue and expenditure budget was revised to actual.

Capital Assets and Debt Administration

Capital Assets

Union County's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2012, is $41,864,135 and $2,939,180, respectively. The major additions and deletions to capital for governmental activities for 2012 were:

- The capital expenditures for construction in progress increased by $1,505,805 with the primary expenditure of various projects capitalized this year.
- Capital expense associated with infrastructure (road improvements, sidewalks, etc.) was $830,739. Primary expenditures in this category went for new roads.

For more information on the changes in capital assets, see Note 6.

Summary of Capital Assets (Exhibit A-4)

	Governmental Activities 2011	Governmental Activities 2012	Business-type Activities 2011	Business-type Activities 2012	Total 2011	Total 2012
Nondepreciable assets:						
Land	$ 2,856,745	$ 3,593,023	$ 2,139,135	$ 2,139,135	$ 4,995,880	$ 5,732,158
Construction in progress	13,332,328	3,572,079	12,625	11,388	13,344,953	3,583,467
Total nondepreciable assets	16,189,073	7,165,102	2,151,760	2,150,523	18,340,833	9,315,625
Depreciable assets:						
Land improvements	-	-	319,089	319,089	319,089	319,089
Building and improvements	17,862,824	28,395,600	1,297,770	1,320,925	19,160,594	29,716,525
Equipment and furniture	4,639,764	4,855,456	774,793	924,250	5,414,557	5,779,706
Vehicles	4,314,219	4,266,555	64,351	64,351	4,378,570	4,330,906
Infrastructure	15,558,559	16,389,298	-	-	15,558,559	16,389,298
Total depreciable	42,375,366	53,906,909	2,456,003	2,628,615	44,831,369	56,535,524
Accumulated depreciation	(16,284,565)	(19,207,876)	(1,661,166)	(1,840,030)	(17,945,731)	(21,047,906)
Net depreciable assets	26,090,801	34,699,033	794,837	788,585	26,885,638	35,487,618
Total Capital Assets	$ 42,279,874	$ 41,864,135	$ 2,946,597	$ 2,939,108	$ 45,226,471	$ 44,803,243

At December 31, 2012, the depreciable assets for governmental activities were 35.6 percent depreciated. This compares to the December 31, 2011 of 38.4 percent. This comparison indicates that Union County is focusing on replacing its assets at close to the same rate as they are depreciating which is a positive indicator. Note that the business-type activities are 70% depreciated.

Long-term Debt

During the year, Union County retired $719,948 of prior long-term obligations. See Note 8 for additional detail of long-term debt activity.

Summary of Long-term Debt (Exhibit A-5)

	Governmental Activities 2011	Governmental Activities 2012	Business-type Activities 2011	Business-type Activities 2012	Total 2011	Total 2012
Capital leases	$ 135,800	$ 69,701	$ -	$ 105,618	$ 135,800	$ 175,319
Contracts payable	400,000	300,000	-	-	400,000	300,000
Compensated absences	82,667	57,285	-	4,852	82,667	62,137
Landfill postclosure liability	257,473	551,485	-	-	257,473	551,485
General obligation bonds	8,629,568	7,778,004	-	-	8,629,568	7,778,004
Total nondepreciable assets	$ 9,505,508	$ 8,756,475	$ -	$ 110,470	$ 9,505,508	$ 8,866,945

Economic Conditions Affecting Union County

Union County's elected and appointed officials considered many factors when adopting the 2013 budget, tax rates and fees that will be charged for the business-type activities. One of these factors is the economy. The population growth experienced by Union County has stimulated local business and development activity while increasing many of the operating cost of government. According to the Census this year the estimated population for Union County is 21,356, which is a 23.5 percent growth in ten years.

Since primary revenue streams for Union County are property taxes and sales taxes, Union County's tax revenues are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy. Union County remains the second lowest combined county/school millage rate in the state.

Key assumptions for forecasts for 2013 and the future are summarized as follows:

1. The 2009 SPLOST projects are on the way and nearing completion or are already completed.
2. The additional walking trails will be completed at Meeks Park.
3. A partial economic recovery.

Contacting Union County's Financial Management

This financial report is designed to provide a general overview of Union County's finances, comply with finance-related laws and regulations, and demonstrate Union County's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact Union County at 706-439-6000.

UNION COUNTY, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 11,450,256	$ 230,490	$ 11,680,746
Receivables (net of allowance for uncollectibles)	3,080,549	2,474	3,083,023
Prepaid items	62,532	153	62,685
Inventories	28,376	41,436	69,812
Land held for resale	-	-	-
Internal balances	674,785	(674,785)	-
Restricted cash and cash equivalents	592,933	-	592,933
Capital assets, nondepreciable	7,165,102	2,150,523	9,315,625
Capital assets, depreciable, net of accumulated depreciation	34,699,033	788,585	35,487,618
Total assets	57,753,566	2,538,876	60,292,442
LIABILITIES			
Accounts payable	583,551	36,765	620,316
Accrued liabilities	634,038	12,680	646,718
Noncurrent liabilities due within one year			
Compensated absences	57,285	4,852	62,137
Capital leases payable	69,701	30,640	100,341
Landfill closure and postclosure	49,000	-	49,000
Contracts payable	100,000	-	100,000
Bonds payable	840,000	-	840,000
Noncurrent liabilities due in more than one year			
Compensated absences	-	-	-
Capital leases payable	-	74,978	74,978
Landfill closure and postclosure	502,485	-	502,485
Contracts payable	200,000	-	200,000
Notes payable	-	-	-
Bonds payable	6,938,004	-	6,938,004
Total liabilities	9,974,064	159,915	10,133,979
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues - property taxes	6,259,150	-	6,259,150
Total deferred inflows of resources	6,259,150	-	6,259,150
NET POSITION			
Net investment in capital assets	34,016,430	2,833,490	36,849,920
Restricted for:			
Debt service	592,933	-	592,933
Capital projects	2,681,967	-	2,681,967
Public safety activities	422,815	-	422,815
Law library operations	54,349	-	54,349
Judicial activities	13,569	-	13,569
Health and welfare activities	1,264	-	1,264
Tourism	1,650	-	1,650
Unrestricted	3,735,375	(454,529)	3,280,846
Total net position	$ 41,520,352	$ 2,378,961	$ 43,899,313

The accompanying notes are an integral part of these financial statements.

Component Units	
Department of Public Health	Development Authority
$ 329,086	$ 181,390
62,723	151,770
-	-
-	-
-	1,720,379
-	-
-	-
-	692,345
3,590	-
395,399	2,745,884
7,780	164,016
-	-
29,000	-
-	-
-	-
-	-
-	-
20,209	-
-	-
-	-
-	-
-	484,010
-	-
56,989	648,026
-	-
-	-
3,590	208,335
-	-
-	-
-	-
-	-
-	-
-	-
-	-
334,820	1,889,523
$ 338,410	$ 2,097,858

UNION COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 3,487,077	$ 581,512	$ 658,393	$ -
Judicial	984,616	654,600	17,325	-
Public safety	6,044,087	550,827	258,004	-
Public works	3,543,852	-	-	602,100
Health and welfare	1,177,351	19,398	-	-
Culture and recreation	286,553	-	-	1,310
Housing and development	655,262	-	84,245	192,000
Interest on long-term debt	284,178	-	-	-
Total governmental activities	16,462,976	1,806,337	1,017,967	795,410
Business-type activities:				
Golf course	868,126	750,074	-	-
Meeks park	1,327,364	362,935	-	-
Total business-type activities	2,195,490	1,113,009	-	-
Total primary government	$ 18,658,466	$ 2,919,346	$ 1,017,967	$ 795,410
Component units:				
Department of Public Health	$ 599,280	$ 296,680	$ 388,360	$ -
Development Authority	162,279	-	165,506	151,770
Total component units	$ 761,559	$ 296,680	$ 553,866	$ 151,770

General revenues:
- Property taxes
- Sales taxes
- Insurance premium taxes
- Other taxes
- Unrestricted investment earnings
- Gain on disposal of assets
- Miscellaneous

Special items

Transfers

Total general revenues, special items, and transfers

Change in net position

Net position, beginning of year, restated

Net position, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Department of Public Health	Development Authority
$ (2,247,172)	$ -	$ (2,247,172)	$ -	$ -
(312,691)	-	(312,691)	-	-
(5,235,256)	-	(5,235,256)	-	-
(2,941,752)	-	(2,941,752)	-	-
(1,157,953)	-	(1,157,953)	-	-
(285,243)	-	(285,243)	-	-
(379,017)	-	(379,017)	-	-
(284,178)	-	(284,178)	-	-
(12,843,262)	-	(12,843,262)	-	-
-	(118,052)	(118,052)	-	-
-	(964,429)	(964,429)	-	-
-	(1,082,481)	(1,082,481)	-	-
(12,843,262)	(1,082,481)	(13,925,743)	-	-
-	-	-	85,760	-
-	-	-	-	154,997
-	-	-	85,760	154,997
6,967,769	-	6,967,769	-	-
6,286,494	-	6,286,494	-	-
925,139	-	925,139	-	-
494,248	-	494,248	-	-
19,113	-	19,113	-	375
730	-	730	-	-
-	-	-	-	20,001
-	-	-	37,165	-
(897,819)	897,819	-	-	-
13,795,674	897,819	14,693,493	37,165	20,376
952,412	(184,662)	767,750	122,925	175,373
40,567,940	2,563,623	43,131,563	215,485	1,922,485
$ 41,520,352	$ 2,378,961	$ 43,899,313	$ 338,410	$ 2,097,858

