

**ANNUAL FINANCIAL REPORT**  
**GRAINGER COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2005**

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

**ANNUAL FINANCIAL REPORT**  
**GRAINGER COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

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*State Auditors*

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# ***Audit Highlights***

Annual Financial Report  
Grainger County, Tennessee  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the basic financial statements of Grainger County as of and for the year ended June 30, 2005.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF COUNTY MAYOR**

- ◆ Bids were not solicited for construction change orders for pavement and sidewalks.
- 

### **OFFICE OF ROAD SUPERINTENDENT**

- ◆ In some instances, the office issued purchase orders after purchases were made and did not list descriptions, dollar amounts, the date of issuance, or the quantity of items to be purchased.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Certain teachers' incentive payments and cafeteria employees' bonus payments were not paid through the department's payroll process.
- 

## **OFFICE OF SHERIFF**

- ◆ Some purchase orders were issued after purchases were made.
  - ◆ The office had deficiencies in the administration of drug control funds.
- 

## **OTHER FINDINGS**

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

*State of Tennessee  
Comptroller of the Treasury  
Department of Audit  
Division of County Audit*

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# INTRODUCTORY SECTION

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# Grainger County Officials

## June 30, 2005

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### Officials:

Paul Merritt, County Mayor  
David Bean, Road Superintendent  
Dr. Vernon Coffey, Director of Schools  
Donald Nance, Trustee  
Johnny Morgan, Assessor of Property  
Angie Lamb, County Clerk  
Rhonda Reagan, Circuit and General Sessions Courts Clerk  
Vickie Greenlee, Clerk and Master  
Dorothy Reagan, Register  
Jairus Williams, Sheriff

### Board of County Commissioners:

Bill Howerton, Chairperson	Delmer King
Richard Bailey	Raymond T. Layel, Jr.
Doug Beeler	Buel Roach
Earl Cameron	George Shockley
Dana Dalton	Nadine Stansberry
Jeff Dalton	Darrell Stratton
Larry Johnson	Darrell Williams
James Kerr	

### Board of Education:

Darrell Livesay, Chairperson	Harold Frazier
Dwight Bull	Joyce Lane
Freddie Chandler	Coy McDaniel
David Crews	Karen McNish
Derrick Dalton	Norma Tate

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

December 12, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grainger County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Grainger County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grainger County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

Grainger County Emergency Communication District which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Grainger County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Grainger County, Tennessee, at June 30, 2005, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grainger County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2005, on our consideration of Grainger County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Grainger County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The management of Grainger County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 53 through 59 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grainger County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grainger County School Department (a discretely presented component unit), miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grainger County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Grainger County, Tennessee  
Statement of Net Assets  
June 30, 2005

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Grainger County School Department</u>
<u>ASSETS</u>		
Cash	\$ 52,369	\$ 1,192
Equity in Pooled Cash and Investments	4,654,771	3,750,254
Accounts Receivable	382,788	19,716
Allowance for Uncollectible Accounts Receivable	(174,192)	0
Due from Other Governments	492,421	574,853
Property Taxes Receivable	2,965,003	1,333,045
Allowance for Uncollectible Property Taxes	(105,840)	(47,737)
Unamortized Debt Issuance Cost	149,753	0
Capital Assets:		
Assets Not Depreciated:		
Land	1,829,004	812,384
Construction in Progress	5,948,512	389,273
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,470,629	10,064,717
Other Capital Assets	906,618	558,698
Infrastructure - Roads, Streets, and Bridges	3,657,299	0
Total Assets	<u>\$ 22,229,135</u>	<u>\$ 17,456,395</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 98,430	\$ 25,258
Accrued Payroll	12,472	120,885
Accrued Interest Payable	89,800	0
Contracts Payable	243,283	0
Retainage Payable	260,870	22,838
Other Current Liabilities	0	410,000
Deferred Revenue - Property Taxes	2,688,628	1,208,181
Noncurrent Liabilities:		
Due Within One Year	1,024,495	32,943
Due in More than One Year	9,892,851	82,403
Total Liabilities	<u>\$ 14,310,829</u>	<u>\$ 1,902,508</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Grainger County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 7,006,619	\$ 0
Invested in Capital Assets	0	11,825,072
Restricted for:		
Highways	945,153	0
Debt Service	1,588,507	0
Other Purposes	745,092	1,337,751
Unrestricted	<u>(2,367,065)</u>	<u>2,391,064</u>
Total Net Assets	<u>\$ 7,918,306</u>	<u>\$ 15,553,887</u>

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

Exhibit B

Grainger County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Grainger County School Department
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	\$ 600,801	\$ 182,824	\$ 16,380	\$ 0	\$ (401,597)	\$ 0
Finance	442,725	374,379	14,641	0	(53,705)	0
Administration of Justice	393,664	186,846	9,000	0	(197,818)	0
Public Safety	1,258,064	57,160	80,178	0	(1,120,726)	0
Public Health and Welfare	1,518,727	772,531	12,054	236,334	(497,808)	0
Social, Cultural, and Recreational Services	212,357	8,899	7,150	0	(196,308)	0
Agricultural and Natural Resources	100,050	0	0	0	(100,050)	0
Other Operations	890,054	44,220	0	234,917	(610,917)	0
Highways	2,569,656	0	1,468,653	149,582	(951,421)	0
<b>Debt Service:</b>						
Interest	375,873	0	0	0	(375,873)	0
Other Debt Service	28,996	0	0	0	(28,996)	0
<b>Total Primary Government</b>	<b>\$ 8,390,967</b>	<b>\$ 1,626,859</b>	<b>\$ 1,608,056</b>	<b>\$ 620,833</b>	<b>\$ (4,535,219)</b>	<b>\$ 0</b>
<b>Component Unit:</b>						
Grainger County School Department	\$ 21,182,355	\$ 569,631	\$ 3,540,211	\$ 0	\$ 0	\$ (17,072,513)
<b>Total Component Unit</b>	<b>\$ 21,182,355</b>	<b>\$ 569,631</b>	<b>\$ 3,540,211</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (17,072,513)</b>

(Continued)

Exhibit B

Grainger County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Grainger County School Department
General Revenues:						
Property Taxes				\$ 3,445,618	\$ 1,666,085	
Sales Taxes				326,333	859,222	
Other Taxes				193,538	23,595	
Grants and Contributions not restricted to specific programs				1,147,428	14,869,452	
Unrestricted Investment Income				183,422	2,348	
Miscellaneous				34,815	76,419	
Total General Revenues				<u>\$ 5,331,154</u>	<u>\$ 17,497,121</u>	
Change in Net Assets				\$ 795,935	\$ 424,608	
Net Assets, July 1, 2004				7,015,195	13,774,693	
Restatement for Capital Assets				<u>107,176</u>	<u>1,354,586</u>	
Net Assets, June 30, 2005				<u>\$ 7,918,306</u>	<u>\$ 15,553,887</u>	

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

Exhibit C-1

Grainger County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2005

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
<u>ASSETS</u>							
Cash	\$ 400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,969	\$ 52,369
Equity in Pooled Cash and Investments	867,869	160,431	694,731	1,654,607	911,030	366,103	4,654,771
Accounts Receivable	370,828	80	1,812	6,243	0	3,541	382,504
Allowance for Uncollectibles	(174,192)	0	0	0	0	0	(174,192)
Due from Other Governments	169,402	2,849	253,370	57,168	0	9,632	492,421
Due from Other Funds	334	0	0	0	0	0	334
Property Taxes Receivable	1,938,879	356,632	131,574	468,580	0	69,338	2,965,003
Allowance for Uncollectible Property Taxes	(66,314)	(12,749)	(4,745)	(16,598)	0	(5,434)	(105,840)
<b>Total Assets</b>	<b>\$ 3,107,206</b>	<b>\$ 507,243</b>	<b>\$ 1,076,742</b>	<b>\$ 2,170,000</b>	<b>\$ 911,030</b>	<b>\$ 495,149</b>	<b>\$ 8,267,370</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 28,922	\$ 2,740	\$ 0	\$ 66,277	\$ 0	\$ 491	\$ 98,430
Accrued Payroll	0	0	12,472	0	0	0	12,472
Contracts Payable	40,272	0	0	0	203,011	0	243,283
Retainage Payable	0	0	0	0	260,870	0	260,870
Due to Other Funds	0	0	0	0	0	50	50
Deferred Revenue - Current Property Taxes	1,769,729	323,316	119,117	425,416	0	51,050	2,688,628
Deferred Revenue - Delinquent Property Taxes	94,958	18,991	7,121	24,531	0	11,869	157,470
Other Deferred Revenues	149,995	2,849	124,853	28,584	0	8,416	314,697
<b>Total Liabilities</b>	<b>\$ 2,083,876</b>	<b>\$ 347,896</b>	<b>\$ 263,563</b>	<b>\$ 544,808</b>	<b>\$ 463,881</b>	<b>\$ 71,876</b>	<b>\$ 3,775,900</b>
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 154,708	\$ 0	\$ 0	\$ 0	\$ 184,929	\$ 7,125	\$ 346,762
Reserved for Correctional Incentive Program	4,256	0	0	0	0	0	4,256
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	0	22,063	22,063
Reserved for Alcohol and Drug Treatment	39,625	0	0	0	0	0	39,625
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	48,286	0	0	0	0	0	48,286
Reserved for Computer System - Register	18,758	0	0	0	0	0	18,758

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Reserved for Automation Purposes - Circuit Court	\$ 252	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	252
Reserved for Automation Purposes - General Sessions Court	12,767	0	0	0	0	0	12,767
Reserved for Automation Purposes - Sheriff	1,113	0	0	0	0	0	1,113
Reserved for Capital Outlay	100,000	0	0	0	0	0	100,000
Other Federal Reserves	17,189	0	0	0	0	0	17,189
Unreserved, Reported In:							
General Fund	626,376	0	0	0	0	0	626,376
Special Revenue Funds	0	159,347	813,179	0	0	394,085	1,366,611
Debt Service Funds	0	0	0	1,625,192	0	0	1,625,192
Capital Projects Funds	0	0	0	0	262,220	0	262,220
Total Fund Balances	<u>\$ 1,023,330</u>	<u>\$ 159,347</u>	<u>\$ 813,179</u>	<u>\$ 1,625,192</u>	<u>\$ 447,149</u>	<u>\$ 423,273</u>	<u>\$ 4,491,470</u>
Total Liabilities and Fund Balances	<u>\$ 3,107,206</u>	<u>\$ 507,243</u>	<u>\$ 1,076,742</u>	<u>\$ 2,170,000</u>	<u>\$ 911,030</u>	<u>\$ 495,149</u>	<u>\$ 8,267,370</u>

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

Grainger County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,491,470
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			13,812,062
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			472,167
(3) Debt issuance costs are expensed when paid in the governmental funds. The unamortized portion of these charges is reflected on the statement of net assets.			149,753
(4) Interest costs of long-term debt are expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net assets.			(89,800)
(5) Long-term liabilities, including other loans payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
Bonds payable	\$	6,245,000	
Notes payable		2,543,845	
Other loans payable		812,000	
Capital leases payable		35,000	
Compensated absences		71,883	
Other long-term liabilities		<u>1,209,618</u>	<u>(10,917,346)</u>
Net assets of governmental activities (Exhibit A)		\$	<u>7,918,306</u>

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

Exhibit C-3

Grainger County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	Major Funds					Nonmajor Funds Other	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,424,064	\$ 458,408	\$ 171,225	\$ 879,174	\$ 0	\$ 280,950	\$ 4,213,821
Licenses and Permits	29,031	0	0	0	0	0	29,031
Fines, Forfeitures, and Penalties	51,929	5,307	2,022	5,812	0	25,743	90,813
Charges for Current Services	766,120	0	0	0	0	284,024	1,050,144
Other Local Revenues	68,337	182,934	11,459	4,010	0	12,957	279,697
Fees Received from County Officials	313,640	0	0	0	0	0	313,640
State of Tennessee	560,758	284,873	1,626,437	62,696	0	30,337	2,565,101
Federal Government	320,571	0	10,000	0	0	0	330,571
Other Governments and Citizens Groups	25,242	0	0	358,888	0	0	384,130
<b>Total Revenues</b>	<b>\$ 4,559,692</b>	<b>\$ 931,522</b>	<b>\$ 1,821,143</b>	<b>\$ 1,310,580</b>	<b>\$ 0</b>	<b>\$ 634,011</b>	<b>\$ 9,256,948</b>
<u>Expenditures</u>							
Current:							
General Government	\$ 593,460	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,932	\$ 595,392
Finance	206,703	0	0	0	0	230,963	437,666
Administration of Justice	363,416	0	0	0	0	30,248	393,664
Public Safety	1,267,852	0	0	0	0	24,010	1,291,862
Public Health and Welfare	951,384	845,459	0	0	0	0	1,796,843
Social, Cultural, and Recreational Services	135,176	0	0	0	0	71,642	206,818
Agricultural and Natural Resources	100,050	0	0	0	0	0	100,050
Other Operations	871,800	0	0	0	0	0	871,800
Highways	30,741	0	2,011,532	0	0	0	2,042,273
Debt Service:							
Principal	0	0	0	1,073,129	0	0	1,073,129
Interest	0	0	0	362,304	0	0	362,304
Other Debt Service	0	0	0	20,535	0	0	20,535
Capital Projects	0	0	0	0	5,335,236	0	5,335,236
<b>Total Expenditures</b>	<b>\$ 4,520,582</b>	<b>\$ 845,459</b>	<b>\$ 2,011,532</b>	<b>\$ 1,455,968</b>	<b>\$ 5,335,236</b>	<b>\$ 358,795</b>	<b>\$ 14,527,572</b>
Excess (Deficiency) of Revenues Over Expenditures							
	\$ 39,110	\$ 86,063	\$ (190,389)	\$ (145,388)	\$ (5,335,236)	\$ 275,216	\$ (5,270,624)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 289,052	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 289,052
Other Loans Issued	0	0	286,500	0	0	0	286,500

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds Other	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 116,361	\$ 0	\$ 0	\$ 116,361
Transfers Out	0	0	(91,674)	0	0	0	(91,674)
Total Other Financing Sources (Uses)	<u>\$ 289,052</u>	<u>\$ 0</u>	<u>\$ 194,826</u>	<u>\$ 116,361</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 600,239</u>
Net Change in Fund Balances	\$ 328,162	\$ 86,063	\$ 4,437	\$ (29,027)	\$ (5,335,236)	\$ 275,216	\$ (4,670,385)
Fund Balance, July 1, 2004	<u>695,168</u>	<u>73,284</u>	<u>808,742</u>	<u>1,654,219</u>	<u>5,782,385</u>	<u>148,057</u>	<u>9,161,855</u>
Fund Balance, June 30, 2005	<u>\$ 1,023,330</u>	<u>\$ 159,347</u>	<u>\$ 813,179</u>	<u>\$ 1,625,192</u>	<u>\$ 447,149</u>	<u>\$ 423,273</u>	<u>\$ 4,491,470</u>

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

Grainger County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	(4,670,385)
(1) Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: Capital outlays in the current period	\$	5,810,428	
Less: Current year depreciation		<u>(728,207)</u>	5,082,221
(2) Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains or losses are recorded for disposals.			
Less: Proceeds received from disposals of capital assets	\$	(925)	
Less: Loss on disposals of capital assets		<u>(458)</u>	(1,383)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
For the year ended June 30, 2004	\$	(565,975)	
For the year ended June 30, 2005		<u>472,167</u>	(93,808)
(4) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Less: Capital outlay notes issued	\$	(289,052)	
Less: Other loans issued		(286,500)	
Add: Principal payment on bonds		255,000	
Add: Principal payment on notes		743,128	
Add: Principal payment on other loans		75,000	
Add: Principal payment on capital leases		<u>5,000</u>	502,576
(5) Governmental funds report the effect of issuance costs, premiums, discounts, and similar items related to long-term debt issuance when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment reflects amounts expensed during the year recorded in the statement of activities.			
Less: Debt Issuance cost amortized during year			(8,461)

(Continued)

Grainger County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities (Cont.)

(6) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$	(13,569)
Change in landfill closure/post-closure care costs		19,484
Change in compensated absences		(20,740)
		<u>\$ (14,825)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 795,935</u>

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

Exhibit D

Grainger County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 993,271
Accounts Receivable	768
Due from Other Governments	93,338
Restricted Assets:	
Other Restircted Assets	<u>68,058</u>
Total Assets	<u><u>\$ 1,155,435</u></u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 284
Due to Other Taxing Units	93,054
Due to Litigants, Heirs, and Others	<u>1,062,097</u>
Total Liabilities	<u><u>\$ 1,155,435</u></u>

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

**GRAINGER COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

Grainger County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Grainger County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

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

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

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

Administrative Office:

Grainger County Emergency Communications District  
P. O. Box 560  
Rutledge, TN 37861

**B. Government-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Grainger County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Grainger County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category. Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Grainger County considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not

measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Grainger County reports the following major governmental funds:

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

**Solid Waste/Sanitation Fund** – This fund is used to account for the operation of the county’s convenience centers and the materials recovery center.

**Highway/Public Works Fund** – This fund accounts for transactions of the county’s Highway Department.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**General Capital Projects Fund** – This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, Grainger County reports the following fund type:

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received from the state to be forwarded to the various cities in Grainger County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

**Education Capital Projects Fund** – This fund is used to account for the financial resources to be used for the acquisition or construction of major capital school facilities.

