

ANNUAL FINANCIAL REPORT
GRAINGER COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

**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, 2006**

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This financial report is available at www.comptroller.state.tn.us

GRAINGER COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Grainger County, Tennessee
For the Year Ended June 30, 2006

Scope

We have audited the basic financial statements of Grainger County as of and for the year ended June 30, 2006.

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 four findings and recommendations, which we have reviewed with Grainger County management. Detailed findings, recommendations, and management's response are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF ROAD SUPERINTENDENT

- ◆ The office did not label some capital assets as required by state statute.

OFFICE OF SHERIFF

- ◆ 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.

INTRODUCTORY SECTION

Grainger County Officials

June 30, 2006

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

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 8, 2006

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, 2006, 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 Communications 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, 2006, 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, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2006, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries and Governmental Accounting Standards Board Statement No. 47, Accounting for Termination Benefits.

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 59 through 65 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), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Grainger County, Tennessee
Statement of Net Assets
June 30, 2006

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Grainger County School Department</u>
<u>ASSETS</u>		
Cash	\$ 69,290	\$ 880
Equity in Pooled Cash and Investments	3,303,503	23,398,778
Accounts Receivable	606,391	50,585
Allowance for Uncollectible Accounts Receivable	(383,779)	0
Due from Other Governments	537,724	729,148
Due from Primary Government	0	3,578
Property Taxes Receivable	3,890,754	1,748,377
Allowance for Uncollectible Property Taxes	(112,104)	(50,375)
Accrued Interest Receivable	88,182	0
Deferred Charges - Debt Issuance Cost	688,320	0
Capital Assets:		
Assets Not Depreciated:		
Land	1,829,004	812,384
Construction in Progress	15,821	860,282
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	8,713,383	10,113,192
Other Capital Assets	869,645	489,787
Infrastructure	3,146,916	0
Total Assets	<u>\$ 23,263,050</u>	<u>\$ 38,156,616</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 146,725	\$ 211,739
Accrued Payroll	0	29,165
Accrued Interest Payable	239,636	0
Payroll Deductions Payable	11	0
Contracts Payable	29,456	0
Due to Component Unit	3,578	0
Deferred Revenue - Property Taxes	3,594,296	1,615,159
Cash Overdraft	0	20,823
Noncurrent Liabilities:		
Due Within One Year	923,535	32,943
Due in More than One Year (net of unamortized premium on debt)	30,013,185	79,460
Total Liabilities	<u>\$ 34,950,422</u>	<u>\$ 1,989,289</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental</u> Activities	<u>Component Unit</u> Grainger County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 7,943,963	\$ 0
Invested in Capital Assets	0	12,275,645
Restricted for:		
General Government	31,303	0
Administration of Justice	22,199	0
Public Safety	167,126	0
Public Health and Welfare	136,310	0
Social, Cultural, and Recreational Services	378,678	0
Highways	672,065	0
Basic Education Program	0	737,425
Operation of Non-instructional Services	0	459,054
Debt Service	1,639,071	0
Capital Projects	0	19,295,388
Other Purpose	0	29,935
Unrestricted	<u>(22,678,087)</u>	<u>3,369,880</u>
Total Net Assets	<u>\$ (11,687,372)</u>	<u>\$ 36,167,327</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, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues				Primary Government	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Grainger County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 841,506	\$ 213,321	\$ 16,380	\$ 103,125	\$ (508,680)	\$ 0
Finance	474,410	371,564	8,852	0	(93,994)	0
Administration of Justice	400,403	236,011	9,000	0	(155,392)	0
Public Safety	1,626,784	202,327	221,449	180,307	(1,022,701)	0
Public Health and Welfare	1,611,422	660,458	495,188	62,406	(393,370)	0
Social, Cultural, and Recreational Services	193,838	5,957	22,367	108,748	(56,766)	0
Agricultural and Natural Resources	104,625	0	0	0	(104,625)	0
Other Operations	1,191,977	44,220	0	36,488	(1,111,269)	0
Highways	2,608,358		1,500,763	133,052	(974,543)	0
Education	20,155,670	0	0	0	(20,155,670)	0
Debt Service:						
Interest	1,178,661	651,143	0	0	(527,518)	0
Other Debt Service	61,363	0	0	0	(61,363)	0
Total Primary Government	\$ 30,449,017	\$ 2,385,001	\$ 2,273,999	\$ 624,126	\$ (25,165,891)	\$ 0
Component Unit:						
Grainger County School Department	\$ 21,867,298	\$ 607,164	\$ 2,983,562	\$ 20,155,670	\$ 0	\$ 1,879,098
Total Component Unit	\$ 21,867,298	\$ 607,164	\$ 2,983,562	\$ 20,155,670	\$ 0	\$ 1,879,098

(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 Levied for General Purposes					\$ 3,185,961	\$ 1,706,394
Property Taxes Levied for Debt Service					600,634	0
Sales Taxes					335,995	901,277
Other Taxes					196,027	22,649
Grants and Contributions not restricted to specific programs					930,553	15,997,614
Unrestricted Investment Income					262,984	4,410
Gain on Disposal of Capital Assets					8,264	0
Sale of Non-Capital Assets					23,187	0
Miscellaneous					16,608	101,998
Total General Revenues					<u>\$ 5,560,213</u>	<u>\$ 18,734,342</u>
Change in Net Assets					\$ (19,605,678)	\$ 20,613,440
Net Assets, July 1, 2005					<u>7,918,306</u>	<u>15,553,887</u>
Net Assets, June 30, 2006					<u><u>\$ (11,687,372)</u></u>	<u><u>\$ 36,167,327</u></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, 2006

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
ASSETS							
Cash	\$ 400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,890	\$ 69,290
Equity in Pooled Cash and Investments	626,541	64,633	416,348	1,700,696	68,889	426,396	3,303,503
Accounts Receivable	591,106	2,750	2,307	8,239	0	1,442	605,844
Allowance for Uncollectibles	(383,779)	0	0	0	0	0	(383,779)
Due from Other Governments	216,237	1,157	245,242	52,421	0	22,667	537,724
Due from Other Funds	597	0	0	0	0	0	597
Property Taxes Receivable	2,561,002	467,876	172,376	615,625	0	73,875	3,890,754
Allowance for Uncollectible Property Taxes	(73,790)	(13,480)	(4,967)	(17,738)	0	(2,129)	(112,104)
Accrued Interest Receivable	0	0	0	88,182	0	0	88,182
Total Assets	\$ 3,538,314	\$ 522,936	\$ 831,306	\$ 2,447,425	\$ 68,889	\$ 591,141	\$ 8,000,011
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$ 143,778	\$ 0	\$ 0	\$ 0	\$ 2,947	\$ 0	\$ 146,725
Payroll Deductions Payable	11	0	0	0	0	0	11
Contracts Payable	0	0	0	0	28,356	1,100	29,456
Due to Other Funds	0	0	0	0	0	50	50
Due to Component Units	3,578	0	0	0	0	0	3,578
Deferred Revenue - Current Property Taxes	2,365,865	432,226	159,241	568,718	0	68,246	3,594,296
Deferred Revenue - Delinquent Property Taxes	113,245	20,690	7,623	27,222	0	3,266	172,046
Other Deferred Revenues	160,888	422	122,621	101,570	0	19,193	404,694
Total Liabilities	\$ 2,787,365	\$ 453,338	\$ 289,485	\$ 697,510	\$ 31,303	\$ 91,855	\$ 4,350,856
Fund Balances							
Reserved for Encumbrances	\$ 200,863	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,900	\$ 203,763
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	25,326	25,326
Reserved for Alcohol and Drug Treatment	45,600	0	0	0	0	0	45,600
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	61,571	0	0	0	0	0	61,571

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor	Total
	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 Computer System - Register	\$ 18,120	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,120
Reserved for Automation Purposes - Circuit Court	633	0	0	0	0	0	633
Reserved for Automation Purposes - General Sessions Court	18,114	0	0	0	0	0	18,114
Reserved for Automation Purposes - Juvenile Court	118	0	0	0	0	0	118
Reserved for Automation Purposes - Sheriff	1,542	0	0	0	0	0	1,542
Reserved for Capital Outlay	54,537	0	0	0	37,586	0	92,123
Unreserved, Reported In:							
General Fund	345,595	0	0	0	0	0	345,595
Special Revenue Funds	0	69,598	541,821	0	0	471,060	1,082,479
Debt Service Funds	0	0	0	1,749,915	0	0	1,749,915
Total Fund Balances	<u>\$ 750,949</u>	<u>\$ 69,598</u>	<u>\$ 541,821</u>	<u>\$ 1,749,915</u>	<u>\$ 37,586</u>	<u>\$ 499,286</u>	<u>\$ 3,649,155</u>
Total Liabilities and Fund Balances	<u>\$ 3,538,314</u>	<u>\$ 522,936</u>	<u>\$ 831,306</u>	<u>\$ 2,447,425</u>	<u>\$ 68,889</u>	<u>\$ 591,141</u>	<u>\$ 8,000,011</u>

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

Exhibit C-2

Grainger County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2006

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)		\$	3,649,155
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,829,004	
Add: construction in progress		15,821	
Add: buildings and improvements net of accumulated depreciation		8,713,383	
Add: other capital assets net of accumulated depreciation		869,645	
Add: infrastructure net of accumulated depreciation		<u>3,146,916</u>	14,574,769
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Add: deferred charges - debt issuance costs	\$	688,320	
Less: notes payable		(2,129,352)	
Less: other loans payable		(734,000)	
Less: capital leases payable		(30,000)	
Less: bonds payable		(26,490,000)	
Less: compensated absences payable		(142,288)	
Less: landfill closure/postclosure care costs		(1,194,498)	
Less: accrued interest on bonds and notes		(239,636)	
Less: other deferred revenue - premium on debt		<u>(216,582)</u>	(30,488,036)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>576,740</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(11,687,372)</u></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, 2006

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,722,133	\$ 472,882	\$ 174,610	\$ 961,241	\$ 0	\$ 87,828	\$ 4,418,694
Licenses and Permits	53,521	0	0	0	0	0	53,521
Fines, Forfeitures, and Penalties	63,007	5,132	1,973	6,755	0	18,652	95,519
Charges for Current Services	690,357	20	0	0	0	293,367	983,744
Other Local Revenues	89,303	19,540	350	834,941	0	15,128	959,262
Fees Received from County Officials	356,514	0	0	0	0	0	356,514
State of Tennessee	710,359	56,118	1,622,085	65,908	0	16,657	2,471,127
Federal Government	776,666	0	32,416	0	0	0	809,082
Other Governments and Citizens Groups	87,643	0	0	313,662	0	0	401,305
Total Revenues	\$ 5,549,503	\$ 553,692	\$ 1,831,434	\$ 2,182,507	\$ 0	\$ 431,632	\$ 10,548,768
<u>Expenditures</u>							
Current:							
General Government	\$ 999,145	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13	\$ 999,158
Finance	218,941	0	0	0	0	264,310	483,251
Administration of Justice	388,426	0	0	0	0	11,977	400,403
Public Safety	1,840,145	0	0	0	0	8,961	1,849,106
Public Health and Welfare	1,142,133	643,441	0	0	0	0	1,785,574
Social, Cultural, and Recreational Services	132,227	0	0	0	0	70,358	202,585
Agricultural and Natural Resources	104,625	0	0	0	0	0	104,625
Other Operations	1,177,355	0	0	0	0	0	1,177,355
Highways	30,761	0	1,998,364	0	0	0	2,029,125
Debt Service:							
Principal on Debt	0	0	0	1,097,493	0	0	1,097,493
Interest on Debt	0	0	0	1,037,925	0	0	1,037,925
Other Debt Service	0	0	0	29,918	570,012	0	599,930
Capital Projects	0	0	0	0	20,790,233	0	20,790,233
Total Expenditures	\$ 6,033,758	\$ 643,441	\$ 1,998,364	\$ 2,165,336	\$ 21,360,245	\$ 355,619	\$ 32,556,763
Excess (Deficiency) of Revenues Over Expenditures	\$ (484,255)	\$ (89,749)	\$ (166,930)	\$ 17,171	\$ (21,360,245)	\$ 76,013	\$ (22,007,995)
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,500,000	\$ 0	\$ 20,500,000
Notes Issued	125,000	0	0	0	225,000	0	350,000

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Insurance Recovery	\$ 86,874	\$ 0	\$ 3,124	\$ 0	\$ 0	\$ 0	\$ 89,998
Premiums on Debt Issued	0	0	0	0	225,682	0	225,682
Transfers In	0	0	0	107,552	0	0	107,552
Transfers Out	0	0	(107,552)	0	0	0	(107,552)
Total Other Financing Sources (Uses)	<u>\$ 211,874</u>	<u>\$ 0</u>	<u>\$ (104,428)</u>	<u>\$ 107,552</u>	<u>\$ 20,950,682</u>	<u>\$ 0</u>	<u>\$ 21,165,680</u>
Net Change in Fund Balances	\$ (272,381)	\$ (89,749)	\$ (271,358)	\$ 124,723	\$ (409,563)	\$ 76,013	\$ (842,315)
Fund Balance, July 1, 2005	1,023,330	159,347	813,179	1,625,192	447,149	423,273	4,491,470
Fund Balance, June 30, 2006	<u>\$ 750,949</u>	<u>\$ 69,598</u>	<u>\$ 541,821</u>	<u>\$ 1,749,915</u>	<u>\$ 37,586</u>	<u>\$ 499,286</u>	<u>\$ 3,649,155</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, 2006

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)	\$	(842,315)
(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 amount that capital outlay differs from depreciation is itemized as follows:		
Add: capital outlays in the current period	\$ 1,494,672	
Less: current year depreciation	<u>(751,281)</u>	743,391
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized	\$ 100,000	
Add: gain on disposal of capital assets	8,264	
Less: proceeds from disposal of capital assets	<u>(88,948)</u>	19,316
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 576,740	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(472,167)</u>	104,573
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: change in deferred debt issuance costs	\$ 538,567	
Add: principal payment on bonds	255,000	
Add: principal payment on notes	764,493	
Add: principal payment on other loans	78,000	
Add: principal payment on capital leases	5,000	
Less: note proceeds	(350,000)	
Less: bond proceeds	(20,500,000)	
Less: change in premium on debt issuances	<u>(216,582)</u>	(19,425,522)

(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.)

(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$	(149,836)
Change in compensated absences		(70,405)
Change in landfill closure/post-closure care costs		<u>15,120</u>
		\$ <u>(205,121)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (19,605,678)</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, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 735,195
Accounts Receivable	136
Due from Other Governments	100,811
Restricted Assets:	
Other Restricted Assets	<u>70,729</u>
Total Assets	<u>\$ 906,871</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 547
Due to Other Taxing Units	100,475
Due to Litigants, Heirs, and Others	<u>805,849</u>
Total Liabilities	<u>\$ 906,871</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, 2006

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.

Grainger County issues most debt for the discretely presented Grainger County School Department. Net debt issues (\$20,155,670) were contributed by the county to the School Department during the year ended June 30, 2006.

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, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

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 material recovery facility.

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. This fund also accounts for debt issued by Grainger County that is subsequently contributed to the discretely presented Grainger County School Department for construction and renovation projects.

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 receipt of debt issued by Grainger County and contributed to the School Department for building construction.

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.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented 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 General Debt Service 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.

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 1.37 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. Accrued Interest Receivable

Accrued Interest Receivable consists of interest earned on the pooled investments being held by the county trustee. At the fund level, a majority of this amount is not available within 30 days and has been deferred in the General Debt Service Fund.