UNION COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

ASSETS	General	SPLOST III	Nonmajor Governmental Funds	Total
Cash and cash equivalents	$ 8,306,255	$ 2,400,626	$ 743,375	$ 11,450,256
Receivables (net of allowance for uncollectibles)	2,614,324	297,082	169,143	3,080,549
Inventories	28,376	-	-	28,376
Due from other funds	12,000	-	14,277	26,277
Prepaid items	62,532	-	-	62,532
Advances to other funds	668,660	-	-	668,660
Restricted assets:				
Cash	-	-	592,933	592,933
Total assets	$ 11,692,147	$ 2,697,708	$ 1,519,728	$ 15,909,583
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 521,772	$ 44,267	$ 17,512	$ 583,551
Other accrued liabilities	523,756	-	5,143	528,899
Due to other funds	3,775	16,377	-	20,152
Total liabilities	1,049,303	60,644	22,655	1,132,602
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	6,259,150	-	-	6,259,150
Unvailable revenue - property taxes	829,046	-	-	829,046
Unvailable revenue - intergovernmental	-	-	72,555	72,555
Unvailable revenue - other	382,857	-	-	382,857
Total deferred inflows of resources	7,471,053	-	72,555	7,543,608
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	62,532	-	-	62,532
Inventories	28,376	-	-	28,376
Advances to other funds	668,660	-	-	668,660
Restricted for:				
Debt service	-	-	592,933	592,933
Capital projects	-	2,637,064	2,565	2,639,629
Public safety activities	-	-	392,598	392,598
Law library operations	-	-	54,349	54,349
Judicial activities	-	-	13,569	13,569
Health and welfare activities	-	-	1,264	1,264
Tourism	-	-	1,650	1,650
Committed:				
Drug rehabilitation	50,000	-	-	50,000
Jail operations	-	-	36,156	36,156
Assigned:				
Capital projects	-	-	315,057	315,057
Various grant projects	-	-	14,377	14,377
Unassigned	2,362,223	-	-	2,362,223
Total fund balances	3,171,791	2,637,064	1,424,518	7,233,373
Total liabilities, deferred inflows of resources and fund balances	$ 11,692,147	$ 2,697,708	$ 1,519,728	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,864,135
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,284,458
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,861,614)
Net position of governmental activities	$ 41,520,352

The accompanying notes are an integral part of these financial statements

UNION COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2012

	General	SPLOST III	Nonmajor Governmental Funds	Total
Revenues:				
Taxes	$ 11,102,036	$ 3,426,213	$ 119,301	$ 14,647,550
Licenses and permits	169,551	-	-	169,551
Fines and forfeitures	635,865	-	93,107	728,972
Charges for services	295,420	-	396,194	691,614
Interest income	10,664	2,620	8,454	21,738
Intergovernmental	675,717	515,881	382,219	1,573,817
Other	216,200	-	-	216,200
Total revenues	13,105,453	3,944,714	999,275	18,049,442
Expenditures:				
Current:				
General government	3,044,572	62,316	-	3,106,888
Judicial	952,121	-	24,430	976,551
Public safety	4,740,655	-	803,145	5,543,800
Public works	1,134,722	-	-	1,134,722
Health and welfare	1,142,771	-	20,691	1,163,462
Culture and recreation	243,620	-	-	243,620
Housing and development	530,955	-	293,601	824,556
Intergovernmental	-	207,600	-	207,600
Capital outlay	-	1,891,005	325,925	2,216,930
Debt service:				
Principal	-	66,099	820,000	886,099
Interest	-	7,401	334,199	341,600
Total expenditures	11,789,416	2,234,421	2,621,991	16,645,828
Excess (deficiency) of revenues over expenditures	1,316,037	1,710,293	(1,622,716)	1,403,614
Other financing sources (uses):				
Proceeds from sale of assets	6,722	-	-	6,722
Transfers in	134,257	287,376	4,167,858	4,589,491
Transfers out	(3,883,542)	(1,233,507)	(370,261)	(5,487,310)
Total other financing sources (uses)	(3,742,563)	(946,131)	3,797,597	(891,097)
Net change in fund balances	(2,426,526)	764,162	2,174,881	512,517
Fund balances (deficit), beginning of year, restated	5,598,317	1,872,902	(750,363)	6,720,856
Fund balances, end of year	$ 3,171,791	$ 2,637,064	$ 1,424,518	$ 7,233,373

The accompanying notes are an integral part of these financial statements.

UNION COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	512,517
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(474,127)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		58,388
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		98,655
while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		986,099
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 governmental funds.		(229,120)
Change in net position - governmental activities	$	952,412

The accompanying notes are an integral part of these financial statements.

UNION COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Taxes	$ 10,598,800	$ 11,102,036	$ 11,102,036	$ -
Licenses and permits	98,540	169,551	169,551	-
Fines and forfeitures	545,000	635,865	635,865	-
Charges for services	266,400	295,420	295,420	-
Interest income	23,000	10,664	10,664	-
Intergovernmental	581,200	675,717	675,717	-
Other	1,052,000	216,200	216,200	-
Total revenues	13,164,940	13,105,453	13,105,453	-
Expenditures:				
Current:				
General government:				
Executive	254,456	283,619	283,619	-
Elections	158,176	144,660	144,660	-
General administration	440,054	431,927	431,927	-
Financial administration	119,134	121,743	121,743	-
Tax commissioner	289,666	280,658	280,658	-
Tax assessor	395,240	292,386	292,386	-
Risk management	252,000	1,220,458	1,220,458	-
General government buildings	324,047	269,121	269,121	-
Total general government	2,232,773	3,044,572	3,044,572	-
Judicial:				
Judicial administration	1,700	6,992	6,992	-
Superior court	127,910	96,551	96,551	-
Clerk superior court	264,759	221,569	221,569	-
District attorney	77,596	82,161	82,161	-
Magistrate court	180,691	173,316	173,316	-
Probate court	222,753	208,215	208,215	-
Juvenile court	54,138	74,407	74,407	-
Grand jury	2,200	928	928	-
Public defender	85,609	87,982	87,982	-
Total judicial	1,017,356	952,121	952,121	-
Public safety:				
Police	1,951,337	2,256,835	2,256,835	-
Vice control	75,958	73,989	73,989	-
Jail operation	1,194,762	1,366,792	1,366,792	-
Fire and emergency management	750,219	784,416	784,416	-
Fire stations and buildings	86,956	113,557	113,557	-
Coroner	20,000	26,501	26,501	-
Animal control	137,360	118,565	118,565	-
Total public safety	4,216,592	4,740,655	4,740,655	-
Public works:				
Highways and streets	905,737	950,217	950,217	-
Solid waste	35,700	28,150	28,150	-
Public education	23,500	20,303	20,303	-
Maintenance and shop	142,183	136,052	136,052	-
Total public works	1,107,120	1,134,722	1,134,722	-

(Continued)

UNION COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Expenditures: (Continued)				
Health and welfare:				
Public health administration	$ 267,661	$ 299,553	$ 299,553	$ -
Ambulance contract	500,000	500,000	500,000	-
Intergovernmental welfare	66,900	41,035	41,035	-
Senior citizens	159,094	144,026	144,026	-
Community center	71,663	47,211	47,211	-
Transportation services	100,837	110,946	110,946	-
Total health and welfare	1,166,155	1,142,771	1,142,771	-
Culture and recreation:				
Participant recreation	44,585	27,656	27,656	-
Library admission	209,100	215,964	215,964	-
Total culture and recreation	253,685	243,620	243,620	-
Housing and development:				
Conservation	45,050	47,342	47,342	-
Agricultural	65,715	62,374	62,374	-
Building inspection	214,193	174,467	174,467	-
Planning and zoning	46,285	80,372	80,372	-
Economic development	252,000	166,400	166,400	-
Total housing and development	623,243	530,955	530,955	-
Debt service:				
Principal	32,266	-	-	-
Total debt service	32,266	-	-	-
Total expenditures	10,649,190	11,789,416	11,789,416	-
Excess of revenues over expenditures	2,515,750	1,316,037	1,316,037	-
Other financing sources (uses):				
Proceeds from sale of assets	-	6,722	6,722	-
Transfers in	80,160	134,257	134,257	-
Transfers out	(2,595,910)	(3,883,542)	(3,883,542)	-
Total other financing sources (uses)	(2,515,750)	(3,742,563)	(3,742,563)	-
Net change in fund balances	-	(2,426,526)	(2,426,526)	-
Fund balances, beginning of year, restated	5,598,317	5,598,317	5,598,317	-
Fund balances, end of year	$ 5,598,317	$ 3,171,791	$ 3,171,791	$ -

The accompanying notes are an integral part of these financial statements.

UNION COUNTY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2012

	Golf Course Fund	Meeks Park Fund	Total
ASSETS			
Current assets:			
Cash	$ 134,665	$ 95,825	$ 230,490
Receivables	1,121	1,353	2,474
Due from other funds	-	5,875	5,875
Inventories	41,436	-	41,436
Prepaid items	-	153	153
Total current assets	177,222	103,206	280,428
Noncurrent assets:			
Capital assets:			
Capital assets, not being depreciated	1,690,345	460,178	2,150,523
Capital assets, being depreciated	763,618	1,864,997	2,628,615
Less accumulated depreciation	(487,853)	(1,352,177)	(1,840,030)
Total capital assets, net of accumulated depreciation	1,966,110	972,998	2,939,108
Total assets	2,143,332	1,076,204	3,219,536
LIABILITIES			
Current liabilities:			
Accounts payable	32,181	4,584	36,765
Accrued expenses	4,858	7,822	12,680
Due to other funds	-	12,000	12,000
Compensated absences, current	2,651	2,201	4,852
Capital leases payable, current	30,640	-	30,640
Total current liabilities	70,330	26,607	96,937
Long-term liabilities:			
Advance from other funds	668,660	-	668,660
Capital leases payable, long term	74,978	-	74,978
Total long-term liabilities	743,638	-	743,638
Total liabilities	813,968	26,607	840,575
NET POSITION			
Net investment in capital assets	1,860,492	972,998	2,833,490
Unrestricted	(531,128)	76,599	(454,529)
Total net position	$ 1,329,364	$ 1,049,597	$ 2,378,961

The accompanying notes are an integral part of these financial statements.

UNION COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Golf Course Fund	Meeks Park Fund	Total
OPERATING REVENUES			
Charges for services	$ 750,074	$ 262,824	$ 1,012,898
Other	-	100,111	100,111
Total operating revenues	750,074	362,935	1,113,009
OPERATING EXPENSES			
Salaries and benefits	306,001	514,002	820,003
Supplies and maintenance	505,868	686,834	1,192,702
Depreciation expense	52,336	126,528	178,864
Total operating expenses	864,205	1,327,364	2,191,569
Operating loss	(114,131)	(964,429)	(1,078,560)
NONOPERATING EXPENSES			
Interest expense	(3,921)	-	(3,921)
Total nonoperating expenses	(3,921)	-	(3,921)
LOSS BEFORE TRANSFERS	(118,052)	(964,429)	(1,082,481)
Transfers in	-	897,819	897,819
Total transfers	-	897,819	897,819
Changes in net position	(118,052)	(66,610)	(184,662)
NET POSITION, beginning of year	1,447,416	1,116,207	2,563,623
NET POSITION, end of year	$ 1,329,364	$ 1,049,597	$ 2,378,961

The accompanying notes are an integral part of these financial statements.