Additionally, the School Department reports the following fund type:

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

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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

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

investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year are referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible ambulance receivables is management's estimate based on prior collections and aging reports. The allowance for uncollectible property taxes is equal to 1.65 percent of total taxes levied.

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

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

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

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

**3. Restricted Assets**

Restricted assets in the Agency Funds consist of annuity contracts held in a custodial capacity by the circuit court clerk for minors.

**4. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of five or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Other Capital Assets	5-25
Infrastructure	15-45

**5. Compensated Absences**

It is the primary government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The discretely presented School Department's policy allows employees to accumulate sick pay benefits but not vacation benefits. There is no liability for unpaid accumulated sick leave in the county or the discretely presented School Department since there is no policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the

government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

## **6. Long-term Obligations**

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

## **7. Net Assets and Fund Equity**

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

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

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

As of June 30, 2005, Grainger County had \$1,618,103 in outstanding debt for capital purposes for the discretely presented School Department. The debt is a liability of Grainger County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Grainger County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$745,092 with the primary restrictions being for: (1) Litigation Tax for Jail, Workhouse, Courthouse (\$48,286); (2) Office Automation (\$32,890); (3) Unexpended Grant Proceeds (\$17,189); (4) Drug Control (\$42,913); (5) Alcohol and Drug Treatment (\$39,625); (6) Sports and Recreation (\$328,431); (7) Solid Waste Sanitation (\$181,187); and (8) Courthouse and Jail Maintenance (\$11,947). For the discretely presented School Department, the account balance in Restricted for Other Purposes (\$1,337,751) consists of restrictions for various federal and state assistance programs, primarily cafeteria operations (\$298,962) and BEP non-classroom (\$726,977).

## **8. Prior-period Adjustments**

In the primary government, capital assets were restated \$107,176 from the prior year because an industrial building had been omitted.

In the discretely presented School Department, capital assets were restated \$1,354,586 from the prior year because certain building improvements had been omitted.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

Primary Government

Exhibit C-2 in the basic financial statements includes explanations of the nature of individual elements of items required to reconcile fund balances reported on the governmental funds balance sheet (Exhibit C-1) to net assets reported in the primary government-governmental activities column of the statement of net assets (Exhibit A).

Discretely Presented Grainger County School Department

The discretely presented School Department's Exhibit I-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide statement of net assets.

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

Primary Government

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

Discretely Presented Grainger County School Department

The discretely presented School Department's Exhibit I-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Fund Deficit**

The Education Capital Projects Fund had a deficit unreserved fund balance of \$1,000,189 at June 30, 2005. This fund deficit primarily resulted from the unperformed portions of architectural contracts of \$982,500 being reserved as encumbrances. Funding for these future expenditures will be provided through

general obligation school bonds that have already been authorized but were not yet issued as of June 30, 2005.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

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

##### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

##### Investments

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

The county had no pooled or nonpooled investments as of June 30, 2005.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

**Governmental Activities:**

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 1,829,004	\$ 0	\$ 0	\$ 1,829,004
Construction in Progress	613,276	5,335,236	0	5,948,512
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 2,442,280</b>	<b>\$ 5,335,236</b>	<b>\$ 0</b>	<b>\$ 7,777,516</b>
<b>Capital Assets Depreciated:</b>				
Buildings and Improvements	\$ 2,231,243	\$ 219,482	\$ 0	\$ 2,450,725
Roads and Bridges	10,846,848	0	0	10,846,848
Other Capital Assets	2,092,789	255,710	(49,800)	2,298,699
<b>Total Capital Assets Depreciated</b>	<b>\$ 15,170,880</b>	<b>\$ 475,192</b>	<b>\$ (49,800)</b>	<b>\$ 15,596,272</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	\$ 937,222	\$ 42,874	\$ 0	\$ 980,096
Roads and Bridges	6,679,093	510,456	0	7,189,549
Other Capital Assets	1,265,621	174,877	(48,417)	1,392,081
<b>Total Accumulated Depreciation</b>	<b>\$ 8,881,936</b>	<b>\$ 728,207</b>	<b>\$ (48,417)</b>	<b>\$ 9,561,726</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 6,288,944</b>	<b>\$ (253,015)</b>	<b>\$ (1,383)</b>	<b>\$ 6,034,546</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 8,731,224</b>	<b>\$ 5,082,221</b>	<b>\$ (1,383)</b>	<b>\$ 13,812,062</b>

The above table includes the effects of a restatement of capital assets by a net of \$107,176 due to the omission of certain industrial facilities in the previous year.

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

Governmental Activities:

General Government	\$ 5,409
Public Safety	39,337
Public Health and Welfare	72,285
Social, Cultural, and Recreational Services	5,539
Other Operations	18,254
Highways/Public Works	<u>587,383</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 728,207</u></u>

Discretely Presented Grainger County School Department

**Governmental Activities:**

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 113,228	\$ 699,156	\$ 0	\$ 812,384
Construction in Progress	0	389,273	0	389,273
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 113,228</b>	<b>\$ 1,088,429</b>	<b>\$ 0</b>	<b>\$ 1,201,657</b>
<b>Capital Assets Depreciated:</b>				
Buildings and Improvements	\$ 14,628,847	\$ 194,302	\$ 0	\$ 14,823,149
Other Capital Assets	966,768	61,775	(20,500)	1,008,043
<b>Total Capital Assets Depreciated</b>	<b>\$ 15,595,615</b>	<b>\$ 256,077</b>	<b>\$ (20,500)</b>	<b>\$ 15,831,192</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	\$ 4,446,630	\$ 311,802	\$ 0	\$ 4,758,432
Other Capital Assets	388,316	76,765	(15,736)	449,345
<b>Total Accumulated Depreciation</b>	<b>\$ 4,834,946</b>	<b>\$ 388,567</b>	<b>\$ (15,736)</b>	<b>\$ 5,207,777</b>
 <b>Total Capital Assets Depreciated, Net</b>	 <b>\$ 10,760,669</b>	 <b>\$ (132,490)</b>	 <b>\$ (4,764)</b>	 <b>\$ 10,623,415</b>
 <b>Governmental Activities Capital Assets, Net</b>	 <b>\$ 10,873,897</b>	 <b>\$ 955,939</b>	 <b>\$ (4,764)</b>	 <b>\$ 11,825,072</b>

The above table includes the effects of a restatement of capital assets by a net of \$1,354,586 due to the omission of certain building improvements in the previous year.

Depreciation expense totaling \$388,567 was charged by the discretely presented School Department.

**C. Construction Commitments**

Primary Government

At June 30, 2005, the county had various uncompleted construction projects in the General Fund (\$154,708) and the General Capital Projects Fund (\$184,929). Funding has been provided for these future expenditures.

Discretely Presented Grainger County School Department

At June 30, 2005, the School Department had an uncompleted architectural contract in the Education Capital Projects Fund (\$982,500) related to the planned construction of a new high school. Funding for these future expenditures will be provided through the issuance of general obligation bonds subsequent to June 30, 2005.

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Primary Government:</u>		
General	Nonmajor governmental	\$ 50
General	Agency Fund	284
Total		<u>\$ 334</u>
<u>Discretely Presented School Department:</u>		
General Purpose School	Nonmajor governmental	\$ 38,000
General Purpose School	Education Capital Projects	17,689
Total		<u>\$ 55,689</u>

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In General Debt Service Fund
Highway/Public Works	\$ 91,674
Agency	<u>24,687</u>
Total	<u><u>\$ 116,361</u></u>

**Discretely Presented Grainger County School Department**

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental fund	<u>\$ 58,500</u>
Total	<u><u>\$ 58,500</u></u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**E. Payables**

Most payables are disaggregated on the face of the financial statements. The balance in the account Retainage Payable (\$260,870) in the primary government and (\$22,838) in the discretely presented School Department on the statement of net assets represents amounts withheld from payments made to contractors on construction projects to ensure contract performance.

The balance in the account Other Current Liabilities (\$410,000) in the discretely presented School Department's statement of net assets represents the amount received and held as a good faith deposit related to the general obligation bonds issued subsequent to June 30, 2005, for the construction of a new high school.

**F. Capital Lease**

On August 31, 2001, Grainger County entered into an 11 year lease-purchase agreement for land for the Ambulance Service. The terms of the agreement

require total lease payments of \$55,000 with no interest. The deed to the leased property transfers to Grainger County at the end of the lease period. The lease payments are made by the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 5,000
2007	5,000
2008	5,000
2009	5,000
2010	5,000
2011-2012	10,000
Present Value of Minimum Lease Payments	<u>\$ 35,000</u>

**G. Long-term Debt**

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities, other capital purchases, such as equipment, and to provide funding for closure cost of the county owned landfill.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to 12 years for notes, and up to 11 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	3.87 %	\$ 6,500,000	\$ 6,245,000
Capital Outlay Notes	2.5 to 4.25	5,329,852	2,543,845
Other Loans	variable	1,000,000	812,000
Capital Leases	0	55,000	35,000

During the 2002-2003 year, Grainger County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$1,000,000 to Grainger County for paving and improving Grainger County roads. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2005, the variable interest rate was 2.18 percent, and other fees amounted to approximately .48 percent of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table. Estimated interest and other fees included in the table for the variable rate debt are computed based on the rates in effect at June 30, 2005.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 255,000	\$ 232,520	\$ 625,595	\$ 92,741
2007	260,000	225,508	535,448	71,020
2008	270,000	217,708	394,552	51,507
2009	275,000	208,798	350,218	36,279
2010	285,000	199,310	324,298	22,949
2011-2015	1,585,000	841,994	313,734	13,661
2016-2020	1,935,000	532,976	0	0
2021-2023	1,380,000	121,400	0	0
Total	\$ 6,245,000	\$ 2,580,214	\$ 2,543,845	\$ 288,157

Year Ending June 30	Other Loan (\$1,000,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 78,000	\$ 17,702	\$ 3,898	\$ 99,600
2007	81,000	16,001	3,523	100,524
2008	84,000	14,235	3,134	101,369
2009	87,000	12,404	2,731	102,135
2010	90,000	10,508	2,314	102,822
2011-2014	392,000	21,735	4,786	418,521
Total	\$ 812,000	\$ 92,585	\$ 20,386	\$ 924,971

There is \$1,625,192 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$303, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases amounted to \$466, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

##### Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2004	\$ 6,500,000	\$ 2,997,921	\$ 600,500
Additions	0	289,052	286,500
Deductions	(255,000)	(743,128)	(75,000)
Balance, June 30, 2005	\$ 6,245,000	\$ 2,543,845	\$ 812,000
Balance Due Within One Year	\$ 255,000	\$ 625,595	\$ 78,000

	Capital Leases	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 40,000	\$ 51,143	\$ 1,229,102
Additions	0	89,050	0
Deductions	(5,000)	(68,310)	(19,484)
Balance, June 30, 2005	\$ 35,000	\$ 71,883	\$ 1,209,618
Balance Due Within One Year	\$ 5,000	\$ 14,377	\$ 46,523

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 10,917,346
Less: Balance Due Within One Year	<u>(1,024,495)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u><u>\$ 9,892,851</u></u>

Compensated absences payable will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Grainger County School Department

A capital outlay note was issued to fund asbestos removal at various facilities.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Debt obligations outstanding were issued for original terms of 20 years for notes. The capital outlay note outstanding as of June 30, 2005, is as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 6-30-05</u>
Capital Outlay Note	0 %	\$ 232,968	\$ 90,346

This capital outlay note is to be retired from the General Purpose School Fund of the discretely presented School Department.

The annual requirements to amortize the note outstanding as of June 30, 2005, are presented in the following table:

<u>Year Ending June 30</u>	<u>Note Principal</u>
2006	\$ 12,943
2007	12,943
2008	12,943
2009	12,943
2010	12,943
2011-2012	<u>25,631</u>
Total	<u><u>\$ 90,346</u></u>

### Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the discretely presented School Department for the year ended June 30, 2005:

	<u>Notes</u>	<u>Retirement Incentive</u>
Balance, July 1, 2004	\$ 103,289	\$ 0
Additions	0	40,000
Deductions	(12,943)	(15,000)
	<hr/>	<hr/>
Balance, June 30, 2005	\$ 90,346	\$ 25,000
	<hr/>	<hr/>
Balance Due Within One Year	\$ 12,943	\$ 20,000
	<hr/>	<hr/>

#### Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 115,346
Less: Balance Due within One Year	<u>(32,943)</u>
Noncurrent Liabilities - Due in More than One Year - Exhibit A	<u>\$ 82,403</u>

Retirement incentives are liquidated from the General Purpose School Fund of the discretely presented School Department.

During the year the discretely presented School Department contributed \$358,888 to the primary government to apply toward the retirement of school debt.

The discretely presented School Department has entered into a retirement incentive bonus payment plan, in accordance with contract provisions. This plan is available to all certified teachers who retire from the School Department with at least ten years of service in Grainger County and are between the ages of 55 and 60, or have a minimum of 30 years of credited service in the Tennessee Consolidated Retirement System. The plan provides teachers who have met the noted requirements a bonus of \$5,000 paid in two equal installments. At June 30, 2005, eight individuals were participating in the program. During the year, expenditures of \$15,000 were recognized for retirement incentive bonus payments.

#### **H. Short-term Debt**

Grainger County issued revenue anticipation notes in advance of property tax collections and deposited the proceeds in the following funds. These notes were necessary because funds were not available to meet obligations coming

due before revenues were available. Short-term debt activity for the year ended June 30, 2005, was as follows:

Fund	7-1-04	Issued	Redeemed	6-30-05
General	\$ 0	\$ 400,000	\$ (400,000)	\$ 0
Solid Waste/Sanitation	0	300,000	(300,000)	0

**V. OTHER INFORMATION**

**A. Risk Management**

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation. The county participates in public entity risk pools (Local Government Property and Casualty Fund and Local Government Workers' Compensation Fund) as opposed to purchasing commercial insurance for these risks. The county pays monthly or annual premiums for its insurance coverage. These pools are to be self-sustaining through member premiums. Grainger County began providing commercial health insurance coverage for its employees during the 2004-05 year. Previously, the county did not provide employee health insurance coverage.

The discretely presented School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation. The School Department purchased commercial insurance for risks related to general liability, property, casualty, and workers' compensation. Settled claims have not exceeded this commercial coverage in either of the past two fiscal years.

The School Department participates in a public entity risk pool (Tennessee State Insurance System) as opposed to purchasing commercial insurance for health insurance for certified personnel. This pool is to be self-sustaining through member premiums. The School Department provides commercial health insurance coverage for noncertified personnel.

**B. Accounting Change**

During the year, Grainger County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Subsequent Events**

During July 2005, Grainger County issued general obligation school bonds (\$20,500,000) to be used for the construction of a new high school.

Subsequent to June 30, 2005, the county's General Debt Service Fund loaned \$600,000 in tax anticipation notes to the General Fund (\$400,000) and the Solid Waste/Sanitation Fund (\$200,000) to provide temporary operating funds.

Subsequent to June 30, 2005, Grainger County issued capital outlay notes (\$125,000) for roof repairs. The County Commission also approved the issuance of capital outlay notes (\$225,000) for additional funding of the new justice center project.

**D. Contingent Liabilities**

The county is involved in several pending lawsuits. Management, based on information from attorneys, estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**E. Change in Administration**

Monica Cameron, interim county clerk, left office on August 31, 2004, and was succeeded by Angie Lamb on September 1, 2004.

**F. Landfill Closure/Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its Rocky Flat Road landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Grainger County has stopped accepting waste and has placed the final cover on the site and has contracted its waste management to a private vendor. The Solid Waste/Sanitation Fund (special revenue fund) reports the activity related to this waste management. The \$1,209,618 reported as landfill closure and postclosure care liability on the entity wide financial statements at June 30, 2005, represents the estimated postclosure care costs for 27 years. This amount is based on what it would cost to perform all postclosure care in 2005. Therefore, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**G. Joint Venture**

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fourth Judicial District, Sevier, Jefferson, Grainger, and Cocke Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and

prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Grainger County made no contributions to the DTF for the year ended June 30, 2005.

Grainger County does not have an equity interest in the above-noted joint venture. Complete financial statements for the Fourth Judicial Drug Task Force can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General  
Fourth Judicial District Drug Task Force  
125 Court Avenue, Suite 301  
Sevierville, TN 37862

**H. Jointly Governed Organization**

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Washington, and Unicoi. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a Board of Directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the Board of Directors, along with the center manager, as an ex officio member, are in charge of the daily operations of the center.

**I. Retirement Commitments**

**Plan Description**

Employees of Grainger County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment.

There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Grainger County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

Grainger County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 10.17 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Grainger County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2005, Grainger County's annual pension cost of \$527,863 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Grainger County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 13 years.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$527,863	100%	\$0
6-30-04	124,022	100	0
6-30-03	121,995	100	0

**Required Supplementary Information**

Schedule of Funding Progress for Grainger County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$6,042	\$7,386	\$1,344	81.80%	\$4,712	28.52%
6-30-01	5,230	5,488	258	95.30	3,327	7.75
6-30-99	4,419	4,584	165	96.40	3,140	5.25

**SCHOOL TEACHERS**

**Plan Description**

The Grainger County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$537,485, \$325,965, and \$296,350, respectively, equal to the required contributions for each year.

