UNION COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Union County Department of Public Health, which represents 16 percent, 17 percent, and 78 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 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, 2013, 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.

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, the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, and the 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*, 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 special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards ("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 18, 2014, 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 18, 2014

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, 2013. 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 $45,760,463 (net position) for the year reported. This represents an increase of $1,861,150 over the previous year.

Total net position is comprised of the following:

1) Capital assets, net of related debt, of $38,909,657 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 $3,140,093 is restricted by constraints imposed from outside Union County such as debt covenants, grantors, laws, or regulations.

At the end of the current year, unassigned General Fund balance increased from $3,171,791 to $3,673,767. This is an increase of $501,976 which is approximately 4.1 percent of total General Fund expenditures.

Union County's governmental funds reported total ending fund balance of $7,002,589 this year. This compares to the prior year ending fund balance of $7,233,373 showing a decrease of $230,784 during the current year.

The decrease in funds is due primarily to the decrease in fund balance in the SPLOST III 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, liabilities, and deferred inflows of resources 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 three separate legal entities in its report - Union County Department of Public Health, Union County Development Authority, and the Union County Urban Redevelopment Agency. 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 Union County Redevelopment Agency is reported as a blended component unit and is included in Governmental activities.

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 thirteen 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, two (2) 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 61.

Financial Analysis of Union County as a Whole

Union County's net position at year-end is approximately $45.8 million. The following table provides a summary of Union County's net position.

Summary of Net Position (Exhibit A-1)

	Governmental Activities 2013	Governmental Activities 2012	Business-type Activities 2013	Business-type Activities 2012	Total 2013	Total 2012	Percentage of Total 2013
Assets:							
Current	$ 15,914,573	$ 15,889,431	$ (343,444)	$ (400,232)	$ 15,571,129	$ 15,489,199	25%
Noncurrent	43,272,121	41,864,135	2,840,714	2,939,108	46,112,835	44,803,243	75%
Total assets	59,186,694	57,753,566	2,497,270	2,538,876	61,683,964	60,292,442	
Liabilities and Deferred Inflows of Resources:							
Current and Deferred Inflows of Resources	7,812,413	7,476,739	56,741	49,445	7,869,154	7,526,184	49%
Long-term	7,966,384	8,756,475	87,963	110,470	8,054,347	8,866,945	51%
Total Liabilities and Deferred Inflows of Resources	15,778,797	16,233,214	144,704	159,915	15,923,501	16,393,129	
Net Position:							
Net Investment in Capital Assets	36,148,872	34,016,430	2,760,785	2,833,490	38,909,657	36,849,920	85%
Restricted	3,140,093	3,768,547	-	-	3,140,093	3,768,547	7%
Unrestricted	4,118,932	3,735,375	(408,219)	(454,529)	3,710,713	3,280,846	8%
Total Net Position	$ 43,407,897	$ 41,520,352	$ 2,352,566	$ 2,378,961	$ 45,760,463	$ 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 $2,352,566. 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 $1,887,545 for governmental activities and decreased by $26,395 for Business-type activities. Union County's overall financial position improved during 2013.

Note that approximately 83.2 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. 85 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 2013	Governmental Activities 2012	Business-type Activities 2013	Business-type Activities 2012	Total 2013	Total 2012	Percentage of Total 2013
Revenues:							
Program revenues:							
Charges for services	$ 1,764,484	$ 1,806,337	$ 1,198,579	$ 1,113,009	$ 2,963,063	$ 2,919,346	14.3%
Operating grants	1,492,833	1,017,967	-	-	1,492,833	1,017,967	7.2%
Capital grants	888,100	795,410	-	-	888,100	795,410	4.3%
General revenues:							
Property taxes	7,476,326	6,967,769	-	-	7,476,326	6,967,769	36.0%
Business taxes	961,533	925,139	-	-	961,533	925,139	4.6%
Sales taxes	6,475,247	6,286,494	-	-	6,475,247	6,286,494	31.2%
Other taxes	464,240	494,248	-	-	464,240	494,248	2.2%
Interest	16,450	19,113	-	-	16,450	19,113	0.1%
Gain on disposal	11,379	730	-	-	11,379	730	0.1%
Total revenues	19,550,592	18,313,207	1,198,579	1,113,009	20,749,171	19,426,216	
Program Expenses:							
General government	3,662,536	3,487,077	-	-	3,662,536	3,487,077	19.4%
Judicial	946,459	984,616	-	-	946,459	984,616	5.0%
Public safety	6,051,114	6,044,087	-	-	6,051,114	6,044,087	32.0%
Public works	3,498,504	3,543,852	-	-	3,498,504	3,543,852	18.5%
Health and welfare	1,456,895	1,177,351	-	-	1,456,895	1,177,351	7.7%
Culture and recreation	34,655	286,553	-	-	34,655	286,553	0.2%
Housing and development	692,372	655,262	-	-	692,372	655,262	3.7%
Interest	287,061	284,178	-	-	287,061	284,178	1.5%
Golf course	-	-	847,681	868,126	847,681	868,126	4.5%
Meeks park	-	-	1,410,744	1,327,364	1,410,744	1,327,364	7.5%
Total Expenses	16,629,596	16,462,976	2,258,425	2,195,490	18,888,021	18,658,466	
Excess of revenues over (under) expenses	2,920,996	1,850,231	(1,059,846)	(1,082,481)	1,861,150	767,750	
Net transfers	(1,033,451)	(897,819)	1,033,451	897,819	-	-	
Change in net position	1,887,545	952,412	(26,395)	(184,662)	1,861,150	767,750	
Begninning net position	41,520,352	47,461,672	2,378,961	2,563,623	43,899,313	50,025,295	
Restatements	-	(6,893,732)		-	-	(6,893,732)	
Ending net position	$ 43,407,897	$ 41,520,352	$ 2,352,566	$ 2,378,961	$ 45,760,463	$ 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 31 percent of Union County's total revenues. Also, note that the program revenues cover only 25 percent of the governmental operating expenses. This means that the taxpayers and Union County's other general revenues fund 75 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 percent of the total governmental expenses, which was $6,051,114 for 2013. 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 18.5 percent of governmental expenses. Public works expenses are offset by capital grants and contributions, which totaled $844,774 for 2013.

- The cost of all governmental activities this year was $16,629,596.
- The revenue amount that paid for most of these activities came from Union County property taxes, sales tax and business taxes of $15,377,346.
- 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 2013	Net Cost of Service 2013	Total Cost of Service 2012	Net Cost of Service 2012
General government	$ 3,662,536	$ (2,467,875)	$ 3,487,077	$ (2,247,172)
Judicial	946,459	(7,099)	984,616	(312,691)
Public safety	6,051,114	(5,299,445)	6,044,087	(5,235,256)
Public works	3,498,504	(2,607,575)	3,543,852	(2,941,752)
Health and welfare	1,456,895	(1,437,513)	1,177,351	(1,157,953)
Culture and recreation	34,655	(34,655)	286,553	(285,243)
Housing and development	692,372	(342,956)	655,262	(379,017)
Interest	287,061	(287,061)	284,178	(284,178)
	$ 16,629,596	$ (12,484,179)	$ 16,462,976	$ (12,843,262)

BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs

The cost of all Proprietary (Business Type) activities this year was $847,681 for the Golf Course and $1,410,744 for Meeks Park, the amounts paid by the users of the systems were $785,728 and $412,851 respectively. This resulted in a net cost to operate of $61,953 and $997,893, 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 $7,002,589. Of this year-end total, $3,140,093 is restricted, $559,973 is nonspendable, $50,000 is committed, and $271,717 is assigned. Unassigned fund balance totaled $2,980,806 reflecting an increase from the prior year.