4. Restricted Assets

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

5. 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

6. Compensated Absences

It is the primary government's policy to permit employees to accumulate earned but unused vacation, compensatory time, 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 and compensatory pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

7. 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.

8. 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, 2006, Grainger County had \$21,838,725 in outstanding debt for capital purposes for the discretely presented School Department. This 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. Designation of fund balance represents tentative management plans that are subject to change. The Grainger County Board of Education has designated \$264,755 of the General Purpose School Fund Balance to help fund the new high school construction.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Grainger County School Department

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

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

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

A. Budgetary Information

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

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

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

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

B. Fund Deficit

The School Department's Education Capital Projects Fund had a deficit unreserved fund balance of \$3,605,899 at June 30, 2006. This fund deficit primarily resulted from the unperformed portions of construction contracts of \$22,901,287 being reserved as encumbrances. Funding for these future expenditures will be provided through additional general obligation school bonds that were authorized but were not issued until subsequent to June 30, 2006.

C. Cash Overdraft

The School Department's School Federal Projects Fund had a cash overdraft of \$20,823 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2006.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. 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.

Investment Balances. As of June 30, 2006, Grainger County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Grainger County and the discretely presented Grainger County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
Federal National Mortgage Association	12-27-06	\$ 694,197
Federal National Mortgage Association	4-10-07	819,113
Federal Home Loan Bank	7-21-06	808,988
Federal Home Loan Bank	11-6-06 *	797,752
Federal Home Loan Bank	11-27-06	802,410
Federal Home Loan Bank	2-9-07 *	796,838
Federal Home Loan Bank	2-23-07	799,114
Federal Home Loan Bank	6-20-07	687,533
Federal Home Loan Bank	8-15-07	794,561
Federal Farm Credit Bank	9-1-06	805,950
Federal Farm Credit Bank	10-2-06	803,925
Federal Farm Credit Bank	5-9-07	789,000
Federal Farm Credit Bank	6-6-07	622,700
Federal Farm Credit Bank	9-7-07	791,775
Total		<u>\$ 10,813,856</u>

*Callable per transaction advice received at time of purchase (July 14, 2005).

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Grainger County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Grainger County has no investment policy that would further limit its investment choices. As of June 30, 2006, Grainger County's investments in Federal Home Loan Mortgage Corporation were rated AAA by either Standard & Poor's or Fitch Ratings and Aaa by Moody's Investor's Service. As of June 30, 2006, Grainger County's investments in Federal Home Loan Bank were rated AAA by Standard & Poor's and Aaa by Moody's Investor's Service. As of June 30, 2006, Grainger County's investments in Federal Farm Credit Bank were rated AAA by Standard & Poor's and Aaa by Moody's Investor's Service.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Grainger County places no limit on the amount the county may invest in one issuer. As of June 30, 2006, Grainger County's investments consist of three types of securities. Each type of security accounts for more than five percent of the county's investments. Investments in the Federal Home Loan Bank, Federal Farm Credit Bank, and Federal National Mortgage Association are 50.7 percent, 35.3 percent, and 14 percent, respectively, of the county's total investments.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,829,004	\$ 0	\$ 0	\$ 1,829,004
Construction in Progress	5,948,512	1,207,551	(7,140,242)	15,821
Total Capital Assets				
Not Depreciated	\$ 7,777,516	\$ 1,207,551	\$ (7,140,242)	\$ 1,844,825

Governmental Activities: (Cont.)

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 2,450,725	\$ 7,302,117	\$ 0	\$ 9,752,842
Roads and Bridges	10,846,848	0	0	10,846,848
Other Capital Assets	2,298,699	225,246	(114,088)	2,409,857
Total Capital Assets				
Depreciated	<u>\$ 15,596,272</u>	<u>\$ 7,527,363</u>	<u>\$ (114,088)</u>	<u>\$ 23,009,547</u>
Less Accumulated Depreciation For:				
Buildings and				
Improvements	\$ 980,096	\$ 59,363	\$ 0	\$ 1,039,459
Roads and Bridges	7,189,549	510,383	0	7,699,932
Other Capital Assets	1,392,081	181,535	(33,404)	1,540,212
Total Accumulated				
Depreciation	<u>\$ 9,561,726</u>	<u>\$ 751,281</u>	<u>\$ (33,404)</u>	<u>\$ 10,279,603</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 6,034,546</u>	<u>\$ 6,776,082</u>	<u>\$ (80,684)</u>	<u>\$ 12,729,944</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 13,812,062</u>	<u>\$ 7,983,633</u>	<u>\$ (7,220,926)</u>	<u>\$ 14,574,769</u>

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

Governmental Activities:

General Government	\$ 7,348
Finance	2,700
Public Safety	56,140
Public Health and Welfare	84,765
Social, Cultural, and Recreational Services	6,473
Other Operations	14,622
Highways/Public Works	<u>579,233</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 751,281</u>

Discretely Presented Grainger County School Department

Governmental Activities:

	Balance		Balance	
	7-1-05	Increases	Decreases	6-30-06
Capital Assets Not Depreciated:				
Land	\$ 812,384	\$ 0	\$ 0	\$ 812,384
Construction in Progress	389,273	865,411	(394,402)	860,282
Total Capital Assets Not Depreciated	<u>\$ 1,201,657</u>	<u>\$ 865,411</u>	<u>\$ (394,402)</u>	<u>\$ 1,672,666</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 14,823,149	\$ 394,402	\$ 0	\$ 15,217,551
Other Capital Assets	1,008,043	6,475	(9,750)	1,004,768
Total Capital Assets Depreciated	<u>\$ 15,831,192</u>	<u>\$ 400,877</u>	<u>\$ (9,750)</u>	<u>\$ 16,222,319</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,758,432	\$ 345,927	\$ 0	\$ 5,104,359
Other Capital Assets	449,345	75,386	(9,750)	514,981
Total Accumulated Depreciation	<u>\$ 5,207,777</u>	<u>\$ 421,313</u>	<u>\$ (9,750)</u>	<u>\$ 5,619,340</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,623,415</u>	<u>\$ (20,436)</u>	<u>\$ 0</u>	<u>\$ 10,602,979</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,825,072</u>	<u>\$ 844,975</u>	<u>\$ (394,402)</u>	<u>\$ 12,275,645</u>

Depreciation expense totaling \$421,313 was charged by the discretely presented School Department.

C. Construction Commitments

At June 30, 2006, the discretely presented School Department had an uncompleted construction and architectural contract in the Education Capital Projects Fund (\$22,901,287) related to the construction of a new high school. Funding for these future expenditures has been provided through the issuance of general obligation school bonds during the year (\$20,500,000) and the issuance of general obligation school bonds subsequent to June 30, 2006, (\$4,000,000).

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, 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	<u>547</u>
Total		<u>\$ 597</u>
<u>Discretely Presented School Department:</u>		
General Purpose School	Nonmajor governmental	<u>\$ 40,000</u>
Total		<u>\$ 40,000</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.

Due to/from primary government and component unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
School Department -	Primary Government:	
General Purpose School	General	<u>\$ 3,578</u>
Total		<u>\$ 3,578</u>

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>
	General
	Debt
	Service
	Fund
Highway/Public Works	<u>\$ 107,552</u>
Total	<u>\$ 107,552</u>

Discretely Presented Grainger County School Department

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental fund	\$ 40,000
Total	\$ 40,000

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

E. Capital Lease

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, 2006, were as follows:

Year Ending June 30	Governmental Funds
2007	\$ 5,000
2008	5,000
2009	5,000
2010	5,000
2011	5,000
2012	5,000
Present Value of Minimum Lease Payments	\$ 30,000

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay

notes are also issued to fund capital facilities, other capital purchases, such as equipment, and to provide funding for closure costs 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 25 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, 2006, 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, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	3.87 to 4.21 %	\$ 27,000,000	\$ 26,490,000
Capital Outlay Notes	2.5 to 4.97	4,647,000	2,129,352
Other Loans	variable	1,000,000	734,000
Capital Leases	0	55,000	30,000

During the 2002-03 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, 2006, the variable interest rate was 4.1 percent, and other fees amounted to approximately .69 percent of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2006, 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, 2006.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 260,000	\$ 1,093,239	\$ 457,551	\$ 82,828
2008	860,000	1,085,439	433,552	65,298
2009	890,000	1,052,929	400,218	48,204
2010	915,000	1,018,841	374,298	32,534
2011	945,000	983,809	269,538	17,714
2012-2016	5,235,000	4,351,223	194,195	15,660
2017-2021	6,300,000	3,249,344	0	0
2022-2026	6,110,000	1,880,745	0	0
2027-2030	4,975,000	572,175	0	0
Total	\$ 26,490,000	\$ 15,287,744	\$ 2,129,352	\$ 262,238

Year Ending June 30	Other Loan (\$1,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 81,000	\$ 30,094	\$ 5,065	\$ 116,159
2008	84,000	26,773	4,506	115,279
2009	87,000	23,329	3,926	114,255
2010	90,000	19,762	3,326	113,088
2011	93,000	16,072	2,705	111,777
2012-2014	299,000	24,846	4,174	328,020
Total	\$ 734,000	\$ 140,876	\$ 23,702	\$ 898,578

There is \$1,749,915 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$1,282, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases amounted to \$1,422, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2005	\$ 6,245,000	\$ 2,543,845	\$ 812,000
Additions	20,500,000	350,000	0
Deductions	(255,000)	(764,493)	(78,000)
Balance, June 30, 2006	\$ 26,490,000	\$ 2,129,352	\$ 734,000
Balance Due Within One Year	\$ 260,000	\$ 457,551	\$ 81,000

Governmental Activities:

	Capital Leases	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 35,000	\$ 71,883	\$ 1,209,618
Additions	0	148,675	0
Deductions	(5,000)	(78,270)	(15,120)
Balance, June 30, 2006	\$ 30,000	\$ 142,288	\$ 1,194,498
Balance Due Within One Year	\$ 5,000	\$ 72,205	\$ 47,779

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 30,720,138
Less: Balance Due Within One Year	(923,535)
Add: Unamortized Premium on Debt	216,582
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 30,013,185</u>

Compensated absences payable will be paid from the employing funds, primarily the General 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, 2006, is as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Note	0 %	\$ 232,968	\$ 77,403

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

The annual requirements to amortize the note outstanding as of June 30, 2006, are presented in the following table:

Year Ending June 30	Note Principal
2007	\$ 12,943
2008	12,943
2009	12,943
2010	12,943
2011	12,943
2012	<u>12,688</u>
Total	<u>\$ 77,403</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, 2006:

	Notes	Retirement Incentive
Balance, July 1, 2005	\$ 90,346	\$ 25,000
Additions	0	30,000
Deductions	<u>(12,943)</u>	<u>(20,000)</u>
Balance, June 30, 2006	<u>\$ 77,403</u>	<u>\$ 35,000</u>
Balance Due Within One Year	<u>\$ 12,943</u>	<u>\$ 20,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 112,403
Less: Balance Due within One Year	<u>(32,943)</u>
Noncurrent Liabilities - Due in More than One Year - Exhibit A	<u>\$ 79,460</u>

Retirement incentives are liquidated from the General Purpose School Fund.

During the year, the discretely presented School Department contributed \$313,662 to the primary government to apply toward the retirement of school debt.

G. Short-term Debt

Grainger County issued tax 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, 2006, was as follows:

Fund	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
General	\$ 0	\$ 400,000	\$ (400,000)	\$ 0
Solid Waste/Sanitation	0	200,000	(200,000)	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. The county provides commercial health insurance coverage for its employees.

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 any of the past three 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 Changes

For the year ended June 30, 2006, Grainger County has adopted the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and GASB Statement No. 47, Accounting for Termination Benefits.

GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Grainger County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Grainger County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Grainger County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Grainger County will be required to disclose net assets restricted by enabling legislation in subsequent years.

GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements.

C. Subsequent Events

During August 2006, Grainger County issued previously authorized general obligation school bonds (\$4,000,000) to finance construction and other costs related to the new high school.

During August 2006, Grainger County authorized tax anticipation notes to be borrowed from the General Debt Service Fund for funds that need temporary operating funding. The Solid Waste/Sanitation Fund has borrowed \$25,000.

Paul Merritt left the Office of County Mayor on August 31, 2006, and was succeeded by Mark Hipsher effective September 1, 2006.

Jairus Williams left the Office of Sheriff on August 31, 2006, and was succeeded by James Harville effective September 1, 2006.

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. 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 \$1,194,498 reported as landfill closure and postclosure care liability on the entity wide financial statements at June 30, 2006, represents the estimated postclosure care costs for 26 years. This amount is based on what it would cost to perform all postclosure care in 2006. Therefore, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. 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, 2006.

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

Administrative Office:

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

G. 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.

H. 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. 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, 2006, 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, 2006, Grainger County's annual pension cost of \$609,491 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
6-30-06	\$609,491	100%	\$0
6-30-05	527,863	100	0
6-30-04	124,022	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)
6-30-05	\$7,391	\$8,601	\$1,210	85.93%	\$5,202	23.26%
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

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. 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, 2006, 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, 2006, 2005, and 2004, were \$555,753, \$537,485, and \$325,965, respectively, equal to the required contributions for each year.

I. 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. The School Department will continue to provide insurance coverage to the retirees until age 65. At June 30, 2006, 24 retirees met these requirements. During the year, expenditures of \$48,400 were recognized for post-employment health care.

J. Termination Benefits

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. During the year, expenditures of \$20,000 were recognized for retirement incentive bonus payments. At June 30, 2006, eight individuals were participating in the program. These eight individuals were owed a total of \$35,000 at June 30, 2006, with \$20,000 being due within one year.