### **J. Other Post-employment Benefits**

The discretely presented School Department provides postretirement health care benefits, in accordance with contract provisions, to all certified teachers who retire from the School Department with at least 15 years of service in Grainger County and who have attained age 60 or older, or have a minimum of 30 years of credited service in the Tennessee Consolidated Retirement System. Currently, 18 individuals are participating in the program. The School Department will continue to provide insurance coverage to the retirees until age 65. At June 30, 2005, 22 retirees met these requirements. During the year, expenditures of \$42,224 were recognized for post-employment health care.

### **K. Purchasing Laws**

#### Office of County Mayor

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

### Office of Road Superintendent

Chapter 232, Private Acts of 1980, and provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, govern purchasing procedures for this office. These statutes provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

### Office of Director of Schools

Purchasing procedures for the discretely presented School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of school and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,424,064	\$ 0	\$ 0	\$ 2,424,064	\$ 2,386,905	\$ 2,386,905	\$ 37,159
Licenses and Permits	29,031	0	0	29,031	31,700	31,700	(2,669)
Fines, Forfeitures, and Penalties	51,929	0	0	51,929	49,575	49,575	2,354
Charges for Current Services	766,120	0	0	766,120	671,200	671,600	94,520
Other Local Revenues	68,337	0	0	68,337	30,000	33,897	34,440
Fees Received from County Officials	313,640	0	0	313,640	265,000	265,000	48,640
State of Tennessee	560,758	0	0	560,758	1,397,640	1,205,590	(644,832)
Federal Government	320,571	0	0	320,571	41,543	280,743	39,828
Other Governments and Citizens Groups	25,242	0	0	25,242	10,000	22,888	2,354
<b>Total Revenues</b>	<b>\$ 4,559,692</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,559,692</b>	<b>\$ 4,883,563</b>	<b>\$ 4,947,898</b>	<b>\$ (388,206)</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 63,243	\$ 0	\$ 0	\$ 63,243	\$ 46,888	\$ 87,476	\$ 24,233
Board of Equalization	450	0	0	450	750	750	300
Beer Board	1,500	0	0	1,500	2,000	2,000	500
Budget and Finance Committee	2,438	0	0	2,438	2,500	2,500	62
County Mayor	134,751	0	0	134,751	140,663	140,663	5,912
Election Commission	138,639	0	0	138,639	149,375	149,375	10,736
Register of Deeds	125,902	0	0	125,902	143,605	143,605	17,703
Planning	4,438	0	0	4,438	5,000	5,000	562
County Buildings	104,065	(7,000)	61,875	158,940	233,027	233,027	74,087
Preservation of Records	18,034	0	0	18,034	17,550	19,300	1,266
<u>Finance</u>							
Property Assessor's Office	123,942	0	0	123,942	134,610	134,609	10,667
County Trustee's Office	39,066	0	0	39,066	43,370	43,370	4,304
County Clerk's Office	43,695	0	0	43,695	49,160	49,160	5,465

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 117,666	\$ 0	\$ 0	\$ 117,666	\$ 138,842	\$ 138,842	\$ 21,176
General Sessions Court	106,321	0	0	106,321	108,026	108,026	1,705
Chancery Court	90,348	0	0	90,348	92,040	92,040	1,692
Juvenile Court	49,081	0	0	49,081	58,084	58,084	9,003
<u>Public Safety</u>							
Sheriff's Department	766,098	0	0	766,098	833,852	833,851	67,753
Special Patrols	12,776	0	0	12,776	0	12,887	111
Jail	197,732	0	0	197,732	203,372	203,372	5,640
Fire Prevention and Control	1,500	0	0	1,500	1,500	1,500	0
Civil Defense	101,966	0	0	101,966	103,953	103,953	1,987
Other Emergency Management	156,404	0	0	156,404	156,404	156,404	0
Inspection and Regulation	0	0	0	0	2,000	2,000	2,000
Public Safety Grant Programs	31,376	0	0	31,376	33,166	33,166	1,790
<u>Public Health and Welfare</u>							
Local Health Center	55,780	0	0	55,780	60,010	60,810	5,030
Ambulance/Emergency Medical Services	870,094	0	0	870,094	887,857	901,925	31,831
Crippled Children Services	0	0	0	0	1,257	1,257	1,257
Other Local Health Services	2,508	0	0	2,508	400	2,508	0
Appropriation to State	0	0	0	0	15,580	15,580	15,580
General Welfare Assistance	10,000	0	0	10,000	10,500	10,500	500
Aid to Dependent Children	5,002	0	0	5,002	6,000	6,000	998
Other Local Welfare Services	8,000	0	0	8,000	8,000	8,000	0
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	10,500	0	0	10,500	10,500	10,500	0
Libraries	124,676	0	0	124,676	115,157	127,855	3,179

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	\$ 45,371	\$ 0	\$ 0	\$ 45,371	\$ 46,350	\$ 46,350	\$ 979
Soil Conservation	54,679	0	0	54,679	54,667	54,666	(13)
Other Agriculture & Natural Resources	0	0	0	0	1,500	1,500	1,500
<u>Other Operations</u>							
Tourism	5,300	0	0	5,300	11,350	11,350	6,050
Industrial Development	277,994	(18,198)	37,721	297,517	951,501	1,032,867	735,350
Housing and Urban Development	123,066	(9,000)	55,112	169,178	175,667	175,667	6,489
Veterans' Services	9,808	0	0	9,808	10,025	10,025	217
Other Charges	376,490	0	0	376,490	507,041	528,671	152,181
Contributions to Other Agencies	3,284	0	0	3,284	3,284	3,284	0
Miscellaneous	75,858	0	0	75,858	84,000	89,000	13,142
<u>Highways</u>							
Litter and Trash Collection	30,741	0	0	30,741	31,736	31,736	995
<b>Total Expenditures</b>	<b>\$ 4,520,582</b>	<b>\$ (34,198)</b>	<b>\$ 154,708</b>	<b>\$ 4,641,092</b>	<b>\$ 5,692,119</b>	<b>\$ 5,885,011</b>	<b>\$ 1,243,919</b>
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 39,110	\$ 34,198	\$ (154,708)	\$ (81,400)	\$ (808,556)	\$ (937,113)	\$ 855,713
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 289,052	\$ 0	\$ 0	\$ 289,052	\$ 469,908	\$ 469,908	\$ (180,856)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 289,052</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 289,052</b>	<b>\$ 469,908</b>	<b>\$ 469,908</b>	<b>\$ (180,856)</b>

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 328,162	\$ 34,198	\$ (154,708)	\$ 207,652	\$ (338,648)	\$ (467,205)	\$ 674,857
Fund Balance, July 1, 2004	695,168	(34,198)	0	660,970	607,677	607,677	53,293
Fund Balance, June 30, 2005	\$ 1,023,330	\$ 0	\$ (154,708)	\$ 868,622	\$ 269,029	\$ 140,472	\$ 728,150

Exhibit E-2

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 458,408	\$ 0	\$ 458,408	\$ 459,962	\$ 459,962	\$ (1,554)
Fines, Forfeitures, and Penalties	5,307	0	5,307	6,150	6,150	(843)
Other Local Revenues	182,934	0	182,934	0	147,839	35,095
State of Tennessee	284,873	0	284,873	273,629	273,629	11,244
Total Revenues	<u>\$ 931,522</u>	<u>\$ 0</u>	<u>\$ 931,522</u>	<u>\$ 739,741</u>	<u>\$ 887,580</u>	<u>\$ 43,942</u>
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 837,771	\$ (214,489)	\$ 623,282	\$ 809,985	\$ 919,685	\$ 296,403
Postclosure Care Costs	7,688	0	7,688	17,500	17,500	9,812
Total Expenditures	<u>\$ 845,459</u>	<u>\$ (214,489)</u>	<u>\$ 630,970</u>	<u>\$ 827,485</u>	<u>\$ 937,185</u>	<u>\$ 306,215</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 86,063</u>	<u>\$ 214,489</u>	<u>\$ 300,552</u>	<u>\$ (87,744)</u>	<u>\$ (49,605)</u>	<u>\$ 350,157</u>
Net Change in Fund Balance	\$ 86,063	\$ 214,489	\$ 300,552	\$ (87,744)	\$ (49,605)	\$ 350,157
Fund Balance, July 1, 2004	73,284	(214,489)	(141,205)	133,731	133,731	(274,936)
Fund Balance, June 30, 2005	<u>\$ 159,347</u>	<u>\$ 0</u>	<u>\$ 159,347</u>	<u>\$ 45,987</u>	<u>\$ 84,126</u>	<u>\$ 75,221</u>

Exhibit E-3

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 171,225	\$ 183,802	\$ 183,802	\$ (12,577)
Fines, Forfeitures, and Penalties	2,022	3,035	3,035	(1,013)
Other Local Revenues	11,459	0	11,459	0
	1,626,437	1,587,150	1,587,150	39,287
Federal Government	10,000	0	10,000	0
<b>Total Revenues</b>	<b>\$ 1,821,143</b>	<b>\$ 1,773,987</b>	<b>\$ 1,795,446</b>	<b>\$ 25,697</b>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 115,558	\$ 118,325	\$ 116,824	\$ 1,266
Highway and Bridge Maintenance	1,211,238	1,174,289	1,212,853	1,615
Operation and Maintenance of Equipment	170,707	169,873	189,073	18,366
Other Charges	121,214	135,800	123,672	2,458
Employee Benefits	154,291	168,000	168,000	13,709
Capital Outlay	238,524	190,200	238,524	0
<b>Total Expenditures</b>	<b>\$ 2,011,532</b>	<b>\$ 1,956,487</b>	<b>\$ 2,048,946</b>	<b>\$ 37,414</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (190,389)	\$ (182,500)	\$ (253,500)	\$ 63,111
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 288,000	\$ 0	\$ 0
Other Loans Issued	286,500	0	288,000	(1,500)
Transfers Out	(91,674)	(105,500)	(94,500)	2,826
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 194,826</b>	<b>\$ 182,500</b>	<b>\$ 193,500</b>	<b>\$ 1,326</b>
Net Change in Fund Balance	\$ 4,437	\$ 0	\$ (60,000)	\$ 64,437
Fund Balance, July 1, 2004	808,742	776,985	776,985	31,757
<b>Fund Balance, June 30, 2005</b>	<b>\$ 813,179</b>	<b>\$ 776,985</b>	<b>\$ 716,985</b>	<b>\$ 96,194</b>

**GRAINGER COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**BUDGETARY INFORMATION**

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

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

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

Law Library Fund – The Law Library Fund is used to account for a special tax levied by private act on litigation. Proceeds of the tax must be expended for the benefit of the county’s law library.

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

Sports and Recreation Fund – The Sports and Recreation Fund is used to account for transactions of the Parks and Recreation Department.

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

Exhibit F-1

Grainger County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitu- tional Officers - Fees	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,969	\$ 51,969
Equity in Pooled Cash and Investments	11,947	4,030	42,913	307,213	0	366,103
Accounts Receivable	0	0	0	0	3,541	3,541
Due from Other Governments	0	0	0	8,416	1,216	9,632
Property Taxes Receivable	0	0	0	69,338	0	69,338
Allowance for Uncollectible Property Taxes	0	0	0	(5,434)	0	(5,434)
Total Assets	<u>\$ 11,947</u>	<u>\$ 4,030</u>	<u>\$ 42,913</u>	<u>\$ 379,533</u>	<u>\$ 56,726</u>	<u>\$ 495,149</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 52	\$ 439	\$ 491
Due to Other Funds	0	0	0	0	50	50
Deferred Revenue - Current Property Taxes	0	0	0	51,050	0	51,050
Deferred Revenue - Delinquent Property Taxes	0	0	0	11,869	0	11,869
Other Deferred Revenues	0	0	0	8,416	0	8,416
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,387</u>	<u>\$ 489</u>	<u>\$ 71,876</u>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 7,125	\$ 0	\$ 7,125
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	22,063	0	0	22,063
Unreserved	11,947	4,030	20,850	301,021	56,237	394,085
Total Fund Balances	<u>\$ 11,947</u>	<u>\$ 4,030</u>	<u>\$ 42,913</u>	<u>\$ 308,146</u>	<u>\$ 56,237</u>	<u>\$ 423,273</u>
Total Liabilities and Fund Balances	<u>\$ 11,947</u>	<u>\$ 4,030</u>	<u>\$ 42,913</u>	<u>\$ 379,533</u>	<u>\$ 56,726</u>	<u>\$ 495,149</u>

Exhibit F-2

Grainger County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitu- tional Officers - Fees	
<u>Revenues</u>						
Local Taxes	\$ 1,378	\$ 1,307	\$ 0	\$ 278,265	\$ 0	\$ 280,950
Fines, Forfeitures, and Penalties	0	0	22,798	2,945	0	25,743
Charges for Current Services	0	0	0	1,960	282,064	284,024
Other Local Revenues	0	0	0	8,777	4,180	12,957
State of Tennessee	0	0	0	30,337	0	30,337
Total Revenues	<u>\$ 1,378</u>	<u>\$ 1,307</u>	<u>\$ 22,798</u>	<u>\$ 322,284</u>	<u>\$ 286,244</u>	<u>\$ 634,011</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 1,932	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,932
Finance	0	0	0	0	230,963	230,963
Administration of Justice	0	0	0	0	30,248	30,248
Public Safety	0	0	24,010	0	0	24,010
Social, Cultural, and Recreational Services	0	2,194	0	69,448	0	71,642
Total Expenditures	<u>\$ 1,932</u>	<u>\$ 2,194</u>	<u>\$ 24,010</u>	<u>\$ 69,448</u>	<u>\$ 261,211</u>	<u>\$ 358,795</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (554)</u>	<u>\$ (887)</u>	<u>\$ (1,212)</u>	<u>\$ 252,836</u>	<u>\$ 25,033</u>	<u>\$ 275,216</u>
Net Change in Fund Balances	\$ (554)	\$ (887)	\$ (1,212)	\$ 252,836	\$ 25,033	\$ 275,216
Fund Balance, July 1, 2004	12,501	4,917	44,125	55,310	31,204	148,057
Fund Balance, June 30, 2005	<u>\$ 11,947</u>	<u>\$ 4,030</u>	<u>\$ 42,913</u>	<u>\$ 308,146</u>	<u>\$ 56,237</u>	<u>\$ 423,273</u>

Exhibit F-3

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse & Jail Maintenance Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,378	\$ 1,200	\$ 1,200	\$ 178
Total Revenues	\$ 1,378	\$ 1,200	\$ 1,200	\$ 178
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 1,932	\$ 5,000	\$ 5,000	\$ 3,068
Total Expenditures	\$ 1,932	\$ 5,000	\$ 5,000	\$ 3,068
Excess (Deficiency) of Revenues Over Expenditures	\$ (554)	\$ (3,800)	\$ (3,800)	\$ 3,246
Net Change in Fund Balance	\$ (554)	\$ (3,800)	\$ (3,800)	\$ 3,246
Fund Balance, July 1, 2004	12,501	12,501	12,501	0
Fund Balance, June 30, 2005	\$ 11,947	\$ 8,701	\$ 8,701	\$ 3,246

Exhibit F-4

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Law Library Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,307	\$ 1,500	\$ 1,500	\$ (193)
Total Revenues	\$ 1,307	\$ 1,500	\$ 1,500	\$ (193)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,194	\$ 1,010	\$ 1,010	\$ (1,184)
Total Expenditures	\$ 2,194	\$ 1,010	\$ 1,010	\$ (1,184)
Excess (Deficiency) of Revenues Over Expenditures	\$ (887)	\$ 490	\$ 490	\$ (1,377)
Net Change in Fund Balance	\$ (887)	\$ 490	\$ 490	\$ (1,377)
Fund Balance, July 1, 2004	4,917	4,917	4,917	0
Fund Balance, June 30, 2005	\$ 4,030	\$ 5,407	\$ 5,407	\$ (1,377)

Exhibit F-5

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 22,798	\$ 12,000	\$ 12,000	\$ 10,798
Total Revenues	\$ 22,798	\$ 12,000	\$ 12,000	\$ 10,798
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 24,010	\$ 20,200	\$ 30,200	\$ 6,190
Total Expenditures	\$ 24,010	\$ 20,200	\$ 30,200	\$ 6,190
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,212)	\$ (8,200)	\$ (18,200)	\$ 16,988
Net Change in Fund Balance	\$ (1,212)	\$ (8,200)	\$ (18,200)	\$ 16,988
Fund Balance, July 1, 2004	44,125	41,409	41,409	2,716
Fund Balance, June 30, 2005	\$ 42,913	\$ 33,209	\$ 23,209	\$ 19,704

Exhibit F-6

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Sports and Recreation Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 278,265	\$ 0	\$ 278,265	\$ 262,337	\$ 262,337	\$ 15,928
Fines, Forfeitures, and Penalties	2,945	0	2,945	909	909	2,036
Charges for Current Services	1,960	0	1,960	0	1,755	205
Other Local Revenues	8,777	0	8,777	0	8,720	57
State of Tennessee	30,337	0	30,337	126,000	126,000	(95,663)
Total Revenues	<u>\$ 322,284</u>	<u>\$ 0</u>	<u>\$ 322,284</u>	<u>\$ 389,246</u>	<u>\$ 399,721</u>	<u>\$ (77,437)</u>
<u>Expenditures</u>						
<u>Social, Cultural and Recreational Services</u>						
Parks and Fair Boards	\$ 69,448	\$ 7,125	\$ 76,573	\$ 234,418	\$ 249,693	\$ 173,120
Total Expenditures	<u>\$ 69,448</u>	<u>\$ 7,125</u>	<u>\$ 76,573</u>	<u>\$ 234,418</u>	<u>\$ 249,693</u>	<u>\$ 173,120</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 252,836</u>	<u>\$ (7,125)</u>	<u>\$ 245,711</u>	<u>\$ 154,828</u>	<u>\$ 150,028</u>	<u>\$ 95,683</u>
Net Change in Fund Balance	\$ 252,836	\$ (7,125)	\$ 245,711	\$ 154,828	\$ 150,028	\$ 95,683
Fund Balance, July 1, 2004	<u>55,310</u>	<u>0</u>	<u>55,310</u>	<u>55,311</u>	<u>55,311</u>	<u>(1)</u>
Fund Balance, June 30, 2005	<u>\$ 308,146</u>	<u>\$ (7,125)</u>	<u>\$ 301,021</u>	<u>\$ 210,139</u>	<u>\$ 205,339</u>	<u>\$ 95,682</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit G