The total ending fund balances of governmental funds show a decrease of $230,784 or a 3.2 percent decrease.

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 increased by $501,976 due primarily from expenditure management.

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 decreased by $730,599 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 $35,654 in operating revenues which still resulted in an operating loss of $12,557 before depreciation. Total enterprise fund revenue increased $85,570. Meeks Park sustained an operating loss of $918,061 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, 2013, is $43,272,121 and $2,840,714, respectively. The major additions and deletions to capital for governmental activities for 2013 were:

- The capital expenditures for construction in progress decreased by $1,368,002 with the primary expenditure of various projects capitalized this year.
- Capital expense associated with infrastructure (road improvements, sidewalks, etc.) was $488,305. 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 2013	Governmental Activities 2012	Business-type Activities 2013	Business-type Activities 2012	Total 2013	Total 2012
Nondepreciable assets:						
Land	$ 3,980,804	$ 3,593,023	$ 2,140,311	$ 2,139,135	$ 6,121,115	$ 5,732,158
Construction in progress	2,204,077	3,572,079	11,388	11,388	2,215,465	3,583,467
Total nondepreciable assets	6,184,881	7,165,102	2,151,699	2,150,523	8,336,580	9,315,625
Depreciable assets:						
Land improvements	-	-	356,127	319,089	356,127	319,089
Building and improvements	29,837,276	28,395,600	1,206,087	1,320,925	31,043,363	29,716,525
Equipment and furniture	5,459,434	4,855,456	959,092	924,250	6,418,526	5,779,706
Vehicles	4,423,049	4,266,555	64,351	64,351	4,487,400	4,330,906
Infrastructure	19,392,865	16,389,298	-	-	19,392,865	16,389,298
Total depreciable	59,112,624	53,906,909	2,585,657	2,628,615	61,698,281	56,535,524
Accumulated depreciation	(22,025,384)	(19,207,876)	(1,896,642)	(1,840,030)	(23,922,026)	(21,047,906)
Net depreciable assets	37,087,240	34,699,033	689,015	788,585	37,776,255	35,487,618
Total Capital Assets	$ 43,272,121	$ 41,864,135	$ 2,840,714	$ 2,939,108	$ 46,112,835	$ 44,803,243

At December 31, 2013, the depreciable assets for governmental activities were 37.2 percent depreciated. This compares to the December 31, 2012 of 35.6 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 73% depreciated.

Long-term Debt

During the year, Union County retired $1,197,544 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 2013	Governmental Activities 2012	Business-type Activities 2013	Business-type Activities 2012	Total 2013	Total 2012
Capital leases	$ 177,233	$ 69,701	$ 79,929	$ 105,618	$ 257,162	$ 175,319
Contracts payable	200,000	300,000	-	-	200,000	300,000
Notes payable	24,136	-			24,136	-
Compensated absences	71,497	57,285	8,034	4,852	79,531	62,137
Landfill postclosure liability	571,638	551,485	-	-	571,638	551,485
General obligation bonds	6,921,880	7,778,004	-	-	6,921,880	7,778,004
Total long-term debt	$ 7,966,384	$ 8,756,475	$ 87,963	$ 110,470	$ 8,054,347	$ 8,866,945

Economic Conditions Affecting Union County

Union County's elected and appointed officials considered many factors when adopting the 2014 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 last 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 2014 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 2015 SPLOST was voted on and passed.
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, 2013

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 11,764,539	$ 162,224	$ 11,926,763
Receivables (net of allowance for uncollectibles)	2,970,421	7,508	2,977,929
Inventories	-	46,797	46,797
Land held for resale	-	-	-
Internal balances	559,973	(559,973)	-
Restricted cash and cash equivalents	619,640	-	619,640
Capital assets, nondepreciable	6,184,881	2,151,699	8,336,580
Capital assets, depreciable, net of accumulated depreciation	37,087,240	689,015	37,776,255
Total assets	59,186,694	2,497,270	61,683,964
LIABILITIES			
Accounts payable	683,855	44,594	728,449
Accrued liabilities	865,557	12,147	877,704
Noncurrent liabilities due within one year			
Compensated absences	71,497	8,034	79,531
Capital leases payable	102,576	32,695	135,271
Landfill closure and postclosure	55,745	-	55,745
Contracts payable	100,000	-	100,000
Bonds payable	865,000	-	865,000
Noncurrent liabilities due in more than one year			
Compensated absences	-	-	-
Capital leases payable	74,657	47,234	121,891
Landfill closure and postclosure	515,893	-	515,893
Contracts payable	100,000	-	100,000
Notes payable	24,136	-	24,136
Bonds payable	6,056,880	-	6,056,880
Total liabilities	9,515,796	144,704	9,660,500
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues - property taxes	6,263,001	-	6,263,001
Total deferred inflows of resources	6,263,001	-	6,263,001
NET POSITION			
Net investment in capital assets	36,148,872	2,760,785	38,909,657
Restricted for:			
Debt service	619,640	-	619,640
Capital projects	1,906,465	-	1,906,465
Public safety activities	540,083	-	540,083
Law library operations	58,641	-	58,641
Judicial activities	13,414	-	13,414
Health and welfare activities	1,321	-	1,321
Tourism	529	-	529
Unrestricted	4,118,932	(408,219)	3,710,713
Total net position	$ 43,407,897	$ 2,352,566	$ 45,760,463

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

Component Units	
Department of Public Health	Development Authority
$ 430,745	$ 158,389
63,071	-
-	-
-	1,720,379
-	-
-	-
-	732,345
2,755	-
496,571	2,611,113
6,463	6,792
-	-
28,000	-
-	-
-	-
-	-
-	-
20,459	-
-	-
-	-
-	-
-	484,010
-	-
54,922	490,802
-	-
-	-
2,755	248,335
-	-
-	-
-	-
-	-
-	-
92,222	-
-	-
346,672	1,871,976
$ 441,649	$ 2,120,311