UNION COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Golf Course Fund	Meeks Park Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 750,738	$ 355,707	$ 1,106,445
Payments to suppliers and service providers	(501,038)	(720,232)	(1,221,270)
Payments to employees	(299,236)	(506,283)	(805,519)
Net cash used in operating activities	(49,536)	(870,808)	(920,344)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(6,617)	(45,320)	(51,937)
Principal payments on capital leases	(13,819)	-	(13,819)
Interest and fiscal charges paid	(3,177)	-	(3,177)
Net cash used in capital and related financing activities	(23,613)	(45,320)	(68,933)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from other funds	-	897,819	897,819
Advances from other funds	59,233	-	59,233
Net cash provided by noncapital financing activities	59,233	897,819	957,052
Net decrease in cash and cash equivalents	(13,916)	(18,309)	(32,225)
Cash and cash equivalents:			
Beginning of year	148,581	114,134	262,715
End of year	$ 134,665	$ 95,825	$ 230,490
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (114,131)	$ (964,429)	$ (1,078,560)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	52,336	126,528	178,864
Decrease (increase) in receivables	664	(1,353)	(689)
Increase in due from other funds	-	(5,875)	(5,875)
Decrease in inventories	1,059	-	1,059
Increase in prepaids	-	(153)	(153)
Increase (decrease) in accounts payable	3,771	(39,120)	(35,349)
Increase in accrued expenses	4,114	5,518	9,632
Increase in due to other funds	-	5,875	5,875
Increase in compensated absences	2,651	2,201	4,852
Net cash used in operating activities	$ (49,536)	$ (870,808)	$ (920,344)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired through capital lease	$ 119,437	$ -	$ -

The accompanying notes are an integral part of these financial statements.

UNION COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Agency Funds
ASSETS	
Cash	$ 400,418
Taxes receivable	2,992,339
Total assets	$ 3,392,757
LIABILITIES	
Due to others	$ 400,418
Uncollected taxes	2,992,339
Total liabilities	$ 3,392,757

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Union County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

Union County operates under a commissioner-manager form of government under which a Commissioner is elected to serve as the legislative body for the County. The Commissioner is elected at large. The County provides the following services: public safety, judicial, public works, health and welfare, culture and recreation, housing and development, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County 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 relationship with the County. Blended component units, although legally separate entities are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Unit

The Urban Redevelopment Agency of Union County, Georgia (the "Urban Redevelopment Agency"), which was organized for the purpose of acquiring debt and financing the construction of a multi-purpose building location, is governed by a three member board appointed by the Union County Commissioner. The assets and debt of the Urban Redevelopment Agency are reported as part of the County's assets and debt, and all activity is reported in a County debt service fund. Separate financial statements are not prepared for the Urban Redevelopment Agency

Discretely Presented Component Units

The Union County Health Department (the "Health Department") is governed by a seven member board including the Commissioner and three members appointed by the Commissioner. The County has the authority to modify and approve the Health Department's budget and the ability to approve environmental health service fees. The Health Department has a June 30th year-end and is presented as a governmental type component unit.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Health Department's financial statements can be obtained by writing to the Union County Health Department, 67 Chase Drive, Blairsville, GA 30512.

The Development Authority of Union County (the "Development Authority") is governed by a five member board appointed by the Commissioner. The Authority is responsible for promoting economic development within Union County. The Development Authority provides a financial benefit to the County. The Authority is reported as a governmental type component unit. Separate financial statements for the Development Authority are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary 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, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Agency funds, however, have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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 are 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 property taxes to be available if they are collected within 60 days of the end of the current fiscal period. Other revenues susceptible to accrual are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. The County reports the following major governmental funds:

The ***General Fund*** 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.

The ***Special Purpose Local Option Sales Tax III Fund (SPLOST III)*** is used to account for the revenues and expenditures relating to the County's 2009 1% Special Purpose Local Option Sales Tax issues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The County reports the following major proprietary funds:

The ***Golf Course Fund*** is used to account for the activities of the Butternut Creek Golf Course.

The ***Meeks Park Fund*** is used to account for the activities of the County recreation department and community center.

Additionally, the County reports the following fund types:

The ***special revenue funds*** account for specific revenue sources that are legally restricted such as emergency 911 charges, hotel/motel taxes, various fines and fees applied by the courts, as well as numerous grants. These revenues are restricted for particular purposes by enabling legislation or external resource providers.

The ***agency funds*** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, such as cash bonds, traffic fines, support payments and ad valorem and property taxes.

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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise fund are charges to customers for sales and services provided. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of 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 County has elected to capitalize all general infrastructure assets regardless of the acquisition date and has used the estimated historical cost to value these assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

Capital assets of the primary government are depreciated using the straight line method over the following useful lives:

Asset Category	Years
Buildings and improvements	15 - 50
Machinery and equipment	3 - 20
Vehicles	2 - 15
Infrastructure	7 - 50

H. Deferred Outflows / Inflows of Resources

The County implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple types of deferred inflows, one item arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and intergovernmental revenues and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The County also reports unearned property tax revenues which are levied in October but for the next fiscal year and thus are reported as unearned at the fund level and statement of net position.

I. Compensated Absences

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is 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.

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when they include amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed – Fund balances are reported as committed when they include amounts that can be used only for the specific purposes determined by a formal action (ordinance or resolution) of the Commissioner.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

Assigned – Fund balances are reported as assigned when they include amounts intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The Commissioner has delegated the Finance Director the authority to assign amounts to be used for specific purposes.

Unassigned – Fund balances are reported as unassigned as the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications. In addition, any remaining deficits in the County's governmental funds which remain after all other fund balances have been exhausted are classified as unassigned.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets. Net position are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position are reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $8,861,614 difference are as follows:

Bonds payable	$	(7,700,000)
Unamortized premiums		(78,004)
Contracts payable		(300,000)
Landfill closure and postclosure		(551,485)
Capital leases payable		(69,701)
Accrued interest		(105,139)
Compensated absences		(57,285)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(8,861,614)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $474,127 difference are as follows:

Capital outlay	$	2,546,667
Depreciation expense		(3,020,794)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	(474,127)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

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 (Continued)

Another element of the reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position." The details of this $58,388 difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold.	$	(5,992)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		64,380
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	58,388

Another element of the reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this $986,099 difference are as follows:

Principal repayments on bonds payable	$	820,000
Forgiveness on contracts payable		100,000
Principal repayments on capital leases payable		66,099
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	986,099

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

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 (Continued)

Another element of that reconciliation states that "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 governmental funds." The details of this $229,120 difference are as follows:

Compensated absences	$	25,382
Increase in estimated postclosure costs		(328,967)
Amortization of landfill postclosure costs		17,043
Amortization of premium		31,564
Accrued interest		25,858
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	(229,120)

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NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September, County management submits to the County Commissioner a proposed operating budget for each department for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments, giving notice thereof at least seven days in advance by publication in the official organ of the County.
3. The budget is then adopted by the Commissioner at a public meeting.
4. Budget amounts can be transferred between line items within any department; however, any revisions of the budget must be amended by formal action of the Commissioner in a regular meeting.
5. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets are adopted for the General Fund, SPLOST III Fund, the special revenue funds, capital project funds and debt service funds.
6. Formal budgetary integration is employed as a measurement control device during the year for the General Fund, SPLOST III Fund, the special revenue funds, capital projects funds and debt service funds. All appropriations lapse at year end.

Budgeted amounts are as originally adopted, or as amended by the Commissioner. The supplementary budgetary appropriations made are reflected in the final budget amounts.

NOTE 4. DEPOSITS AND INVESTMENTS

A. Primary Government

Credit risk. State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

A. Primary Government (Continued)

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1 per share. The regulatory oversight agency for Georgia Fund 1 is the Office of the State Treasurer of the State of Georgia. As of December 31, 2012, the County considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation. At December 31, 2012 the County had investments of $3,858,422 in Georgia Fund 1. These investments have a weighted average maturity of 40 days at December 31, 2012.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and County policy require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2012, the County is insured or collateralized as defined by state statutes and GASB pronouncements.

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Component Unit – Health Department

Interest rate risk. The Health Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk. As of June 30, 2012, all of the Health Department's deposits and investments were collateralized with the depository financial institution.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

C. Component Unit – Development Authority

Interest rate risk. The Development Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk. As of December 31, 2012, all of the Development Authority's deposits and investments were collateralized with the depository financial institution.

NOTE 5. RECEIVABLES

A. Primary Government

Receivables at December 31, 2012, for the County's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	SPLOST III Fund	Golf Course Fund	Meeks Park Fund	Nonmajor Governmental Funds
Receivables:					
Taxes	$ 1,802,247	$ -	$ -	$ -	$ 16,503
Other governments	254,938	297,082	-	-	72,555
Accounts	557,139	-	1,121	1,353	80,085
Gross receivables	2,614,324	297,082	1,121	1,353	169,143
Less allowance for uncollectibles	-	-	-	-	-
Net receivables	$ 2,614,324	$ 297,082	$ 1,121	$ 1,353	$ 169,143

Property taxes for the 2012 fiscal year were levied on October 5, 2011, with property values assessed as of January 1, 2011. Bills are payable on or before December 20, 2011, after which the applicable property is subject to lien and penalties and interest as assessed. Property taxes levied during 2012 are for fiscal year 2013. Amounts recorded as a receivable and amounts collected as of December 31, 2012 related to these taxes are recorded as unearned revenue in both the fund and government-wide financial statements.