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 879,174	\$ 928,492	\$ 904,492	\$ (25,318)
Fines, Forfeitures, and Penalties	5,812	650	650	5,162
Other Local Revenues	4,010	100,000	0	4,010
State of Tennessee	62,696	7,000	7,000	55,696
Other Governments and Citizens Groups	358,888	0	300,000	58,888
<b>Total Revenues</b>	<b>\$ 1,310,580</b>	<b>\$ 1,036,142</b>	<b>\$ 1,212,142</b>	<b>\$ 98,438</b>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 614,751	\$ 618,403	\$ 618,403	\$ 3,652
Highways and Streets	75,000	75,000	75,000	0
Education	383,378	383,378	383,378	0
<u>Interest</u>				
General Government	276,711	280,401	280,401	3,690
Highways and Streets	13,139	16,750	16,750	3,611
Education	72,454	73,442	73,442	988
<u>Other Debt Service</u>				
General Government	17,000	8,000	18,000	1,000
Highways and Streets	3,535	8,250	8,250	4,715
<b>Total Expenditures</b>	<b>\$ 1,455,968</b>	<b>\$ 1,463,624</b>	<b>\$ 1,473,624</b>	<b>\$ 17,656</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (145,388)	\$ (427,482)	\$ (261,482)	\$ 116,094
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 116,361	\$ 400,000	\$ 124,000	\$ (7,639)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 116,361</b>	<b>\$ 400,000</b>	<b>\$ 124,000</b>	<b>\$ (7,639)</b>
Net Change in Fund Balance	\$ (29,027)	\$ (27,482)	\$ (137,482)	\$ 108,455
Fund Balance, July 1, 2004	1,654,219	1,654,219	1,654,219	0
<b>Fund Balance, June 30, 2005</b>	<b>\$ 1,625,192</b>	<b>\$ 1,626,737</b>	<b>\$ 1,516,737</b>	<b>\$ 108,455</b>

# Fiduciary Funds

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

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

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

Exhibit H-1

Grainger County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 993,271	\$ 993,271
Accounts Receivable	0	768	768
Due from Other Governments	93,054	284	93,338
Restricted Assets:			
Other Restricted Assets	0	68,058	68,058
Total Assets	<u>\$ 93,054</u>	<u>\$ 1,062,381</u>	<u>\$ 1,155,435</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 0	\$ 284	\$ 284
Due to Other Taxing Units	93,054	0	93,054
Due to Litigants, Heirs, and Others	0	1,062,097	1,062,097
Total Liabilities	<u>\$ 93,054</u>	<u>\$ 1,062,381</u>	<u>\$ 1,155,435</u>

Exhibit H-2

Grainger County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 509,429	\$ 509,429	\$ 0
Due From Other Governments	92,077	93,054	92,077	93,054
Total Assets	\$ 92,077	\$ 602,483	\$ 601,506	\$ 93,054
<u>Liabilities</u>				
Due to Other Funds	\$ 16,741	\$ 0	\$ 16,741	\$ 0
Due to Other Taxing Units	75,336	602,483	584,765	93,054
Total Liabilities	\$ 92,077	\$ 602,483	\$ 601,506	\$ 93,054
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 685,320	\$ 4,148,101	\$ 3,840,150	\$ 993,271
Accounts Receivable	2,629	768	2,629	768
Due From Other Governments	170	284	170	284
Other Restricted Assets	66,877	1,181	0	68,058
Total Assets	\$ 754,996	\$ 4,150,334	\$ 3,842,949	\$ 1,062,381
<u>Liabilities</u>				
Due to Other Funds	\$ 170	\$ 284	\$ 170	\$ 284
Due to Litigants, Heirs, and Others	754,826	4,150,050	3,842,779	1,062,097
Total Liabilities	\$ 754,996	\$ 4,150,334	\$ 3,842,949	\$ 1,062,381
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 509,429	\$ 509,429	\$ 0
Cash	685,320	4,148,101	3,840,150	993,271
Accounts Receivable	2,629	768	2,629	768
Due From Other Governments	92,247	93,338	92,247	93,338
Other Restricted Assets	66,877	1,181	0	68,058
Total Assets	\$ 847,073	\$ 4,751,636	\$ 4,444,455	\$ 1,155,435
<u>Liabilities</u>				
Due to Other Funds	\$ 16,911	\$ 284	\$ 16,911	\$ 284
Due to Other Taxing Units	75,336	602,483	584,765	93,054
Due to Litigants, Heirs, and Others	754,826	4,150,050	3,842,779	1,062,097
Total Liabilities	\$ 847,073	\$ 4,752,817	\$ 4,444,455	\$ 1,155,435

# Grainger County School Department

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

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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for the construction and related costs of the new high school.

Exhibit I-1

Grainger County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Grainger County School Department  
June 30, 2005

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Governmental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,192	\$ 1,192
Equity in Pooled Cash and Investments	2,876,414	410,000	463,840	3,750,254
Accounts Receivable	19,659	0	57	19,716
Due from Other Governments	473,145	0	101,708	574,853
Due from Other Funds	55,689	0	0	55,689
Property Taxes Receivable	1,333,045	0	0	1,333,045
Allowance for Uncollectible Property Taxes	(47,737)	0	0	(47,737)
<b>Total Assets</b>	<b>\$ 4,710,215</b>	<b>\$ 410,000</b>	<b>\$ 566,797</b>	<b>\$ 5,687,012</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 23,547	\$ 0	\$ 1,711	\$ 25,258
Accrued Payroll	114,540	0	6,345	120,885
Retainage Payable	22,838	0	0	22,838
Due to Other Funds	0	17,689	38,000	55,689
Other Current Liabilities	0	410,000	0	410,000
Deferred Revenue - Current Property Taxes	1,208,181	0	0	1,208,181
Deferred Revenue - Delinquent Property Taxes	71,219	0	0	71,219
Other Deferred Revenues	193,821	0	100,708	294,529
<b>Total Liabilities</b>	<b>\$ 1,634,146</b>	<b>\$ 427,689</b>	<b>\$ 146,764</b>	<b>\$ 2,208,599</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 982,500	\$ 0	\$ 982,500
Reserved for Career Ladder Program	642	0	0	642
Reserved for Basic Education Program	726,977	0	0	726,977
Reserved for Title I Grants to Local Education Agencies	0	0	9,067	9,067
Reserved for Innovative Education Program Strategies	0	0	135	135
Reserved for Special Education - Grants to States	0	0	57,505	57,505
Other Federal Reserves	57,344	0	54,364	111,708
Unreserved, Reported In:				
General Fund	2,291,106	0	0	2,291,106
Special Revenue Funds	0	0	298,962	298,962
Capital Projects Fund (Deficit)	0	(1,000,189)	0	(1,000,189)
<b>Total Fund Balances</b>	<b>\$ 3,076,069</b>	<b>\$ (17,689)</b>	<b>\$ 420,033</b>	<b>\$ 3,478,413</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,710,215</b>	<b>\$ 410,000</b>	<b>\$ 566,797</b>	<b>\$ 5,687,012</b>

Exhibit I-2

Grainger County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Grainger County School Department  
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit I-1)	\$	3,478,413
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		11,825,072
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		365,748
(3) Long-term liabilities, including notes payable and retirement incentives payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Notes payable	\$	90,346
Retirement incentives payable		25,000
		<u>(115,346)</u>
Net assets of governmental activities (Exhibit A)	\$	<u><u>15,553,887</u></u>

Exhibit I-3

Grainger County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2005

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 2,580,734	\$ 0	\$ 0	\$ 2,580,734
Licenses and Permits	665	0	0	665
Fines, Forfeitures and Penalties	19,875	0	0	19,875
Charges for Current Services	2,792	0	566,839	569,631
Other Local Revenues	78,269	0	2,348	80,617
State of Tennessee	14,390,563	0	19,869	14,410,432
Federal Government	1,049,330	0	2,791,905	3,841,235
Total Revenues	<u>\$ 18,122,228</u>	<u>\$ 0</u>	<u>\$ 3,380,961</u>	<u>\$ 21,503,189</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,308,170	\$ 0	\$ 1,300,411	\$ 13,608,581
Support Services	4,784,707	0	652,704	5,437,411
Operation of Non-Instructional Services	33,300	0	1,349,516	1,382,816
Capital Outlay	1,304,495	0	0	1,304,495
Debt Service:				
Principal	12,943	0	0	12,943
Other Debt Service	358,888	0	0	358,888
Capital Projects	0	17,689	0	17,689
Total Expenditures	<u>\$ 18,802,503</u>	<u>\$ 17,689</u>	<u>\$ 3,302,631</u>	<u>\$ 22,122,823</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (680,275)</u>	<u>\$ (17,689)</u>	<u>\$ 78,330</u>	<u>\$ (619,634)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 58,500	\$ 0	\$ 0	\$ 58,500
Transfers Out	0	0	(58,500)	(58,500)
Total Other Financing Sources (Uses)	<u>\$ 58,500</u>	<u>\$ 0</u>	<u>\$ (58,500)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (621,775)	\$ (17,689)	\$ 19,830	\$ (619,634)
Fund Balance, July 1, 2004	3,697,844	0	400,203	4,098,047
Fund Balance, June 30, 2005	<u>\$ 3,076,069</u>	<u>\$ (17,689)</u>	<u>\$ 420,033</u>	<u>\$ 3,478,413</u>

Grainger County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2005

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

Net changes in fund balances - total governmental funds (Exhibit I-3)		\$ (619,634)
(1) Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between depreciation and capital outlays is itemized as follows:		
Add: Capital outlays in the current period	\$ 1,344,506	
Less: Current year depreciation	<u>(388,567)</u>	955,939
(2) Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains or losses are recorded for disposals.		
Less: Proceeds received from disposals of capital assets	\$ (1,350)	
Less: Loss on disposals of capital assets	<u>(3,414)</u>	(4,764)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
For the year ended June 30, 2004	\$ (260,624)	
For the year ended June 30, 2005	<u>365,748</u>	105,124
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in retirement incentive		(25,000)
(5) The issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets.		
Add: Principal payment on notes		<u>12,943</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 424,608</u>

Grainger County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Grainger County School Department  
June 30, 2005

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,192	\$ 1,192
Equity in Pooled Cash and Investments	122,683	341,157	463,840
Accounts Receivable	0	57	57
Due from Other Governments	14,579	87,129	101,708
<b>Total Assets</b>	<b>\$ 137,262</b>	<b>\$ 429,535</b>	<b>\$ 566,797</b>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 452	\$ 1,259	\$ 1,711
Accrued Payroll	2,160	4,185	6,345
Due to Other Funds	0	38,000	38,000
Other Deferred Revenues	13,579	87,129	100,708
<b>Total Liabilities</b>	<b>\$ 16,191</b>	<b>\$ 130,573</b>	<b>\$ 146,764</b>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 9,067	\$ 0	\$ 9,067
Reserved for Innovative Education Program Strategies	135	0	135
Reserved for Special Education - Grants to States	57,505	0	57,505
Other Federal Reserves	54,364	0	54,364
Unreserved	0	298,962	298,962
<b>Total Fund Balances</b>	<b>\$ 121,071</b>	<b>\$ 298,962</b>	<b>\$ 420,033</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 137,262</b>	<b>\$ 429,535</b>	<b>\$ 566,797</b>

Grainger County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2005

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 566,839	\$ 566,839
Other Local Revenues	0	2,348	2,348
State of Tennessee	0	19,869	19,869
Federal Government	2,003,495	788,410	2,791,905
Total Revenues	<u>\$ 2,003,495</u>	<u>\$ 1,377,466</u>	<u>\$ 3,380,961</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,300,411	\$ 0	\$ 1,300,411
Support Services	652,704	0	652,704
Operation of Non-Instructional Services	0	1,349,516	1,349,516
Total Expenditures	<u>\$ 1,953,115</u>	<u>\$ 1,349,516</u>	<u>\$ 3,302,631</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 50,380</u>	<u>\$ 27,950</u>	<u>\$ 78,330</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (20,500)	\$ (38,000)	\$ (58,500)
Total Other Financing Sources (Uses)	<u>\$ (20,500)</u>	<u>\$ (38,000)</u>	<u>\$ (58,500)</u>
Net Change in Fund Balances	\$ 29,880	\$ (10,050)	\$ 19,830
Fund Balance, July 1, 2004	91,191	309,012	400,203
Fund Balance, June 30, 2005	<u>\$ 121,071</u>	<u>\$ 298,962</u>	<u>\$ 420,033</u>

Exhibit I-7

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Grainger County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,580,734	\$ 0	\$ 2,580,734	\$ 2,428,942	\$ 2,529,942	\$ 50,792
Licenses and Permits	665	0	665	0	0	665
Fines, Forfeitures, and Penalties	19,875	0	19,875	33,500	33,500	(13,625)
Charges for Current Services	2,792	0	2,792	7,000	7,800	(5,008)
Other Local Revenues	78,269	0	78,269	18,000	42,253	36,016
State of Tennessee	14,390,563	0	14,390,563	13,982,596	14,659,418	(268,855)
Federal Government	1,049,330	0	1,049,330	45,028	936,740	112,590
Total Revenues	<u>\$ 18,122,228</u>	<u>\$ 0</u>	<u>\$ 18,122,228</u>	<u>\$ 16,515,066</u>	<u>\$ 18,209,653</u>	<u>\$ (87,425)</u>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 9,790,561	\$ 0	\$ 9,790,561	\$ 9,111,908	\$ 10,001,011	\$ 210,450
Alternative Instruction Program	71,565	0	71,565	73,821	73,821	2,256
Special Education Program	1,401,839	0	1,401,839	1,459,143	1,459,143	57,304
Vocational Education Program	716,109	0	716,109	751,383	740,583	24,474
Student Body Education Program	68,775	0	68,775	39,000	76,800	8,025
Adult Education Program	259,321	0	259,321	42,607	268,859	9,538
<u>Support Services</u>						
Attendance	7,576	0	7,576	8,592	8,592	1,016
Health Services	95,778	0	95,778	96,019	98,372	2,594
Other Student Support	310,196	0	310,196	297,883	322,355	12,159
Regular Instruction Program	627,129	0	627,129	489,734	644,227	17,098
Special Education Program	140,524	0	140,524	140,610	151,570	11,046

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Vocational Education Program	\$ 49,580	\$ 0	\$ 49,580	\$ 54,398	\$ 54,398	\$ 4,818
Adult Programs	32,642	0	32,642	0	36,008	3,366
Board of Education	277,586	0	277,586	274,946	291,351	13,765
Director of Schools	182,802	0	182,802	175,442	183,442	640
Office of the Principal	815,468	0	815,468	833,252	821,252	5,784
Operation of Plant	924,343	0	924,343	929,772	966,844	42,501
Maintenance of Plant	341,479	0	341,479	335,525	348,525	7,046
Transportation	979,604	(61,775)	917,829	939,901	989,787	71,958
<u>Operation of Non-Instructional Services</u>						
Community Services	33,300	0	33,300	13,186	33,300	0
<u>Capital Outlay</u>						
Regular Capital Outlay	1,304,495	0	1,304,495	135,000	1,331,941	27,446
<u>Principal</u>						
Education	12,943	0	12,943	12,944	12,944	1
<u>Other Debt Service</u>						
Education	358,888	0	358,888	300,000	453,465	94,577
Total Expenditures	\$ 18,802,503	\$ (61,775)	\$ 18,740,728	\$ 16,515,066	\$ 19,368,590	\$ 627,862
Excess (Deficiency) of Revenues Over Expenditures	\$ (680,275)	\$ 61,775	\$ (618,500)	\$ 0	\$ (1,158,937)	\$ 540,437

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 58,500	\$ 0	\$ 58,500	\$ 0	\$ 0	\$ 58,500
Total Other Financing Sources (Uses)	\$ 58,500	\$ 0	\$ 58,500	\$ 0	\$ 0	\$ 58,500
Net Change in Fund Balance	\$ (621,775)	\$ 61,775	\$ (560,000)	\$ 0	\$ (1,158,937)	\$ 598,937
Fund Balance, July 1, 2004	3,697,844	(61,775)	3,636,069	0	1,158,937	2,477,132
Fund Balance, June 30, 2005	\$ 3,076,069	\$ 0	\$ 3,076,069	\$ 0	\$ 0	\$ 3,076,069