UNION COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

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	$ 3,662,536	$ 578,144	$ 616,517	$ -
Judicial	946,459	593,095	346,265	-
Public safety	6,051,114	573,863	177,806	-
Public works	3,498,504	-	46,155	844,774
Health and welfare	1,456,895	19,382	-	-
Culture and recreation	34,655	-	-	-
Housing and development	692,372	-	306,090	43,326
Interest on long-term debt	287,061	-	-	-
Total governmental activities	16,629,596	1,764,484	1,492,833	888,100
Business-type activities:				
Golf course	847,681	785,728	-	-
Meeks park	1,410,744	412,851	-	-
Total business-type activities	2,258,425	1,198,579	-	-
Total primary government	$ 18,888,021	$ 2,963,063	$ 1,492,833	$ 888,100
Component units:				
Department of Public Health	$ 613,758	$ 365,600	$ 344,570	$ -
Development Authority	175,105	-	170,000	-
Total component units	$ 788,863	$ 365,600	$ 514,570	$ -
General revenues:				
Property taxes				
Sales taxes				
Insurance premium taxes				
Other taxes				
Unrestricted investment earnings				
Gain on disposal of assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
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
$ (2,467,875)	$ -	$ (2,467,875)	$ -	$ -
(7,099)	-	(7,099)	-	-
(5,299,445)	-	(5,299,445)	-	-
(2,607,575)	-	(2,607,575)	-	-
(1,437,513)	-	(1,437,513)	-	-
(34,655)	-	(34,655)	-	-
(342,956)	-	(342,956)	-	-
(287,061)	-	(287,061)	-	-
(12,484,179)	-	(12,484,179)	-	-
-	(61,953)	(61,953)	-	-
-	(997,893)	(997,893)	-	-
-	(1,059,846)	(1,059,846)	-	-
(12,484,179)	(1,059,846)	(13,544,025)	-	-
-	-	-	96,412	-
-	-	-	-	(5,105)
-	-	-	96,412	(5,105)
7,476,326	-	7,476,326	-	-
6,475,247	-	6,475,247	-	-
961,533	-	961,533	-	-
464,240	-	464,240	-	-
16,450	-	16,450	-	383
11,379	-	11,379	-	-
-	-	-	6,827	27,175
(1,033,451)	1,033,451	-	-	-
14,371,724	1,033,451	15,405,175	6,827	27,558
1,887,545	(26,395)	1,861,150	103,239	22,453
41,520,352	2,378,961	43,899,313	338,410	2,097,858
$ 43,407,897	$ 2,352,566	$ 45,760,463	$ 441,649	$ 2,120,311

UNION COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

ASSETS	General	SPLOST III	Nonmajor Governmental Funds	Total
Cash and cash equivalents	$ 9,446,960	$ 1,456,113	$ 861,466	$ 11,764,539
Receivables (net of allowance for uncollectibles)	2,401,820	297,029	271,572	2,970,421
Due from other funds	57,319	160,566	-	217,885
Advances to other funds	559,973	-	-	559,973
Restricted assets:				
Cash	-	-	619,640	619,640
Total assets	$ 12,466,072	$ 1,913,708	$ 1,752,678	$ 16,132,458
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 658,421	$ 7,243	$ 18,191	$ 683,855
Other accrued liabilities	759,601	-	11,179	770,780
Due to other funds	-	-	217,885	217,885
Total liabilities	1,418,022	7,243	247,255	1,672,520
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	6,263,001	-	-	6,263,001
Unavailable revenue - property taxes	629,448	-	-	629,448
Unavailable revenue - intergovernmental	98,977	-	83,066	182,043
Unavailable revenue - other	382,857	-	-	382,857
Total deferred inflows of resources	7,374,283	-	83,066	7,457,349
FUND BALANCES				
Fund balances:				
Nonspendable:				
Advances to other funds	559,973	-	-	559,973
Restricted for:				
Debt service	-	-	619,640	619,640
Capital projects	-	1,906,465	-	1,906,465
Public safety activities	-	-	540,083	540,083
Law library operations	-	-	58,641	58,641
Judicial activities	-	-	13,414	13,414
Health and welfare activities	-	-	1,321	1,321
Tourism	-	-	529	529
Committed:				
Drug rehabilitation	50,000	-	-	50,000
Assigned:				
Capital projects	-	-	271,717	271,717
Unassigned	3,063,794	-	(82,988)	2,980,806
Total fund balances	3,673,767	1,906,465	1,422,357	7,002,589
Total liabilities, deferred inflows of resources and fund balances	$ 12,466,072	$ 1,913,708	$ 1,752,678	

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.	43,272,121
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,194,348
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,061,161)
Net position of governmental activities	$ 43,407,897

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, 2013

	General	SPLOST III	Nonmajor Governmental Funds	Total
Revenues:				
Taxes	$ 11,817,283	$ 3,518,220	$ 142,464	$ 15,477,967
Licenses and permits	187,930	-	-	187,930
Fines and forfeitures	583,765	-	174,925	758,690
Charges for services	200,641	-	372,398	573,039
Interest income	12,604	2,592	3,851	19,047
Intergovernmental	644,680	773,136	800,270	2,218,086
Other	244,825	-	-	244,825
Total revenues	13,691,728	4,293,948	1,493,908	19,479,584
Expenditures:				
Current:				
General government	3,176,361	69,408	-	3,245,769
Judicial	932,235	-	5,373	937,608
Public safety	4,920,750	-	1,007,326	5,928,076
Public works	1,287,249	2,570	46,166	1,335,985
Health and welfare	1,131,582	-	299,655	1,431,237
Culture and recreation	251,624	-	-	251,624
Housing and development	557,888	-	130,571	688,459
Intergovernmental	-	223,407	-	223,407
Capital outlay	-	3,526,842	45,000	3,571,842
Debt service:				
Principal	75,235	100,876	840,000	1,016,111
Interest	179	3,799	309,569	313,547
Total expenditures	12,333,103	3,926,902	2,683,660	18,943,665
Excess (deficiency) of revenues over expenditures	1,358,625	367,046	(1,189,752)	535,919
Other financing sources (uses):				
Proceeds from sale of assets	35,268	-	-	35,268
Proceeds from issuance of long-term debt	239,761	68,018	-	307,779
Transfers in	118,288	10,337	1,544,453	1,673,078
Transfers out	(1,249,966)	(1,176,000)	(356,862)	(2,782,828)
Total other financing sources (uses)	(856,649)	(1,097,645)	1,187,591	(766,703)
Net change in fund balances	501,976	(730,599)	(2,161)	(230,784)
Fund balances, beginning of year	3,171,791	2,637,064	1,424,518	7,233,373
Fund balances, end of year	$ 3,673,767	$ 1,906,465	$ 1,422,357	$ 7,002,589

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, 2013

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

Net change in fund balances - total governmental funds	$	(230,784)
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 capital outlays exceeded depreciation in the current period.		1,203,202
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		204,784
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(90,110)
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.		808,332
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.		(7,879)
Change in net position - governmental activities	$	1,887,545

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, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Taxes	$ 10,728,500	$ 11,817,283	$ 11,817,283	$ -
Licenses and permits	174,350	187,930	187,930	-
Fines and forfeitures	563,000	583,765	583,765	-
Charges for services	281,100	200,641	200,641	-
Interest income	9,900	12,604	12,604	-
Intergovernmental	623,433	644,680	644,680	-
Other	885,490	244,825	244,825	-
Total revenues	13,265,773	13,691,728	13,691,728	-
Expenditures:				
Current:				
General government:				
Executive	265,083	283,354	283,354	-
Elections	137,270	95,156	95,156	-
General administration	511,480	528,523	528,523	-
Financial administration	125,567	147,226	147,226	-
Tax commissioner	265,047	252,767	252,767	-
Tax assessor	282,255	280,438	280,438	-
Risk management	1,199,400	1,309,382	1,309,382	-
General government buildings	316,097	279,515	279,515	-
Total general government	3,102,199	3,176,361	3,176,361	-
Judicial:				
Judicial administration	3,200	8,164	8,164	-
Superior court	114,000	101,249	101,249	-
Clerk superior court	246,656	224,180	224,180	-
District attorney	83,700	81,759	81,759	-
Magistrate court	186,730	176,896	176,896	-
Probate court	206,271	194,801	194,801	-
Juvenile court	76,000	77,528	77,528	-
Grand jury	2,200	-	-	-
Public defender	90,000	67,658	67,658	-
Total judicial	1,008,757	932,235	932,235	-
Public safety:				
Police	1,951,337	2,392,542	2,392,542	-
Vice control	85,099	84,400	84,400	-
Jail operation	1,224,576	1,239,516	1,239,516	-
Fire and emergency management	844,859	907,859	907,859	-
Fire stations and buildings	88,456	149,442	149,442	-
Coroner	25,290	25,418	25,418	-
Animal control	126,748	121,573	121,573	-
Total public safety	4,346,365	4,920,750	4,920,750	-
Public works:				
Highways and streets	1,008,283	1,058,911	1,058,911	-
Solid waste	48,700	75,138	75,138	-
Public education	15,000	11,089	11,089	-
Maintenance and shop	133,693	142,111	142,111	-
Total public works	1,205,676	1,287,249	1,287,249	-