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance Restated	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	$ 2,856,745	$ -	$ -	$ 736,278	$ 3,593,023
Construction in progress	13,332,328	1,505,805	-	(11,266,054)	3,572,079
Total capital assets, not being depreciated	16,189,073	1,505,805	-	(10,529,776)	7,165,102
Capital assets, being depreciated:					
Infrastructure	15,558,559	830,739	-	-	16,389,298
Buildings and improvements	17,862,824	3,000	-	10,529,776	28,395,600
Machinery and equipment	4,507,331	219,817	(4,125)	-	4,723,023
Vehicles	4,314,219	51,686	(99,350)	-	4,266,555
Furniture and fixtures	132,433	-	-	-	132,433
Total capital assets, being depreciated	42,375,366	1,105,242	(103,475)	10,529,776	53,906,909
Less accumulated depreciation for:					
Infrastructure	6,163,355	1,742,968	-	-	7,906,323
Buildings and improvements	4,151,571	625,424	-	-	4,776,995
Machinery and equipment	2,760,694	333,516	(4,125)	-	3,090,085
Vehicles	3,135,743	312,459	(93,358)	-	3,354,844
Furniture and fixtures	73,202	6,427	-	-	79,629
Total accumulated depreciation	16,284,565	3,020,794	(97,483)	-	19,207,876
Total capital assets, being depreciated, net	26,090,801	(1,915,552)	(5,992)	10,529,776	34,699,033
Governmental activities capital assets, net	$ 42,279,874	$ (409,747)	$ (5,992)	$ -	$ 41,864,135

The above table includes a restatement to the beginning balance of construction in progress of $4,936,807. The restatement was necessary to include the Urban Redevelopment Agency (URA) capital assets. The County has determined the URA should be reported as a blended component unit.

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land and improvements	$ 2,139,135	$ -	$ -	$ -	$ 2,139,135
Construction in progress	12,625	1,470	-	(2,707)	11,388
Total capital assets, not being depreciated	2,151,760	1,470	-	(2,707)	2,150,523
Capital assets, being depreciated:					
Land improvements	319,089	-	-	-	319,089
Buildings and improvements	1,297,770	20,448	-	2,707	1,320,925
Machinery and equipment	774,793	149,457	-	-	924,250
Vehicles	64,351	-	-	-	64,351
Total capital assets, being depreciated	2,456,003	169,905	-	2,707	2,628,615
Less accumulated depreciation for:					
Land improvements	183,272	13,406	-	-	196,678
Buildings and improvements	835,007	87,897	-	-	922,904
Machinery and equipment	592,163	70,285	-	-	662,448
Vehicles	50,724	7,276	-	-	58,000
Total accumulated depreciation	1,661,166	178,864	-	-	1,840,030
Total capital assets, being depreciated, net	794,837	(8,959)	-	2,707	788,585
Business-type activities capital assets, net	$ 2,946,597	$ (7,489)	$ -	$ -	$ 2,939,108

While business-type activities net capital assets did not change in total, there were classification corrections made to beginning balances above to agree to the County's capital assets subsidiary ledger.

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

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

Governmental activities:	
General government	$ 476,821
Judicial	9,842
Public safety	565,103
Public works	1,907,568
Health and welfare	13,889
Culture and recreation	42,933
Housing and development	4,638
Total depreciation expense - governmental activities	$ 3,020,794
Business-type activities:	
Golf course	$ 52,336
Meeks park	126,528
Total depreciation expense - business-type activities	$ 178,864

B. Discretely Presented Component Unit – Department of Public Health

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	$ 11,819	$ -	$ -	$ 11,819
Total capital assets, being depreciated	11,819	-	-	11,819
Less accumulated depreciation for:				
Machinery and equipment	(7,047)	(1,182)	-	(8,229)
Total accumulated depreciation	(7,047)	(1,182)	-	(8,229)
Total capital assets, net	$ 4,772	$ (1,182)	$ -	$ 3,590

NOTE 6. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Development Authority

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance Restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 528,590	$ 163,755	$ -	$ 692,345
Total capital assets, not being depreciated	528,590	163,755	-	692,345
Capital assets, being depreciated:				
Machinery and equipment	4,221	-	-	4,221
Total capital assets, being depreciated	4,221	-	-	4,221
Less accumulated depreciation for:				
Machinery and equipment	3,597	624	-	4,221
Total accumulated depreciation	3,597	624	-	4,221
Total capital assets, being depreciated, net	624	(624)	-	-
Total capital assets, net	$ 529,214	$ 163,131	$ -	$ 692,345

The above table includes a restatement to the beginning balance of construction in progress of $9,055. The restatement was necessary to include construction in progress expenditures that were incurred during the year ended December 31, 2011.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2012, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Meeks Park Fund	$ 12,000
Meeks Park Fund	General Fund	3,775
Meeks Park Fund	SPLOST III Fund	2,100
Nonmajor governmental funds	SPLOST III Fund	14,277

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) to reimburse funds for initial payment of SPLOST projects.

Advances to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Golf Course Fund	$ 668,660

This balance resulted from the General Fund providing cash flow payments on payroll and other services of the County's Golf Course. The Golf Course has a new management and is expected to repay these balances over the coming years.

Interfund transfers for the year ended December 31, 2012 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 134,257
SPLOST III Fund	General Fund	287,376
Meeks Park Fund	General Fund	897,819
Nonmajor governmental funds	General Fund	2,698,347
Nonmajor governmental funds	SPLOST III Fund	1,233,507
Nonmajor governmental funds	Nonmajor governmental funds	236,004

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) to move SPLOST funds to the debt service sinking fund for payment of bonds.

NOTE 8. LONG-TERM DEBT

A. Primary Government

The following is a summary of long-term debt activity for the year ended December 31, 2012:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable	$ 8,520,000	$ -	$ (820,000)	$ 7,700,000	$ 840,000
Plus: Premiums	109,568	-	(31,564)	78,004	-
Total bonds payable	8,629,568	-	(851,564)	7,778,004	840,000
Contracts payable	400,000	-	(100,000)	300,000	100,000
Capital leases payable	135,800	-	(66,099)	69,701	69,701
Landfill postclosure costs	257,473	328,967	(34,955)	551,485	49,000
Compensated absences	82,667	148,147	(173,529)	57,285	57,285
Governmental activities long-term liabilities	$ 9,505,508	$ 477,114	$ (1,226,147)	$ 8,756,475	$ 1,115,986
Business-type Activities:					
Capital leases payable	$ -	$ 119,437	$ (13,819)	$ 105,618	$ 30,640
Compensated absences	-	10,651	(5,799)	4,852	4,852
Business-type activities long-term liabilities	$ -	$ 130,088	$ (19,618)	$ 110,470	$ 35,492

For governmental activities, compensated absences and postclosure costs are liquidated by the General Fund.

The above table includes restatements to the beginning balances of bonds payable of $5,105,000 and premiums on bonds payable of $82,828. The restatements were necessary to include the Urban Redevelopment Agency (URA) bonds payable and premiums. The County has determined the URA should be reported as a blended component unit.

NOTE 8. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

General Obligation Bonds. During 2009, the County issued $5,000,000 of Series 2009 general obligation bonds. The 2009 Bonds were issued for the purpose of providing funds to finance the costs of various SPLOST III projects. They bear interest rates from 2.0%-3.0% and are payable on February 1 and August 1 of each year. The 2009 bonds mature on August 1, 2015.

The County's debt service requirements to maturity on the general obligation bonds are as follows:

Year ending December 31,	Principal	Interest	Total
2013	$ 840,000	$ 73,525	$ 913,525
2014	865,000	48,325	913,325
2015	890,000	26,700	916,700
Total	$ 2,595,000	$ 148,550	$ 2,743,550

Revenue Bonds. In November 2010, the Urban Redevelopment Agency of Union County, a blended component unit, issued $5,105,000 in revenue bonds to pay the construction costs of a multipurpose building on the golf course. The Authority will sell the multipurpose building upon completion of the project to the County pursuant to an agreement of sale for $5,105,000. The bonds are secured by the installment payments of the purchase price made by the County to the Agency. The bonds, which bear interest at rates from 4.5% to 5.00%, mature August 1, 2030.

The County's debt service requirements to maturity on the revenue bonds are as follows:

Year ending December 31,	Principal	Interest	Total
2013	$ -	$ 236,004	$ 236,004
2014	-	236,004	236,004
2015	-	236,004	236,004
2016	245,000	236,004	481,004
2017	255,000	224,979	479,979
2018-2022	1,460,000	942,194	2,402,194
2023-2027	1,835,000	569,879	2,404,879
2028-2030	1,310,000	127,806	1,437,806
Total	$ 5,105,000	$ 2,808,874	$ 7,913,874

NOTE 8. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Contracts Payable. In 1979, the County entered into an agreement to provide a maximum of $100,000 annually to the Hospital Authority of Union County (the "Authority") through 2015. The purpose of the payments is to aid in the funding of the Authority's operations. The amount may be reduced in any given year, but only by the direction of the Authority. During 2012, the Authority did not require the County to make the 2012 payment of $100,000 and this portion of the contract was forgiven by the Authority. The contract agreement does not bear interest.

The County's debt service requirements to maturity on the Authority contract are as follows:

Year ending December 31,	Principal
2013	$ 100,000
2014	100,000
2015	100,000
Total	$ 300,000

Landfill post-closure costs. Effective April 8, 1994, the Union County Landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, the County must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. As of December 31, 2012, the County has 11 years of monitoring remaining. Engineering studies estimate post-closure costs of approximately $551,485 over the 11-year period. These costs are based on what it would cost to perform all post-closure care in 2012, adjusted annually for inflation. Actual costs may be higher due to changes in inflation, changes in technology, or changes in regulations. Should any problems occur during this post-closure period, the costs and time period required for the maintenance and monitoring functions may substantially increase.

Capital Leases Payable – Public Safety Vehicles. The County has entered into a lease-purchase agreement to finance the acquisition of public safety vehicles. The lease is for a period of three years, at an interest rate of 5.45%. As of December 31, 2012, the County had $181,232, net of depreciation, of vehicles under capital lease.

Capital Leases Payable – Golf Course Equipment. The County has entered into three lease-purchase agreement to finance the acquisition of Golf Course equipment. The leases are for periods of four years, at interest rates of 6.98%, 6.98% and 4.25% respectively. As of December 31, 2012, the County had $103,512, net of depreciation, of equipment under capital lease.

NOTE 8. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

As of December 31, 2012 the future lease payments for the capital leases are as follows:

	Governmental Activities
Year Ending December 31,	
2013	$ 73,500
Total minimum lease payments	73,500
Less amount representing interest	3,799
Present value of future minimum lease payments	$ 69,701

	Business-type Activities
Year Ending December 31,	
2013	$ 37,489
2014	33,992
2015	33,992
2016	13,477
Total minimum lease payments	118,950
Less amount representing interest	13,332
Present value of future minimum lease payments	$ 105,618

B. Discretely Presented Component Unit – Health Department

Debt activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 50,863	$ 27,604	$ (29,258)	$ 49,209	$ 29,000

NOTE 8. LONG-TERM DEBT (CONTINUED)

C. Discretely Presented Component Unit – Development Authority

The Development Authority 's long-term debt activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Notes payable	$ 484,010	$ -	$ -	$ 484,010	$ -
Total	$ 484,010	$ -	$ -	$ 484,010	$ -

Notes Payable. In March 2011, the Development Authority entered into a note payable agreement with the OneGeorgia Authority, a department of the State of Georgia Department of Community Affairs, to finance the construction of a speculative building. The note has a draw period ending on September 30, 2016. As of December 31, 2012, the Authority has drawn the full available principal of the note of $484,010. Quarterly principal payments of $6,050 are due on January 1, April 1, July 1, and October 1 of every year, commencing at the earlier of October 1, 2016 or the time that the building is leased at a 70% occupancy rate. The note is secured by the building lessee rent payments, does not bear interest and matures on October 1, 2036.