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 (TCA). 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, TCA, 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, TCA, 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 \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,722,133	\$ 0	\$ 0	\$ 2,722,133	\$ 2,656,645	\$ 2,695,645	\$ 26,488
Licenses and Permits	53,521	0	0	53,521	46,500	46,500	7,021
Fines, Forfeitures, and Penalties	63,007	0	0	63,007	48,400	48,400	14,607
Charges for Current Services	690,357	0	0	690,357	840,500	840,500	(150,143)
Other Local Revenues	89,303	0	0	89,303	45,000	47,300	42,003
Fees Received from County Officials	356,514	0	0	356,514	275,000	275,000	81,514
State of Tennessee	710,359	0	0	710,359	802,017	843,205	(132,846)
Federal Government	776,666	0	0	776,666	1,104,309	1,267,196	(490,530)
Other Governments and Citizens Groups	87,643	0	0	87,643	27,787	84,564	3,079
Total Revenues	\$ 5,549,503	\$ 0	\$ 0	\$ 5,549,503	\$ 5,846,158	\$ 6,148,310	\$ (598,807)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 67,566	\$ 0	\$ 0	\$ 67,566	\$ 84,910	\$ 84,910	\$ 17,344
Board of Equalization	0	0	0	0	750	750	750
Beer Board	1,500	0	0	1,500	2,000	2,000	500
Budget and Finance Committee	1,875	0	0	1,875	2,500	2,500	625
County Mayor/Executive	147,928	0	0	147,928	148,653	149,453	1,525
Election Commission	229,605	0	0	229,605	137,627	240,752	11,147
Register of Deeds	135,981	0	0	135,981	152,820	152,820	16,839
Planning	13,000	0	0	13,000	16,500	15,700	2,700
County Buildings	254,600	(61,875)	0	192,725	193,738	212,174	19,449
Other Facilities	127,216	0	0	127,216	106,259	132,659	5,443
Preservation of Records	19,874	0	3,685	23,559	20,000	24,600	1,041
<u>Finance</u>							
Property Assessor's Office	119,148	0	0	119,148	138,628	138,628	19,480
County Trustee's Office	51,927	0	0	51,927	59,467	59,467	7,540

(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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 47,866	\$ 0	\$ 0	\$ 47,866	\$ 52,024	\$ 52,024	\$ 4,158
<u>Administration of Justice</u>							
Circuit Court	131,355	0	0	131,355	146,895	147,725	16,370
General Sessions Court	110,601	0	0	110,601	111,326	111,651	1,050
Chancery Court	96,038	0	0	96,038	96,207	96,207	169
Juvenile Court	50,432	0	0	50,432	60,590	60,590	10,158
<u>Public Safety</u>							
Sheriff's Department	794,797	0	0	794,797	779,242	796,431	1,634
Special Patrols	28,815	0	0	28,815	27,787	28,887	72
Jail	763,411	0	0	763,411	853,136	853,136	89,725
Fire Prevention and Control	1,500	0	0	1,500	1,500	1,500	0
Civil Defense	94,976	0	165,678	260,654	222,276	317,726	57,072
Other Emergency Management	156,404	0	0	156,404	156,404	156,404	0
Inspection and Regulation	242	0	0	242	2,000	2,000	1,758
<u>Public Health and Welfare</u>							
Local Health Center	40,215	0	0	40,215	74,100	75,000	34,785
Ambulance/Emergency Medical Services	1,081,718	0	0	1,081,718	992,578	1,093,504	11,786
Crippled Children Services	0	0	0	0	1,257	0	0
Other Local Health Services	1,500	0	0	1,500	1,500	1,500	0
Appropriation to State	0	0	0	0	15,580	0	0
General Welfare Assistance	10,000	0	0	10,000	10,000	10,000	0
Aid to Dependent Children	4,700	0	0	4,700	6,200	6,200	1,500
Other Local Welfare Services	4,000	0	0	4,000	8,000	8,000	4,000
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	11,000	0	0	11,000	11,000	11,000	0
Libraries	121,227	0	6,990	128,217	129,077	130,377	2,160

(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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	\$ 47,551	\$ 0	\$ 0	\$ 47,551	\$ 47,314	\$ 47,814	\$ 263
Soil Conservation	57,074	0	0	57,074	57,310	57,310	236
Other Agriculture & Natural Resources	0	0	0	0	1,500	1,500	1,500
<u>Other Operations</u>							
Tourism	11,000	0	0	11,000	11,350	11,350	350
Industrial Development	533,107	(37,721)	24,510	519,896	1,180,820	1,180,820	660,924
Housing and Urban Development	55,112	(55,112)	0	0	0	0	0
Veterans' Services	9,806	0	0	9,806	10,025	10,025	219
Other Charges	521,852	0	0	521,852	560,000	550,574	28,722
Contributions to Other Agencies	3,391	0	0	3,391	3,391	3,391	0
Miscellaneous	43,087	0	0	43,087	64,250	63,750	20,663
<u>Highways</u>							
Litter and Trash Collection	30,761	0	0	30,761	33,323	33,323	2,562
Total Expenditures	\$ 6,033,758	\$ (154,708)	\$ 200,863	\$ 6,079,913	\$ 6,791,814	\$ 7,136,132	\$ 1,056,219
Excess (Deficiency) of Revenues Over Expenditures	\$ (484,255)	\$ 154,708	\$ (200,863)	\$ (530,410)	\$ (945,656)	\$ (987,822)	\$ 457,412
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 125,000	\$ 0	\$ 0	\$ 125,000	\$ 125,000	\$ 125,000	\$ 0
Insurance Recovery	86,874	0	0	86,874	0	86,874	0
Transfers In	0	0	0	0	55,677	0	0
Total Other Financing Sources (Uses)	\$ 211,874	\$ 0	\$ 0	\$ 211,874	\$ 180,677	\$ 211,874	\$ 0
Net Change in Fund Balance	\$ (272,381)	\$ 154,708	\$ (200,863)	\$ (318,536)	\$ (764,979)	\$ (775,948)	\$ 457,412
Fund Balance, July 1, 2005	1,023,330	(154,708)	0	868,622	786,736	786,736	81,886
Fund Balance, June 30, 2006	\$ 750,949	\$ 0	\$ (200,863)	\$ 550,086	\$ 21,757	\$ 10,788	\$ 539,298

Exhibit E-2

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 472,882	\$ 475,403	\$ 475,403	\$ (2,521)
Fines, Forfeitures, and Penalties	5,132	5,100	5,100	32
Charges for Current Services	20	0	0	20
Other Local Revenues	19,540	15,100	15,100	4,440
State of Tennessee	56,118	63,447	63,447	(7,329)
Total Revenues	<u>\$ 553,692</u>	<u>\$ 559,050</u>	<u>\$ 559,050</u>	<u>\$ (5,358)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 613,881	\$ 690,066	\$ 679,566	\$ 65,685
Recycling Center	9,600	9,600	9,600	0
Postclosure Care Costs	19,960	15,500	26,000	6,040
Total Expenditures	<u>\$ 643,441</u>	<u>\$ 715,166</u>	<u>\$ 715,166</u>	<u>\$ 71,725</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (89,749)</u>	<u>\$ (156,116)</u>	<u>\$ (156,116)</u>	<u>\$ 66,367</u>
Net Change in Fund Balance	\$ (89,749)	\$ (156,116)	\$ (156,116)	\$ 66,367
Fund Balance, July 1, 2005	<u>159,347</u>	<u>171,179</u>	<u>171,179</u>	<u>(11,832)</u>
Fund Balance, June 30, 2006	<u>\$ 69,598</u>	<u>\$ 15,063</u>	<u>\$ 15,063</u>	<u>\$ 54,535</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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 174,610	\$ 173,700	\$ 173,700	\$ 910
Fines, Forfeitures, and Penalties	1,973	2,070	2,070	(97)
Other Local Revenues	350	0	0	350
State of Tennessee	1,622,085	1,606,791	1,606,791	15,294
Federal Government	32,416	0	32,416	0
Total Revenues	<u>\$ 1,831,434</u>	<u>\$ 1,782,561</u>	<u>\$ 1,814,977</u>	<u>\$ 16,457</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 120,461	\$ 123,343	\$ 122,643	\$ 2,182
Highway and Bridge Maintenance	1,215,708	1,135,386	1,237,295	21,587
Operation and Maintenance of Equipment	190,159	181,742	206,942	16,783
Other Charges	138,470	140,300	140,433	1,963
Employee Benefits	162,494	176,400	177,900	15,406
Capital Outlay	171,072	180,200	171,074	2
Total Expenditures	<u>\$ 1,998,364</u>	<u>\$ 1,937,371</u>	<u>\$ 2,056,287</u>	<u>\$ 57,923</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (166,930)</u>	<u>\$ (154,810)</u>	<u>\$ (241,310)</u>	<u>\$ 74,380</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 3,124	\$ 0	\$ 0	\$ 3,124
Transfers Out	(107,552)	(105,500)	(109,000)	1,448
Total Other Financing Sources (Uses)	<u>\$ (104,428)</u>	<u>\$ (105,500)</u>	<u>\$ (109,000)</u>	<u>\$ 4,572</u>
Net Change in Fund Balance	\$ (271,358)	\$ (260,310)	\$ (350,310)	\$ 78,952
Fund Balance, July 1, 2005	813,179	800,000	800,000	13,179
Fund Balance, June 30, 2006	<u>\$ 541,821</u>	<u>\$ 539,690</u>	<u>\$ 449,690</u>	<u>\$ 92,131</u>

GRAINGER COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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/Executive, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with 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.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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, 2006

	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	\$ 68,890	\$ 68,890
Equity in Pooled Cash and Investments	13,183	3,334	52,794	357,085	0	426,396
Accounts Receivable	0	0	0	0	1,442	1,442
Due from Other Governments	0	0	0	19,193	3,474	22,667
Property Taxes Receivable	0	0	0	73,875	0	73,875
Allowance for Uncollectible Property Taxes	0	0	0	(2,129)	0	(2,129)
Total Assets	\$ 13,183	\$ 3,334	\$ 52,794	\$ 448,024	\$ 73,806	\$ 591,141
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Contracts Payable	\$ 0	\$ 0	\$ 0	\$ 1,100	\$ 0	\$ 1,100
Due to Other Funds	0	0	0	0	50	50
Deferred Revenue - Current Property Taxes	0	0	0	68,246	0	68,246
Deferred Revenue - Delinquent Property Taxes	0	0	0	3,266	0	3,266
Other Deferred Revenues	0	0	0	19,193	0	19,193
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 91,805	\$ 50	\$ 91,855
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 2,900	\$ 0	\$ 2,900
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	25,326	0	0	25,326
Unreserved	13,183	3,334	27,468	353,319	73,756	471,060
Total Fund Balances	\$ 13,183	\$ 3,334	\$ 52,794	\$ 356,219	\$ 73,756	\$ 499,286
Total Liabilities and Fund Balances	\$ 13,183	\$ 3,334	\$ 52,794	\$ 448,024	\$ 73,806	\$ 591,141

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, 2006

	Special Revenue Funds					Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation			
<u>Revenues</u>							
Local Taxes	\$ 1,249	\$ 1,250	\$ 0	\$ 85,329	\$ 0	\$ 87,828	
Fines, Forfeitures, and Penalties	0	0	17,842	810	0	18,652	
Charges for Current Services	0	0	0	2,200	291,167	293,367	
Other Local Revenues	0	0	1,000	11,489	2,639	15,128	
State of Tennessee	0	0	0	16,657	0	16,657	
Total Revenues	\$ 1,249	\$ 1,250	\$ 18,842	\$ 116,485	\$ 293,806	\$ 431,632	
<u>Expenditures</u>							
Current:							
General Government	\$ 13	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13	
Finance	0	0	0	0	264,310	264,310	
Administration of Justice	0	0	0	0	11,977	11,977	
Public Safety	0	0	8,961	0	0	8,961	
Social, Cultural, and Recreational Services	0	1,946	0	68,412	0	70,358	
Total Expenditures	\$ 13	\$ 1,946	\$ 8,961	\$ 68,412	\$ 276,287	\$ 355,619	
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,236	\$ (696)	\$ 9,881	\$ 48,073	\$ 17,519	\$ 76,013	
Net Change in Fund Balances	\$ 1,236	\$ (696)	\$ 9,881	\$ 48,073	\$ 17,519	\$ 76,013	
Fund Balance, July 1, 2005	11,947	4,030	42,913	308,146	56,237	423,273	
Fund Balance, June 30, 2006	\$ 13,183	\$ 3,334	\$ 52,794	\$ 356,219	\$ 73,756	\$ 499,286	

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,249	\$ 1,200	\$ 1,200	\$ 49
Total Revenues	\$ 1,249	\$ 1,200	\$ 1,200	\$ 49
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 13	\$ 5,000	\$ 5,000	\$ 4,987
Total Expenditures	\$ 13	\$ 5,000	\$ 5,000	\$ 4,987
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,236	\$ (3,800)	\$ (3,800)	\$ 5,036
Net Change in Fund Balance	\$ 1,236	\$ (3,800)	\$ (3,800)	\$ 5,036
Fund Balance, July 1, 2005	11,947	11,666	11,666	281
Fund Balance, June 30, 2006	\$ 13,183	\$ 7,866	\$ 7,866	\$ 5,317

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,250	\$ 1,200	\$ 1,200	\$ 50
Total Revenues	\$ 1,250	\$ 1,200	\$ 1,200	\$ 50
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 1,946	\$ 2,035	\$ 2,035	\$ 89
Total Expenditures	\$ 1,946	\$ 2,035	\$ 2,035	\$ 89
Excess (Deficiency) of Revenues Over Expenditures	\$ (696)	\$ (835)	\$ (835)	\$ 139
Net Change in Fund Balance	\$ (696)	\$ (835)	\$ (835)	\$ 139
Fund Balance, July 1, 2005	4,030	4,317	4,317	(287)
Fund Balance, June 30, 2006	\$ 3,334	\$ 3,482	\$ 3,482	\$ (148)

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 17,842	\$ 11,500	\$ 11,500	\$ 6,342
Other Local Revenues	1,000	0	0	1,000
Total Revenues	<u>\$ 18,842</u>	<u>\$ 11,500</u>	<u>\$ 11,500</u>	<u>\$ 7,342</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 8,961	\$ 34,600	\$ 31,600	\$ 22,639
Total Expenditures	<u>\$ 8,961</u>	<u>\$ 34,600</u>	<u>\$ 31,600</u>	<u>\$ 22,639</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,881</u>	<u>\$ (23,100)</u>	<u>\$ (20,100)</u>	<u>\$ 29,981</u>
Net Change in Fund Balance	\$ 9,881	\$ (23,100)	\$ (20,100)	\$ 29,981
Fund Balance, July 1, 2005	42,913	40,077	40,077	2,836
Fund Balance, June 30, 2006	<u>\$ 52,794</u>	<u>\$ 16,977</u>	<u>\$ 19,977</u>	<u>\$ 32,817</u>

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 85,329	\$ 0	\$ 0	\$ 85,329	\$ 73,480	\$ 73,480	\$ 11,849
Fines, Forfeitures, and Penalties	810	0	0	810	705	705	105
Charges for Current Services	2,200	0	0	2,200	1,000	1,000	1,200
Other Local Revenues	11,489	0	0	11,489	4,000	4,418	7,071
State of Tennessee	16,657	0	0	16,657	125,011	125,011	(108,354)
Total Revenues	\$ 116,485	\$ 0	\$ 0	\$ 116,485	\$ 204,196	\$ 204,614	\$ (88,129)
<u>Expenditures</u>							
<u>Social, Cultural, and Recreational Services</u>							
Parks and Fair Boards	\$ 68,412	\$ (7,125)	\$ 2,900	\$ 64,187	\$ 194,890	\$ 195,308	\$ 131,121
Total Expenditures	\$ 68,412	\$ (7,125)	\$ 2,900	\$ 64,187	\$ 194,890	\$ 195,308	\$ 131,121
Excess (Deficiency) of Revenues Over Expenditures	\$ 48,073	\$ 7,125	\$ (2,900)	\$ 52,298	\$ 9,306	\$ 9,306	\$ 42,992
Net Change in Fund Balance	\$ 48,073	\$ 7,125	\$ (2,900)	\$ 52,298	\$ 9,306	\$ 9,306	\$ 42,992
Fund Balance, July 1, 2005	308,146	(7,125)	0	301,021	294,631	294,631	6,390
Fund Balance, June 30, 2006	\$ 356,219	\$ 0	\$ (2,900)	\$ 353,319	\$ 303,937	\$ 303,937	\$ 49,382