(Continued)

UNION COUNTY, GEORGIA

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

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Expenditures: (Continued)				
Health and welfare:				
Public health administration	$ 284,786	$ 292,910	$ 292,910	$ -
Ambulance contract	500,000	500,000	500,000	-
Intergovernmental welfare	66,900	36,900	36,900	-
Senior citizens	155,604	150,002	150,002	-
Community center	53,150	60,146	60,146	-
Transportation services	99,380	91,624	91,624	-
Total health and welfare	1,159,820	1,131,582	1,131,582	-
Culture and recreation:				
Participant recreation	44,600	28,222	28,222	-
Library admission	226,100	223,402	223,402	-
Total culture and recreation	270,700	251,624	251,624	-
Housing and development:				
Conservation	50,610	44,398	44,398	-
Agricultural	65,245	64,770	64,770	-
Building inspection	187,571	179,167	179,167	-
Planning and zoning	98,774	92,576	92,576	-
Economic development	251,000	176,977	176,977	-
Total housing and development	653,200	557,888	557,888	-
Debt service:				
Principal	31,116	75,235	75,235	-
Interest	-	179	179	
Total debt service	31,116	75,414	75,414	-
Total expenditures	11,777,833	12,333,103	12,333,103	-
Excess of revenues over expenditures	1,487,940	1,358,625	1,358,625	-
Other financing sources (uses):				
Proceeds from sale of assets	-	35,268	35,268	-
Proceeds from issuance of long-term debt	-	239,761	239,761	
Transfers in	422,685	118,288	118,288	-
Transfers out	(1,910,625)	(1,249,966)	(1,249,966)	-
Total other financing sources (uses)	(1,487,940)	(856,649)	(856,649)	-
Net change in fund balances	-	501,976	501,976	-
Fund balances, beginning of year	3,171,791	3,171,791	3,171,791	-
Fund balances, end of year	$ 3,171,791	$ 3,673,767	$ 3,673,767	$ -

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

UNION COUNTY, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2013

	Golf Course Fund	Meeks Park Fund	Total
ASSETS			
Current assets:			
Cash	$ 108,040	$ 54,184	$ 162,224
Receivables	-	7,508	7,508
Due from other funds	7,933	-	7,933
Inventories	46,797	-	46,797
Total current assets	162,770	61,692	224,462
Noncurrent assets:			
Capital assets:			
Capital assets, not being depreciated	1,690,345	461,354	2,151,699
Capital assets, being depreciated	629,298	1,956,359	2,585,657
Less accumulated depreciation	(464,637)	(1,432,005)	(1,896,642)
Total capital assets, net of accumulated depreciation	1,855,006	985,708	2,840,714
Total assets	2,017,776	1,047,400	3,065,176
LIABILITIES			
Current liabilities:			
Accounts payable	23,917	20,677	44,594
Accrued expenses	9,092	3,055	12,147
Due to other funds	-	7,933	7,933
Compensated absences, current	3,753	4,281	8,034
Capital leases payable, current	32,695	-	32,695
Total current liabilities	69,457	35,946	105,403
Long-term liabilities:			
Advance from other funds	559,973	-	559,973
Capital leases payable, long term	47,234	-	47,234
Total long-term liabilities	607,207	-	607,207
Total liabilities	676,664	35,946	712,610
NET POSITION			
Net investment in capital assets	1,775,077	985,708	2,760,785
Unrestricted	(433,965)	25,746	(408,219)
Total net position	$ 1,341,112	$ 1,011,454	$ 2,352,566

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, 2013

	Golf Course Fund	Meeks Park Fund	Total
OPERATING REVENUES			
Charges for services	$ 783,523	$ 316,256	$ 1,099,779
Other	2,205	96,595	98,800
Total operating revenues	785,728	412,851	1,198,579
OPERATING EXPENSES			
Salaries and benefits	339,137	568,531	907,668
Supplies and maintenance	459,148	762,381	1,221,529
Depreciation expense	43,073	79,832	122,905
Total operating expenses	841,358	1,410,744	2,252,102
Operating loss	(55,630)	(997,893)	(1,053,523)
NONOPERATING EXPENSES			
Interest expense	(6,323)	-	(6,323)
Loss on disposal of capital assets	(76,299)	-	(76,299)
Total nonoperating expenses	(82,622)	-	(82,622)
LOSS BEFORE TRANSFERS	(138,252)	(997,893)	(1,136,145)
Transfers in	150,000	959,750	1,109,750
Total transfers	150,000	959,750	1,109,750
Changes in net position	11,748	(38,143)	(26,395)
NET POSITION, beginning of year	1,329,364	1,049,597	2,378,961
NET POSITION, end of year	$ 1,341,112	$ 1,011,454	$ 2,352,566

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, 2013

	Golf Course Fund	Meeks Park Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 786,849	$ 412,571	$ 1,199,420
Payments to suppliers and service providers	(480,706)	(750,202)	(1,230,908)
Payments to employees	(333,801)	(571,218)	(905,019)
Net cash used in operating activities	(27,658)	(908,849)	(936,507)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(8,268)	(92,542)	(100,810)
Principal payments on capital leases	(25,689)	-	(25,689)
Interest and fiscal charges paid	(6,323)	-	(6,323)
Net cash used in capital and related financing activities	(40,280)	(92,542)	(132,822)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from other funds	-	959,750	959,750
Advances from other funds	41,313	-	41,313
Net cash provided by noncapital financing activities	41,313	959,750	1,001,063
Net decrease in cash	(26,625)	(41,641)	(68,266)
Cash and cash equivalents:			
Beginning of year	134,665	95,825	230,490
End of year	$ 108,040	$ 54,184	$ 162,224
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (55,630)	$ (997,893)	$ (1,053,523)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	43,073	79,832	122,905
Decrease (increase) in receivables	1,121	(6,155)	(5,034)
Decrease (increase) in due from other funds	(7,933)	5,875	(2,058)
Increase in inventories	(5,361)	-	(5,361)
Decrease in prepaids	-	153	153
Increase (decrease) in accounts payable	(8,264)	16,093	7,829
Increase in accrued expenses	4,234	(4,767)	(533)
Decrease in due to other funds	-	(4,067)	(4,067)
Increase in compensated absences	1,102	2,080	3,182
Net cash used in operating activities	$ (27,658)	$ (908,849)	$ (936,507)

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

UNION COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2013

	Agency Funds
ASSETS	
Cash	$ 3,691,473
Taxes receivable	2,604,625
Total assets	$ 6,296,098
LIABILITIES	
Due to others	$ 3,691,473
Uncollected taxes	2,604,625
Total liabilities	$ 6,296,098

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 (the primary government) and its component units. In conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No.14 and No. 34" the component units discussed below are included in the County's reporting entity because of the significance of their operational and 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. Based upon the application of these criteria, the following is a brief review of each component unit addressed in defining the County's reporting entity.