The Authority's debt service requirements to maturity on the note payable are as follows:

Year ending December 31,	Principal
2013	$ -
2014	-
2015	-
2016	6,050
2017	24,201
2018-2022	121,003
2023-2027	121,003
2028-2032	121,003
2033-2036	90,750
Total	$ 484,010

NOTE 9. DEFINED CONTRIBUTION PLAN

The County participates in a deferred compensation plan, administered by GEBCorp, for employees under Internal Revenue Code section 457. The plan allows any full time employees to voluntarily defer receipt their gross compensation, not to exceed the maximum annual contribution established by the Internal Revenue Service. The County offers to match employee contributions up to 6% of the employee's salary. The County's match is deposited into the 401(a). All amounts of compensation under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants in the deferred compensation plan.

Additionally, the County provides a single employer 401(a) defined contribution plan established and administered by the County for all full time employees. At December 31, 2012, there were 80 plan members. The County is required to contribute 2.733% of employee's salary, up to a maximum of $12,000 annually. Employees are not required to contribute to the Plan. Employees are eligible after six months of employment and are fully vested after three years. Plan provisions and contribution requirements are established and may be amended by resolution of the County Commissioner. For year ending December 31, 2012, the County's contributions to the 401(a) Plan were $103,172 and the employees contributed $119,153 to the 457 Plan.

NOTE 10. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees; and losses resulting from providing accident and health benefits to employees and their dependents.

Medical Self-Insurance

The County provides health coverage for its employees under a plan of partial self-insurance. Under this plan, the County covers claim settlements and judgments out of its General Fund resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The County purchases commercial insurance for claims in excess of coverage provided by the County. During the year ended December 31, 2012, excess coverage was obtained for any individual claim in excess of $25,000. The County pays most of the coverage for eligible employees and their dependents. Employee contributions are used to pay claims and expenses of the plan incurred during the year.

NOTE 10. RISK MANAGEMENT (CONTINUED)

Medical Self-Insurance (continued)

The following describes the activity for the past year.

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2012	$ 216,742	$ 972,589	$ 976,960	$ 212,371
2011	14,015	1,278,502	1,075,775	216,742

General Liability and Workers' Compensation

The County participates in the Georgia Interlocal Risk Management Agency Fund and the Association of County Commissioners of Georgia Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of the risk pool, the County is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pool's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The County also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. Settled claims have not exceeded insurance coverage in any of the past three years. There have been no significant reductions of insurance coverage from coverage in the prior year.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The County is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the County.

Grant Contingencies

The County has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, County management believes such disallowances, if any, will not be significant.

NOTE 12. OPERATING LEASES

A. Primary Government

The County leases copy machines and several pieces of judicial and public safety equipment under non-cancelable operating leases. Total costs for such leases for governmental activities were $18,108 for the year ended December 31, 2012. The future minimum lease payments for these governmental activities leases are as follows:

Year Ending December 31,		
2013	$	16,844
2014		8,850
2015		1,970
2016		1,020
2017		1,020
2018		850
	$	30,554

NOTE 12. OPERATING LEASES (CONTINUED)

A. Primary Government (Continued)

The County leases golf course equipment under non-cancelable operating leases. Total costs for such leases for business type activities were $57,310 for the year ended December 31, 2012. The future minimum lease payments for these business type activities leases are as follows:

Year Ending December 31,		
2013	$	72,531
2014		66,531
2015		36,531
2016		57,130
	$	232,723

B. Discretely Presented Component Unit – Development Authority

The Development Authority a vehicle under a non-cancelable operating lease. Total costs for the lease was $5,704 for the year ended December 31, 2012. The future minimum lease payments for the lease is as follows:

Year Ending December 31,		
2013	$	5,704
2014		951
	$	6,655

NOTE 13. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. During the year ended December 31, 2012, the County paid $22,683 in such dues. Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia.

The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional development commission. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission
P.O. Box 1720
Gainesville, GA 30503

The County participates with Lumpkin and Towns Counties in the North Georgia Waste Management Authority. The Authority studied solid waste disposal issues, developed a plan to recycle waste paper and has leased those facilities to private entities. Union County has an ongoing financial interest and obligation for funding debt service requirements. The participating counties are annually assessed varying amounts to cover the Authority's inability to service its debt. During the year ended December 31, 2012, the County made no payments to the Authority. As of December 31, 2012, the Authority does not have any debt outstanding. Separate financial statements can be obtained from their office at:

North Georgia Waste Management Authority
170 Scoggins Drive
Demorest, Georgia 30535

NOTE 14. HOTEL/MOTEL TAX

The County has levied a 5% lodging tax. During the year ended December 31, 2012, the County collected $119,301 in hotel/motel taxes. Of this amount $110,004, or 92%, was expended on the promotion of tourism in accordance with the provisions of O.C.G.A. 48-13-51.

NOTE 15. CHANGE IN REPORTING ENTITY

Previously, the County reported the Debt Service Obligation Fund as a nonmajor governmental debt service fund. During the year ended December 31, 2012, management of the County decided to consolidate the activity of this fund into the County's General Fund and as a result, the following restatement to beginning fund balance was noted for the General Fund:

Fund balance, General Fund, as previously reported	$ 6,458,018
Restatement for consolidation of funds	287,387
Beginning fund balance, General Fund, restated	$ 6,745,405

This change in reporting entity noted above resulted in changes to beginning fund balance of the Nonmajor Governmental Funds as follows:

Fund balance, Nonmajor governmental funds, as previously reported	$ (878,153)
Restatement for consolidation of funds	(287,387)
Fund balance, Nonmajor governmental funds, restated	$ (1,165,540)

NOTE 16. RESTATEMENTS TO OPENING EQUITY

The County has determined that a restatement of beginning fund balance of the General Fund is necessary to (1) adjust overstated property tax revenues and related accrued interest on late tax receivable amounts which were unavailable as of December 31, 2011, (2) reduce miscellaneous revenues for receivable amounts considered unavailable as of December 31, 2011, (3) properly report sales tax revenues and receivables which were overstated as of December 31, 2011, and (4) accrue expenditures for health care claims which were incurred but not reported as of December 31, 2011. These adjustments resulted in changes to the beginning fund balance of the General Fund as follows:

Fund balance, General Fund, as restated in Note 15	$ 6,745,405
Restatement for unavailable property tax revenues and related interest	(397,826)
Restatement for overstated miscellaneous revenues which were unavailable	(382,857)
Restatement to remove over accrued sales tax revenue	(213,822)
Restatement for unrecorded health claims expenditures	(152,583)
Fund balance, General Fund, restated	$ 5,598,317

NOTE 16. RESTATEMENTS TO OPENING EQUITY (CONTINUED)

The County has determined that a restatement of beginning fund balance of the SPLOST III Fund is necessary to (1) properly report sales tax revenues and receivables which were overstated as of December 31, 2011 and (2) to remove accounts payable and related expenditures that were improperly recorded as of December 31, 2011. These adjustments resulted in changes to the beginning fund balance of the SPLOST III Fund as follows:

Fund balance, SPLOST III Fund, as previously reported	$ 2,123,180
Restatement to remove sales tax revenue and related receivable	(267,278)
Restatement to remove expenditures and related accounts payable	17,000
Fund balance, SPLOST III Fund, restated	$ 1,872,902

The County has determined that a restatement of beginning fund balance of the Nonmajor Governmental Funds is necessary to (1) properly report omitted Jail Operations Fund commissary commissions as of December 31, 2011, (2) properly report Multiple Grant Fund grant revenues which were previously deferred, however all eligibility requirements had been met and was available as of December 31, 2011, (3) to properly report Capital Projects Fund grant revenues for which were previously deferred, however all eligibility requirements had been meet and was available as of December 31, 2011, and (4) to correctly report the activity of the Urban Redevelopment Agency (URA), as a blended component unit of the County, which was incorrectly reported as a discretely presented component unit at December 31, 2011. These adjustments resulted in changes to the beginning fund balance of the Nonmajor Governmental Funds as follows:

Fund balance, Nonmajor Governmental Funds, as restated in Note 15	$ (1,165,540)
Restatement for unreported commissions revenues	25,640
Restatement for unrecognized grant revenues	50,101
Restatement for unrecognized grant revenues	13,511
Restatement for correction of reporting the URA Fund	325,925
Fund balance, Nonmajor Governmental Funds, restated	$ (750,363)

The County has determined that a restatement was necessary regarding the reporting of the Pension Trust Fund. The County's retirement plan qualifies as a defined contribution plan for which the County has no fiduciary responsibility and therefore, should not be reported in the County's basic financial statements as a fiduciary fund of the County. This resulted in the elimination of the Pension Trust Fund and the previously reported net assets of $865,880.

NOTE 16. RESTATEMENTS (CONTINUED)

The County has determined that a restatement to beginning net position of the Governmental Activities was required to (1) recognize the change in accounting principle for implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, through which bond issuance costs are written off as of January 1, 2012, (2) record the effects of the restatements noted above for the General, SPLOST III and Nonmajor Governmental Funds, (3) properly report property tax revenues that were unearned as of December 31, 2011, and (4) correctly report the activity of the Urban Redevelopment Agency (URA), which is considered a blended component unit of the County, however was incorrectly reported as a discretely presented component unit at December 31, 2011. These adjustments resulted in changes to beginning net position of Governmental Activities as follows:

	Governmental Activities
Net position, as previously reported	$ 47,461,672
Recognition of bond issuance costs in accordance with GASB 65	(228,273)
Net effect of above restatements in the General Fund	(366,405)
Net effect of above restatements in the SPLOST III Fund	(250,278)
Net effect of above restatements in the Nonmajor Governmental Funds	89,252
Restatement for correction of the URA	152,002
Restatement for unearned property tax revenues	(6,290,030)
Net position, as restated	$ 40,567,940

The County has determined that a restatement to beginning net position of a discretely presented component unit was necessary to correctly report the activity of the Urban Redevelopment Agency (URA), which is considered a blended component unit of the County, however was incorrectly reported as a discretely presented component unit at December 31, 2011. The adjustment resulted in elimination of the beginning net position of the URA as follows:

Net position, URA, as previously reported	$ 152,002
Restatement for correction of the URA	(152,002)
Net position, URA, as restated	$ -

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditure for particular purposes.