Exhibit I-8

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Grainger County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,003,495	\$ 1,603,750	\$ 2,454,950	\$ (451,455)
Total Revenues	\$ 2,003,495	\$ 1,603,750	\$ 2,454,950	\$ (451,455)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 770,452	\$ 573,573	\$ 1,024,726	\$ 254,274
Special Education Program	443,595	522,030	543,253	99,658
Vocational Education Program	86,364	64,920	86,364	0
<u>Support Services</u>				
Other Student Support	47,253	30,000	57,193	9,940
Regular Instruction Program	330,904	197,629	466,661	135,757
Special Education Program	193,573	133,396	261,241	67,668
Vocational Education Program	29,533	1,000	29,556	23
Transportation	51,441	81,202	60,702	9,261
Total Expenditures	\$ 1,953,115	\$ 1,603,750	\$ 2,529,696	\$ 576,581
Excess (Deficiency) of Revenues Over Expenditures	\$ 50,380	\$ 0	\$ (74,746)	\$ 125,126
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (20,500)	\$ 0	\$ (20,500)	\$ 0
Total Other Financing Sources (Uses)	\$ (20,500)	\$ 0	\$ (20,500)	\$ 0
Net Change in Fund Balance	\$ 29,880	\$ 0	\$ (95,246)	\$ 125,126
Fund Balance, July 1, 2004	91,191	0	95,246	(4,055)
Fund Balance, June 30, 2005	\$ 121,071	\$ 0	\$ 0	\$ 121,071

Exhibit I-9

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Grainger County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 566,839	\$ 502,000	\$ 502,000	\$ 64,839
Other Local Revenues	2,348	3,000	3,000	(652)
State of Tennessee	19,869	19,000	19,000	869
Federal Government	788,410	775,000	834,574	(46,164)
Total Revenues	<u>\$ 1,377,466</u>	<u>\$ 1,299,000</u>	<u>\$ 1,358,574</u>	<u>\$ 18,892</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,349,516	\$ 1,261,000	\$ 1,355,574	\$ 6,058
Total Expenditures	<u>\$ 1,349,516</u>	<u>\$ 1,261,000</u>	<u>\$ 1,355,574</u>	<u>\$ 6,058</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 27,950	\$ 38,000	\$ 3,000	\$ 24,950
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (38,000)	\$ (38,000)	\$ (38,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (38,000)</u>	<u>\$ (38,000)</u>	<u>\$ (38,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (10,050)	\$ 0	\$ (35,000)	\$ 24,950
Fund Balance, July 1, 2004	309,012	0	35,000	274,012
Fund Balance, June 30, 2005	<u>\$ 298,962</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 298,962</u>

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## MISCELLANEOUS SCHEDULES

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Grainger County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Lease, Other Loans, and Bonds  
Primary Government and Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<b><u>PRIMARY GOVERNMENT</u></b>								
<b><u>BONDS PAYABLE</u></b>								
<u>Payable through General Debt Service Fund</u>								
Justice Center	\$ 6,500,000	3.87 %	12-23-03	3-1-23	\$ 6,500,000	\$ 0	\$ 255,000	\$ 6,245,000
Total Bonds Payable					<u>\$ 6,500,000</u>	<u>\$ 0</u>	<u>\$ 255,000</u>	<u>\$ 6,245,000</u>
<b><u>NOTES PAYABLE</u></b>								
<u>Payable through General Debt Service Fund</u>								
Schools' Air Conditioning Phase II	400,000	3.05	7-7-1995	7-7-04	\$ 40,000	\$ 0	\$ 40,000	\$ 0
Schools' Air Conditioning Phase II	599,990	2.5	9-2-1995	9-2-04	64,000	0	64,000	0
School Building - Phase I	1,000,000	3.65	10-10-1998	10-9-10	539,770	0	83,410	456,360
School Building - Phase II	1,500,000	3.65	12-14-1998	12-14-10	812,500	0	125,000	687,500
School Building - Phase III	500,000	4.15	8-23-1999	8-23-11	311,900	0	41,800	270,100
School Building - Phase IV	350,000	4.25	5-19-00	5-19-12	233,311	0	29,168	204,143
Equipment and Vehicles - Trustee, Sheriff, and Ambulance	131,000	2.55	6-30-00	6-30-05	26,200	0	26,200	0
Landfill Engineering and Closure	225,000	4.15	5-15-00	5-15-09	125,000	0	25,000	100,000
Landfill Closure	550,000	4.25	5-30-00	5-30-12	366,640	0	45,840	320,800
Health Department Construction	70,000	2.55	10-26-00	10-26-05	21,000	0	14,000	7,000
Sanitation Truck	140,000	3.15	4-10-01	4-10-06	56,000	0	28,000	28,000
Vehicles For the Sheriff's Department	50,000	2.55	10-6-00	10-6-05	15,000	0	10,000	5,000
Equipment and Landfill Closure	207,400	3.15	6-28-01	6-28-06	82,960	0	41,480	41,480
Equipment and Landfill Closure	214,400	3.7	6-28-02	6-28-07	128,640	0	42,880	85,760

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE (CONT.)</u>								
<u>Payable through General Debt Service Fund (Cont.)</u>								
E-911 Mapping	\$ 110,000	3.7 %	8-30-02	8-28-07	\$ 77,000	\$ 0	\$ 22,000	\$ 55,000
Vehicles For the Sheriff's Department	52,000	2.55	11-25-02	11-25-05	26,000	0	17,333	8,667
Land	72,000	2.504	6-29-04	6-29-07	72,000	0	24,000	48,000
Ambulances/Vehicles for the Sheriff's Department	189,052	3.25	12-21-04	6-30-07	0	189,052	63,017	126,035
Courthouse Renovations/Roof Repair	100,000	3.492	6-28-05	6-28-08	0	100,000	0	100,000
Total Notes Payable					<u>\$ 2,997,921</u>	<u>\$ 289,052</u>	<u>\$ 743,128</u>	<u>\$ 2,543,845</u>
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through General Fund</u>								
Real Property - Ambulance Authority	55,000	0	8-31-01	6-30-12	\$ 40,000	\$ 0	\$ 5,000	\$ 35,000
Total Capital Lease Payable					<u>\$ 40,000</u>	<u>\$ 0</u>	<u>\$ 5,000</u>	<u>\$ 35,000</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Montgomery County Public Building Authority	1,000,000	Variable	3-5-03	5-24-14	\$ 600,500	\$ 286,500	\$ 75,000	\$ 812,000
Total Other Loans Payable					<u>\$ 600,500</u>	<u>\$ 286,500</u>	<u>\$ 75,000</u>	<u>\$ 812,000</u>
<u>GRAINGER COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
EPA Asbestos Abatement	232,968	0	11-30-1994	5-30-12	\$ 103,289	\$ 0	\$ 12,943	\$ 90,346
Total Notes Payable					<u>\$ 103,289</u>	<u>\$ 0</u>	<u>\$ 12,943</u>	<u>\$ 90,346</u>

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 255,000	\$ 232,520	\$ 487,520
2007	260,000	225,508	485,508
2008	270,000	217,708	487,708
2009	275,000	208,798	483,798
2010	285,000	199,310	484,310
2011	295,000	189,478	484,478
2012	305,000	179,300	484,300
2013	315,000	168,778	483,778
2014	330,000	157,910	487,910
2015	340,000	146,528	486,528
2016	355,000	134,455	489,455
2017	370,000	121,498	491,498
2018	385,000	107,623	492,623
2019	405,000	92,800	497,800
2020	420,000	76,600	496,600
2021	440,000	59,380	499,380
2022	460,000	40,900	500,900
2023	480,000	21,120	501,120
<b>Total</b>	<b>\$ 6,245,000</b>	<b>\$ 2,580,214</b>	<b>\$ 8,825,214</b>

Exhibit J-3

Grainger County, Tennessee  
Schedule of Transfers - All Funds and Discretely Presented  
Grainger County School Department  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Primary Government:			
Cities-Sales Tax	General Debt Service	To provide funds for retirement of debt	\$ 24,687
Highway/Public Works	General Debt Service	To provide funds for retirement of debt	<u>91,674</u>
Total Primary Government			<u>\$ 116,361</u>
School Department:			
School Federal Projects	General Purpose School	To provide funds for school bus purchase	\$ 20,500
School Cafeteria	General Purpose School	To provide funds for shared utilities	<u>38,000</u>
Total Transfers			<u>\$ 58,500</u>

Grainger County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 58,173	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	52,765	100,000	"
Director of Schools	State Board of Education and County Board of Education	80,765 (1)	(2)	"
Trustee	Section 8-24-102, <u>TCA</u>	47,969	550,200	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	47,969	10,000	Western Surety Company
County Clerk:				
Monica Cameron (7-1-04 through 8-31-04)	Section 8-24-102, <u>TCA</u>	7,995	50,000	Ohio Casualty Insurance Company
Angie Lamb (9-1-04 through 6-30-05)	Section 8-24-102, <u>TCA</u>	39,974	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	47,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	78,092 (3)	50,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	47,969	25,000	Ohio Casualty Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	55,403 (4)	25,000	"
Employee Blanket Bonds:				
County Employees			150,000	Local Government Insurance Pool
School Department Employees			100,000	Southern States Insurance Company

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

(2) - Covered by employee blanket bond.

(3) - Includes special commissioner fees of \$30,123.

(4) - Includes additional compensation of \$2,638 for serving as workhouse superintendent.

Exhibit J-5

Grainger County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,078,535	\$ 0	\$ 0	\$ 415,704	\$ 0
Trustee's Collections - Prior Year	75,695	0	0	18,018	0
Circuit/Clerk & Master Collections - Prior Years	27,761	0	0	5,629	0
Interest and Penalty	12,502	0	0	2,885	0
Payments in Lieu of Taxes - T.V.A.	2,337	0	0	467	0
Payments in Lieu of Taxes - Local Utilities	24,165	0	0	4,833	0
Payments in Lieu of Taxes - Other	697	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	0
Litigation Tax - General	3,190	0	0	0	0
Litigation Tax - Special Purpose	30,804	1,378	1,307	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	13,151	0	0	0	0
Business Tax	26,273	0	0	5,355	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	27,583	0	0	5,517	0
Wholesale Beer Tax	98,818	0	0	0	0
Interstate Telecommunications Tax	2,553	0	0	0	0
Total Local Taxes	\$ 2,424,064	\$ 1,378	\$ 1,307	\$ 458,408	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 665	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	28,366	0	0	0	0
Total Licenses and Permits	\$ 29,031	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 1,464	\$ 0	\$ 0	\$ 300	\$ 0
Officers Costs	1,736	0	0	359	0
Drug Control Fines	0	0	0	0	1,193
Drug Court Fees	0	0	0	0	3
Jail Fees	1,743	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Data Entry Fee - Circuit Court	\$ 126	\$ 0	\$ 0	\$ 0	\$ 0
<u>General Sessions Court</u>					
Fines	15,464	0	0	3,184	0
Officers Costs	7,029	0	0	1,452	0
Game and Fish Fines	59	0	0	12	0
Drug Control Fines	0	0	0	0	12,652
Jail Fees	9,951	0	0	0	0
DUI Treatment Fines	5,608	0	0	0	0
Data Entry Fee - General Sessions Court	4,359	0	0	0	0
<u>Juvenile Court</u>					
Fines	1,541	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	2,475	0	0	0	0
Data Entry Fee - Chancery Court	374	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	8,950
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 51,929</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,307</b>	<b>\$ 22,798</b>
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 741,828	\$ 0	\$ 0	\$ 0	\$ 0
Service Charges	810	0	0	0	0
<u>Fees</u>					
Recreation Fees	0	0	0	0	0
Copy Fees	7,707	0	0	0	0
Library Fees	1,523	0	0	0	0
Telephone Commissions	2,485	0	0	0	0
Vending Machine Collections	802	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0
Data Processing Fee - Register	9,974	0	0	0	0
Data Processing Fee - Sheriff	451	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Sexual Offender Registration Fee	\$ 540	\$ 0	\$ 0	\$ 0	\$ 0
<u>Education Charges</u>					
Tuition - Other	0	0	0	0	0
Total Charges for Current Services	\$ 766,120	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 175,232	\$ 0
Lease/Rentals	44,120	0	0	100	0
Sale of Materials and Supplies	341	0	0	0	0
Sale of Recycled Materials	0	0	0	6,657	0
Miscellaneous Refunds	8,786	0	0	945	0
<u>Nonrecurring Items</u>					
Sale of Equipment	2,050	0	0	0	0
Sale of Property	12,500	0	0	0	0
Contributions & Gifts	540	0	0	0	0
Total Other Local Revenues	\$ 68,337	\$ 0	\$ 0	\$ 182,934	\$ 0
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 26,150	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	65,500	0	0	0	0
<u>Fees In Lieu of Salary</u>					
Circuit Court Clerk	19,099	0	0	0	0
General Sessions Court Clerk	47,512	0	0	0	0
Clerk and Master	29,422	0	0	0	0
Register	120,634	0	0	0	0
Sheriff	5,323	0	0	0	0
Total Fees Received from County Officials	\$ 313,640	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	14,641	0	0	0	0
Solid Waste Grants	0	0	0	236,334	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	5,706	0	0	0	0
<u>Health and Welfare Grants</u>					
Public Health Nurses	22,130	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	16,297	0	0	0	0
Tennessee Industrial Infrastructure Program	121,348	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	10,859	0	0	0	0
Beer Tax	16,778	0	0	0	0
Alcoholic Beverage Tax	24,365	0	0	0	0
State Revenue Sharing - T.V.A.	242,694	0	0	48,539	0
Contracted Prisoner Boarding	53,410	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	7,150	0	0	0	0
Total State of Tennessee	\$ 560,758	\$ 0	\$ 0	\$ 284,873	\$ 0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 70,680	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	249,891	0	0	0	0
Total Federal Government	\$ 320,571	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 12,777	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control
<u>Other Governments and Citizens Groups (Cont.)</u>					
<u>Other Governments (Cont.)</u>					
Contracted Services	\$ 12,465	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 25,242	\$ 0	\$ 0	\$ 0	\$ 0
 Total	 \$ 4,559,692	 \$ 1,378	 \$ 1,307	 \$ 931,522	 \$ 22,798

(Continued)

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund	Total
	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 259,818	\$ 0	\$ 155,414	\$ 536,952	\$ 3,446,423
Trustee's Collections - Prior Year	4,406	0	7,235	4,078	109,432
Circuit/Clerk & Master Collections - Prior Years	3,335	0	1,909	6,758	45,392
Interest and Penalty	888	0	1,117	1,164	18,556
Payments in Lieu of Taxes - T.V.A.	292	0	175	604	3,875
Payments in Lieu of Taxes - Local Utilities	3,020	0	1,812	6,243	40,073
Payments in Lieu of Taxes - Other	0	0	0	0	697
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	310,140	310,140
Litigation Tax - General	0	0	0	0	3,190
Litigation Tax - Special Purpose	0	0	0	0	33,489
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	13,151
Business Tax	3,058	0	1,494	6,109	42,289
<u>Statutory Local Taxes</u>					
Bank Excise Tax	3,448	0	2,069	7,126	45,743
Wholesale Beer Tax	0	0	0	0	98,818
Interstate Telecommunications Tax	0	0	0	0	2,553
Total Local Taxes	\$ 278,265	\$ 0	\$ 171,225	\$ 879,174	\$ 4,213,821
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 665
Cable TV Franchise	0	0	0	0	28,366
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,031
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 171	\$ 0	\$ 132	\$ 342	\$ 2,409
Officers Costs	196	0	143	385	2,819
Drug Control Fines	0	0	0	0	1,193
Drug Court Fees	0	0	0	0	3
Jail Fees	0	0	0	0	1,743

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund	Total
	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Data Entry Fee - Circuit Court	\$ 0	\$ 0	\$ 0	\$ 0	126
<u>General Sessions Court</u>					
Fines	1,773	0	1,204	3,504	25,129
Officers Costs	798	0	541	1,568	11,388
Game and Fish Fines	7	0	2	13	93
Drug Control Fines	0	0	0	0	12,652
Jail Fees	0	0	0	0	9,951
DUI Treatment Fines	0	0	0	0	5,608
Data Entry Fee - General Sessions Court	0	0	0	0	4,359
<u>Juvenile Court</u>					
Fines	0	0	0	0	1,541
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	2,475
Data Entry Fee - Chancery Court	0	0	0	0	374
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	8,950
Total Fines, Forfeitures, and Penalties	\$ 2,945	\$ 0	\$ 2,022	\$ 5,812	\$ 90,813
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	741,828
Service Charges	0	0	0	0	810
<u>Fees</u>					
Recreation Fees	1,950	0	0	0	1,950
Copy Fees	0	0	0	0	7,707
Library Fees	0	0	0	0	1,523
Telephone Commissions	0	0	0	0	2,485
Vending Machine Collections	0	0	0	0	802
Constitutional Officers' Fees and Commissions	0	251,941	0	0	251,941
Special Commissioner Fees/Special Master Fees	0	30,123	0	0	30,123
Data Processing Fee - Register	0	0	0	0	9,974
Data Processing Fee - Sheriff	0	0	0	0	451

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund	Total
	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Sexual Offender Registration Fee	\$ 0	\$ 0	\$ 0	\$ 0	540
<u>Education Charges</u>					
Tuition - Other	10	0	0	0	10
Total Charges for Current Services	\$ 1,960	\$ 282,064	\$ 0	\$ 0	\$ 1,050,144
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 4,180	\$ 0	\$ 4,010	\$ 183,422
Lease/Rentals	0	0	0	0	44,220
Sale of Materials and Supplies	0	0	0	0	341
Sale of Recycled Materials	0	0	0	0	6,657
Miscellaneous Refunds	0	0	11,459	0	21,190
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	2,050
Sale of Property	0	0	0	0	12,500
Contributions & Gifts	8,777	0	0	0	9,317
Total Other Local Revenues	\$ 8,777	\$ 4,180	\$ 11,459	\$ 4,010	\$ 279,697
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	26,150
Trustee	0	0	0	0	65,500
<u>Fees In Lieu of Salary</u>					
Circuit Court Clerk	0	0	0	0	19,099
General Sessions Court Clerk	0	0	0	0	47,512
Clerk and Master	0	0	0	0	29,422
Register	0	0	0	0	120,634
Sheriff	0	0	0	0	5,323
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	313,640