Blended Component Unit

The Urban Redevelopment Agency of Union County, Georgia (the "Urban Redevelopment Agency"), which was organized solely for the purpose of acquiring debt and financing the construction of a multi-purpose building location for use by the County, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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.

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*.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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.

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 are custodial in nature and do present the results of operations or have a 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No.34, major individual funds are reported as separate columns in the fund financial statements.

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.

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 ***debt service funds*** are used to account for the accumulation of resources for the repayment of principal and interest on long-term obligations of governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The ***agency funds*** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals. Constitutional officers use these funds to temporarily hold assets.

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 non-operating 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.

D. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Payments to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items. Prepaid items reported in the governmental funds are also equally offset by nonspendable fund balance category, which indicates that they do not constitute "available, spendable financial resources" even though they are a component of net current position.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, not including infrastructure 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.

Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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 two types of items that qualify for reporting in this category. The governmental funds balance sheet and government wide statement of net position reports unearned property tax revenues as a deferred inflow of resources as the amount represents resources associated with an imposed non-exchange revenue transaction reported as a receivable before the period for which the property taxes were levied. These revenues will be recognized as an inflow of resources in the period for which they were levied. Additionally, the governmental funds report unavailable revenues from property taxes and intergovernmental revenues as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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 expensed 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 and deferred inflows of resources 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 and deferred inflows of resources 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 is 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. Management 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 $8,061,161 difference are as follows:

Bonds payable	$	(6,860,000)
Unamortized premiums		(61,880)
Contracts payable		(200,000)
Landfill closure and postclosure		(571,638)
Capital leases payable		(177,233)
Note payable		(24,136)
Accrued interest		(94,777)
Compensated absences		(71,497)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(8,061,161)

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 $1,203,202 difference are as follows:

Capital outlay	$	4,244,790
Depreciation expense		(3,041,588)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	1,203,202

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 $204,784 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.	$	(23,889)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not current financial resources.		228,673
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	204,784

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 $808,332 difference are as follows:

Issuance of capital lease	$	(283,643)
Issuance of note payable		(24,136)
Principal repayments on bonds payable		840,000
Forgiveness on contracts payable		100,000
Principal repayments on capital leases payable		176,111
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position - governmental activities*	$	808,332

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 $7,879 difference are as follows:

Compensated absences	$	(14,212)
Increase in estimated postclosure costs		(75,897)
Amortization of landfill postclosure costs		55,744
Amortization of premium		16,124
Accrued interest		10,362
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	(7,879)

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NOTE 3. BUDGET COMPLIANCE AND DEFICIT FUND EQUITY

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.

Deficit Fund Balance

The following fund had a deficit fund balance at December 31, 2013:

Multiple Grant Fund	$	82,988

The fund deficit in the Multiple Grant Fund will be reduced as intergovernmental revenues deferred in the current period are recognized as revenue in the period in which the amounts become available.

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.

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, 2013, the County considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation. At December 31, 2013 the County had investments of $3,196,109 in Georgia Fund 1. These investments have a weighted average maturity of 59 days at December 31, 2013.

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, 2013, 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.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2013, all of the Health Department's deposits and investments were collateralized with the depository financial institution.

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, 2013, 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, 2013, for the County's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	SPLOST III Fund	Meeks Park Fund	Nonmajor Governmental Funds
Receivables:				
Taxes	$ 1,688,311	$ 297,029	$ -	$ 20,212
Other governments	260,334	-	-	177,130
Accounts	551,871	-	7,508	74,230
Gross receivables	2,500,516	297,029	7,508	271,572
Less allowance for uncollectibles	(98,696)	-	-	-
Net receivables	$ 2,401,820	$ 297,029	$ 7,508	$ 271,572

Property taxes for the 2013 fiscal year were levied on October 16, 2012, with property values assessed as of January 1, 2012. Bills are payable on or before December 20, 2012, after which the applicable property is subject to lien and penalties and interest as assessed. Property taxes levied during 2013 are for fiscal year 2014. Amounts recorded as a receivable and amounts collected as of December 31, 2013 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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	$ 3,593,023	$ 387,781	$ -	$ -	$ 3,980,804
Construction in progress	3,572,079	1,609,845	-	(2,977,847)	2,204,077
Total capital assets, not being depreciated	7,165,102	1,997,626	-	(2,977,847)	6,184,881
Capital assets, being depreciated:					
Infrastructure	16,389,298	1,745,936	-	1,257,631	19,392,865
Buildings and improvements	28,395,600	196,497	-	1,245,179	29,837,276
Machinery and equipment	4,723,023	159,329	(30,388)	475,037	5,327,001
Vehicles	4,266,555	374,075	(217,581)	-	4,423,049
Furniture and fixtures	132,433	-	-	-	132,433
Total capital assets, being depreciated	53,906,909	2,475,837	(247,969)	2,977,847	59,112,624
Less accumulated depreciation for:					
Infrastructure	7,906,323	1,739,490	-	-	9,645,813
Buildings and improvements	4,776,995	682,161	-	-	5,459,156
Machinery and equipment	3,090,085	323,684	(24,405)	-	3,389,364
Vehicles	3,354,844	289,826	(199,675)	-	3,444,995
Furniture and fixtures	79,629	6,427	-	-	86,056
Total accumulated depreciation	19,207,876	3,041,588	(224,080)	-	22,025,384
Total capital assets, being depreciated, net	34,699,033	(565,751)	(23,889)	2,977,847	37,087,240
Governmental activities capital assets, net	$ 41,864,135	$ 1,431,875	$ (23,889)	$ -	$ 43,272,121

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 2,139,135	$ 1,176	$ -	$ 2,140,311
Construction in progress	11,388	-	-	11,388
Total capital assets, not being depreciated	2,150,523	1,176	-	2,151,699
Capital assets, being depreciated:				
Land improvements	319,089	39,562	(2,524)	356,127
Buildings and improvements	1,320,925	25,230	(140,068)	1,206,087
Machinery and equipment	924,250	34,842	-	959,092
Vehicles	64,351	-	-	64,351
Total capital assets, being depreciated	2,628,615	99,634	(142,592)	2,585,657
Less accumulated depreciation for:				
Land improvements	196,678	13,636	(703)	209,611
Buildings and improvements	922,904	32,267	(65,590)	889,581
Machinery and equipment	662,448	74,426	-	736,874
Vehicles	58,000	2,576	-	60,576
Total accumulated depreciation	1,840,030	122,905	(66,293)	1,896,642
Total capital assets, being depreciated, net	788,585	(23,271)	(76,299)	689,015
Business-type activities capital assets, net	$ 2,939,108	$ (22,095)	$ (76,299)	$ 2,840,714