Law Library Fund - to account for the revenues and related expenditures of operating the County's Law Library. The revenues collected are from legally restricted fines, as provided by State law.

Seizures Fund - to account for funds from seizures, which are restricted by law, to be used for law enforcement activities. Funds may be used for any public safety purpose except salaries of law enforcement personnel, as restricted by State law.

Emergency 911 Fund - to account for the monthly 911 charge to help fund the cost of providing emergency 911 services. Revenues are expended for system operations and capital assets, as restricted by State law.

Local Victims Assistance Fund – To account for the 4% fee added to Court fines restricted by State law, for the benefit of victims of crime and their families.

Jail Operations Fund – to account for collection of penalty assessments in certain court cases and to account for the commissions made by the Sheriff's office from canteen sand other sales to the inmates. Penalty assessments are restricted for construction, operation, and staffing of County correctional and detention center, as required by State law. Commissions from the inmates have been committed by the Sheriff to be used on the County Jail and the inmates.

Drug Abuse Fund - to account for funds collected from fines and forfeitures to be used to create and maintain a Drug Abuse Fund. Proceeds are restricted by State law for drug abuse treatment and education programs.

Juvenile Court Fund - to account for funds from fines and forfeitures to be used for law enforcement activities. The allowable expenditures of these fines are restricted under state law.

Multiple Grant Fund - to account for governmental grants received and the related expenditures.

Hotel/Motel Tax Fund - to account for monies collected from the 5% lodging tax. Revenues collected are restricted by State law for the promotion of tourism.

Capital Projects Funds

TEA Grant Fund - to account for Transportation Enhancement Assistance (TEA) grant funds received and the related expenditures.

SPLOST II Fund – to account for the expenditures of the 2003 SPLOST.

Capital Projects Fund - to account for the resources accumulated and used for the acquisition and construction of major capital projects.

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

Debt Service SPLOST Fund - to account for the debt service expenditures of the County's various projects funded through sales tax proceeds.

Urban Redevelopment Agency – to account for various expenditures for land purchases and development projects, as well as the related financing of such projects of the Urban Redevelopment Agency.

UNION COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue Funds						
ASSETS	**Law Library Fund**	**Seizures Fund**	**Emergency 911 Fund**	**Local Victims Assistance Fund**	**Jail Operations Fund**	**Drug Abuse Fund**	**Juvenile Court Fund**
Cash and cash equivalents	$ 51,916	$ 14,814	$ -	$ 1,144	$ 234,751	$ 109,080	$ 13,569
Receivables	2,433	-	75,252	2,400	-	-	-
Due from other funds	-	-	-	-	-	-	-
Restricted assets:							
Cash	-	-	-	-	-	-	-
Total assets	$ 54,349	$ 14,814	$ 75,252	$ 3,544	$ 234,751	$ 109,080	$ 13,569
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ -	$ -	$ -	$ 2,280	$ -	$ -	$ -
Other accrued liabilities	-	-	5,143	-	-	-	-
Total liabilities	-	-	5,143	2,280	-	-	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - intergovernmental	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
FUND BALANCES							
Restricted for:							
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Public safety activities	-	14,814	70,109	-	198,595	109,080	-
Law library operations	54,349	-	-	-	-	-	-
Judicial activities	-	-	-	-	-	-	13,569
Health and welfare activities	-	-	-	1,264	-	-	-
Tourism	-	-	-	-	-	-	-
Comitted:							
Jail operations	-	-	-	-	36,156	-	-
Assigned:							
Capital projects	-	-	-	-	-	-	-
Various grant projects	-	-	-	-	-	-	-
Total fund balances	54,349	14,814	70,109	1,264	234,751	109,080	13,569
Total liabilities, deferred inflows of resources, and fund balances	$ 54,349	$ 14,814	$ 75,252	$ 3,544	$ 234,751	$ 109,080	$ 13,569

Special Revenue Funds		Capital Projects Funds			Debt Service Funds		
Multiple Grant Fund	Hotel/Motel Tax Fund	TEA Grant Fund	SPLOST II Fund	Capital Projects Fund	Debt Service SPLOST Fund	Urban Redevelopment Agency	Total Nonmajor Governmental Funds
$ 479	$ -	$ -	$ 2,565	$ 315,057	$ -	$ -	$ 743,375
72,555	16,503	-	-	-	-	-	169,143
14,277	-	-	-	-	-	-	14,277
-	-	-	-	-	592,933	-	592,933
$ 87,311	$ 16,503	$ -	$ 2,565	$ 315,057	$ 592,933	$ -	$ 1,519,728
$ 379	$ 14,853	$ -	$ -	$ -	$ -	$ -	$ 17,512
-	-	-	-	-	-	-	5,143
379	14,853	-	-	-	-	-	22,655
72,555	-	-	-	-	-	-	72,555
72,555	-	-	-	-	-	-	72,555
-	-	-	-	-	592,933	-	592,933
-	-	-	2,565	-	-	-	2,565
-	-	-	-	-	-	-	392,598
-	-	-	-	-	-	-	54,349
-	-	-	-	-	-	-	13,569
-	-	-	-	-	-	-	1,264
-	1,650	-	-	-	-	-	1,650
-	-	-	-	-	-	-	36,156
-	-	-	-	315,057	-	-	315,057
14,377	-	-	-	-	-	-	14,377
14,377	1,650	-	2,565	315,057	592,933	-	1,424,518
$ 87,311	$ 16,503	$ -	$ 2,565	$ 315,057	$ 592,933	$ -	$ 1,519,728

UNION COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds						
	Law Library Fund	Seizures Fund	Emergency 911 Fund	Local Victims Assistance Fund	Jail Operations Fund	Drug Abuse Fund	Juvenile Court Fund
Revenues:							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	-	-	-
Fines and forfeitures	11,898	15,500	-	-	33,703	30,906	1,100
Charges for services	5,737	-	360,543	19,398	10,516	-	-
Interest income	101	2	-	-	2,247	1,489	172
Total revenues	17,736	15,502	360,543	19,398	46,466	32,395	1,272
Expenditures:							
Current:							
Judicial	14,516	2,213	-	-	-	-	-
Public safety	-	-	548,995	-	-	23,328	400
Health and welfare	-	-	-	17,012	-	-	-
Housing and development	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	14,516	2,213	548,995	17,012	-	23,328	400
Excess (deficiency) of revenues over expenditures	3,220	13,289	(188,452)	2,386	46,466	9,067	872
Other financing sources (uses):							
Transfers in	-	-	1,175,443	-	-	-	-
Transfers out	-	-	-	(5,752)	-	-	-
Total other financing sources (uses)	-	-	1,175,443	(5,752)	-	-	-
Net change in fund balances	3,220	13,289	986,991	(3,366)	46,466	9,067	872
Fund balances (deficit), beginning of year, restated	51,129	1,525	(916,882)	4,630	188,285	100,013	12,697
Fund balances, end of year	$ 54,349	$ 14,814	$ 70,109	$ 1,264	$ 234,751	$ 109,080	$ 13,569

Special Revenue Funds		Capital Projects Funds			Debt Service Funds		
Multiple Grant Fund	Hotel/Motel Tax Fund	TEA Grant Fund	SPLOST II Fund	Capital Projects Fund	Debt Service SPLOST Fund	Urban Redevelopment Agency	Total Nonmajor Governmental Funds
$ -	$ 119,301	$ -	$ -	$ -	$ -	$ -	$ 119,301
382,219	-	-	-	-	-	-	382,219
-	-	-	-	-	-	-	93,107
-	-	-	-	-	-	-	396,194
-	-	-	5	3,944	494	-	8,454
382,219	119,301	-	5	3,944	494	-	999,275
7,701	-	-	-	-	-	-	24,430
230,422	-	-	-	-	-	-	803,145
3,679	-	-	-	-	-	-	20,691
183,597	110,004	-	-	-	-	-	293,601
-	-	-	-	-	-	325,925	325,925
-	-	-	-	-	820,000	-	820,000
-	-	-	-	-	98,195	236,004	334,199
425,399	110,004	-	-	-	918,195	561,929	2,621,991
(43,180)	9,297	-	5	3,944	(917,701)	(561,929)	(1,622,716)
1,366,104	-	101,800	1,250	55,000	1,232,257	236,004	4,167,858
(106,997)	(21,508)	-	-	-	(236,004)	-	(370,261)
1,259,107	(21,508)	101,800	1,250	55,000	996,253	236,004	3,797,597
1,215,927	(12,211)	101,800	1,255	58,944	78,552	(325,925)	2,174,881
(1,201,550)	13,861	(101,800)	1,310	256,113	514,381	325,925	(750,363)
$ 14,377	$ 1,650	$ -	$ 2,565	$ 315,057	$ 592,933	$ -	$ 1,424,518

UNION COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE YEAR ENDED DECEMBER 31, 2012

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2009 SPLOST					
Administration Costs	$ 630,000	$ 500,000	$ 158,406	$ 62,316	$ 220,722
Roads & Bridges	11,760,000	4,469,848	2,149,226	822,523	2,971,749
Jail Renovation & Expansion	1,960,000	87,490	63,504	-	63,504
Administrative Annex Renovations	490,000	500,000	-	-	-
Park & Recreation Facilities	5,047,000	4,271,789	2,366,621	399,750	2,766,371
Library Renovation, Expansion & Books	882,000	930,000	923,673	5,476	929,149
Public Safety Facilities, Vehicles & Equipment	2,009,000	2,337,785	1,396,008	199,322	1,595,330
Solid Waste Transfer Station	833,000	75,000	-	-	-
Farmers Market Facilities	784,000	1,199,860	701,710	482,503	1,184,213
Civic Center Renovation & Expansion	245,000	250,000	246,858	3,000	249,858
Multi-use Building for Economic Development, Community Center & Golf Course Shop	3,430,000	3,500,000	629,165	303,978	933,143
Historic Facilities Renovations	1,323,000	594,755	170,486	51,337	221,823
Animal Control Facilities	147,000	150,000	118,040	30,745	148,785
City of Blairsville Facilities	1,960,000	1,277,053	561,000	207,600	768,600
Total 2009 SPLOST	$ 31,500,000	$ 20,143,580	$ 9,484,697	$ 2,568,550	$ 12,053,247
Transfers to Debt Service funds, funded with remaining 1998 SPLOST funds				411,259	
Transfers to Debt Service funds, for sinking fund requirements				488,119	
Total SPLOST Fund Expenditures				$ 3,467,928	

AGENCY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, and other governments.