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 961,241	\$ 913,925	\$ 913,925	\$ 47,316
Fines, Forfeitures, and Penalties	6,755	4,800	4,800	1,955
Other Local Revenues	834,941	880,000	880,000	(45,059)
State of Tennessee	65,908	10,000	10,000	55,908
Other Governments and Citizens Groups	313,662	0	300,000	13,662
Total Revenues	<u>\$ 2,182,507</u>	<u>\$ 1,808,725</u>	<u>\$ 2,108,725</u>	<u>\$ 73,782</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 740,115	\$ 707,747	\$ 741,080	\$ 965
Highways and Streets	78,000	78,000	78,000	0
Education	279,378	279,378	279,378	0
<u>Interest on Debt</u>				
General Government	262,036	262,035	265,525	3,489
Highways and Streets	25,129	15,000	26,000	871
Education	750,760	860,025	860,025	109,265
<u>Other Debt Service</u>				
General Government	25,494	18,000	30,000	4,506
Highways and Streets	4,424	7,000	5,000	576
Total Expenditures	<u>\$ 2,165,336</u>	<u>\$ 2,227,185</u>	<u>\$ 2,285,008</u>	<u>\$ 119,672</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,171</u>	<u>\$ (418,460)</u>	<u>\$ (176,283)</u>	<u>\$ 193,454</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 107,552	\$ 400,000	\$ 109,000	\$ (1,448)
Total Other Financing Sources (Uses)	<u>\$ 107,552</u>	<u>\$ 400,000</u>	<u>\$ 109,000</u>	<u>\$ (1,448)</u>
Net Change in Fund Balance	\$ 124,723	\$ (18,460)	\$ (67,283)	\$ 192,006
Fund Balance, July 1, 2005	1,625,192	1,291,795	1,291,795	333,397
Fund Balance, June 30, 2006	<u>\$ 1,749,915</u>	<u>\$ 1,273,335</u>	<u>\$ 1,224,512</u>	<u>\$ 525,403</u>

Fiduciary Funds

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

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated 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, 2006

	<u>Agency Funds</u>		
	Cities -	Constitu-	
	Sales	tional	
	Tax	Officers -	
		Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 735,195	\$ 735,195
Accounts Receivable	0	136	136
Due from Other Governments	100,475	336	100,811
Restricted Assets:			
Other Restricted Assets	0	70,729	70,729
Total Assets	<u>\$ 100,475</u>	<u>\$ 806,396</u>	<u>\$ 906,871</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 0	\$ 547	\$ 547
Due to Other Taxing Units	100,475	0	100,475
Due to Litigants, Heirs, and Others	0	805,849	805,849
Total Liabilities	<u>\$ 100,475</u>	<u>\$ 806,396</u>	<u>\$ 906,871</u>

Exhibit H-2

Grainger County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 554,968	\$ 554,968	\$ 0
Due From Other Governments	93,054	100,475	93,054	100,475
Total Assets	\$ 93,054	\$ 655,443	\$ 648,022	\$ 100,475
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 93,054	\$ 655,443	\$ 648,022	\$ 100,475
Total Liabilities	\$ 93,054	\$ 655,443	\$ 648,022	\$ 100,475
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 993,271	\$ 3,484,931	\$ 3,743,007	\$ 735,195
Accounts Receivable	768	136	768	136
Due From Other Governments	284	336	284	336
Other Restricted Assets	68,058	2,671	0	70,729
Total Assets	\$ 1,062,381	\$ 3,488,074	\$ 3,744,059	\$ 806,396
<u>Liabilities</u>				
Due to Other Funds	\$ 284	\$ 547	\$ 284	\$ 547
Due to Litigants, Heirs, and Others	1,062,097	3,487,527	3,743,775	805,849
Total Liabilities	\$ 1,062,381	\$ 3,488,074	\$ 3,744,059	\$ 806,396
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 554,968	\$ 554,968	\$ 0
Cash	993,271	3,484,931	3,743,007	735,195
Accounts Receivable	768	136	768	136
Due From Other Governments	93,338	100,811	93,338	100,811
Other Restricted Assets	68,058	2,671	0	70,729
Total Assets	\$ 1,155,435	\$ 4,143,517	\$ 4,392,081	\$ 906,871
<u>Liabilities</u>				
Due to Other Funds	\$ 284	\$ 547	\$ 284	\$ 547
Due to Other Taxing Units	93,054	655,443	648,022	100,475
Due to Litigants, Heirs, and Others	1,062,097	3,487,527	3,743,775	805,849
Total Liabilities	\$ 1,155,435	\$ 4,143,517	\$ 4,392,081	\$ 906,871

Grainger County School Department

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.

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, 2006

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Other</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Govern-</u>	<u>ment-</u>
	<u>School</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 880	\$ 880
Equity in Pooled Cash and Investments	3,660,518	19,295,388	442,872	23,398,778
Accounts Receivable	50,585	0	0	50,585
Due from Other Governments	542,594	0	186,554	729,148
Due from Other Funds	40,000	0	0	40,000
Due from Primary Government	3,578	0	0	3,578
Property Taxes Receivable	1,748,377	0	0	1,748,377
Allowance for Uncollectible Property Taxes	(50,375)	0	0	(50,375)
Total Assets	<u>\$ 5,995,277</u>	<u>\$ 19,295,388</u>	<u>\$ 630,306</u>	<u>\$ 25,920,971</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 117,318	\$ 0	\$ 94,421	\$ 211,739
Accrued Payroll	28,597	0	568	29,165
Cash Overdraft	0	0	20,823	20,823
Due to Other Funds	0	0	40,000	40,000
Deferred Revenue - Current Property Taxes	1,615,159	0	0	1,615,159
Deferred Revenue - Delinquent Property Taxes	77,312	0	0	77,312
Other Deferred Revenues	77,951	0	0	77,951
Total Liabilities	<u>\$ 1,916,337</u>	<u>\$ 0</u>	<u>\$ 155,812</u>	<u>\$ 2,072,149</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 22,901,287	\$ 0	\$ 22,901,287
Other Local Education Reserves	14,495	0	0	14,495
Reserved for Basic Education Program	737,425	0	0	737,425
Reserved for Title I Grants to Local Education Agencies	0	0	9,411	9,411
Reserved for Innovative Education Program Strategies	0	0	2,243	2,243
Reserved for Special Education - Grants to States	0	0	3,739	3,739
Other Federal Reserves	0	0	47	47
Unreserved, Reported In:				
General Fund	3,327,020	0	0	3,327,020
Special Revenue Funds	0	0	459,054	459,054
Capital Projects Funds (Deficit)	0	(3,605,899)	0	(3,605,899)
Total Fund Balances	<u>\$ 4,078,940</u>	<u>\$ 19,295,388</u>	<u>\$ 474,494</u>	<u>\$ 23,848,822</u>
Total Liabilities and Fund Balances	<u>\$ 5,995,277</u>	<u>\$ 19,295,388</u>	<u>\$ 630,306</u>	<u>\$ 25,920,971</u>

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, 2006

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)		\$	23,848,822
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	812,384	
Add: construction in progress		860,282	
Add: buildings and improvements, net of accumulated depreciation		10,113,192	
Add: other capital assets, net of accumulated depreciation		<u>489,787</u>	12,275,645
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			155,263
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	77,403	
Less: retirement incentive payable		<u>35,000</u>	<u>(112,403)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 36,167,327</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, 2006

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Funds Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 2,665,611	\$ 0	\$ 0	\$ 2,665,611
Licenses and Permits	627	0	0	627
Fines, Forfeitures, and Penalties	17,959	0	0	17,959
Charges for Current Services	3,807	0	585,398	589,205
Other Local Revenues	120,636	0	4,410	125,046
State of Tennessee	15,347,695	0	19,896	15,367,591
Federal Government	760,821	0	3,007,331	3,768,152
Other Governments and Citizens Groups	0	20,155,670	0	20,155,670
Total Revenues	\$ 18,917,156	\$ 20,155,670	\$ 3,617,035	\$ 42,689,861
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,302,122	\$ 0	\$ 1,446,056	\$ 13,748,178
Support Services	5,064,738	0	631,664	5,696,402
Operation of Non-Instructional Services	197,433	0	1,444,854	1,642,287
Capital Outlay	63,387	0	0	63,387
Debt Service:				
Principal on Debt	12,943	0	0	12,943
Other Debt Service	313,662	0	0	313,662
Capital Projects	0	842,593	0	842,593
Total Expenditures	\$ 17,954,285	\$ 842,593	\$ 3,522,574	\$ 22,319,452
Excess (Deficiency) of Revenues Over Expenditures	\$ 962,871	\$ 19,313,077	\$ 94,461	\$ 20,370,409
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Transfers Out	0	0	(40,000)	(40,000)
Total Other Financing Sources (Uses)	\$ 40,000	\$ 0	\$ (40,000)	\$ 0
Net Change in Fund Balances	\$ 1,002,871	\$ 19,313,077	\$ 54,461	\$ 20,370,409
Fund Balance, July 1, 2005	3,076,069	(17,689)	420,033	3,478,413
Fund Balance, June 30, 2006	\$ 4,078,940	\$ 19,295,388	\$ 474,494	\$ 23,848,822

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, 2006

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)		\$ 20,370,409
(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 amount that capital outlays differs from depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 871,886	
Less: current year depreciation expense	<u>(421,313)</u>	450,573
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$ 155,263	
Less: deferred delinquent property taxes/other deferred June 30, 2005	<u>(365,748)</u>	(210,485)
(3) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Add: principal payment on notes		12,943
(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		<u>(10,000)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 20,613,440</u>

Grainger County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Grainger County School Department
June 30, 2006

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Cash	\$ 0	\$ 880	\$ 880
Equity in Pooled Cash and Investments	0	442,872	442,872
Due from Other Governments	92,712	93,842	186,554
Total Assets	<u>\$ 92,712</u>	<u>\$ 537,594</u>	<u>\$ 630,306</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 55,881	\$ 38,540	\$ 94,421
Accrued Payroll	568	0	568
Cash Overdraft	20,823	0	20,823
Due to Other Funds	0	40,000	40,000
Total Liabilities	<u>\$ 77,272</u>	<u>\$ 78,540</u>	<u>\$ 155,812</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 9,411	\$ 0	\$ 9,411
Reserved for Innovative Education Program Strategies	2,243	0	2,243
Reserved for Special Education - Grants to States	3,739	0	3,739
Other Federal Reserves	47	0	47
Unreserved	0	459,054	459,054
Total Fund Balances	<u>\$ 15,440</u>	<u>\$ 459,054</u>	<u>\$ 474,494</u>
Total Liabilities and Fund Balances	<u>\$ 92,712</u>	<u>\$ 537,594</u>	<u>\$ 630,306</u>

Exhibit I-6

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, 2006

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 585,398	\$ 585,398
Other Local Revenues	0	4,410	4,410
State of Tennessee	0	19,896	19,896
Federal Government	1,972,089	1,035,242	3,007,331
Total Revenues	<u>\$ 1,972,089</u>	<u>\$ 1,644,946</u>	<u>\$ 3,617,035</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,446,056	\$ 0	\$ 1,446,056
Support Services	631,664	0	631,664
Operation of Non-Instructional Services	0	1,444,854	1,444,854
Total Expenditures	<u>\$ 2,077,720</u>	<u>\$ 1,444,854</u>	<u>\$ 3,522,574</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (105,631)</u>	<u>\$ 200,092</u>	<u>\$ 94,461</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ 0	\$ (40,000)	\$ (40,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>
Net Change in Fund Balances	\$ (105,631)	\$ 160,092	\$ 54,461
Fund Balance, July 1, 2005	121,071	298,962	420,033
Fund Balance, June 30, 2006	<u>\$ 15,440</u>	<u>\$ 459,054</u>	<u>\$ 474,494</u>

Exhibit I-7

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Grainger County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,665,611	\$ 2,443,686	\$ 2,583,686	\$ 81,925
Licenses and Permits	627	0	0	627
Fines, Forfeitures, and Penalties	17,959	33,500	33,500	(15,541)
Charges for Current Services	3,807	5,000	5,000	(1,193)
Other Local Revenues	120,636	31,475	89,124	31,512
State of Tennessee	15,347,695	14,695,848	15,259,868	87,827
Federal Government	760,821	78,328	615,029	145,792
Total Revenues	<u>\$ 18,917,156</u>	<u>\$ 17,287,837</u>	<u>\$ 18,586,207</u>	<u>\$ 330,949</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 9,700,382	\$ 9,577,371	\$ 9,855,009	\$ 154,627
Alternative Instruction Program	62,986	77,361	77,361	14,375
Special Education Program	1,448,728	1,481,487	1,500,609	51,881
Vocational Education Program	749,107	759,195	780,328	31,221
Student Body Education Program	82,215	37,000	97,600	15,385
Adult Education Program	258,704	50,082	277,643	18,939
<u>Support Services</u>				
Attendance	7,815	8,747	8,747	932
Health Services	104,572	98,405	107,605	3,033
Other Student Support	304,282	319,976	329,927	25,645
Regular Instruction Program	615,453	503,906	651,776	36,323
Special Education Program	121,871	136,383	127,133	5,262
Vocational Education Program	50,997	59,495	52,362	1,365
Adult Programs	35,938	0	40,154	4,216
Board of Education	270,662	291,269	292,769	22,107
Director of Schools	179,600	179,477	182,977	3,377
Office of the Principal	844,509	868,532	859,532	15,023
Operation of Plant	997,896	965,104	1,010,104	12,208
Maintenance of Plant	429,207	373,327	441,347	12,140
Transportation	1,101,936	1,044,476	1,152,831	50,895
<u>Operation of Non-Instructional Services</u>				
Community Services	33,300	33,300	33,300	0
Early Childhood Education	164,133	0	187,073	22,940
<u>Capital Outlay</u>				
Regular Capital Outlay	63,387	110,000	111,438	48,051
<u>Principal on Debt</u>				
Education	12,943	12,944	12,944	1
<u>Other Debt Service</u>				
Education	313,662	300,000	313,700	38
Total Expenditures	<u>\$ 17,954,285</u>	<u>\$ 17,287,837</u>	<u>\$ 18,504,269</u>	<u>\$ 549,984</u>

(Continued)

Exhibit I-7

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 962,871	\$ 0	\$ 81,938	\$ 880,933
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Total Other Financing Sources (Uses)	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Net Change in Fund Balance	\$ 1,002,871	\$ 0	\$ 81,938	\$ 920,933
Fund Balance, July 1, 2005	3,076,069	3,130,508	3,130,508	(54,439)
Fund Balance, June 30, 2006	\$ 4,078,940	\$ 3,130,508	\$ 3,212,446	\$ 866,494

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,972,089	\$ 2,235,452	\$ 2,445,154	\$ (473,065)
Total Revenues	\$ 1,972,089	\$ 2,235,452	\$ 2,445,154	\$ (473,065)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 870,250	\$ 1,034,531	\$ 1,035,425	\$ 165,175
Special Education Program	484,806	557,420	560,838	76,032
Vocational Education Program	91,000	91,000	91,000	0
<u>Support Services</u>				
Other Student Support	41,588	45,248	50,248	8,660
Regular Instruction Program	267,102	353,025	456,589	189,487
Special Education Program	250,456	141,346	304,744	54,288
Vocational Education Program	973	973	973	0
Transportation	71,545	79,989	79,989	8,444
Total Expenditures	\$ 2,077,720	\$ 2,303,532	\$ 2,579,806	\$ 502,086
Excess (Deficiency) of Revenues Over Expenditures	\$ (105,631)	\$ (68,080)	\$ (134,652)	\$ 29,021
Net Change in Fund Balance	\$ (105,631)	\$ (68,080)	\$ (134,652)	\$ 29,021
Fund Balance, July 1, 2005	121,071	134,652	134,652	(13,581)
Fund Balance, June 30, 2006	\$ 15,440	\$ 66,572	\$ 0	\$ 15,440