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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	$ 499,643
Judicial	7,998
Public safety	519,018
Public works	1,922,637
Health and welfare	25,658
Culture and recreation	63,005
Housing and development	3,629
Total depreciation expense - governmental activities	$ 3,041,588
Business-type activities:	
Golf course	$ 43,073
Meeks park	79,832
Total depreciation expense - business-type activities	$ 122,905

B. Discretely Presented Component Unit – Department of Public Health

Capital asset activity for the year ended December 31, 2013 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	(8,229)	(835)	-	(9,064)
Total accumulated depreciation	(8,229)	(835)	-	(9,064)
Total capital assets, net	$ 3,590	$ (835)	$ -	$ 2,755

NOTE 6. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Development Authority

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 692,345	$ 40,000	$ -	$ 732,345
Total capital assets, not being depreciated	692,345	40,000	-	732,345
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	4,221	-	-	4,221
Total accumulated depreciation	4,221	-	-	4,221
Total capital assets, being depreciated, net	-	-	-	-
Total capital assets, net	$ 692,345	$ 40,000	$ -	$ 732,345

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2013, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor governmental funds	$ 57,319
SPLOST III Fund	Nonmajor governmental funds	160,566
Golf Course Fund	Meeks Park Fund	7,933

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, and (3) payments between funds are made.

Advances to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Golf Course Fund	$ 559,973

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 is expected to repay these balances over the coming years.

Interfund transfers for the year ended December 31, 2013 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 118,288
SPLOST III Fund	General Fund	7,767
SPLOST III Fund	Nonmajor governmental funds	2,570
Meeks Park Fund	General Fund	959,750
Golf Course Fund	General Fund	150,000
Nonmajor governmental funds	General Fund	132,449
Nonmajor governmental funds	SPLOST III Fund	1,176,000
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, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable	$ 7,700,000	$ -	$ (840,000)	$ 6,860,000	$ 865,000
Plus: Premiums	78,004	-	(16,124)	61,880	-
Total bonds payable	7,778,004	-	(856,124)	6,921,880	865,000
Contracts payable	300,000	-	(100,000)	200,000	100,000
Capital leases payable	69,701	283,643	(176,111)	177,233	102,576
Note payable	-	24,136	-	24,136	-
Landfill postclosure costs	551,485	75,897	(55,744)	571,638	55,745
Compensated absences	57,285	180,446	(166,234)	71,497	71,497
Governmental activities long-term liabilities	$ 8,756,475	$ 564,122	$ (1,354,213)	$ 7,966,384	$ 1,194,818
Business-type Activities:					
Capital leases payable	$ 105,618	$ -	$ (25,689)	$ 79,929	$ 32,695
Compensated absences	4,852	14,314	(11,132)	8,034	8,034
Business-type activities long-term liabilities	$ 110,470	$ 14,314	$ (36,821)	$ 87,963	$ 40,729

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

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
2014	$ 865,000	$ 48,325	$ 913,325
2015	890,000	26,700	916,700
Total	$ 1,755,000	$ 75,025	$ 1,830,025

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
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	265,000	213,504	478,504
2019-2023	1,530,000	875,694	2,405,694
2024-2028	1,920,000	485,064	2,405,064
2029-2030	890,000	65,617	955,617
Total	$ 5,105,000	$ 2,572,870	$ 7,677,870

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 2013, the Authority did not require the County to make the 2013 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
2014	$ 100,000
2015	100,000
Total	$ 200,000

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, 2013, the County has 10 years of monitoring remaining. Engineering studies estimate post-closure costs of approximately $571,638 over the 10-year period. These costs are based on what it would cost to perform all post-closure care in 2013, 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 – Vehicles and Equipment. 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 4.75%. The County has also entered into a lease-purchase agreement to finance the acquisition of construction equipment for use in public works activities. The lease is an interest free loan for a period of two years. As of December 31, 2013, the County had $283,643 of vehicles and equipment, with associated accumulated depreciation of $38,326 financed under the capital leases.

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, 2013, the County had $119,437 of equipment, with associated accumulated depreciation of $34,791 financed under the capital leases.

NOTE 8. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

As of December 31, 2013 the future lease payments for the capital leases are as follows:

	Governmental Activities
Year Ending December 31,	
2014	$ 109,244
2015	78,069
Total minimum lease payments	187,313
Less amount representing interest	10,080
Present value of future minimum lease payments	$ 177,233

	Business-type Activities
Year Ending December 31,	
2014	$ 36,966
2015	33,992
2016	15,491
Total minimum lease payments	86,449
Less amount representing interest	6,520
Present value of future minimum lease payments	$ 79,929

Notes Payable. In 2013, the County entered into an agreement with Community and Southern Bank to finance the purchase of a rescue fire truck for one of the County's volunteer fire departments. As of December 31, 2013, the loan has a balance of $24,136 and is still in the draw down phase, therefore a future payment schedule has not been established. The note requires monthly interest only payments until March 2014 when the drawdown phase is closed. The note bears an interest rate of 2.76%.

B. Discretely Presented Component Unit – Health Department

Debt activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 49,209	$ 27,483	$ (28,233)	$ 48,459	$ 28,000

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, 2013, 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, 2013, 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
2014	$ -
2015	-
2016	6,050
2017	24,201
2018	24,201
2019-2023	121,003
2024-2028	121,003
2029-2033	121,003
2034-2036	66,549
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, 2013, there were 119 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, 2013, the County's contributions to the 401(a) Plan were $112,141 and the employees contributed $136,206 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, 2013, 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
2013	$ 212,371	$ 1,111,284	$ 1,080,324	$ 243,331
2012	216,742	972,589	976,960	212,371

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 $16,844 for the year ended December 31, 2013. The future minimum lease payments for these governmental activities leases are as follows:

Year Ending December 31,		
2014	$	8,850
2015		1,970
2016		1,020
2017		1,020
2018		850
	$	13,710

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 $69,487 for the year ended December 31, 2013. The future minimum lease payments for these business type activities leases are as follows:

Year Ending December 31,	
2014	$ 69,575
2015	36,531
2016	57,130
	$ 163,236

B. Discretely Presented Component Unit – Development Authority

The Development Authority has one vehicle under a non-cancelable operating lease. Total costs for the lease was $5,704 for the year ended December 31, 2013. The future minimum lease payments for the lease are as follows:

Year Ending December 31,	
2014	$ 951

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, 2013, the County paid $22,519 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, 2013, the County made no payments to the Authority. As of December 31, 2013, 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, 2013, the County collected $142,464 in hotel/motel taxes. Of this amount $130,571, or 92%, was expended on the promotion of tourism in accordance with the provisions of O.C.G.A. 48-13-51.

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.