Tax Commissioner - to account for the collection of all property taxes which are disbursed to other taxing units.

Clerk of Courts - to account for collection of cash bonds, fines, forfeitures and other fees which are disbursed to other parties.

The following agency funds are used to account for fines, fees and other moneys collected by the courts and remitted to other parties in accordance with court orders and state law:

Sheriff
Probate Court
Magistrate Court

UNION COUNTY, GEORGIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012

ASSETS	Tax Commissioner	Sheriff	Clerk of Courts	Probate Court	Magistrate Court	Total
Cash	$ 17,522	$ 643	$ 355,306	$ 26,397	$ 550	$ 400,418
Taxes receivable	2,992,339	-	-	-	-	2,992,339
Total assets	$ 3,009,861	$ 643	$ 355,306	$ 26,397	$ 550	$ 3,392,757
LIABILITIES						
Due to others	$ 17,522	$ 643	$ 355,306	$ 26,397	$ 550	$ 400,418
Uncollected taxes	2,992,339	-	-	-	-	2,992,339
Total liabilities	$ 3,009,861	$ 643	$ 355,306	$ 26,397	$ 550	$ 3,392,757

COMPONENT UNIT – DEVELOPMENT AUTHORITY

UNION COUNTY, GEORGIA

BALANCE SHEET
COMPONENT UNIT - UNION COUNTY DEVELOPMENT AUTHORITY
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS	
Cash	$ 181,390
Land held for resale	1,720,379
Receivables	151,770
Total assets	$ 2,053,539

LIABILITIES AND FUND BALANCE

LIABILITIES	
Accounts payable	$ 164,016
Total liabilities	164,016
FUND BALANCE	
Restricted for economic development	1,889,523
Total fund balance	1,889,523
Total liabilities and fund balance	$ 2,053,539

UNION COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPONENT UNIT - UNION COUNTY DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2012

REVENUES		
Intergovernmental revenues	$	317,276
Interest		375
Miscellaneous		20,001
Total revenues		337,652
EXPENDITURES		
Current:		
Housing and development		325,410
Total expenditures		325,410
Net change in fund balances		12,242
FUND BALANCES, beginning of year		1,877,281
FUND BALANCES, end of year	$	1,889,523

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT 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 *GOVERNMENT AUDITING STANDARDS*

Honorable Lamar Paris, Commissioner
of Union County, Georgia
Blairsville, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Union County, Georgia (the "County") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 25, 2013. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our report also includes a reference to other auditors who audited the financial statements of the Union County Health Department, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2012-1 through 2012-6, to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs, as item 2012-7, to be a significant deficiency.

Compliance and Other Matters

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

Union County, Georgia's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2013

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Lamar Paris, Commissioner
of Union County, Georgia
Blairsville, Georgia

Report on Compliance for Each Major Federal Program

We have audited Union County, Georgia's (the "County's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-8. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2012-8 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was no subjected to the auditing procedures applied to the audit of compliance and, accordingly, we express no opinion on the response.

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

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Mauldin & Jenkins, LLC

Atlanta, Georgia
June 25, 2013

UNION COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed through Appalachian Drug Task Force:			
Edward Byrne Memorial Justice Assistance Grant	16.738	B12-8-021	$ 31,541
Passed through Council of Juvenile Court Judges of Georgia:			
Juvenile Accountability Block Grant	16.523	JB-09ST-0004	7,425
Total U.S. Department of Justice			38,966
U.S. DEPARTMENT OF AGRICULTURE			
Direct Award:			
Rural Business Enterprise Grant Program	10.769	11-044-580940911	92,000
Passed through the Natural Resources Conservation Service:			
Environmental Quality Incentives Program	10.912	GA-2012-000-00511	23,503
Passed through the United States Forest Service:			
Secure Rural Schools and Community Self-Determination Act of 2000 Program	10.665	2009 (P.L. 110-343)	83,668
Total U.S. Department of Agriculture			199,171
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Award:			
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2009-FH-00513	112,370
Passed through Georgia Emergency Management Agency:			
Emergency Management Performance Grant	97.042	P12-12-146	13,033
Emergency Management Performance Grant	97.042	2009-SS-T9-0047	8,031
			21,064
Homeland Security Program	97.067	2009-SS-T9-0047	441
Total U.S. Department of Homeland Security			133,875
U.S. DEPARTMENT OF INTERIOR			
Payments in Lieu of Taxes Program	15.226	None	143,774
Total U.S. Department of Interior			143,774

(continued)

UNION COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Georgia Department of Community Affairs:			
Community Development Block Grant	14.228	12-p-y-144-1-5449	479
Total U.S. Department of Housing and Urban Development			479
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Georgia Department of Transportation:			
Section 5311 Rural Public Transportation	20.509	GA-18-4032	9,954
Section 5311 Rural Public Transportation	20.509	GA-18-4033	10,570
Section 5311 Rural Public Transportation - ARRA	20.509	07-LE-11080317-008	3,300
			23,824
Passed through Governor's Office of Highway Safety:			
Small Agency Incentive Grant	20.601	GA-2012-000-00511	9,900
Passed through Appalachian Regional Commission:			
Appalachian Area Development	23.011	GA-16712-2010	100,000
Total U.S. Department of Transportation			133,724
U.S. DEPARTMENT OF ENERGY			
Passed through Georgia Environmental Facilities Agency:			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	DE-000806	13,500
Total U.S. Department of Energy			13,500
Total Expenditures of Federal Awards			$ 663,489

See accompanying note to schedule of expenditures of federal awards.

UNION COUNTY, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Union County, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

UNION COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ yes _____ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes _____ no
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	____ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes _____ no
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	__X__ yes _____ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
10.769	Rural Business Enterprise Grant Program
15.226	Payments in Lieu of Taxes Grant
97.083	Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	_____ yes __X__ no

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-1 Reporting Entity Misstatements

Criteria: Internal controls should be in place to ensure that the financial statements properly present the financial position and results of operations of the County in accordance with generally accepted accounting principles (GAAP).

Condition: Internal controls were not sufficient to detect misstatements in the County's financial statements as of December 31, 2012.

Context/Cause: During our audit for the year ended December 31, 2012, several material misstatements were identified for which the County was incorrectly reporting activity of the County. The nature of these adjustments is as follows:

- In the Jail Operations Fund, charges for services revenues were improperly omitted by the previous Sheriff from recording in the County general ledger. Audit adjustments totaling approximately $36,000 were required to properly report commissions from the jail inmates on commissary sales, which should be reported as charges for service revenues. Included in the aforementioned adjustment was an adjustment of approximately $26,000 to report the opening fund balance effect by not previously reporting the activity in the special revenue fund.
- For the year ended December 31, 2011, the Urban Redevelopment Agency (URA) was improperly reported as a discretely presented component unit. It was determined by County management in the current year that the URA should be reported as a blended component unit. The addition of the URA's balance sheet accounts and current year activity under the modified accrual basis of accounting required adjustments totaling approximately $5,216,000. Included in the aforementioned adjustments were adjustments of $326,000 to correct beginning fund balance and $152,000 to correct beginning net position of Governmental Activities.
- The County's retirement plan qualifies as a defined contribution plan for which the County has no fiduciary responsibility and therefore, should not be reported in the County's basic financial statements as a fiduciary fund of the County. Since the Pension Trust Fund was not required to be reported an audit adjustment totaling approximately $1,089,000 was required to remove the pension fund's assets and activity from the County's general ledger, including $866,000 to beginning net position.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2012-1 Reporting Entity Misstatements (Continued)

Effects: Audit adjustments totaling approximately $6,341,000, including approximately $1,370,000 to opening equities, were required to include the URA as a blended component unit ($5,216,000), remove the Pension Trust Fund ($1,089,000) and add additional charges for services to the Jail Fund ($36,000) to current and prior year balances.

Recommendation: We recommend the County carefully review the financial statements and their applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported.

Auditee's Response: We will continue to work with the elected officials to provide for the proper reporting of revenues from all sources and take necessary steps to review the implementation of all reporting standards as they relate to the County's financial statements.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2012-2 Revenues and Related Balance Sheet Accounts

Criteria: Internal controls should be in place to ensure that the amounts reported as revenues and related balance sheet accounts are appropriate and properly valued.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's revenues and related balance sheet accounts.

Context/Cause: During our testing, certain audit adjustments were required to correct current year revenues and related assets and liabilities. The nature of these adjustments is as follows:

- In the General Fund, unavailable miscellaneous revenues were improperly recognized as revenue in a prior year. The revenues are related to reinsurance claims for outstanding claims payable, for which the reimbursement has not been collected as of December 31, 2012. An audit adjustment totaling approximately $383,000 was required to correct beginning fund balance.
- In the General Fund, unavailable property taxes and related penalties and interest revenues were improperly recognized as revenue. Audit adjustments totaling approximately $1,175,000 were required to properly report property tax revenues and their related liabilities ($372,000) and interest and penalties and their related liabilities ($405,000). As part of the adjustments, approximately $398,000 of adjustments were posted to decrease opening fund balance.
- In the General Fund, sales tax revenues pertaining to subsequent periods were improperly accrued. An audit adjustment totaling approximately $385,000 was required to properly report sales tax revenues and receivables. An adjustment of approximately $171,000 was required to remove current year overstatement of accrued revenues, and approximately $214,000 to correct the prior year accrual.
- In the Multiple Grant Fund, intergovernmental funds received in a prior year that had met all eligibility requirements were not reported as revenue. An audit adjustment of approximately $50,000 was required to report revenues in the prior year to correct beginning fund balance.
- In the Multiple Grant Fund, audit adjustments of approximately $73,000 were required to properly report intergovernmental revenues and deferred revenues for amounts not considered available in accordance with the County's revenue recognition policy.
- In the Capital Projects Funds, intergovernmental funds received in a prior year that had met all eligibility requirements were improperly reported as unearned revenue. An audit adjustment of approximately $14,000 was required to correct beginning fund balance.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2012-2 Revenues and Related Balance Sheet Accounts (Continued)

- In the SPLOST III Fund, sales tax revenues pertaining to the subsequent period were accrued. Audit adjustments totaling approximately $481,000 were required to properly report sales tax revenues and receivables. An adjustment of approximately $213,000 was required to adjust current year accrued revenues, and approximately $268,000 to correct prior year's over accrual of revenues.
- In the SPLOST III Fund, an audit adjustment totaling approximately $466,000 was required to properly report intergovernmental revenues which were improperly reported as unearned revenues. Governmental Accounting Standards Board Statement Number 33 states a purpose restriction is not an appropriate reason for deferral of the recognition of grant revenues; therefore this amount should be reported as revenue in the 2012 year.
- During the conversion from modified accrual basis of accounting to a full accrual basis of accounting, we noted the 2011 taxes which were levied in 2011 for the operation of the County's 2012 year were not recognized as unearned tax revenues in the governmental activities. An adjustment and restatement to the beginning net position for governmental activities of approximately $6,290,000 was required to correct for unearned tax revenues, which were recognized in the governmental activities as revenue at December 31, 2011. The County levies the tax for the following fiscal year's operations and as such, the full levy from 2011 should have been reported as unearned revenues on the Statement of Net Assets.
- In the Meeks Park Fund, approximately $145,000 was reclassified as transfers in from the General Fund, as it was determined these funds were improperly reported as interfund payables.