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 585,398	\$ 533,500	\$ 533,500	\$ 51,898
Other Local Revenues	4,410	2,500	2,500	1,910
State of Tennessee	19,896	20,000	20,000	(104)
Federal Government	1,035,242	866,000	866,000	169,242
Total Revenues	<u>\$ 1,644,946</u>	<u>\$ 1,422,000</u>	<u>\$ 1,422,000</u>	<u>\$ 222,946</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,444,854	\$ 1,382,000	\$ 1,570,400	\$ 125,546
Total Expenditures	<u>\$ 1,444,854</u>	<u>\$ 1,382,000</u>	<u>\$ 1,570,400</u>	<u>\$ 125,546</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 200,092</u>	<u>\$ 40,000</u>	<u>\$ (148,400)</u>	<u>\$ 348,492</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (40,000)	\$ (40,000)	\$ (40,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 160,092	\$ 0	\$ (188,400)	\$ 348,492
Fund Balance, July 1, 2005	298,962	383,724	383,724	(84,762)
Fund Balance, June 30, 2006	<u>\$ 459,054</u>	<u>\$ 383,724</u>	<u>\$ 195,324</u>	<u>\$ 263,730</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Grainger County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds
Primary Government and Discretely Presented Grainger County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>PRIMARY GOVERNMENT</u>								
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Justice Center	\$ 6,500,000	3.87 %	12-23-03	3-1-23	\$ 6,245,000	\$ 0	\$ 255,000	\$ 5,990,000
General Obligation School Bonds - Series 2005	20,500,000	4.21	7-14-05	5-1-30	0	20,500,000	0	20,500,000
Total Bonds Payable					<u>\$ 6,245,000</u>	<u>\$ 20,500,000</u>	<u>\$ 255,000</u>	<u>\$ 26,490,000</u>
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Justice Center Equipment	225,000	4.97	12-16-05	12-16-14	\$ 0	\$ 225,000	\$ 0	\$ 225,000
Health Department Roof	125,000	4.26	10-17-05	10-17-10	0	125,000	0	125,000
School Building - Phase I	1,000,000	3.65	10-10-1998	10-9-10	456,360	0	83,410	372,950
School Building - Phase II	1,500,000	3.65	12-14-1998	12-14-10	687,500	0	125,000	562,500
School Building - Phase III	500,000	4.15	8-23-1999	8-23-11	270,100	0	41,800	228,300
School Building - Phase IV	350,000	4.25	5-19-00	5-19-12	204,143	0	29,168	174,975
Landfill Engineering and Closure	225,000	4.15	5-15-00	5-15-09	100,000	0	25,000	75,000
Landfill Closure	550,000	4.25	5-30-00	5-30-12	320,800	0	45,840	274,960
Health Department Construction	70,000	2.55	10-26-00	10-26-05	7,000	0	7,000	0
Sanitation Truck	140,000	3.15	4-10-01	4-10-06	28,000	0	28,000	0
Vehicles For the Sheriff's Department	50,000	2.55	10-6-00	10-6-05	5,000	0	5,000	0
Equipment and Landfill Closure	207,400	3.15	6-28-01	6-28-06	41,480	0	41,480	0
Equipment and Landfill Closure	214,400	3.7	6-28-02	6-28-06	85,760	0	85,760	0

(Continued)

Exhibit J-1

Grainger County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, 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 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE (CONT.)								
<u>Payable through General Debt Service Fund (Cont.)</u>								
E-911 Mapping	\$ 110,000	3.7 %	8-30-02	6-28-06	\$ 55,000	\$ 0	\$ 55,000	\$ 0
Vehicles For the Sheriff's Department	52,000	2.55	11-25-02	11-25-05	8,667	0	8,667	0
Land	72,000	2.5	6-29-04	6-29-07	48,000	0	24,000	24,000
Ambulances/Vehicles for the Sheriff's Department	189,052	3.25	12-21-04	6-30-06	126,035	0	126,035	0
Courthouse Renovations/Roof Repair	100,000	3.5	6-28-05	6-28-08	100,000	0	33,333	66,667
Total Notes Payable					<u>\$ 2,543,845</u>	<u>\$ 350,000</u>	<u>\$ 764,493</u>	<u>\$ 2,129,352</u>
CAPITAL LEASE PAYABLE								
<u>Payable through General Fund</u>								
Real Property - Ambulance Authority	55,000	0	8-31-01	6-30-12	\$ 35,000	\$ 0	\$ 5,000	\$ 30,000
Total Capital Lease Payable					<u>\$ 35,000</u>	<u>\$ 0</u>	<u>\$ 5,000</u>	<u>\$ 30,000</u>
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Montgomery County Public Building Authority	1,000,000	Variable	3-5-03	5-24-14	\$ 812,000	\$ 0	\$ 78,000	\$ 734,000
Total Other Loans Payable					<u>\$ 812,000</u>	<u>\$ 0</u>	<u>\$ 78,000</u>	<u>\$ 734,000</u>
DISCRETELY PRESENTED GRAINGER COUNTY SCHOOL DEPARTMENT								
NOTES PAYABLE								
<u>Payable through General Purpose School Fund</u>								
EPA Asbestos Abatement	232,968	0	11-30-1994	5-30-12	\$ 90,346	\$ 0	\$ 12,943	\$ 77,403
Total Notes Payable					<u>\$ 90,346</u>	<u>\$ 0</u>	<u>\$ 12,943</u>	<u>\$ 77,403</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
2007	\$ 260,000	\$ 1,093,239	\$ 1,353,239
2008	860,000	1,085,439	1,945,439
2009	890,000	1,052,929	1,942,929
2010	915,000	1,018,841	1,933,841
2011	945,000	983,809	1,928,809
2012	975,000	947,631	1,922,631
2013	1,010,000	910,309	1,920,309
2014	1,045,000	871,641	1,916,641
2015	1,080,000	831,656	1,911,656
2016	1,125,000	789,986	1,914,986
2017	1,165,000	746,229	1,911,229
2018	1,210,000	700,554	1,910,554
2019	1,260,000	652,731	1,912,731
2020	1,305,000	602,331	1,907,331
2021	1,360,000	547,499	1,907,499
2022	1,415,000	489,919	1,904,919
2023	1,475,000	429,551	1,904,551
2024	1,030,000	366,144	1,396,144
2025	1,075,000	321,081	1,396,081
2026	1,115,000	274,050	1,389,050
2027	1,165,000	223,875	1,388,875
2028	1,210,000	171,450	1,381,450
2029	1,270,000	117,000	1,387,000
2030	1,330,000	59,850	1,389,850
Total	<u>\$ 26,490,000</u>	<u>\$ 15,287,744</u>	<u>\$ 41,777,744</u>

Exhibit J-3

Grainger County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Grainger County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
Highway/Public Works	General Debt Service	To provide funds for retirement of debt	<u>\$ 107,552</u>
Total Transfers Primary Government			<u><u>\$ 107,552</u></u>
<u>Discretely Presented Grainger County School Department</u>			
Central Cafeteria	General Purpose School	To provide funds for shared utilities	<u>\$ 40,000</u>
Total Transfers Discretely Presented Grainger County School Department			<u><u>\$ 40,000</u></u>

Exhibit J-4

Grainger County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Grainger County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 60,696	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Director of Schools	State Board of Education and County Board of Education	83,158 (1)	(2)	
Trustee	Section 8-24-102, <u>TCA</u>	50,048	550,200	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	Ohio Casualty Insurance Company
Circuit and General Sessions Courts Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	61,628 (3)	50,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	Ohio Casualty Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	57,805 (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 \$11,580.
- (4) - Includes additional compensation of \$2,753 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, 2006

	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	\$ 2,324,012	\$ 0	\$ 0	\$ 424,581	\$ 0
Trustee's Collections - Prior Year	108,652	0	0	21,590	0
Circuit/Clerk & Master Collections - Prior Years	29,485	0	0	5,387	0
Interest and Penalty	16,774	0	0	3,297	0
Payments in-Lieu-of Taxes - T.V.A.	2,556	0	0	467	0
Payments in-Lieu-of Taxes - Local Utilities	34,276	0	0	6,262	0
Payments in-Lieu-of Taxes - Other	764	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	0
Litigation Tax - General	1,678	0	0	0	0
Litigation Tax - Special Purpose	33,265	1,249	1,250	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	13,286	0	0	0	0
Business Tax	32,848	0	0	6,001	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	28,992	0	0	5,297	0
Wholesale Beer Tax	92,905	0	0	0	0
Interstate Telecommunications Tax	2,640	0	0	0	0
Total Local Taxes	\$ 2,722,133	\$ 1,249	\$ 1,250	\$ 472,882	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 698	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	52,823	0	0	0	0
Total Licenses and Permits	\$ 53,521	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 4,153	\$ 0	\$ 0	\$ 759	\$ 0
Officers Costs	1,381	0	0	252	0
Drug Control Fines	0	0	0	0	3,702
Drug Court Fees	0	0	0	0	529
Jail Fees	288	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>					
DUI Treatment Fines	\$ 190	\$ 0	\$ 0	\$ 0	\$ 0
Data Entry Fee - Circuit Court	381	0	0	0	0
<u>General Sessions Court</u>					
Fines	14,913	0	0	2,724	0
Officers Costs	7,395	0	0	1,351	0
Game and Fish Fines	106	0	0	19	0
Drug Control Fines	0	0	0	0	12,611
Jail Fees	16,612	0	0	0	0
District Attorney General Fees	81	0	0	0	0
DUI Treatment Fines	5,975	0	0	0	0
Data Entry Fee - General Sessions Court	5,347	0	0	0	0
<u>Juvenile Court</u>					
Fines	771	0	0	27	0
Officers Costs	774	0	0	0	0
Game and Fish Fines	2	0	0	0	0
Drug Control Fines	1,004	0	0	0	0
Data Entry Fee - Juvenile Court	118	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	3,118	0	0	0	0
Data Entry Fee - Chancery Court	398	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	1,000
Total Fines, Forfeitures, and Penalties	\$ 63,007	\$ 0	\$ 0	\$ 5,132	\$ 17,842
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	\$ 0	\$ 20	\$ 0
Patient Charges	653,796	0	0	0	0
Service Charges	5,352	0	0	0	0
<u>Fees</u>					
Recreation Fees	0	0	0	0	0
Copy Fees	6,760	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>					
Library Fees	\$ 3,757	\$ 0	\$ 0	\$ 0	\$ 0
Telephone Commissions	6,985	0	0	0	0
Vending Machine Collections	962	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	11,088	0	0	0	0
Data Processing Fee - Sheriff	397	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,260	0	0	0	0
Total Charges for Current Services	\$ 690,357	\$ 0	\$ 0	\$ 20	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	44,120	0	0	100	0
Sale of Materials and Supplies	1,714	0	0	0	0
Sale of Maps	425	0	0	0	0
Sale of Recycled Materials	0	0	0	19,440	0
Miscellaneous Refunds	13,535	0	0	0	1,000
<u>Nonrecurring Items</u>					
Sale of Property	23,187	0	0	0	0
Contributions & Gifts	5,821	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	501	0	0	0	0
Total Other Local Revenues	\$ 89,303	\$ 0	\$ 0	\$ 19,540	\$ 1,000
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 13,891	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	77,800	0	0	0	0
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	22,282	0	0	0	0
General Sessions Court Clerk	55,771	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>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary (Cont.)</u>					
Clerk and Master	\$ 46,391	\$ 0	\$ 0	\$ 0	\$ 0
Juvenile Court Clerk	4,056	0	0	0	0
Register	131,077	0	0	0	0
Sheriff	5,246	0	0	0	0
Total Fees Received from County Officials	\$ 356,514	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	8,852	0	0	0	0
Solid Waste Grants	0	0	0	6,028	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	6,743	0	0	0	0
<u>Health and Welfare Grants</u>					
Public Health Nurses	9,853	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	51,152	0	0	0	0
Tennessee Industrial Infrastructure Program	36,488	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	21,766	0	0	0	0
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	27,015	0	0	0	0
State Revenue Sharing - T.V.A.	274,177	0	0	50,090	0
Emergency Hospital - Prisoners	105,391	0	0	0	0
Contracted Prisoner Boarding	114,740	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	11,590	0	0	0	0
Total State of Tennessee	\$ 710,359	\$ 0	\$ 0	\$ 56,118	\$ 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>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 399,484	\$ 0	\$ 0	\$ 0	\$ 0
Disaster Relief	0	0	0	0	0
Homeland Security Grants	180,307	0	0	0	0
Other Federal through State	196,875	0	0	0	0
Total Federal Government	\$ 776,666	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 87,643	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 87,643	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 5,549,503	\$ 1,249	\$ 1,250	\$ 553,692	\$ 18,842

(Continued)

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund	
	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 67,053	\$ 0	\$ 146,664	\$ 558,658	\$ 3,520,968
Trustee's Collections - Prior Year	12,803	0	7,552	27,923	178,520
Circuit/Clerk & Master Collections - Prior Years	850	0	2,362	7,088	45,172
Interest and Penalty	1,778	0	1,236	4,274	27,359
Payments in-Lieu-of Taxes - T.V.A.	74	0	172	615	3,884
Payments in-Lieu-of Taxes - Local Utilities	988	0	12,603	8,239	62,368
Payments in-Lieu-of Taxes - Other	0	0	0	0	764
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	339,579	339,579
Litigation Tax - General	0	0	0	0	1,678
Litigation Tax - Special Purpose	0	0	0	0	35,764
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	13,286
Business Tax	947	0	2,070	7,896	49,762
<u>Statutory Local Taxes</u>					
Bank Excise Tax	836	0	1,951	6,969	44,045
Wholesale Beer Tax	0	0	0	0	92,905
Interstate Telecommunications Tax	0	0	0	0	2,640
Total Local Taxes	\$ 85,329	\$ 0	\$ 174,610	\$ 961,241	\$ 4,418,694
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 698
Cable TV Franchise	0	0	0	0	52,823
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,521
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 120	\$ 0	\$ 254	\$ 998	\$ 6,284
Officers Costs	40	0	91	332	2,096
Drug Control Fines	0	0	0	0	3,702
Drug Court Fees	0	0	0	0	529
Jail Fees	0	0	0	0	288

(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>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
DUI Treatment Fines	\$ 0	\$ 0	\$ 0	\$ 0	190
Data Entry Fee - Circuit Court	0	0	0	0	381
<u>General Sessions Court</u>					
Fines	430	0	1,094	3,585	22,746
Officers Costs	213	0	516	1,778	11,253
Game and Fish Fines	3	0	8	26	162
Drug Control Fines	0	0	0	0	12,611
Jail Fees	0	0	0	0	16,612
District Attorney General Fees	0	0	0	0	81
DUI Treatment Fines	0	0	0	0	5,975
Data Entry Fee - General Sessions Court	0	0	0	0	5,347
<u>Juvenile Court</u>					
Fines	4	0	10	36	848
Officers Costs	0	0	0	0	774
Game and Fish Fines	0	0	0	0	2
Drug Control Fines	0	0	0	0	1,004
Data Entry Fee - Juvenile Court	0	0	0	0	118
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	3,118
Data Entry Fee - Chancery Court	0	0	0	0	398
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	1,000
Total Fines, Forfeitures, and Penalties	\$ 810	\$ 0	\$ 1,973	\$ 6,755	\$ 95,519
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	\$ 0	\$ 0	20
Patient Charges	0	0	0	0	653,796
Service Charges	0	0	0	0	5,352
<u>Fees</u>					
Recreation Fees	2,200	0	0	0	2,200
Copy Fees	0	0	0	0	6,760