(Continued)

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund	Total
	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	0	0	0	0	14,641
Solid Waste Grants	0	0	0	0	236,334
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	5,706
<u>Health and Welfare Grants</u>					
Public Health Nurses	0	0	0	0	22,130
<u>Public Works Grants</u>					
State Aid Program	0	0	139,582	0	139,582
Litter Program	0	0	0	0	16,297
Tennessee Industrial Infrastructure Program	0	0	0	0	121,348
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	10,859
Beer Tax	0	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	0	24,365
State Revenue Sharing - T.V.A.	30,337	0	18,202	62,696	402,468
Contracted Prisoner Boarding	0	0	0	0	53,410
Gasoline and Motor Fuel Tax	0	0	1,452,034	0	1,452,034
Petroleum Special Tax	0	0	16,619	0	16,619
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	7,150
Total State of Tennessee	\$ 30,337	\$ 0	\$ 1,626,437	\$ 62,696	\$ 2,565,101
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	70,680
Other Federal through State	0	0	10,000	0	259,891
Total Federal Government	\$ 0	\$ 0	\$ 10,000	\$ 0	\$ 330,571
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 358,888	\$ 371,665

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund	Total
	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Governments and Citizens Groups (Cont.)</u>					
<u>Other Governments (Cont.)</u>					
Contracted Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,465
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 358,888	\$ 384,130
 Total	 \$ 322,284	 \$ 286,244	 \$ 1,821,143	 \$ 1,310,580	 \$ 9,256,948

Exhibit J-6

Grainger County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,564,811	\$ 0	\$ 0	\$ 1,564,811
Trustee's Collections - Prior Year	61,660	0	0	61,660
Circuit/Clerk & Master Collections - Prior Years	21,110	0	0	21,110
Interest and Penalty	11,175	0	0	11,175
Payments in Lieu of Taxes - T.V.A.	1,753	0	0	1,753
Payments in Lieu of Taxes - Local Utilities	18,124	0	0	18,124
<u>County Local Option Taxes</u>				
Local Option Sales Tax	857,884	0	0	857,884
Business Tax	20,080	0	0	20,080
<u>Statutory Local Taxes</u>				
Bank Excise Tax	20,688	0	0	20,688
Interstate Telecommunications Tax	3,449	0	0	3,449
Total Local Taxes	\$ 2,580,734	\$ 0	\$ 0	\$ 2,580,734
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 665	\$ 0	\$ 0	\$ 665
Total Licenses and Permits	\$ 665	\$ 0	\$ 0	\$ 665
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$ 1,123	\$ 0	\$ 0	\$ 1,123
Officers Costs	1,347	0	0	1,347
<u>General Sessions Court</u>				
Fines	11,940	0	0	11,940
Officers Costs	5,444	0	0	5,444
Game and Fish Fines	21	0	0	21
Total Fines, Forfeitures, and Penalties	\$ 19,875	\$ 0	\$ 0	\$ 19,875
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 319,904	\$ 319,904
Lunch Payments - Adults	0	0	56,590	56,590
Income from Breakfast	0	0	51,564	51,564
A la carte Sales	0	0	118,831	118,831
Receipts from Individual Schools	0	0	4,870	4,870
Community Service Fees - Adults	200	0	0	200
TBI Criminal Background Fee	2,592	0	0	2,592
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	15,080	15,080
Total Charges for Current Services	\$ 2,792	\$ 0	\$ 566,839	\$ 569,631
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 2,348	\$ 2,348
Miscellaneous Refunds	63,033	0	0	63,033
<u>Nonrecurring Items</u>				
Insurance Recovery	7,686	0	0	7,686

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Other Local Revenues (Cont.)</u>				
<u>Nonrecurring Items (Cont.)</u>				
Sale of Property	\$ 7,050	\$ 0	\$ 0	\$ 7,050
Contributions & Gifts	500	0	0	500
Total Other Local Revenues	<u>\$ 78,269</u>	<u>\$ 0</u>	<u>\$ 2,348</u>	<u>\$ 80,617</u>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 13,753,627	\$ 0	\$ 0	\$ 13,753,627
School Food Service	0	0	19,869	19,869
Driver Education	11,220	0	0	11,220
Other State Education Funds	177,266	0	0	177,266
Career Ladder Program	197,196	0	0	197,196
Career Ladder - Extended Contract	62,079	0	0	62,079
Other Vocational	7,155	0	0	7,155
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	182,020	0	0	182,020
Total State of Tennessee	<u>\$ 14,390,563</u>	<u>\$ 0</u>	<u>\$ 19,869</u>	<u>\$ 14,410,432</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 573,952	\$ 573,952
Breakfast	0	0	213,245	213,245
USDA - Other	0	0	1,213	1,213
Adult Education State Grant Program	64,266	0	0	64,266
Vocational Education - Basic Grants to States	0	80,920	0	80,920
Other Vocational	4,198	36,398	0	40,596
Title I Grants to Local Education Agencies	0	798,057	0	798,057
Innovative Education Program Strategies	0	74,143	0	74,143
Special Education - Grants to States	10,960	672,486	0	683,446
Education Edge	53,200	0	0	53,200
Special Education Preschool Grants	0	43,345	0	43,345
Eisenhower Professional Development State Grants	0	267,141	0	267,141
Other Federal through State	816,497	31,005	0	847,502
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	46,448	0	0	46,448
Other Direct Federal Revenue	53,761	0	0	53,761
Total Federal Government	<u>\$ 1,049,330</u>	<u>\$ 2,003,495</u>	<u>\$ 788,410</u>	<u>\$ 3,841,235</u>
Total	<u>\$ 18,122,228</u>	<u>\$ 2,003,495</u>	<u>\$ 1,377,466</u>	<u>\$ 21,503,189</u>

Exhibit J-7

Grainger County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	43,125	
Social Security		3,299	
State Retirement		11,481	
Dues and Memberships		1,300	
Travel		4,038	
Total County Commission			\$ 63,243

Board of Equalization

Board and Committee Members Fees	\$	450	
Total Board of Equalization			450

Beer Board

Board and Committee Members Fees	\$	1,500	
Total Beer Board			1,500

Budget and Finance Committee

Board and Committee Members Fees	\$	2,438	
Total Budget and Finance Committee			2,438

County Mayor

County Official/Administrative Officer	\$	58,173	
Longevity Pay		100	
Other Salaries & Wages		40,850	
Social Security		7,386	
State Retirement		9,184	
Unemployment Compensation		275	
Communication		2,591	
Data Processing Services		3,082	
Dues and Memberships		1,300	
Maintenance Agreements		1,695	
Postal Charges		2,383	
Printing, Stationery, and Forms		266	
Travel		5,807	
Library Books/Media		70	
Office Supplies		1,444	
Other Supplies and Materials		145	
Total County Mayor			134,751

Election Commission

County Official/Administrative Officer	\$	38,375	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Assistant(s)	\$	19,792	
Longevity Pay		250	
Election Commission		19,125	
Election Workers		14,146	
In-Service Training		1,540	
Social Security		4,469	
State Retirement		5,836	
Unemployment Compensation		238	
Communication		2,135	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		3,856	
Maintenance Agreements		2,400	
Maintenance & Repair Services- Equipment		1,197	
Maintenance & Repair Services- Office Equipment		3,382	
Postal Charges		3,290	
Printing, Stationery, and Forms		5,070	
Rentals		3,600	
Travel		4,717	
Electricity		795	
Office Supplies		1,442	
Propane Gas		2,438	
Water and Sewer		321	
Total Election Commission			\$ 138,639

Register of Deeds

County Official/Administrative Officer	\$	47,969
Clerical Personnel		19,857
Part-time Personnel		19,857
Longevity Pay		550
Other Salaries & Wages		378
Social Security		6,497
State Retirement		8,814
Unemployment Compensation		244
Communication		1,577
Data Processing Services		10,238
Dues and Memberships		442
Maintenance Agreements		5,020
Postal Charges		983
Printing, Stationery, and Forms		260
Travel		545

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Office Supplies	\$ 2,671	
Total Register of Deeds		\$ 125,902

Planning

Board and Committee Members Fees	\$ 4,438	
Total Planning		4,438

County Buildings

Custodial Personnel	\$ 18,220	
Longevity Pay	1,450	
Social Security	1,317	
State Retirement	1,965	
Unemployment Compensation	119	
Maintenance & Repair Services- Buildings	25,902	
Other Contracted Services	9,634	
Coal	6,148	
Custodial Supplies	6,998	
Electricity	26,593	
Water and Sewer	5,719	
Total County Buildings		104,065

Preservation of Records

Part-time Personnel	\$ 5,000	
Social Security	382	
Unemployment Compensation	85	
Communication	511	
Maintenance & Repair Services- Office Equipment	52	
Postal Charges	28	
Travel	600	
Electricity	1,103	
Office Supplies	8,604	
Other Supplies and Materials	504	
Office Equipment	635	
Other Equipment	530	
Total Preservation of Records		18,034

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 47,969
Assistant(s)	22,900

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Deputy(ies)	\$	20,549	
Longevity Pay		450	
Social Security		7,023	
State Retirement		9,177	
Unemployment Compensation		238	
Communication		880	
Data Processing Services		7,469	
Maintenance Agreements		687	
Maintenance & Repair Services- Vehicles		532	
Postal Charges		3,597	
Gasoline		1,188	
Office Supplies		871	
Other Supplies and Materials		55	
Premiums on Corporate Surety Bonds		357	
Total Property Assessor's Office			\$ 123,942

County Trustee's Office

Social Security	\$	8,830	
State Retirement		10,357	
Unemployment Compensation		357	
Communication		1,169	
Data Processing Services		8,892	
Dues and Memberships		437	
Maintenance Agreements		440	
Postal Charges		4,569	
Printing, Stationery, and Forms		1,443	
Travel		812	
Office Supplies		1,760	
Total County Trustee's Office			39,066

County Clerk's Office

Social Security	\$	9,527	
State Retirement		9,863	
Unemployment Compensation		561	
Communication		1,792	
Data Processing Services		5,123	
Dues and Memberships		327	
Maintenance Agreements		1,512	
Postal Charges		4,842	
Printing, Stationery, and Forms		2,490	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Travel	\$	1,418	
Office Supplies		3,494	
Premiums on Corporate Surety Bonds		177	
Other Charges		2,569	
Total County Clerk's Office			\$ 43,695

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		11,855	
Secretary(s)		20,414	
Longevity Pay		400	
Board and Committee Members Fees		450	
Jury and Witness Fees		5,769	
Social Security		5,887	
State Retirement		8,056	
Unemployment Compensation		165	
Communication		3,204	
Dues and Memberships		407	
Legal Notices, Recording, and Court Costs		64	
Maintenance Agreements		7,869	
Postal Charges		1,632	
Printing, Stationery, and Forms		1,085	
Travel		1,000	
Office Supplies		1,440	
Total Circuit Court			117,666

General Sessions Court

Judge(s)	\$	64,155	
Secretary(s)		21,945	
Longevity Pay		450	
Social Security		6,616	
State Retirement		8,646	
Unemployment Compensation		119	
Maintenance Agreements		1,598	
Printing, Stationery, and Forms		321	
Travel		500	
Library Books/Media		479	
Office Supplies		1,492	
Total General Sessions Court			106,321

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		21,587	
Longevity Pay		250	
Social Security		5,152	
State Retirement		6,974	
Unemployment Compensation		119	
Communication		2,004	
Dues and Memberships		387	
Postal Charges		1,622	
Printing, Stationery, and Forms		1,454	
Travel		35	
Library Books/Media		566	
Office Supplies		1,580	
Premiums on Corporate Surety Bonds		250	
Office Equipment		399	
Total Chancery Court			\$ 90,348

Juvenile Court

Assistant(s)	\$	26,784	
Secretary(s)		8,398	
Longevity Pay		300	
Social Security		2,072	
State Retirement		2,706	
Unemployment Compensation		119	
Communication		1,746	
Contracts with Other Public Agencies		4,105	
Postal Charges		705	
Printing, Stationery, and Forms		540	
Travel		581	
Office Supplies		1,025	
Total Juvenile Court			49,081

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,403	
Deputy(ies)		272,700	
Investigator(s)		30,786	
Sergeant(s)		34,580	
Medical Personnel		13,159	
Salary Supplements		6,519	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Secretary(s)	\$	40,390	
Longevity Pay		2,450	
In-Service Training		9,053	
Social Security		32,458	
State Retirement		41,830	
Unemployment Compensation		2,314	
Communication		8,957	
Data Processing Services		2,707	
Dues and Memberships		1,300	
Legal Notices, Recording, and Court Costs		577	
Maintenance Agreements		5,507	
Maintenance & Repair Services- Vehicles		21,395	
Postal Charges		953	
Printing, Stationery, and Forms		1,328	
Travel		5,160	
Electricity		338	
Gasoline		59,687	
Law Enforcement Supplies		3,485	
Office Supplies		2,767	
Tires and Tubes		5,621	
Uniforms		7,579	
Other Supplies and Materials		7,253	
Other Charges		500	
Motor Vehicles		89,342	
Total Sheriff's Department			\$ 766,098

Special Patrols

School Resource Officer	\$	10,764	
Social Security		823	
State Retirement		1,075	
Unemployment Compensation		114	
Total Special Patrols			12,776

Jail

Guards	\$	86,168	
Social Security		6,376	
State Retirement		6,816	
Unemployment Compensation		620	
Medical and Dental Services		43,620	
Other Contracted Services		49,872	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Drugs and Medical Supplies	\$ 1,538	
Other Supplies and Materials	<u>2,722</u>	
Total Jail		\$ 197,732

Fire Prevention and Control

Contracts with Government Agencies	\$ <u>1,500</u>	
Total Fire Prevention and Control		1,500

Civil Defense

Supervisor/Director	\$ 7,800	
In-Service Training	658	
Social Security	597	
Unemployment Compensation	133	
Communication	2,651	
Maintenance & Repair Services- Equipment	1,300	
Maintenance & Repair Services- Office Equipment	754	
Maintenance & Repair Services- Vehicles	6,358	
Printing, Stationery, and Forms	437	
Rentals	1,200	
Travel	420	
Diesel Fuel	347	
Gasoline	1,612	
Office Supplies	1,169	
Uniforms	32	
Communication Equipment	26,452	
Data Processing Equipment	500	
Surplus Equipment	6,000	
Other Equipment	41,546	
Other Capital Outlay	<u>2,000</u>	
Total Civil Defense		101,966

Other Emergency Management

Contributions	\$ <u>156,404</u>	
Total Other Emergency Management		156,404

Public Safety Grant Programs

Deputy(ies)	\$ 24,131	
In-Service Training	50	
Social Security	1,663	
State Retirement	2,411	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Public Safety Grant Programs (Cont.)

Unemployment Compensation	\$	119	
Communication		1,571	
Printing, Stationery, and Forms		685	
Travel		211	
Law Enforcement Supplies		373	
Uniforms		162	
Total Public Safety Grant Programs			\$ 31,376

Public Health and Welfare

Local Health Center

Medical Personnel	\$	20,513	
Custodial Personnel		11,500	
Social Security		2,449	
State Retirement		2,049	
Unemployment Compensation		357	
Communication		3,045	
Dues and Memberships		100	
Maintenance Agreements		2,020	
Maintenance & Repair Services- Buildings		117	
Postal Charges		1,586	
Travel		1,355	
Custodial Supplies		674	
Drugs and Medical Supplies		922	
Office Supplies		1,565	
Utilities		7,528	
Total Local Health Center			55,780

Ambulance/Emergency Medical Services

Supervisor/Director	\$	34,186	
Medical Personnel		489,341	
Paraprofessionals		600	
Longevity Pay		1,050	
Other Salaries & Wages		27,996	
Board and Committee Members Fees		600	
In-Service Training		225	
Social Security		40,531	
State Retirement		39,063	
Unemployment Compensation		3,955	
Communication		4,072	
Licenses		1,250	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Maintenance & Repair Services- Vehicles	\$	12,886	
Postal Charges		1,505	
Rentals		4,200	
Travel		6,781	
Tuition		2,322	
Diesel Fuel		20,827	
Drugs and Medical Supplies		30,005	
Electricity		7,437	
Office Supplies		707	
Tires and Tubes		2,626	
Uniforms		4,233	
Water and Sewer		1,045	
Other Supplies and Materials		11,664	
Principal on Capitalized Leases		5,000	
Communication Equipment		1,141	
Data Processing Equipment		1,000	
Motor Vehicles		99,778	
Office Equipment		14,068	
Total Ambulance/Emergency Medical Services			\$ 870,094

Other Local Health Services

Contracts with Other Public Agencies	\$	2,508	
Total Other Local Health Services			2,508

General Welfare Assistance

Contributions	\$	10,000	
Total General Welfare Assistance			10,000

Aid to Dependent Children

Contracts with Other Public Agencies	\$	4,500	
Other Contracted Services		502	
Total Aid to Dependent Children			5,002

Other Local Welfare Services

Matching Share	\$	8,000	
Total Other Local Welfare Services			8,000

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contracts with Other Public Agencies	\$	1,000	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Contributions	\$ 9,500	
Total Senior Citizens Assistance		\$ 10,500

Libraries

Librarians	\$ 47,464	
Part-time Personnel	10,124	
Longevity Pay	1,250	
Social Security	4,501	
State Retirement	2,198	
Unemployment Compensation	674	
Communication	6,236	
Data Processing Services	425	
Maintenance & Repair Services- Buildings	1,755	
Maintenance & Repair Services- Office Equipment	1,363	
Postal Charges	228	
Travel	300	
Tuition	60	
Other Contracted Services	975	
Custodial Supplies	188	
Electricity	5,853	
Library Books/Media	19,996	
Office Supplies	1,580	
Periodicals	1,681	
Water and Sewer	184	
Other Charges	1,269	
Furniture and Fixtures	1,893	
Office Equipment	14,479	
Total Libraries		124,676

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 36,940	
Communication	2,947	
Contributions	5,484	
Total Agriculture Extension Service		45,371

Soil Conservation

Secretary(s)	\$ 20,441
Longevity Pay	1,100
Other Salaries & Wages	14,663

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation (Cont.)