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

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, 2013

	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	$ 57,681	$ 4,129	$ -	$ 889	$ 232,228	$ 281,330	$ 13,414
Receivables	960	-	73,270	1,075	-	15,489	-
Restricted assets:							
Cash	-	-	-	-	-	-	-
Total assets	$ 58,641	$ 4,129	$ 73,270	$ 1,964	$ 232,228	$ 296,819	$ 13,414
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	5,184	643	-	50,000	-
Other accrued liabilities	-	-	11,179	-	-	-	-
Total liabilities	-	-	16,363	643	-	50,000	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - intergovernmental	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
FUND BALANCES							
Restricted for:							
Debt service	-	-	-	-	-	-	-
Public safety activities	-	4,129	56,907	-	232,228	246,819	-
Law library operations	58,641	-	-	-	-	-	-
Judicial activities	-	-	-	-	-	-	13,414
Health and welfare activities	-	-	-	1,321	-	-	-
Tourism	-	-	-	-	-	-	-
Assigned:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	58,641	4,129	56,907	1,321	232,228	246,819	13,414
Total liabilities, deferred inflows of resources, and fund balances	$ 58,641	$ 4,129	$ 73,270	$ 1,964	$ 232,228	$ 296,819	$ 13,414

Special Revenue Funds		Capital Projects Funds		Debt Service Funds		
Multiple Grant Fund	Hotel/Motel Tax Fund	SPLOST II Fund	Capital Projects Fund	Debt Service SPLOST Fund	Urban Redevelopment Agency	Total Nonmajor Governmental Funds
$ 78	$ -	$ -	$ 271,717	$ -	$ -	$ 861,466
160,566	20,212	-	-	-	-	271,572
-	-	-	-	619,640	-	619,640
$ 160,644	$ 20,212	$ -	$ 271,717	$ 619,640	$ -	$ 1,752,678
$ -	$ 18,191	$ -	$ -	$ -	$ -	$ 18,191
160,566	1,492	-	-	-	-	217,885
-	-	-	-	-	-	11,179
160,566	19,683	-	-	-	-	247,255
83,066	-	-	-	-	-	83,066
83,066	-	-	-	-	-	83,066
-	-	-	-	619,640	-	619,640
-	-	-	-	-	-	540,083
-	-	-	-	-	-	58,641
-	-	-	-	-	-	13,414
-	-	-	-	-	-	1,321
-	529	-	-	-	-	529
-	-	-	271,717	-	-	271,717
(82,988)	-	-	-	-	-	(82,988)
(82,988)	529	-	271,717	619,640	-	1,422,357
$ 160,644	$ 20,212	$ -	$ 271,717	$ 619,640	$ -	$ 1,752,678

UNION COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

	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	-	-	-	-	-	346,265	-
Fines and forfeitures	8,850	75,835	-	19,382	32,553	37,825	480
Charges for services	-	-	372,398	-	-	-	-
Interest income	110	-	-	-	1,082	648	70
Total revenues	8,960	75,835	372,398	19,382	33,635	384,738	550
Expenditures:							
Current:							
Judicial	4,668	-	-	-	-	-	705
Public safety	-	86,520	518,049	-	36,158	246,999	-
Public works	-	-	-	-	-	-	-
Health and welfare	-	-	-	15,328	-	-	-
Housing and development	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	4,668	86,520	518,049	15,328	36,158	246,999	705
Excess (deficiency) of revenues over expenditures	4,292	(10,685)	(145,651)	4,054	(2,523)	137,739	(155)
Other financing sources (uses):							
Transfers in	-	-	132,449	-	-	-	-
Transfers out	-	-	-	(3,997)	-	-	-
Total other financing sources (uses)	-	-	132,449	(3,997)	-	-	-
Net change in fund balances	4,292	(10,685)	(13,202)	57	(2,523)	137,739	(155)
Fund balances, beginning of year	54,349	14,814	70,109	1,264	234,751	109,080	13,569
Fund balances (deficit), end of year	$ 58,641	$ 4,129	$ 56,907	$ 1,321	$ 232,228	$ 246,819	$ 13,414

Special Revenue Funds			Debt Service Funds			
Multiple Grant Fund	Hotel/Motel Tax Fund	SPLOST II Fund	Capital Projects Fund	Debt Service SPLOST Fund	Urban Redevelopment Agency	Total Nonmajor Governmental Funds
$ -	$ 142,464	$ -	$ -	$ -	$ -	$ 142,464
454,005	-	-	-	-	-	800,270
-	-	-	-	-	-	174,925
-	-	-	-	-	-	372,398
-	-	5	1,660	276	-	3,851
454,005	142,464	5	1,660	276	-	1,493,908
-	-	-	-	-	-	5,373
119,600	-	-	-	-	-	1,007,326
46,166	-	-	-	-	-	46,166
284,327	-	-	-	-	-	299,655
-	130,571	-	-	-	-	130,571
-	-	-	45,000	-	-	45,000
-	-	-	-	840,000	-	840,000
-	-	-	-	73,565	236,004	309,569
450,093	130,571	-	45,000	913,565	236,004	2,683,660
3,912	11,893	5	(43,340)	(913,289)	(236,004)	(1,189,752)
-	-	-	-	1,176,000	236,004	1,544,453
(101,277)	(13,014)	(2,570)	-	(236,004)	-	(356,862)
(101,277)	(13,014)	(2,570)	-	939,996	236,004	1,187,591
(97,365)	(1,121)	(2,565)	(43,340)	26,707	-	(2,161)
14,377	1,650	2,565	315,057	592,933	-	1,424,518
$ (82,988)	$ 529	$ -	$ 271,717	$ 619,640	$ -	$ 1,422,357

UNION COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE YEAR ENDED DECEMBER 31, 2013

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2009 SPLOST					
Administration Costs	$ 630,000	$ 500,000	$ 220,722	$ 69,408	$ 290,130
Roads & Bridges	11,760,000	5,587,341	2,971,749	1,183,951	4,155,700
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	4,296,789	2,766,371	495,722	3,262,093
Library Renovation, Expansion & Books	882,000	937,479	929,149	8,330	937,479
Public Safety Facilities, Vehicles & Equipment	2,009,000	2,509,759	1,595,330	908,479	2,503,809
Solid Waste Transfer Station	833,000	287,101	-	-	-
Farmers Market Facilities	784,000	1,199,860	1,184,213	9,248	1,193,461
Civic Center Renovation & Expansion	245,000	250,000	249,858	-	249,858
Multi-use Building for Economic Development, Community Center & Golf Course Shop	3,430,000	2,000,000	933,143	240,815	1,173,958
Historic Facilities Renovations	1,323,000	529,091	221,823	223,058	444,881
Animal Control Facilities	147,000	150,000	148,785	-	148,785
City of Blairsville Facilities	1,960,000	1,286,438	768,600	223,407	992,007
Total 2009 SPLOST	$ 31,500,000	$ 20,121,348	$ 12,053,247	3,362,418	$ 15,415,665
Principal payments on lease acquired in current year				100,876	
Transfers to Debt Service funds, for sinking fund requirements				866,471	
Road projects funded with Department of Transportation grants				773,137	
Total SPLOST Fund Expenditures				$ 5,102,902	

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, 2013

ASSETS	Tax Commissioner	Sheriff	Clerk of Courts	Probate Court	Magistrate Court	Total
Cash	$ 3,385,310	$ 5,358	$ 271,854	$ 20,526	$ 8,425	$ 3,691,473
Taxes receivable	2,604,625	-	-	-	-	2,604,625
Total assets	$ 5,989,935	$ 5,358	$ 271,854	$ 20,526	$ 8,425	$ 6,296,098
LIABILITIES						
Due to others	$ 3,385,310	$ 5,358	$ 271,854	$ 20,526	$ 8,425	$ 3,691,473
Uncollected taxes	2,604,625	-	-	-	-	2,604,625
Total liabilities	$ 5,989,935	$ 5,358	$ 271,854	$ 20,526	$ 8,425	$ 6,296,098