(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>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Library Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,757
Telephone Commissions	0	0	0	0	6,985
Vending Machine Collections	0	0	0	0	962
Constitutional Officers' Fees and Commissions	0	279,587	0	0	279,587
Special Commissioner Fees/Special Master Fees	0	11,580	0	0	11,580
Data Processing Fee - Register	0	0	0	0	11,088
Data Processing Fee - Sheriff	0	0	0	0	397
Sexual Offender Registration Fees - Sheriff	0	0	0	0	1,260
Total Charges for Current Services	\$ 2,200	\$ 291,167	\$ 0	\$ 0	\$ 983,744
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 2,639	\$ 0	\$ 834,918	\$ 837,557
Lease/Rentals	0	0	0	0	44,220
Sale of Materials and Supplies	0	0	0	0	1,714
Sale of Maps	0	0	0	0	425
Sale of Recycled Materials	0	0	0	0	19,440
Miscellaneous Refunds	31	0	350	23	14,939
<u>Nonrecurring Items</u>					
Sale of Property	0	0	0	0	23,187
Contributions & Gifts	11,340	0	0	0	17,161
<u>Other Local Revenues</u>					
Other Local Revenues	118	0	0	0	619
Total Other Local Revenues	\$ 11,489	\$ 2,639	\$ 350	\$ 834,941	\$ 959,262
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,891
Trustee	0	0	0	0	77,800
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	0	0	0	0	22,282
General Sessions Court Clerk	0	0	0	0	55,771

(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>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary (Cont.)</u>					
Clerk and Master	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,391
Juvenile Court Clerk	0	0	0	0	4,056
Register	0	0	0	0	131,077
Sheriff	0	0	0	0	5,246
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 356,514
<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	8,852
Solid Waste Grants	0	0	0	0	6,028
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	6,743
<u>Health and Welfare Grants</u>					
Public Health Nurses	0	0	0	0	9,853
<u>Public Works Grants</u>					
State Aid Program	0	0	133,052	0	133,052
Litter Program	0	0	0	0	51,152
Tennessee Industrial Infrastructure Program	0	0	0	0	36,488
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	21,766
Beer Tax	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	27,015
State Revenue Sharing - T.V.A.	7,909	0	18,454	65,908	416,538
Emergency Hospital - Prisoners	0	0	0	0	105,391
Contracted Prisoner Boarding	0	0	0	0	114,740
Gasoline and Motor Fuel Tax	0	0	1,453,960	0	1,453,960
Petroleum Special Tax	0	0	16,619	0	16,619
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	8,748	0	0	0	20,338
Total State of Tennessee	\$ 16,657	\$ 0	\$ 1,622,085	\$ 65,908	\$ 2,471,127

(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>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 399,484
Disaster Relief	0	0	32,416	0	32,416
Homeland Security Grants	0	0	0	0	180,307
Other Federal through State	0	0	0	0	196,875
Total Federal Government	\$ 0	\$ 0	\$ 32,416	\$ 0	\$ 809,082
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 313,662	\$ 401,305
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 313,662	\$ 401,305
Total	\$ 116,485	\$ 293,806	\$ 1,831,434	\$ 2,182,507	\$ 10,548,768

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, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,586,461	\$ 0	\$ 0	\$ 0	\$ 1,586,461
Trustee's Collections - Prior Year	81,321	0	0	0	81,321
Circuit/Clerk & Master Collections - Prior Years	20,129	0	0	0	20,129
Interest and Penalty	12,390	0	0	0	12,390
Payments in-Lieu-of Taxes - T.V.A.	1,745	0	0	0	1,745
Payments in-Lieu-of Taxes - Local Utilities	23,152	0	0	0	23,152
<u>County Local Option Taxes</u>					
Local Option Sales Tax	898,263	0	0	0	898,263
Business Tax	18,184	0	0	0	18,184
<u>Statutory Local Taxes</u>					
Bank Excise Tax	19,793	0	0	0	19,793
Interstate Telecommunications Tax	4,173	0	0	0	4,173
Total Local Taxes	\$ 2,665,611	\$ 0	\$ 0	\$ 0	\$ 2,665,611
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 627	\$ 0	\$ 0	\$ 0	\$ 627
Total Licenses and Permits	\$ 627	\$ 0	\$ 0	\$ 0	\$ 627
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 2,540	\$ 0	\$ 0	\$ 0	\$ 2,540
Officers Costs	902	0	0	0	902
<u>General Sessions Court</u>					
Fines	9,712	0	0	0	9,712
Officers Costs	4,626	0	0	0	4,626
Game and Fish Fines	76	0	0	0	76
<u>Juvenile Court</u>					
Fines	102	0	0	0	102
Game and Fish Fines	1	0	0	0	1
Total Fines, Forfeitures, and Penalties	\$ 17,959	\$ 0	\$ 0	\$ 0	\$ 17,959
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 318,665	\$ 0	\$ 318,665
Lunch Payments - Adults	0	0	53,480	0	53,480
Income from Breakfast	0	0	58,273	0	58,273
A la carte Sales	0	0	142,853	0	142,853
Receipts from Individual Schools	0	0	3,548	0	3,548
Community Service Fees - Adults	1,263	0	0	0	1,263
TBI Criminal Background Fees	2,544	0	0	0	2,544
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	8,579	0	8,579
Total Charges for Current Services	\$ 3,807	\$ 0	\$ 585,398	\$ 0	\$ 589,205
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 4,410	\$ 0	\$ 4,410

(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	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Miscellaneous Refunds	\$ 48,747	\$ 0	\$ 0	\$ 0	\$ 48,747
<u>Nonrecurring Items</u>					
Insurance Recovery	19,987	0	0	0	19,987
Sale of Property	2,200	0	0	0	2,200
Contributions & Gifts	20,000	0	0	0	20,000
<u>Other Local Revenues</u>					
Other Local Revenues	29,702	0	0	0	29,702
Total Other Local Revenues	\$ 120,636	\$ 0	\$ 4,410	\$ 0	\$ 125,046
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 14,591,241	\$ 0	\$ 0	\$ 0	\$ 14,591,241
Early Childhood Education	164,133	0	0	0	164,133
School Food Service	0	0	19,896	0	19,896
Driver Education	14,334	0	0	0	14,334
Other State Education Funds	55,139	0	0	0	55,139
Career Ladder Program	198,112	0	0	0	198,112
Career Ladder - Extended Contract	62,053	0	0	0	62,053
Other Vocational	17,759	0	0	0	17,759
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	187,179	0	0	0	187,179
Other State Grants	57,745	0	0	0	57,745
Total State of Tennessee	\$ 15,347,695	\$ 0	\$ 19,896	\$ 0	\$ 15,367,591
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 756,907	\$ 0	\$ 756,907
Breakfast	0	0	276,253	0	276,253
USDA - Other	0	0	2,082	0	2,082
Adult Education State Grant Program	79,983	0	0	0	79,983
Vocational Education - Basic Grants to States	30,000	100,473	0	0	130,473
Other Vocational	0	13,579	0	0	13,579
Title I Grants to Local Education Agencies	90,000	780,000	0	0	870,000
Innovative Education Program Strategies	0	159,744	0	0	159,744
Special Education - Grants to States	19,122	709,790	0	0	728,912
Special Education Preschool Grants	0	43,254	0	0	43,254
Eisenhower Professional Development State Grants	120,759	136,605	0	0	257,364
Other Federal through State	365,201	28,644	0	0	393,845
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	55,756	0	0	0	55,756
Total Federal Government	\$ 760,821	\$ 1,972,089	\$ 1,035,242	\$ 0	\$ 3,768,152
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 20,155,670	\$ 20,155,670
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 20,155,670	\$ 20,155,670
Total	\$ 18,917,156	\$ 1,972,089	\$ 1,644,946	\$ 20,155,670	\$ 42,689,861

Exhibit J-7

Grainger County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	45,625	
Social Security		3,490	
State Retirement		12,841	
Dues and Memberships		1,300	
Travel		4,310	
Total County Commission			\$ 67,566

Beer Board

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

Budget and Finance Committee

Board and Committee Members Fees	\$	1,875	
Total Budget and Finance Committee			1,875

County Mayor/Executive

County Official/Administrative Officer	\$	60,696	
Longevity Pay		150	
Other Salaries & Wages		48,104	
Social Security		7,993	
State Retirement		10,884	
Unemployment Compensation		196	
Communication		2,645	
Data Processing Services		3,570	
Dues and Memberships		1,300	
Maintenance Agreements		1,783	
Postal Charges		2,254	
Travel		5,344	
Library Books/Media		381	
Office Supplies		2,628	
Total County Mayor/Executive			147,928

Election Commission

County Official/Administrative Officer	\$	42,541	
Assistant(s)		20,386	
Longevity Pay		300	
Election Commission		14,750	
Election Workers		9,190	
In-Service Training		1,380	
Social Security		4,837	

(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.)

State Retirement	\$	6,317	
Unemployment Compensation		210	
Communication		2,041	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		1,239	
Maintenance Agreements		2,400	
Maintenance & Repair Services - Equipment		998	
Maintenance & Repair Services - Office Equipment		2,773	
Postal Charges		1,991	
Printing, Stationery, and Forms		2,218	
Rentals		3,600	
Travel		4,023	
Electricity		996	
Office Supplies		1,309	
Propane Gas		2,439	
Water and Sewer		342	
Voting Machines		<u>103,125</u>	
Total Election Commission			\$ 229,605

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Clerical Personnel		40,925	
Longevity Pay		650	
Other Salaries & Wages		663	
Social Security		6,719	
State Retirement		9,153	
Unemployment Compensation		221	
Communication		1,618	
Data Processing Services		11,062	
Dues and Memberships		473	
Maintenance Agreements		5,250	
Postal Charges		964	
Travel		716	
Office Supplies		3,019	
Office Equipment		<u>4,500</u>	
Total Register of Deeds			135,981

Planning

Board and Committee Members Fees	\$	4,500	
Other Contracted Services		<u>8,500</u>	
Total Planning			13,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	4,706	
Longevity Pay		1,500	
Social Security		403	
State Retirement		620	
Maintenance & Repair Services - Buildings		10,902	
Other Contracted Services		271	
Coal		2,910	
Custodial Supplies		6,351	
Electricity		14,250	
Water and Sewer		3,388	
Building Improvements		209,299	
Total County Buildings			\$ 254,600

Other Facilities

Maintenance Personnel	\$	16,729	
Social Security		1,124	
State Retirement		1,644	
Unemployment Compensation		109	
Communication		2,384	
Maintenance & Repair Services - Buildings		496	
Custodial Supplies		13,518	
Diesel Fuel		3,361	
Electricity		57,076	
Propane Gas		22,547	
Water and Sewer		8,228	
Total Other Facilities			127,216

Preservation of Records

Part-time Personnel	\$	8,000	
Social Security		612	
Unemployment Compensation		123	
Communication		613	
Maintenance & Repair Services - Office Equipment		332	
Postal Charges		104	
Travel		476	
Electricity		868	
Office Supplies		2,890	
Other Supplies and Materials		1,256	
Other Equipment		4,600	
Total Preservation of Records			19,874

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Assistant(s)		20,385	
Deputy(ies)		21,166	
Longevity Pay		600	
Social Security		6,749	
State Retirement		9,211	
Unemployment Compensation		210	
Communication		490	
Data Processing Services		6,337	
Maintenance Agreements		687	
Maintenance & Repair Services - Vehicles		410	
Postal Charges		452	
Gasoline		1,326	
Office Supplies		686	
Other Supplies and Materials		391	
Total Property Assessor's Office			\$ 119,148

County Trustee's Office

Social Security	\$	9,035	
State Retirement		10,737	
Unemployment Compensation		315	
Communication		1,572	
Data Processing Services		7,996	
Dues and Memberships		458	
Legal Notices, Recording, and Court Costs		16	
Maintenance Agreements		439	
Postal Charges		4,694	
Printing, Stationery, and Forms		1,055	
Travel		430	
Office Supplies		1,478	
Data Processing Equipment		13,500	
Office Equipment		202	
Total County Trustee's Office			51,927

County Clerk's Office

Social Security	\$	11,104	
State Retirement		10,020	
Unemployment Compensation		705	
Communication		1,893	
Data Processing Services		4,951	

(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.)

Dues and Memberships	\$	448	
Maintenance Agreements		1,650	
Postal Charges		6,439	
Printing, Stationery, and Forms		3,015	
Travel		940	
Office Supplies		6,226	
Office Equipment		475	
Total County Clerk's Office			\$ 47,866

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		15,907	
Secretary(ies)		22,216	
Board and Committee Members Fees		300	
Jury and Witness Fees		4,711	
Social Security		6,404	
State Retirement		8,808	
Unemployment Compensation		287	
Communication		3,154	
Dues and Memberships		428	
Legal Notices, Recording, and Court Costs		168	
Maintenance Agreements		7,854	
Postal Charges		2,067	
Printing, Stationery, and Forms		1,542	
Travel		651	
Office Supplies		1,821	
Data Processing Equipment		1,155	
Office Equipment		3,834	
Total Circuit Court			131,355

General Sessions Court

Judge(s)	\$	65,887
Secretary(ies)		22,768
Longevity Pay		500
Social Security		6,820
State Retirement		8,907
Unemployment Compensation		105
Maintenance Agreements		1,650
Postal Charges		28

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Printing, Stationery, and Forms	\$	1,188	
Travel		577	
Library Books/Media		733	
Office Supplies		1,438	
Total General Sessions Court			\$ 110,601

Chancery Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		22,235	
Longevity Pay		300	
Social Security		5,211	
State Retirement		7,251	
Unemployment Compensation		105	
Communication		2,162	
Dues and Memberships		408	
Postal Charges		921	
Printing, Stationery, and Forms		2,313	
Travel		57	
Library Books/Media		1,043	
Office Supplies		2,601	
Premiums on Corporate Surety Bonds		250	
Office Equipment		1,133	
Total Chancery Court			96,038

Juvenile Court

Assistant(s)	\$	27,588	
Secretary(ies)		3,864	
Longevity Pay		350	
Social Security		2,137	
State Retirement		2,791	
Unemployment Compensation		105	
Communication		2,275	
Contracts with Other Public Agencies		7,852	
Dues and Memberships		70	
Maintenance & Repair Services - Office Equipment		168	
Postal Charges		279	
Travel		1,054	
Office Supplies		1,761	
Office Equipment		138	
Total Juvenile Court			50,432

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,805	
Deputy(ies)		318,407	
Investigator(s)		42,140	
Sergeant(s)		61,738	
Medical Personnel		10,825	
Salary Supplements		7,262	
Secretary(ies)		41,602	
Longevity Pay		3,400	
In-Service Training		2,370	
Social Security		38,083	
State Retirement		52,576	
Unemployment Compensation		1,884	
Communication		11,184	
Dues and Memberships		1,300	
Legal Notices, Recording, and Court Costs		23	
Maintenance Agreements		5,968	
Maintenance & Repair Services - Vehicles		20,152	
Postal Charges		836	
Printing, Stationery, and Forms		954	
Travel		2,181	
Electricity		419	
Gasoline		75,905	
Law Enforcement Supplies		17,176	
Office Supplies		2,844	
Tires and Tubes		5,755	
Uniforms		6,535	
Other Supplies and Materials		5,385	
Other Charges		88	
Total Sheriff's Department			\$ 794,797

Special Patrols

School Resource Officer	\$	24,408	
Social Security		1,867	
State Retirement		2,438	
Unemployment Compensation		102	
Total Special Patrols			28,815