Social Security	\$	2,770	
State Retirement		3,617	
Unemployment Compensation		238	
Communication		2,550	
Contributions		4,000	
Rentals		3,600	
Other Supplies and Materials		1,700	
Total Soil Conservation			\$ 54,679

Other Operations

Tourism

Contributions	\$	5,300	
Total Tourism			5,300

Industrial Development

Longevity Pay	\$	600	
Other Salaries & Wages		20,362	
Social Security		1,526	
State Retirement		1,337	
Unemployment Compensation		262	
Other Contracted Services		1,685	
Electricity		3,081	
Water and Sewer		807	
Other Supplies and Materials		4,322	
Other Charges		1,199	
Site Development		27,233	
Other Construction		215,580	
Total Industrial Development			277,994

Housing and Urban Development

Other Contracted Services	\$	7,511	
Building Construction		115,555	
Total Housing and Urban Development			123,066

Veterans' Services

Supervisor/Director	\$	8,505	
Social Security		651	
Unemployment Compensation		119	
Communication		533	
Total Veterans' Services			9,808

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Medical Insurance	\$	208,589	
Building and Contents Insurance		20,691	
Liability Insurance		15,637	
Trustee's Commission		51,100	
Vehicle and Equipment Insurance		17,743	
Workers' Compensation Insurance		62,730	
Total Other Charges			\$ 376,490

Contributions to Other Agencies

Contributions	\$	3,284	
Total Contributions to Other Agencies			3,284

Miscellaneous

Audit Services	\$	6,396	
Contributions		13,000	
Legal Services		47,000	
Maintenance Agreements		3,395	
Other Charges		6,067	
Total Miscellaneous			75,858

Highways

Litter and Trash Collection

Guards	\$	21,512	
Social Security		1,569	
State Retirement		2,149	
Unemployment Compensation		119	
Maintenance & Repair Services- Vehicles		406	
Instructional Supplies and Materials		4,700	
Uniforms		286	
Total Litter and Trash Collection			30,741

Total General Fund \$ 4,520,582

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$	1,918	
Trustee's Commission		14	
Total County Buildings			\$ 1,932

Total Courthouse & Jail Maintenance Fund 1,932

(Continued)

Exhibit J-7

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

Law Library Fund

Social, Cultural and Recreational Services

Libraries

Library Books/Media	\$	2,181	
Trustee's Commission		13	
Total Libraries			\$ 2,194

Total Law Library Fund \$ 2,194

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Accountants/Bookkeepers	\$	5,460	
Equipment Operators - Light		52	
Attendants		135,399	
Longevity Pay		1,750	
Social Security		10,820	
State Retirement		11,768	
Unemployment Compensation		1,112	
Communication		1,813	
Maintenance & Repair Services- Vehicles		15,033	
Travel		501	
Disposal Fees		367,853	
Other Contracted Services		2,996	
Diesel Fuel		2,836	
Tires and Tubes		790	
Utilities		9,448	
Other Supplies and Materials		8,334	
Liability Insurance		6,590	
Trustee's Commission		9,776	
Vehicle and Equipment Insurance		3,549	
Workers' Compensation Insurance		10,899	
Building Construction		219,482	
Site Development		8,810	
Other Equipment		2,700	
Total Sanitation Management			\$ 837,771

Postclosure Care Costs

Testing	\$	7,688	
Total Postclosure Care Costs			7,688

Total Solid Waste/Sanitation Fund 845,459

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	12,000	
Food Supplies		385	
Instructional Supplies and Materials		975	
Other Supplies and Materials		10,518	
Trustee's Commission		132	
Total Drug Enforcement			\$ 24,010

Total Drug Control Fund \$ 24,010

Sports and Recreation Fund

Social, Cultural and Recreational Services

Parks and Fair Boards

Other Charges	\$	1	
Supervisor/Director		22,984	
Custodial Personnel		5,400	
Social Security		2,153	
State Retirement		2,296	
Unemployment Compensation		361	
Communication		1,593	
Operating Lease Payments		6,872	
Travel		1,664	
Other Contracted Services		8,610	
Electricity		826	
Gasoline		61	
Other Supplies and Materials		6,678	
Premiums on Corporate Surety Bonds		210	
Trustee's Commission		5,743	
Other Charges		2,875	
Office Equipment		1,121	
Total Parks and Fair Boards			\$ 69,448

Total Sports and Recreation Fund 69,448

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	116,916	
Total County Trustee's Office			\$ 116,916

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 114,047	
Total County Clerk's Office		\$ 114,047

Administration of Justice

General Sessions Court Clerk

Constitutional Officers' Operating Expenses	\$ 30	
Total General Sessions Court Clerk		30

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 30,123	
Constitutional Officers' Operating Expenses	95	
Total Chancery Court		<u>30,218</u>

Total Constitutional Officers - Fees Fund \$ 261,211

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 52,765	
Accountants/Bookkeepers	31,309	
Secretary(s)	23,271	
Data Processing Services	3,309	
Legal Notices, Recording and Court Costs	60	
Postal Charges	696	
Travel	637	
Office Supplies	1,732	
Other Charges	1,779	
Total Administration		\$ 115,558

Highway and Bridge Maintenance

Salary Supplements	\$ 16,450
Foremen	85,347
Equipment Operators	146,356
Truck Drivers	181,084
Laborers	293,160
Rentals	1,626
Other Contracted Services	100
Asphalt - Cold Mix	1,634
Asphalt - Hot Mix	438,156
Concrete	65

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Crushed Stone	\$	18,816	
Pipe - Metal		12,235	
Road Signs		13,247	
Small Tools		1,023	
Structural Steel		900	
Other Supplies and Materials		1,039	
Total Highway and Bridge Maintenance			\$ 1,211,238

Operation and Maintenance of Equipment

Mechanic(s)	\$	32,163	
Nightwatchmen		23,238	
Maintenance & Repair Services- Equipment		1,610	
Diesel Fuel		29,769	
Electricity		2,077	
Equipment and Machinery Parts		32,933	
Gasoline		28,944	
Lubricants		3,860	
Small Tools		71	
Tires and Tubes		13,270	
Other Supplies and Materials		2,772	
Total Operation and Maintenance of Equipment			170,707

Other Charges

Communication	\$	4,515	
Custodial Supplies		797	
Electricity		1,493	
Water and Sewer		434	
Trustee's Commission		18,184	
Vehicle and Equipment Insurance		40,556	
Workers' Compensation Insurance		54,815	
Other Self-Insured Claims		420	
Total Other Charges			121,214

Employee Benefits

Social Security	\$	65,890	
State Retirement		80,194	
Unemployment Compensation		8,207	
Total Employee Benefits			154,291

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Communication Equipment	\$ 664	
Highway Equipment	60,000	
State Aid Projects	177,860	
Total Capital Outlay		\$ 238,524

Total Highway/Public Works Fund \$ 2,011,532

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$ 255,000	
Principal on Notes	359,751	
Total General Government		\$ 614,751

Highways and Streets

Principal on Other Loans Payable	\$ 75,000	
Total Highways and Streets		75,000

Education

Principal on Notes	\$ 383,378	
Total Education		383,378

Interest

General Government

Interest on Bonds	\$ 238,895	
Interest on Notes	37,816	
Total General Government		276,711

Highways and Streets

Interest on Other Loans Payable	\$ 13,139	
Total Highways and Streets		13,139

Education

Interest on Notes	\$ 72,454	
Total Education		72,454

Other Debt Service

General Government

Trustee's Commission	\$ 17,000	
Total General Government		17,000

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service (Cont.)</u>		
<u>Highways and Streets</u>		
Other Debt Service	\$ 3,535	
Total Highways and Streets		\$ 3,535
Total General Debt Service Fund		\$ 1,455,968
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Architects	\$ 92,400	
Building Construction	5,226,135	
Site Development	16,701	
Total Administration of Justice Projects		\$ 5,335,236
Total General Capital Projects Fund		<u>5,335,236</u>
Total Governmental Funds - Primary Government		<u><u>\$ 14,527,572</u></u>

Exhibit J-8

Grainger County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,363,300	
Career Ladder Program	126,542	
Career Ladder Extended Contracts	54,864	
Homebound Teachers	48,955	
Educational Assistants	240,910	
Other Salaries & Wages	271,689	
Certified Substitute Teachers	163,765	
Social Security	427,827	
State Retirement	402,282	
Life Insurance	4,896	
Medical Insurance	861,407	
Unemployment Compensation	6,412	
Employer Medicare	100,056	
Maintenance & Repair Services- Equipment	1,108	
Other Contracted Services	8,300	
Instructional Supplies and Materials	340,299	
Textbooks	181,744	
Other Supplies and Materials	9,982	
Other Charges	53,894	
Regular Instruction Equipment	122,329	
Total Regular Instruction Program		\$ 9,790,561

Alternative Instruction Program

Teachers	\$ 40,345	
Career Ladder Program	1,000	
Educational Assistants	17,622	
Social Security	3,617	
State Retirement	4,034	
Life Insurance	29	
Medical Insurance	4,016	
Unemployment Compensation	56	
Employer Medicare	846	
Total Alternative Instruction Program		71,565

Special Education Program

Teachers	\$ 663,524
Career Ladder Program	13,750
Homebound Teachers	65,466
Educational Assistants	162,129

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries & Wages	\$	71,916	
Certified Substitute Teachers		74,978	
Social Security		61,292	
State Retirement		63,428	
Life Insurance		629	
Medical Insurance		102,217	
Unemployment Compensation		924	
Employer Medicare		14,335	
Contracts with Private Agencies		31,344	
Maintenance & Repair Services- Equipment		1,760	
Other Contracted Services		60,913	
Instructional Supplies and Materials		3,307	
Other Supplies and Materials		3,768	
Other Charges		2,008	
Special Education Equipment		4,151	
Total Special Education Program			\$ 1,401,839

Vocational Education Program

Teachers	\$	502,889	
Career Ladder Program		7,000	
Other Salaries & Wages		42,966	
Certified Substitute Teachers		11,850	
Social Security		33,084	
State Retirement		30,407	
Life Insurance		461	
Medical Insurance		62,508	
Unemployment Compensation		420	
Employer Medicare		7,738	
Instructional Supplies and Materials		12,788	
T&I Construction Materials		3,000	
Vocational Instruction Equipment		998	
Total Vocational Education Program			716,109

Student Body Education Program

Other Salaries & Wages	\$	38,846
Social Security		2,411
Employer Medicare		564
Other Fringe Benefits		1,000
Instructional Supplies and Materials		24,557

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Student Body Education Program (Cont.)

Other Charges	\$ 1,397	
Total Student Body Education Program		\$ 68,775

Adult Education Program

Teachers	\$ 169,784	
Educational Assistants	15,714	
Other Salaries & Wages	10,264	
Social Security	11,068	
State Retirement	12,252	
Life Insurance	121	
Medical Insurance	16,882	
Unemployment Compensation	165	
Employer Medicare	2,744	
Instructional Supplies and Materials	1,819	
Other Supplies and Materials	8,808	
Other Charges	9,200	
Other Equipment	500	
Total Adult Education Program		259,321

Support Services

Attendance

Supervisor/Director	\$ 5,625	
Career Ladder Program	1,000	
Social Security	411	
State Retirement	364	
Unemployment Compensation	3	
Employer Medicare	96	
Travel	77	
Total Attendance		7,576

Health Services

Medical Personnel	\$ 70,484
Social Security	4,026
State Retirement	6,974
Life Insurance	58
Medical Insurance	7,820
Unemployment Compensation	90
Employer Medicare	942
Travel	84

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Drugs and Medical Supplies	\$	5,000	
Other Charges		300	
Total Health Services			\$ 95,778

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		200,283	
School Resource Officer		24,536	
Social Security		12,483	
State Retirement		11,841	
Life Insurance		175	
Medical Insurance		21,789	
Unemployment Compensation		140	
Employer Medicare		2,920	
Evaluation and Testing		30,090	
Travel		471	
Other Supplies and Materials		1,468	
Total Other Student Support			310,196

Regular Instruction Program

Supervisor/Director	\$	112,507	
Career Ladder Program		6,000	
Librarians		181,461	
Instructional Computer Personnel		58,296	
Social Security		19,966	
State Retirement		19,116	
Life Insurance		230	
Medical Insurance		45,241	
Unemployment Compensation		224	
Employer Medicare		4,680	
Travel		11,752	
Other Contracted Services		159,935	
In Service/Staff Development		6,826	
Other Charges		895	
Total Regular Instruction Program			627,129

Special Education Program

Supervisor/Director	\$	61,428	
Career Ladder Program		3,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Clerical Personnel	\$	13,359	
Social Security		5,274	
State Retirement		4,878	
Life Insurance		29	
Medical Insurance		1,938	
Unemployment Compensation		42	
Employer Medicare		1,233	
Consultants		498	
Travel		9,446	
Other Contracted Services		18,837	
In Service/Staff Development		13,763	
Other Charges		6,799	
Total Special Education Program			\$ 140,524

Vocational Education Program

Supervisor/Director	\$	20,737	
Career Ladder Program		1,000	
Clerical Personnel		13,359	
Social Security		2,119	
State Retirement		2,530	
Life Insurance		9	
Medical Insurance		1,360	
Unemployment Compensation		42	
Employer Medicare		496	
Travel		2,000	
Other Supplies and Materials		5,549	
In Service/Staff Development		121	
Other Charges		258	
Total Vocational Education Program			49,580

Adult Programs

Supervisor/Director	\$	4,872	
Other Salaries & Wages		6,456	
Social Security		532	
State Retirement		556	
Employer Medicare		124	
Travel		6,768	
In Service/Staff Development		12,935	
Other Charges		399	
Total Adult Programs			32,642

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Other Salaries & Wages	\$	13,056	
Board and Committee Members Fees		27,250	
Social Security		2,492	
State Retirement		4,526	
Employer Medicare		583	
Audit Services		5,100	
Dues and Memberships		4,687	
Legal Services		298	
Travel		7,500	
Liability Insurance		25,000	
Premiums on Corporate Surety Bonds		1,000	
Trustee's Commission		82,748	
Workers' Compensation Insurance		92,156	
Criminal Investigation of Applicants - TBI		2,640	
Other Charges		8,550	
Total Board of Education			\$ 277,586

Director of Schools

County Official/Administrative Officer	\$	80,765	
Secretary(s)		13,056	
Other Salaries & Wages		26,719	
Social Security		7,452	
State Retirement		8,416	
Life Insurance		32	
Medical Insurance		3,985	
Unemployment Compensation		56	
Employer Medicare		1,738	
Communication		15,004	
Dues and Memberships		3,737	
Postal Charges		2,964	
Travel		3,306	
Other Contracted Services		4,800	
Office Supplies		6,772	
Other Charges		4,000	
Total Director of Schools			182,802

Office of the Principal

Principals	\$	325,899	
Career Ladder Program		13,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Assistant Principals	\$	208,893	
Secretary(s)		113,919	
Social Security		39,460	
State Retirement		41,504	
Life Insurance		317	
Medical Insurance		52,054	
Unemployment Compensation		504	
Employer Medicare		9,229	
Communication		10,689	
Total Office of the Principal			\$ 815,468

Operation of Plant

Custodial Personnel	\$	300,386	
Other Salaries & Wages		9,645	
Social Security		19,358	
State Retirement		27,260	
Unemployment Compensation		560	
Employer Medicare		4,527	
Other Contracted Services		11,908	
Custodial Supplies		35,480	
Electricity		410,836	
Natural Gas		17,322	
Water and Sewer		26,346	
Other Supplies and Materials		30,715	
Building and Contents Insurance		30,000	
Total Operation of Plant			924,343

Maintenance of Plant

Supervisor/Director	\$	56,250	
Other Salaries & Wages		167,421	
Social Security		12,849	
State Retirement		18,803	
Life Insurance		29	
Medical Insurance		1,411	
Unemployment Compensation		196	
Employer Medicare		3,175	
Maintenance & Repair Services- Buildings		49,451	
Travel		984	
Other Supplies and Materials		8,047	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Charges	\$ 22,863	
Total Maintenance of Plant		\$ 341,479