COMPONENT UNIT – DEVELOPMENT AUTHORITY

UNION COUNTY, GEORGIA

BALANCE SHEET
COMPONENT UNIT - UNION COUNTY DEVELOPMENT AUTHORITY
DECEMBER 31, 2013

ASSETS		
CURRENT ASSETS		
Cash	$	158,389
Land held for resale		1,720,379
Total assets	$	1,878,768
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	6,792
Total liabilities		6,792
FUND BALANCE		
Nonspendable - land held for resale		1,720,379
Unassigned		151,597
Total fund balance		1,871,976
Total liabilities and fund balance	$	1,878,768

UNION COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPONENT UNIT - UNION COUNTY DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2013

REVENUES		
Intergovernmental revenues	$	170,000
Interest		383
Miscellaneous		27,175
Total revenues		197,558
EXPENDITURES		
Current:		
Housing and development		215,105
Total expenditures		215,105
Net change in fund balances		(17,547)
FUND BALANCES, beginning of year		1,889,523
FUND BALANCES, end of year	$	1,871,976

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, 2013, 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 18, 2014. Our report 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 2013-001 through 2013-003, 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 2013-004, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlanta, Georgia
June 18, 2014

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") 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, 2013. 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, 2013.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 18, 2014

UNION COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

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	B12-8-023	$ 32,876
Total U.S. Department of Justice			32,876
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Natural Resources Conservation Service:			
Environmental Quality Incentives Program	10.912	GA-2012-000-00511	20,675
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)	79,892
Total U.S. Department of Agriculture			100,567
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Georgia Emergency Management Agency:			
Emergency Management Performance Grant	97.042	P12-12-146	13,533
Total U.S. Department of Homeland Security			13,533
U.S. DEPARTMENT OF INTERIOR			
Payments in Lieu of Taxes Program	15.226	None	156,055
Total U.S. Department of Interior			156,055
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Georgia Department of Community Affairs:			
Community Development Block Grant	14.218	12-p-y-144-1-5449	284,327
Total U.S. Department of Housing and Urban Development			284,327
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Georgia Department of Transportation:			
Formula Grant for Other Than Urbanized Areas - Section 5311 Program	20.509	GA-18-4032	9,655
Formula Grant for Other Than Urbanized Areas - Section 5311 Program	20.509	GA-18-4033	9,647
			19,302
Total U.S. Department of Transportation			19,302
Total Expenditures of Federal Awards			$ 606,660

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, 2013

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, 2013

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 _____ none reported
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?	_____ yes __X__ 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)?	____ yes __X__ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant
15.226	Payments in Lieu of Taxes Grant

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

2013-001 Expenditures and Related Liabilities

Criteria: Generally, expenditures/expenses 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: During testing of the County's expenditures/expenses and related liabilities adjustments were required to correct errors found in the reporting.

Context/Cause: Adjustments were required to correct current year expenditures/expenses. The nature of these adjustments is as follows:

- Audit adjustments of approximately $280,000 and $83,000 were required in the SPLOST III Fund and the Multiple Grants Fund, respectively, to properly report grant activity for which the County received services prior to December 31, 2013. The County was reporting the same project expenditures in both funds, as the initial outlay would occur in the SPLOST III Fund and then as the County was reimbursed from the Community Development Block Grant, the Multiple Grant Fund would issue a check to the SPLOST III Fund. Rather than removing the expenditures from SPLOST III the County would report additional revenue. Additionally, the SPLOST III Fund did not record year-end accrued reimbursements of approximately $160,000, thus understating interfund receivables and overstating the expenditures. The Multiple Grant Fund did not properly report the year-end expenditures accrual, of approximately $83,000, due to the SPLOST III Fund or the offsetting intergovernmental accrued revenue for the reimbursement of the understated expenditures. The revenue was not considered available for recognition purposes and thus was reported as a deferred inflow of resources.
- An audit adjustment of $40,000 was required to properly capitalize construction in progress costs which were improperly reported as current expenses of the Union County Development Authority.

Effects: Audit adjustments totaling approximately $403,000 were needed to correctly report expenditures/expenses and the related liabilities in the current year.

Recommendation: We recommend the County carefully review all expenditures/expenses 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.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-002 Maintenance of General Ledger

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: During the testing of the County's long-term liabilities it was noted two capital leases and a note payable were not properly reported in the County's general ledger as of the year ended December 31, 2013.

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

- During our testing of the governmental long term debt balances, we noted that the County entered into two capital lease agreements for the year ended December 31, 2013 for which there were no fund level transactions reported. In accordance with Generally Accepted Accounting Principles ("GAAP"), governmental funds should report capital outlay expenditures and offsetting proceeds from the issuance of capital leases for in-substance debt issued to acquire an asset. Adjustments of approximately $216,000 and $68,000 were required in the General Fund and the SPLOST III Fund, respectively, to properly report the proceeds from the issuance of capital leases and the related capital outlay expenditures.
- During our testing of the governmental long term debt balances, we noted that the County entered into a promissory note agreement for the year ended December 31, 2013 for which there was no fund level transaction reported. An audit adjustment of approximately $24,000 was required in the General Fund to properly report the proceeds from the notes payable and related capital outlay expenditures.

Effects: Audit adjustments totaling approximately $308,000 were required to properly report the current year revenues, expenditures, and other financing sources in various governmental funds.

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

Auditee's Response: We are implementing procedures to ensure these year-end adjustments are considered and reflected in the general ledger as appropriate.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-003 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, Probate Court and Sheriff Office of the County; thus they were either unable to identify the proper parties to whom liabilities were owed or had insufficient cash to pay their outstanding liabilities as of December 31, 2013.

Context/Cause: During our audit inquiries and testing of the activity at the elected official offices we noted the following deficiencies:

- The County Tax Commissioner's Office was reporting an excess of assets as compared to the subsidiary ledger of the liabilities by approximately $1,000.
- The Clerk of Courts was reporting an excess of assets as compared to the subsidiary ledger of the liabilities by approximately $8,000.
- The Probate Court was reporting an excess of assets as compared to the subsidiary ledger of the liabilities by approximately $500.
- The Sheriff's Office was reporting a shortage of cash as compared to the existing subsidiary ledger of liabilities of approximately $90; however the office was unable to generate a liability listing which supported the funds held for the inmates as of December 31, 2013. As such, the monthly reconciliation did not include a listing of all known liabilities.

Effects: The unidentified and insufficient funds stemmed from a lack of subsidiary ledger maintenance and monthly reconciliations of the assets to the liabilities continually carrying differences or unresolved variances.

Recommendation: We recommend the Tax Commissioner, Clerk of Courts, Probate Court and Sheriff's Office continue to reconcile its cash accounts to the subsidiary listings each month to ensure appropriate accounting for all funds which are paid into their custody. 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.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-003 Subsidiary Ledger Maintenance (Continued)

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 II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2013-004 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 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.

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.

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

UNION COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported

UNION COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

2012-8 Procurement

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

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*.

Auditee's Response: The County has implemented controls to ensure that all contracts are verified and tested against the Federal database to prevent contracting with suspended or debarred vendors.