Jail

Medical Personnel	\$	31,180	
Guards		310,600	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Cafeteria Personnel	\$	2,436	
Social Security		23,221	
State Retirement		31,272	
Unemployment Compensation		3,424	
Medical and Dental Services		234,545	
Other Contracted Services		349	
Drugs and Medical Supplies		21,945	
Food Preparation Supplies		90,722	
Other Supplies and Materials		13,717	
Total Jail			\$ 763,411

Fire Prevention and Control

Contracts with Government Agencies	\$	1,500	
Total Fire Prevention and Control			1,500

Civil Defense

Supervisor/Director	\$	8,034	
In-Service Training		1,004	
Social Security		615	
Unemployment Compensation		109	
Communication		2,101	
Maintenance & Repair Services - Equipment		1,196	
Maintenance & Repair Services - Office Equipment		1,338	
Maintenance & Repair Services - Vehicles		2,106	
Printing, Stationery, and Forms		416	
Rentals		1,200	
Travel		267	
Diesel Fuel		436	
Gasoline		1,399	
Office Supplies		552	
Uniforms		700	
Communication Equipment		2,571	
Surplus Equipment		5,204	
Other Equipment		65,728	
Total Civil Defense			94,976

Other Emergency Management

Contributions	\$	156,404	
Total Other Emergency Management			156,404

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Inspection and Regulation

Supervisor/Director	\$	200	
Travel		42	
Total Inspection and Regulation			\$ 242

Public Health and Welfare

Local Health Center

Medical Personnel	\$	6,508	
Custodial Personnel		11,845	
Other Salaries & Wages		250	
Social Security		1,423	
State Retirement		650	
Unemployment Compensation		136	
Communication		3,137	
Dues and Memberships		200	
Maintenance Agreements		2,170	
Maintenance & Repair Services - Buildings		1,500	
Postal Charges		1,559	
Travel		368	
Custodial Supplies		202	
Drugs and Medical Supplies		1,111	
Office Supplies		724	
Utilities		8,432	
Total Local Health Center			40,215

Ambulance/Emergency Medical Services

Supervisor/Director	\$	35,212	
Medical Personnel		657,877	
Paraprofessionals		1,000	
Longevity Pay		1,650	
Other Salaries & Wages		28,802	
Board and Committee Members Fees		600	
Social Security		52,602	
State Retirement		58,362	
Unemployment Compensation		4,038	
Communication		4,739	
Licenses		1,050	
Maintenance Agreements		2,110	
Maintenance & Repair Services - Vehicles		15,331	
Postal Charges		1,839	
Rentals		4,200	

(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.)

Travel	\$	7,923	
Tuition		4,492	
Diesel Fuel		29,916	
Drugs and Medical Supplies		31,182	
Electricity		9,431	
Office Supplies		1,061	
Tires and Tubes		3,213	
Uniforms		2,610	
Water and Sewer		1,117	
Other Supplies and Materials		11,608	
Principal on Capital Leases		5,000	
Building Improvements		888	
Communication Equipment		2,939	
Motor Vehicles		<u>100,926</u>	
Total Ambulance/Emergency Medical Services			\$ 1,081,718

Other Local Health Services

Contracts with Other Public Agencies	\$	<u>1,500</u>	
Total Other Local Health Services			1,500

General Welfare Assistance

Contributions	\$	<u>10,000</u>	
Total General Welfare Assistance			10,000

Aid to Dependent Children

Contracts with Other Public Agencies	\$	<u>4,700</u>	
Total Aid to Dependent Children			4,700

Other Local Welfare Services

Matching Share	\$	<u>4,000</u>	
Total Other Local Welfare Services			4,000

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contracts with Other Public Agencies	\$	1,000	
Contributions		<u>10,000</u>	
Total Senior Citizens Assistance			11,000

Libraries

Assistant(s)	\$	8,377	
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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.)

Libraries (Cont.)

Librarians	\$	51,326	
Part-time Personnel		3,465	
Longevity Pay		1,350	
Social Security		4,784	
State Retirement		3,760	
Unemployment Compensation		699	
Communication		5,498	
Data Processing Services		425	
Maintenance & Repair Services - Buildings		1,731	
Maintenance & Repair Services - Office Equipment		1,434	
Postal Charges		234	
Travel		204	
Tuition		300	
Other Contracted Services		1,170	
Electricity		6,694	
Library Books/Media		19,986	
Office Supplies		1,321	
Periodicals		1,565	
Water and Sewer		206	
Other Supplies and Materials		647	
Other Charges		4,547	
Office Equipment		1,504	
Total Libraries			\$ 121,227

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	36,939	
Communication		3,355	
Contributions		7,257	
Total Agriculture Extension Service			47,551

Soil Conservation

Secretary(ies)	\$	21,054	
Longevity Pay		1,200	
Other Salaries & Wages		15,026	
Social Security		2,852	
State Retirement		3,724	
Unemployment Compensation		210	
Communication		2,528	
Contributions		4,000	

(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.)

Rentals	\$	3,600	
Other Supplies and Materials		1,880	
Office Equipment		1,000	
Total Soil Conservation			\$ 57,074

Other Operations

Tourism

Contributions	\$	11,000	
Total Tourism			11,000

Industrial Development

Longevity Pay	\$	650	
Other Salaries & Wages		20,866	
Social Security		1,557	
State Retirement		1,381	
Unemployment Compensation		216	
Maintenance & Repair Services - Equipment		375	
Other Contracted Services		825	
Electricity		3,515	
Water and Sewer		616	
Other Supplies and Materials		676	
Other Charges		876	
Other Construction		501,554	
Total Industrial Development			533,107

Housing and Urban Development

Building Construction	\$	55,112	
Total Housing and Urban Development			55,112

Veterans' Services

Supervisor/Director	\$	8,505	
Social Security		651	
Unemployment Compensation		108	
Communication		542	
Total Veterans' Services			9,806

Other Charges

Medical Insurance	\$	335,289	
Building and Contents Insurance		22,002	
Liability Insurance		21,271	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$	60,014	
Vehicle and Equipment Insurance		22,980	
Workers' Compensation Insurance		60,296	
Total Other Charges			\$ 521,852

Contributions to Other Agencies

Contributions	\$	3,391	
Total Contributions to Other Agencies			3,391

Miscellaneous

Audit Services	\$	6,429	
Contributions		8,000	
Legal Services		17,940	
Maintenance Agreements		3,712	
Other Charges		7,006	
Total Miscellaneous			43,087

Highways

Litter and Trash Collection

Guards	\$	20,964	
Social Security		1,604	
State Retirement		2,094	
Unemployment Compensation		105	
Maintenance & Repair Services - Vehicles		259	
Gasoline		601	
Instructional Supplies and Materials		4,868	
Uniforms		266	
Total Litter and Trash Collection			30,761

Total General Fund \$ 6,033,758

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Trustee's Commission	\$	13	
Total County Buildings			\$ 13

Total Courthouse & Jail Maintenance Fund 13

(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	\$	1,934	
Trustee's Commission		12	
Total Libraries			\$ 1,946

Total Law Library Fund \$ 1,946

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Accountants/Bookkeepers	\$	5,625	
Attendants		145,476	
Longevity Pay		2,200	
Social Security		11,519	
State Retirement		12,146	
Unemployment Compensation		1,030	
Communication		856	
Maintenance & Repair Services - Vehicles		6,100	
Travel		475	
Disposal Fees		370,465	
Other Contracted Services		4,456	
Diesel Fuel		4,255	
Lubricants		227	
Tires and Tubes		114	
Utilities		11,496	
Other Supplies and Materials		3,091	
Liability Insurance		6,601	
Trustee's Commission		9,886	
Vehicle and Equipment Insurance		6,900	
Workers' Compensation Insurance		10,963	
Total Sanitation Management			\$ 613,881

Recycling Center

Other Contracted Services	\$	9,600	
Total Recycling Center			9,600

Postclosure Care Costs

Testing	\$	19,960	
Total Postclosure Care Costs			19,960

Total Solid Waste/Sanitation Fund 643,441

(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	\$	6,000	
Food Supplies		343	
Instructional Supplies and Materials		45	
Other Supplies and Materials		2,399	
Trustee's Commission		174	
Total Drug Enforcement			\$ 8,961

Total Drug Control Fund \$ 8,961

Sports and Recreation Fund

Social, Cultural, and Recreational Services

Parks and Fair Boards

Supervisor/Director	\$	19,501	
Custodial Personnel		3,695	
Social Security		1,694	
State Retirement		1,948	
Unemployment Compensation		164	
Communication		1,871	
Legal Notices, Recording, and Court Costs		160	
Postal Charges		349	
Travel		927	
Other Contracted Services		9,663	
Electricity		675	
Gasoline		237	
Office Supplies		655	
Other Supplies and Materials		726	
Premiums on Corporate Surety Bonds		193	
Trustee's Commission		1,849	
Other Charges		2,921	
Maintenance Equipment		137	
Office Equipment		1,752	
Other Equipment		7,695	
Other Construction		11,600	
Total Parks and Fair Boards			\$ 68,412

Total Sports and Recreation Fund 68,412

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 121,781	
Total County Trustee's Office		\$ 121,781

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 142,529	
Total County Clerk's Office		142,529

Administration of Justice

General Sessions Court Clerk

Constitutional Officers' Operating Expenses	\$ 15	
Total General Sessions Court Clerk		15

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 11,580	
Constitutional Officers' Operating Expenses	382	
Total Chancery Court		<u>11,962</u>

Total Constitutional Officers - Fees Fund		\$ 276,287
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 55,052	
Accountants/Bookkeepers	32,875	
Secretary(ies)	24,158	
Data Processing Services	3,355	
Legal Notices, Recording, and Court Costs	40	
Postal Charges	693	
Travel	699	
Office Supplies	1,278	
Other Charges	2,311	
Total Administration		\$ 120,461

Highway and Bridge Maintenance

Salary Supplements	\$ 16,750
Foremen	88,573
Equipment Operators	151,914
Truck Drivers	155,954
Laborers	328,546
Rentals	1,964

(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.)

Asphalt - Cold Mix	\$	3,841	
Asphalt - Hot Mix		451,496	
Concrete		19	
Crushed Stone		9,763	
Pipe - Metal		2,691	
Road Signs		2,303	
Small Tools		572	
Structural Steel		294	
Wood Products		60	
Other Supplies and Materials		968	
Total Highway and Bridge Maintenance			\$ 1,215,708

Operation and Maintenance of Equipment

Mechanic(s)	\$	44,910	
Nightwatchmen		24,632	
Maintenance & Repair Services - Equipment		5,690	
Diesel Fuel		38,311	
Electricity		2,182	
Equipment and Machinery Parts		27,162	
Gasoline		33,959	
Lubricants		3,596	
Small Tools		1,019	
Tires and Tubes		6,400	
Other Supplies and Materials		2,298	
Total Operation and Maintenance of Equipment			190,159

Other Charges

Communication	\$	4,455	
Custodial Supplies		799	
Electricity		1,808	
Water and Sewer		368	
Trustee's Commission		18,409	
Vehicle and Equipment Insurance		44,004	
Workers' Compensation Insurance		65,779	
Other Self-Insured Claims		2,848	
Total Other Charges			138,470

Employee Benefits

Social Security	\$	69,347	
State Retirement		84,978	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$ 8,169	
Total Employee Benefits		\$ 162,494

Capital Outlay

Communication Equipment	\$ 368	
Furniture and Fixtures	64	
State Aid Projects	170,640	
Total Capital Outlay		171,072

Total Highway/Public Works Fund		\$ 1,998,364
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 255,000	
Principal on Notes	485,115	
Total General Government		\$ 740,115

Highways and Streets

Principal on Other Loans	\$ 78,000	
Total Highways and Streets		78,000

Education

Principal on Notes	\$ 279,378	
Total Education		279,378

Interest on Debt

General Government

Interest on Bonds	\$ 232,520	
Interest on Notes	29,516	
Total General Government		262,036

Highways and Streets

Interest on Other Loans	\$ 25,129	
Total Highways and Streets		25,129

Education

Interest on Bonds	\$ 691,775	
Interest on Notes	58,985	
Total Education		750,760

(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</u>		
<u>General Government</u>		
Trustee's Commission	\$ 25,494	
Total General Government		\$ 25,494
<u>Highways and Streets</u>		
Other Debt Service	\$ 4,424	
Total Highways and Streets		<u>4,424</u>
Total General Debt Service Fund		\$ 2,165,336
<u>General Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>Education</u>		
Underwriter's Discount	\$ 28,656	
Other Debt Service	<u>541,356</u>	
Total Education		\$ 570,012
<u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Architects	\$ 7,600	
Building Construction	<u>626,963</u>	
Total Administration of Justice Projects		634,563
<u>Education Capital Projects</u>		
Contributions	\$ <u>20,155,670</u>	
Total Education Capital Projects		<u>20,155,670</u>
Total General Capital Projects Fund		<u>21,360,245</u>
Total Governmental Funds - Primary Government		<u>\$ 32,556,763</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, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,627,992	
Career Ladder Program	125,905	
Career Ladder Extended Contracts	54,841	
Homebound Teachers	37,608	
Educational Assistants	235,461	
Other Salaries & Wages	107,735	
Certified Substitute Teachers	71,025	
Non-certified Substitute Teachers	112,330	
Social Security	436,361	
State Retirement	402,286	
Life Insurance	4,860	
Medical Insurance	919,181	
Unemployment Compensation	5,862	
Employer Medicare	101,944	
Maintenance & Repair Services - Equipment	640	
Instructional Supplies and Materials	125,177	
Textbooks	205,340	
Other Supplies and Materials	5,458	
Other Charges	42,761	
Regular Instruction Equipment	77,615	
Total Regular Instruction Program		\$ 9,700,382

Alternative Instruction Program

Teachers	\$ 32,100	
Career Ladder Program	1,000	
Educational Assistants	18,151	
Social Security	3,153	
State Retirement	3,634	
Life Insurance	31	
Medical Insurance	3,974	
Unemployment Compensation	60	
Employer Medicare	737	
Other Supplies and Materials	146	
Total Alternative Instruction Program		62,986

Special Education Program

Teachers	\$ 638,054
Career Ladder Program	13,750
Homebound Teachers	38,407

(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.)

Educational Assistants	\$	149,807	
Speech Pathologist		83,420	
Other Salaries & Wages		132,967	
Certified Substitute Teachers		12,275	
Non-certified Substitute Teachers		35,550	
Social Security		64,736	
State Retirement		65,848	
Life Insurance		653	
Medical Insurance		108,108	
Unemployment Compensation		890	
Employer Medicare		15,140	
Contracts with Private Agencies		36,357	
Maintenance & Repair Services - Equipment		1,980	
Other Contracted Services		40,938	
Other Supplies and Materials		4,500	
Other Charges		1,700	
Special Education Equipment		3,648	
Total Special Education Program			\$ 1,448,728

Vocational Education Program

Teachers	\$	535,506	
Career Ladder Program		7,000	
Other Salaries & Wages		29,187	
Certified Substitute Teachers		5,650	
Non-certified Substitute Teachers		7,275	
Social Security		34,475	
State Retirement		30,568	
Life Insurance		456	
Medical Insurance		78,174	
Unemployment Compensation		386	
Employer Medicare		7,998	
Instructional Supplies and Materials		12,432	
Total Vocational Education Program			749,107

Student Body Education Program

Other Salaries & Wages	\$	40,663
Social Security		2,521
Employer Medicare		590
Other Fringe Benefits		1,497

(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.)