Transportation

Bus Drivers	\$ 58,770	
Other Salaries & Wages	5,827	
Social Security	3,722	
State Retirement	4,366	
Unemployment Compensation	252	
Employer Medicare	871	
Contracts with Parents	16,070	
Contracts with Vehicle Owners	630,372	
Maintenance & Repair Services- Vehicles	41,478	
Medical and Dental Services	3,045	
Travel	18,687	
Other Contracted Services	15,148	
Diesel Fuel	30,000	
Gasoline	32,738	
Tires and Tubes	7,302	
Vehicle and Equipment Insurance	40,181	
Special Education Equipment	40,000	
Transportation Equipment	30,775	
Total Transportation		979,604

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$ 23,194	
Social Security	1,431	
State Retirement	2,317	
Unemployment Compensation	28	
Employer Medicare	330	
Travel	2,000	
Instructional Supplies and Materials	1,000	
Other Supplies and Materials	2,000	
Other Charges	1,000	
Total Community Services		33,300

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Architects	\$ 20,311	
Building Improvements	505,578	
Land	699,156	
Other Capital Outlay	79,450	
Total Regular Capital Outlay		\$ 1,304,495

Principal

Education

Principal on Notes	\$ 12,943	
Total Education		12,943

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 358,888	
Total Education		<u>358,888</u>

Total General Purpose School Fund \$ 18,802,503

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 276,049	
Educational Assistants	244,574	
Other Salaries & Wages	5,010	
Certified Substitute Teachers	24,400	
Social Security	33,757	
State Retirement	39,345	
Life Insurance	149	
Medical Insurance	20,158	
Unemployment Compensation	720	
Employer Medicare	7,982	
Instructional Supplies and Materials	45,016	
Other Supplies and Materials	70,740	
Regular Instruction Equipment	2,552	
Total Regular Instruction Program		\$ 770,452

Special Education Program

Teachers	\$ 32,037
Educational Assistants	240,112

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	35,050	
Social Security		18,116	
State Retirement		26,195	
Unemployment Compensation		448	
Employer Medicare		4,237	
Maintenance & Repair Services- Equipment		4,391	
Other Contracted Services		77,546	
Instructional Supplies and Materials		2,579	
Other Supplies and Materials		2,884	
Total Special Education Program			\$ 443,595

Vocational Education Program

Teachers	\$	13,948	
Social Security		1,136	
Employer Medicare		268	
Travel		7,500	
Instructional Supplies and Materials		24,020	
T&I Construction Materials		6,000	
Other Charges		6,092	
Vocational Instruction Equipment		27,400	
Total Vocational Education Program			86,364

Support Services

Other Student Support

Other Salaries & Wages	\$	10,000	
Social Security		620	
State Retirement		668	
Medical Insurance		2,000	
Unemployment Compensation		38	
Employer Medicare		145	
Travel		9,627	
Instructional Supplies and Materials		154	
Other Supplies and Materials		1,295	
In Service/Staff Development		9,701	
Other Charges		11,405	
Special Education Equipment		1,600	
Total Other Student Support			47,253

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	56,546	
Instructional Computer Personnel		22,867	
Social Security		6,222	
State Retirement		6,623	
Life Insurance		29	
Medical Insurance		4,015	
Unemployment Compensation		41	
Employer Medicare		1,458	
Maintenance & Repair Services- Equipment		40,000	
Travel		5,490	
Other Contracted Services		18,389	
Other Supplies and Materials		13,912	
In Service/Staff Development		98,308	
Other Charges		42,004	
Other Equipment		15,000	
Total Regular Instruction Program			\$ 330,904

Special Education Program

Social Security	\$	25	
Employer Medicare		6	
Consultants		1,500	
Travel		114	
Other Contracted Services		118,511	
Other Supplies and Materials		17,026	
In Service/Staff Development		13,554	
Other Charges		4,599	
Other Equipment		38,238	
Total Special Education Program			193,573

Vocational Education Program

Other Contracted Services	\$	6,224	
In Service/Staff Development		23,309	
Total Vocational Education Program			29,533

Transportation

Bus Drivers	\$	39,177	
Other Salaries & Wages		5,910	
Social Security		2,399	
State Retirement		3,394	

(Continued)

Exhibit J-8

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

<u>School Federal Projects Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Transportation (Cont.)</u>		
Employer Medicare	\$ 561	
Total Transportation		\$ 51,441
Total School Federal Projects Fund		\$ 1,953,115
<u>Central Cafeteria Fund</u>		
<u>Operation of Non-Instructional Services</u>		
<u>Food Service</u>		
Supervisor/Director	\$ 36,975	
Clerical Personnel	26,414	
Cafeteria Personnel	353,425	
Part-time Personnel	24,699	
Social Security	27,221	
State Retirement	38,254	
Life Insurance	26	
Medical Insurance	3,453	
Unemployment Compensation	869	
Employer Medicare	6,366	
Communication	2,810	
Maintenance & Repair Services- Equipment	7,809	
Travel	979	
Other Contracted Services	25,990	
Food Preparation Supplies	65,679	
Food Supplies	690,575	
Workers' Compensation Insurance	11,231	
In Service/Staff Development	1,029	
Other Charges	24,182	
Food Service Equipment	1,530	
Total Food Service		\$ 1,349,516
Total Central Cafeteria Fund		1,349,516
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Architects	\$ 17,689	
Total Education Capital Projects		\$ 17,689
Total Education Capital Projects Fund		17,689
Total Governmental Funds - Grainger County School Department		<u>\$ 22,122,823</u>

Exhibit J-9

Grainger County, Tennessee  
Schedule of Detailed Receipts, Disbursements  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 509,429
Total Cash Receipts	<u>\$ 509,429</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 479,902
Trustee's Commission	4,840
Operating Transfers	<u>24,687</u>
Total Cash Disbursements	<u>\$ 509,429</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u><u>\$ 0</u></u>

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## STATISTICAL SECTION

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Table 1

Grainger County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

Year	Amount
1995	\$ 1,765
1996	3,001
1997	3,172
1998	3,555
1999	2,964
2000	5,371
2001	11,399
2002	20,422
2003	48,910
2004 (Personal Property Taxes and Public Utilities)	<u>982</u>
Total	<u><u>\$ 101,541</u></u>

Table 2

Grainger County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.88	\$ 0.88	\$ 1.03	\$ 1.03	\$ 0.73	\$ 0.73	\$ 0.78	\$ 0.78	\$ 0.99	\$ 1.20
Solid Waste/Sanitation	0.12	0.27	0.22	0.22	0.15	0.20	0.24	0.24	0.24	0.24
Parks and Recreation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.15
Highway/Public Works	0.14	0.14	0.14	0.14	0.09	0.09	0.09	0.09	0.09	0.09
General Purpose School	1.33	1.33	1.33	1.33	0.90	0.90	0.90	0.90	0.90	0.90
General Debt Service	0.30	0.15	0.05	0.05	0.03	0.03	0.03	0.03	0.03	0.31
Total Tax Rate	\$ 2.77	\$ 2.77	\$ 2.77	\$ 2.77	\$ 1.90	\$ 1.95	\$ 2.04	\$ 2.04	\$ 2.30	\$ 2.89
<u>Assessed Valuations</u>										
Real and Personal	\$ 88,203,752	\$ 91,478,718	\$ 95,837,638	\$ 97,544,157	\$ 151,187,908	\$ 157,509,124	\$ 158,529,307	\$ 164,551,543	\$ 168,803,870	\$ 190,541,438
Public Utilities	12,681,742	10,668,383	8,840,029	8,565,346	10,426,264	10,532,217	11,684,925	10,873,487	11,175,944	11,900,324
Total Assessed Valuation	\$ 100,885,494	\$ 102,147,101	\$ 104,677,667	\$ 106,109,503	\$ 161,614,172	\$ 168,041,341	\$ 170,214,232	\$ 175,425,030	\$ 179,979,814	\$ 202,441,762

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## **SINGLE AUDIT SECTION**

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

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

December 12, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grainger County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Grainger County's basic financial statements and have issued our report thereon dated December 12, 2005. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Grainger County Emergency Communications District, a discretely presented component unit, which was not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Grainger County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.04, 05.05, 05.06, and 05.07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

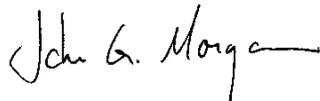
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grainger County's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Cost as item 05.01.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb



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

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

December 12, 2005

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Grainger County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Grainger County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Grainger County's management. Our responsibility is to express an opinion on Grainger County's compliance based on our audit.

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

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

In our opinion, Grainger County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

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

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

#### Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grainger County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 12, 2005. Our report on the aggregate discretely presented component units' financial information was qualified due to not including the financial statements of the Grainger County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

Grainger County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2005

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation - (Noncash Assistance)	10.550	(2)	\$ 68,422
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	240,211
National School Lunch Program	10.555	(2)	635,328
Total U.S. Department of Agriculture			<u>\$ 943,961</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-03-10040-00	\$ 70,680
HOME Investment Partnerships Program	14.239	HM-03-31	119,032
Total U.S. Department of Housing and Urban Development			<u>\$ 189,712</u>
U.S. Department of Justice:			
Passed-through State Office of Criminal Justice Programs:			
Violence Against Women Formula Grants	16.588	Z-00-001389-01	\$ 21,437
Total U.S. Department of Justice			<u>\$ 21,437</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 117,307
Passed-through State Department of Education:			
Employment Training and Administration Pilots, Demonstrations and Research Projects	17.261	(2)	53,200
Passed-through State Department of Labor and Workforce Development:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-04-025623-01	2,953
Total U.S. Department of Labor			<u>\$ 173,460</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	Z-04-016883-00	\$ 10,000
Total U.S. Department of Transportation			<u>\$ 10,000</u>
U.S. Environmental Protection Agency:			
Direct Program:			
Environmental Education Grants	66.951	N/A	\$ 5,000
Total U.S. Environmental Protection Agency			<u>\$ 5,000</u>

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	GG-05111239	\$ 49,977 (5)
Title I Grants to Local Educational Agencies	84.010	N/A	828,998
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	675,334
Special Education - Preschool Grants	84.173	N/A	44,737
Vocational Education - Basic Grants to States	84.048	N/A	80,920
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	23,848
Even Start - State Educational Agencies	84.213	Z-05-020461-00	75,000
Tech-Prep Education	84.243	N/A	4,198
Twenty-First Century Community Learning Centers	84.287	(2)	48,761
State Grants for Innovative Programs	84.298	N/A	21,646
Education Technology State Grants	84.318	(2)	29,139
Comprehensive School Reform Demonstration	84.332	(2)	222,647
Reading Excellence/Tutorial Assistance Program	84.338	N/A	241,054
School Renovation Grants	84.352	N/A	16,000
Rural Education	84.358	N/A	73,619
English Language Acquisition Grants	84.365	N/A	1,563
Improving Teacher Quality State Grants	84.367	N/A	194,796
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	<u>61,312 (5)</u>
Total U.S. Department of Education			<u>\$ 2,693,549</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022313-00	<u>\$ 20,681</u>
Total U.S. Department of Health and Human Services			<u>\$ 20,681</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	<u>\$ 90,693</u>
Total U.S. Department of Homeland Security			<u>\$ 90,693</u>
Total Expenditures of Federal Awards			<u>\$ 4,148,493</u>

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	N/A	\$ 14,641
Health Department Programs - State Department of Health	N/A	N/A	22,130
Juvenile Services Program - State Children's Services Commission	N/A	N/A	9,000
Archives Grant - State Archives	N/A	N/A	1,750
Library Technology Grant - State Archives	N/A	N/A	5,400
Litter Grant Program - State Department of Transportation	N/A	N/A	16,297
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	GG-04-10656-00	121,348
Solid Waste Grant - State Department of Environment and and Conservation	N/A	N/A	<u>236,334</u>
Total State Grants			<u>\$ 426,900</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) - Information not available.
- (3) - Pass through grant numbers Z-05-022220-00 and Z-04-016667-00.
- (4) - Pass through grant numbers Z-03-017750-00, Z-03-014426-00, Z-04-020095-01, Z-05-022220-00, and Z-04-016667-00
- (5) - Total Adult Education - State Grant Program (CFDA No. 84.002) from the U.S Department of Education was \$111,289.

Grainger County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Grainger County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.03	168	Several purchase orders were issued after the purchases were made

**OTHER FINDINGS AND RECOMMENDATIONS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.05	169	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, Sheriff, and Ambulance Service
04.06	169	A central system of accounting, budgeting, and purchasing had not been adopted

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**GRAINGER COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Grainger County disclosed reportable conditions in internal control. None of these reportable conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Grainger County.
4. The audit disclosed no reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States, and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Grainger County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

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

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 05.01      **BIDS WERE NOT SOLICITED FOR PAVEMENT AND SIDEWALK CONSTRUCTION****

(Material Noncompliance Under Government Auditing Standards)

Several change orders were made to the justice center construction contracts that materially altered the original project without soliciting competitive bids. Included in these change orders was \$144,612 for paving and \$20,891 for sidewalks. Section 5-14-204, Tennessee Code Annotated, requires public advertisement and competitive bids for all purchases exceeding \$5,000.

#### **RECOMMENDATION**

All purchases exceeding \$5,000 should be made on the basis of competitive bids as required by state statute.

#### **MANAGEMENT'S RESPONSE – COUNTY MAYOR**

The county mayor agrees that under normal circumstances bids should be taken on all purchases exceeding \$5,000 as required by state statute; however, the cited change orders were not incurred under the normal circumstances, but as a consequence of a federal court order. The County Commission and the county mayor were under threat of possible contempt sanctions of the United States District Court, Eastern Division that included possible incarceration for failure to construct a new jail in accordance with the court's orders. Moreover, at one time during the proceedings, the federal court was prepared to appoint a special master to oversee construction of the new jail because of delays by Grainger County in complying with the court's orders, which would have exposed the county to considerable additional costs and attorneys fees. The county mayor was placed in charge of the jail construction project by the court and expedited the construction of the jail on an emergency basis. A minimum of three quotes was obtained by the general contractor from qualified firms on each of the cited change orders, and the lowest responsible quote was chosen.

#### **REBUTTAL**

Quotes obtained by the contractor were not on file in the County Mayor's Office for our review. Also, construction components such as paving and sidewalks should be planned sufficiently in advance to allow time for public advertisement and competitive bids as required by statute.

**OFFICE OF ROAD SUPERINTENDENT**

**FINDING 05.02      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES****

(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following deficiencies in purchasing procedures:

- A.      In several instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.
  
- B.      Our examination of purchase orders disclosed that item descriptions, dollar amounts, date of issuance, or quantity of items to be purchased were not listed on some purchase orders. The descriptions of items, dollar amounts, date of issuance, and quantity of items to be purchased are necessary to identify the items purchased and quantify purchasing commitments.

**RECOMMENDATION**

The office should improve purchasing procedures by issuing purchase orders before purchases are made and should include descriptions, dollar amounts, date of issuance, and quantity of items to be purchased.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 05.03      **THE OFFICE HAD DEFICIENCIES RELATED TO INCENTIVE AND BONUS PAYMENTS****

(Internal Control – Reportable Condition Under Government Auditing Standards)

During the period, the School Department made incentive payments totaling over \$12,000 to certain teachers and bonus payments of \$50 to each cafeteria employee. Payments to the teachers were calculated on a formula that rated the teachers based on certain criteria such as student improvement scores on the TCAP standardized test. Neither the payments to the teachers nor the payments to the cafeteria employees were paid through the department’s payroll system. Since these incentive and bonus payments were not paid through the department’s payroll system, the payments were not subjected to income tax, social security, and Medicare deductions. Also, the department did not report and pay its required matching social security and Medicare associated with these incentive and bonus payments. In addition, we found no documentation that these incentive and bonus payments had been approved by the Board of Education.

RECOMMENDATION

All payroll related payments to employees should be paid through the department's payroll system to properly reflect the employee's total salary. All wages should be subjected to the proper employee payroll taxes and the department's matching portions. Also, documentation should be on file reflecting the Board of Education's approval for these incentive and bonus payments.

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OFFICE OF SHERIFF

FINDING 05.04      **SOME PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders before purchases are made.

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FINDING 05.05      **THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF DRUG CONTROL FUNDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following deficiencies in the administration of drug control funds:

- A.      Some forms documenting payments to confidential informants did not have the required signatures of two officers. The signature of the first officer is necessary to document that he made the payment, and the signature of the second officer is necessary to document that he witnessed the payment.
  
- B.      The office could not document that cash maintained by undercover officers was periodically verified and reconciled with supporting records.

## RECOMMENDATION

Payments to informants should be witnessed by a second officer. Documentation should be on file as evidence that cash maintained by undercover agents is periodically verified and reconciled with supporting records.

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## OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.06      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, SHERIFF, AND AMBULANCE SERVICE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

### MANAGEMENT'S RESPONSE – COUNTY MAYOR

Duties at the Ambulance Service have been segregated as much as possible without having to hire additional staff which cannot be cost justified at this time.

### REBUTTAL

Adequate segregation of duties does not necessarily translate into additional personnel and increased costs.

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FINDING 05.07      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

## RECOMMENDATION

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

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

During 2002-03 Grainger County adopted provisions similar to the 1957 General Law for budgeting through a private act. We continue to operate under the 1983 General Law for purchasing. Centralization of budgeting, accounting, and purchasing as recommended will have to be authorized by the County Commission. Until then, the Highway Department and School Department will continue to operate under their current system. However, it is recognized that the county would benefit from consolidation through cost savings and improved efficiencies of the workforce.

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

There were no findings and questioned costs for federal awards.

**GRAINGER COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2005**

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