Effects: Audit adjustments and restatements to the full accrual conversion process totaling approximately $9,462,000, including $7,617,000 to beginning equities, were needed to correctly report revenues and related balance sheet accounts in the current and prior periods.

Recommendation: We recommend the County carefully review all revenues and related balance sheet accounts to ensure they are reported in the proper reporting period, and in accordance with generally accepted accounting principles.

Auditee's Response: While the County had relied on the advice of the previous auditor regarding the conversion of the financial statements, in the future we will take necessary steps to ensure that the County's financial reporting complies with the current GAAP and GASB reporting requirements.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2012-3 Expenditures and Related Liabilities

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles.

Condition: Material misstatements were detected in the reporting of the County's expenditures and related liabilities.

Context/Cause: During our testing of expenditures and related liabilities certain audit adjustments were required to correct the recognition and reporting of expenditures and the related liabilities. The nature of those entries is described below:

- In the General Fund, health claims expenditures and related liabilities were understated. Adjustments totaling approximately $454,000, including $153,000 to beginning fund balance, were required to properly accrue health claims expenditures and related liabilities.
- In the SPLOST III Fund, intergovernmental expenditures and related liabilities were accrued, but not incurred as of December 31, 2011. Audit adjustments totaling approximately $17,000 were required to correct beginning fund balance.

Effects: Audit adjustments totaling approximately $471,000, including approximately $170,000 to beginning fund balances, were needed to correctly report expenditures and the related liabilities in the current and prior years.

Recommendation: We recommend the County carefully review all expenditures and related accrued liabilities to ensure all necessary transactions are reported in the proper period.

Auditee's Response: We will take necessary steps in the future to ensure that expenditures and related liabilities are properly recorded, including posting claims through the end of fieldwork. We will monitor State disbursement policies to ensure proper posting of all accruals to all funds.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2012-4 Reporting of Federally Funded Activities

Criteria: OMB Circular A-133, subpart C, section 310(b) provides that the auditee shall prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements.

Condition: Expenditures of federal funds were not included in the reporting of the County's schedule of expenditures of federal awards (SEFA) for the County's year ending December 31, 2012.

Context/Cause: During our testing of the SEFA, it was noted that the total federal expenditures were understated for the year ending December 31, 2012. Adjustments totaling approximately $353,000 were required to properly report the County's federally funded expenditures for the year ended December 31, 2012.

Effects: Adjustments totaling approximately $353,000 were needed to correctly report the County federal expenditures on the SEFA. The total adjusted SEFA balance, after adjustments, was approximately $663,000.

Recommendation: We recommend the County carefully review all intergovernmental revenues as well as grant agreements and related expenditures to ensure amounts are correctly reported on the SEFA.

Auditee's Response: We will take necessary steps in the future to contact the necessary agencies to determine the original source of all intergovernmental revenues to ensure that all expenditures for federal award programs are reported correctly on the SEFA.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2012-5 Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

Condition: The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult.

Context/Cause: Below are instances of deficiencies in internal controls that were noted during interviews regarding internal control procedures:

- The Clerk of Courts' daily cash receipts reconciliations and month end bank reconciliations are not reviewed and approved by someone independent of the preparer. In order to reduce the County's exposure to intentional or unintentional misappropriation of assets in the Clerk of Courts cash, policies and procedures should be established to implement and document formal review processes.
- The Magistrate Court's daily cash receipts reconciliations and month end bank reconciliations are not reviewed and approved by someone other than the preparer. In order to reduce the County's exposure to intentional or unintentional misappropriation of assets in the Magistrate Court cash, policies and procedures should be established to implement and document formal review processes.
- The Sheriff's Office's month end bank reconciliations are not reviewed and approved by someone other than the preparer. In order to reduce the County's exposure to intentional or unintentional misappropriation of assets in the Sheriff's Office cash, policies and procedures should be established to implement and document a formal review process.

Effects: Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the County.

Recommendation: We recommend the County review its processes and determine where it can effectively segregate duties and implement the other internal control items noted to alleviate the segregation of duties issues as described above.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2012-5 Segregation of Duties (Continued)

Auditee's Response: We will review our operations to determine the most efficient and effective solutions to properly segregate duties at the County.

SECTION II
FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (Continued)

2012-6 Maintenance of General Ledger (Development Authority)

Criteria: Internal controls should be in place to ensure that general ledgers are properly maintained using full accrual and modified-accrual accounting methods, as applicable and based on generally accepted accounting principles (GAAP) for the entity.

Condition: Material misstatements were detected in the reporting of the County's Development Authority.

Context/Cause: During our testing, certain audit adjustments were required to correct Development Authority account balances. The nature of these adjustments is as follows:

- Audit adjustments of approximately $2,000 were required to properly record prior year audit adjustments and properly report beginning net position.
- An audit adjustment of approximately $152,000 was required to properly report intergovernmental revenues and related receivables to offset eligible expenditures which were incurred prior to December 31, 2012.
- Audit adjustments totaling approximately $173,000 were required to properly report capital assets and accounts payable for goods and services which were received or provided to the Authority prior to December 31, 2012.
- An audit adjustment of approximately $9,000 was required to properly report expenditures incurred prior to December 31, 2011 as an adjustment to reduce opening fund balance.

Effects: Audit adjustments totaling approximately $336,000 were needed to correct Development Authority account balances.

Recommendation: We recommend that the County carefully review all transactions of the Development Authority to ensure that transactions are recorded in accordance with generally accepted accounting principles.

Auditee's Response: We will pass the above findings to the Board of the Development Authority for their review. We will provide assistance if requested to ensure all transactions are properly recorded by the Development Authority.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2012-7 Subsidiary Ledger Maintenance

Criteria: All agency funds must have a proper function of receiving funds, recording the receipt of funds, and timely and properly remitting such funds to the appropriate parties upon their disposition in accordance with State of Georgia laws.

Condition: Internal controls were not sufficient to track and timely remit cash collections by the Tax Commissioner, Clerk of Courts, and Probate Court of the County; thus they were unable to identify the proper parties to whom liabilities were owed as of December 31, 2012.

Context/Cause: During our audit inquiries and testing, it was noted the Tax Commissioner, Clerk of Courts, and Probate Court lacked detailed subsidiary listings of parties to whom funds were owed. As a result, each of the offices had cash on hand for which they could not identify the person(s) or purpose they were holding funds for.

Effects: The unidentified funds stemmed from a lack of subsidiary ledger maintenance which resulted in approximately $9,000, $8,000, and $8,000 in unidentified funds in the Tax Commissioner Fund, Clerk of Courts Fund, and Probate Court Fund, respectively.

Recommendation: We recommend that the Tax Commissioner, Clerk of Courts, and Probate Court continue to reconcile its cash accounts to the subsidiary listings to ensure that they are paying out all cash subsequent to collection. The offices should make every effort to determine who the proper payee(s) are for these funds and disburse the moneys as necessary. If the payee cannot be determined, consultation with the County Attorney is recommended to determine the proper avenue to disburse these funds in accordance with applicable laws.

Auditee's Response: We will take necessary steps to work with the County attorney and the respective elected officials to ensure the proper disposition of these outstanding balances.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012-8 Procurement

Program: U.S. Department of Agriculture (CFDA No. #10,769)
CFDA Program Title: Rural Business Enterprise Grant Program

Criteria: Grant requirements state non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. Additionally, the grant agreement with the U.S. Department of Agriculture called for the County to obtain a certification on Form AD-1048 *Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions* for any person or entity for which the County does business with as a result of the federal funds.

Condition: The County is required to have the vendors specifically confirm their exclusion from the database for contracts funded by federal programs and the County may elect to check the *Excluded Parties List System* (*EPLS*). We tested the one contract (one vendor) which was procured in the 2012 year and noted the vendor file did not have documentation to confirm the contractor was not suspended or debarred from working with federally funded projects. The vendor which was tested accounted for approximately 34% of the total federal expenditures.

Context/Cause: During our testing of the County's compliance with the procurement requirements, we noted that while the County was familiar with the requirement and how to use the *EPLS*, they did not have the appropriate documentation to support or validate their testing of the selected vendor. The County was not requiring the contractor to sign certification Form AD-1048, nor did the County maintain results of their performing a search of the *EPLS*.

Effects: A contract could have been awarded to a suspended or debarred party; however during our testing the County stated that a review of all contractors was performed and we noted that the vendor selected by the County was not included on the *EPLS*.

Questioned Costs: None noted.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2012-8 Procurement (Continued)

Recommendation: We recommend the County include specific language relative to the suspension and debarment requirements within the contract through the use of Form AD-1048 and document a search for the vendor on the *EPLS* (and maintain documentation of the search), for all federally funded contracts to ensure that contracts are not awarded to suspended or debarred parties.

Auditee's Response: We worked closely with the USDA on the above referenced grant including the approval of contractors and covered transactions. We will institute procedures to ensure that a signed copy of Form AD-1048 is retained, if required, and that all searches of the *EPLS* be adequately documented.

UNION COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

None reported.