Instructional Supplies and Materials	\$	34,478	
Other Supplies and Materials		628	
Other Charges		1,838	
Total Student Body Education Program			\$ 82,215

Adult Education Program

Teachers	\$	151,568	
Educational Assistants		16,280	
Other Salaries & Wages		20,967	
Social Security		10,130	
State Retirement		11,869	
Life Insurance		89	
Medical Insurance		18,323	
Unemployment Compensation		151	
Employer Medicare		2,592	
Instructional Supplies and Materials		5,208	
Other Supplies and Materials		4,999	
Other Charges		16,528	
Total Adult Education Program			258,704

Support Services

Attendance

Supervisor/Director	\$	5,726	
Career Ladder Program		1,000	
Social Security		417	
State Retirement		370	
Unemployment Compensation		25	
Employer Medicare		98	
Travel		179	
Total Attendance			7,815

Health Services

Medical Personnel	\$	71,749	
Social Security		4,152	
State Retirement		7,168	
Life Insurance		48	
Medical Insurance		8,418	
Unemployment Compensation		76	
Employer Medicare		971	

(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.)

Travel	\$	137	
Drugs and Medical Supplies		1,853	
Other Supplies and Materials		10,000	
Total Health Services			\$ 104,572

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		199,280	
School Resource Officer		25,238	
Other Salaries & Wages		937	
Social Security		12,041	
State Retirement		11,219	
Life Insurance		144	
Medical Insurance		21,877	
Unemployment Compensation		126	
Employer Medicare		2,816	
Evaluation and Testing		25,650	
Travel		905	
Other Supplies and Materials		1,049	
Total Other Student Support			304,282

Regular Instruction Program

Supervisor/Director	\$	113,746	
Career Ladder Program		6,000	
Librarians		188,382	
Instructional Computer Personnel		66,768	
Social Security		21,645	
State Retirement		20,439	
Life Insurance		236	
Medical Insurance		54,721	
Unemployment Compensation		202	
Employer Medicare		5,063	
Travel		14,103	
Other Contracted Services		101,698	
In Service/Staff Development		20,951	
Other Charges		1,499	
Total Regular Instruction Program			615,453

(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

Supervisor/Director	\$	62,538	
Career Ladder Program		3,000	
Clerical Personnel		13,837	
Social Security		5,326	
State Retirement		4,997	
Life Insurance		29	
Medical Insurance		2,238	
Unemployment Compensation		38	
Employer Medicare		1,246	
Travel		5,012	
Other Contracted Services		10,250	
In Service/Staff Development		10,360	
Other Charges		3,000	
Total Special Education Program			\$ 121,871

Vocational Education Program

Supervisor/Director	\$	21,097	
Career Ladder Program		1,000	
Clerical Personnel		13,837	
Social Security		2,182	
State Retirement		2,598	
Life Insurance		10	
Medical Insurance		1,523	
Unemployment Compensation		20	
Employer Medicare		510	
Travel		1,114	
Other Supplies and Materials		956	
In Service/Staff Development		6,150	
Total Vocational Education Program			50,997

Adult Programs

Supervisor/Director	\$	5,134	
Other Salaries & Wages		8,230	
Social Security		574	
State Retirement		445	
Employer Medicare		134	
Travel		6,080	
In Service/Staff Development		14,894	
Other Charges		447	
Total Adult Programs			35,938

(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	\$	13,525	
Board and Committee Members Fees		28,750	
Social Security		2,613	
State Retirement		4,670	
Employer Medicare		611	
Audit Services		5,500	
Dues and Memberships		4,945	
Legal Services		132	
Travel		7,152	
Liability Insurance		25,000	
Premiums on Corporate Surety Bonds		1,050	
Trustee's Commission		84,421	
Workers' Compensation Insurance		82,902	
Criminal Investigation of Applicants - TBI		2,592	
Other Charges		6,799	
Total Board of Education			\$ 270,662

Director of Schools

County Official/Administrative Officer	\$	83,158	
Secretary(ies)		13,526	
Other Salaries & Wages		27,714	
Social Security		7,744	
State Retirement		8,690	
Life Insurance		29	
Medical Insurance		4,332	
Unemployment Compensation		50	
Employer Medicare		1,811	
Communication		10,609	
Dues and Memberships		2,662	
Postal Charges		2,926	
Travel		3,415	
Other Contracted Services		3,464	
Office Supplies		5,469	
Other Charges		4,001	
Total Director of Schools			179,600

Office of the Principal

Principals	\$	332,452	
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	\$	203,633	
Secretary(ies)		134,231	
Social Security		40,857	
State Retirement		43,609	
Life Insurance		317	
Medical Insurance		57,608	
Unemployment Compensation		479	
Employer Medicare		9,570	
Communication		8,753	
Total Office of the Principal			\$ 844,509

Operation of Plant

Custodial Personnel	\$	318,836	
Other Salaries & Wages		13,014	
Social Security		20,646	
State Retirement		31,582	
Unemployment Compensation		479	
Employer Medicare		4,829	
Other Contracted Services		12,182	
Custodial Supplies		36,283	
Electricity		452,448	
Natural Gas		24,588	
Water and Sewer		28,553	
Other Supplies and Materials		24,456	
Building and Contents Insurance		30,000	
Total Operation of Plant			997,896

Maintenance of Plant

Supervisor/Director	\$	57,258	
Other Salaries & Wages		196,326	
Social Security		14,506	
State Retirement		21,536	
Life Insurance		29	
Medical Insurance		4,315	
Unemployment Compensation		227	
Employer Medicare		3,567	
Maintenance & Repair Services - Buildings		96,082	
Travel		1,000	
Other Supplies and Materials		9,077	

(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	\$ 25,284	
Total Maintenance of Plant		\$ 429,207

Transportation

Bus Drivers	\$ 58,675	
Other Salaries & Wages	6,412	
Social Security	4,018	
State Retirement	3,960	
Unemployment Compensation	50	
Employer Medicare	940	
Contracts with Parents	14,012	
Contracts with Vehicle Owners	697,505	
Maintenance & Repair Services - Vehicles	47,569	
Medical and Dental Services	3,120	
Travel	17,529	
Other Contracted Services	14,453	
Diesel Fuel	28,000	
Gasoline	50,563	
Lubricants	1,112	
Tires and Tubes	5,016	
Vehicle and Equipment Insurance	36,456	
Special Education Equipment	20,500	
Transportation Equipment	92,046	
Total Transportation		1,101,936

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$ 23,743	
Social Security	1,472	
State Retirement	2,372	
Unemployment Compensation	25	
Employer Medicare	344	
Travel	2,297	
Other Supplies and Materials	1,000	
Other Charges	2,047	
Total Community Services		33,300

Early Childhood Education

Teachers	\$ 62,414	
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(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.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Educational Assistants	\$	25,178	
Social Security		5,384	
State Retirement		5,948	
Life Insurance		55	
Medical Insurance		7,965	
Employer Medicare		1,259	
Travel		493	
Other Supplies and Materials		49,437	
Other Charges		6,000	
Total Early Childhood Education			\$ 164,133

Capital Outlay

Regular Capital Outlay

Architects	\$	17,689	
Building Improvements		22,336	
Other Capital Outlay		23,362	
Total Regular Capital Outlay			63,387

Principal on Debt

Education

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

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	313,662	
Total Education			313,662

Total General Purpose School Fund \$ 17,954,285

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	278,380	
Educational Assistants		238,516	
Other Salaries & Wages		52,444	
Certified Substitute Teachers		550	
Non-certified Substitute Teachers		34,850	
Social Security		37,018	

(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.)

Regular Instruction Program (Cont.)

State Retirement	\$	41,517	
Life Insurance		202	
Medical Insurance		22,845	
Unemployment Compensation		756	
Employer Medicare		8,657	
Instructional Supplies and Materials		85,285	
Other Supplies and Materials		59,030	
Other Charges		10,200	
Total Regular Instruction Program			\$ 870,250

Special Education Program

Teachers	\$	35,897	
Educational Assistants		258,540	
Certified Substitute Teachers		150	
Non-certified Substitute Teachers		36,425	
Social Security		19,603	
State Retirement		28,477	
Unemployment Compensation		443	
Employer Medicare		4,584	
Maintenance & Repair Services - Equipment		2,435	
Other Contracted Services		85,076	
Instructional Supplies and Materials		7,353	
Other Supplies and Materials		5,823	
Total Special Education Program			484,806

Vocational Education Program

Travel	\$	10,000	
Instructional Supplies and Materials		36,000	
T&I Construction Materials		15,000	
Vocational Instruction Equipment		30,000	
Total Vocational Education Program			91,000

Support Services

Other Student Support

Other Salaries & Wages	\$	10,000	
Social Security		620	
State Retirement		999	
Unemployment Compensation		25	
Employer Medicare		145	

(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.)

Other Student Support (Cont.)

Travel	\$	10,269	
Instructional Supplies and Materials		1,145	
Other Supplies and Materials		696	
In Service/Staff Development		3,726	
Other Charges		13,963	
Total Other Student Support			\$ 41,588

Regular Instruction Program

Supervisor/Director	\$	57,560	
Instructional Computer Personnel		22,726	
Educational Assistants		10,200	
Other Salaries & Wages		300	
Social Security		4,942	
State Retirement		5,111	
Life Insurance		29	
Medical Insurance		4,407	
Employer Medicare		1,156	
Maintenance & Repair Services - Equipment		34,910	
Travel		3,612	
Contracts for Substitute Teachers - Certified		250	
Contracts for Substitute Teachers - Non-certified		4,100	
Other Contracted Services		5,990	
Other Supplies and Materials		28,721	
In Service/Staff Development		48,098	
Other Charges		22,507	
Other Equipment		12,483	
Total Regular Instruction Program			267,102

Special Education Program

Consultants	\$	3,603	
Maintenance & Repair Services - Equipment		3,900	
Travel		5,152	
Other Contracted Services		126,736	
Other Supplies and Materials		77,012	
In Service/Staff Development		25,796	
Other Charges		3,737	
Other Equipment		4,520	
Total Special Education Program			250,456

(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.)

Vocational Education Program

In Service/Staff Development	\$ 973	
Total Vocational Education Program		\$ 973

Transportation

Bus Drivers	\$ 40,365	
Other Salaries & Wages	4,670	
Social Security	2,540	
State Retirement	2,876	
Employer Medicare	594	
Transportation Equipment	20,500	
Total Transportation		<u>71,545</u>

Total School Federal Projects Fund		\$ 2,077,720
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 39,179	
Clerical Personnel	27,363	
Cafeteria Personnel	379,083	
Part-time Personnel	17,792	
Social Security	28,274	
State Retirement	41,418	
Life Insurance	19	
Medical Insurance	2,884	
Unemployment Compensation	964	
Employer Medicare	6,612	
Communication	3,004	
Maintenance & Repair Services - Equipment	5,569	
Travel	199	
Other Contracted Services	9,534	
Food Preparation Supplies	79,022	
Food Supplies	702,574	
Workers' Compensation Insurance	11,783	
In Service/Staff Development	3,855	
Other Charges	25,403	
Food Service Equipment	60,323	
Total Food Service		<u>\$ 1,444,854</u>

Total Central Cafeteria Fund		1,444,854
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(Continued)

Exhibit J-8

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Architects	\$ 804,533	
Engineering Services	8,810	
Other Charges	<u>29,250</u>	
Total Education Capital Projects		<u>\$ 842,593</u>
Total Education Capital Projects Fund		<u>\$ 842,593</u>
Total Governmental Funds - Grainger County School Department		<u><u>\$ 22,319,452</u></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, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 554,968
Total Cash Receipts	<u>\$ 554,968</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 549,426
Trustee's Commission	5,542
Total Cash Disbursements	<u>\$ 554,968</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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

September 8, 2006

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, 2006, which collectively comprise Grainger County's basic financial statements and have issued our report thereon dated September 8, 2006. 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 06.02, 06.03, and 06.04.

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.

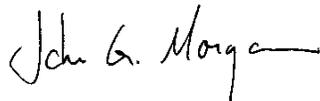
Compliance and Other Matters

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 Costs as item 06.01.

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

September 8, 2006

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, 2006. 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, 2006.

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, 2006, and have issued our report thereon dated September 8, 2006. 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 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 flourish 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, 2006

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	N/A	\$ 51,610
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	249,287
National School Lunch Program	10.555	N/A	698,826
Total U.S. Department of Agriculture			<u>\$ 999,723</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	(2)	\$ 399,484
HOME Investment Partnerships Program	14.239	HM-03-31	56,635
Total U.S. Department of Housing and Urban Development			<u>\$ 456,119</u>
U.S. Department of Justice:			
Direct Program:			
Local Law Enforcement Block Grant Program	16.592	N/A	\$ 17,189
Passed-through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(3)	33,764
Passed-through State Office of Criminal Justice Programs:			
Violence Against Women Formula Grants	16.588	Z-00-001389-01	3,351
Total U.S. Department of Justice			<u>\$ 54,304</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(3)	\$ 102,491
Total U.S. Department of Labor			<u>\$ 102,491</u>
U.S. Election Assistance Commission			
Passed-through State Office of Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-06-032944-00	\$ 103,125
Total U.S. Election Assistance Commission			<u>\$ 103,125</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 829,656
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	782,677
Special Education - Preschool Grants	84.173	N/A	43,254
Vocational Education - Basic Grants to States	84.048	N/A	130,473
Safe and Drug-Free Schools and Communities - State Grants	84.186	(3)	19,345
Even Start - State Educational Agencies	84.213	(3)	80,000
State Grants for Innovative Programs	84.298	N/A	9,101

(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 (Cont.):			
Education Technology State Grants	84.318	(3)	\$ 114,247
Comprehensive School Reform Demonstration	84.332	(3)	120,000
Reading Excellence/Tutorial Assistance	84.338	N/A	57,344
Rural Education	84.358	N/A	148,530
English Language Acquisition Grants	84.365	N/A	19,781
Improving Teacher Quality State Grants	84.367	N/A	184,537
Hurricane Education Recovery	84.938	N/A	21,681
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	63,533
Total U.S. Department of Education			\$ 2,624,159
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-06-027183-00	\$ 16,451
Total U.S. Department of Health and Human Services			\$ 16,451
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022443-01	\$ 15,629
Disaster Grants - Public Assistance	97.036	Z-03-015798-00	32,416
Total U.S. Department of Homeland Security			\$ 48,045
Total Expenditures of Federal Awards			\$ 4,404,417
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(3)	\$ 8,852
Health Department Programs - State Department of Health	N/A	(4)	9,853
Juvenile Services Program - State Children's Services Commission	N/A	(3)	9,000
Archives Grant - State Archives	N/A	(3)	4,600
Library Technology Grant - State Archives	N/A	(3)	6,990
Litter Grant Program - State Department of Transportation	N/A	(3)	51,152
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	(3)	36,488
Tennessee Recreate Initiative Program - State Department of Environment and Conservation	N/A	(3)	8,749
High Schools That Work - State Department of Education	N/A	(3)	13,000
Family Resource Center - State Department of Education	N/A	(3)	33,300
Families First/Adult Education - State Grant Program	N/A	(3)	4,922
Adult Education - State Grant Program - State Department of Education	N/A	(3)	9,980

(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 (Cont.)</u>			
Statewide Student Management System - State Department of Education	N/A	(3)	\$ 4,999
School Health Program - State Department of Education	N/A	(3)	10,000
Safe Schools Act Grant - State Department of Education	N/A	(3)	25,238
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(3)	164,133
Waste Tire Grant - State Department of Environment and and Conservation	N/A	(3)	<u>6,028</u>
Total State Grants			<u>\$ 407,284</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) - GG-05-11738-00: \$387,482; GG-04-11281-00: \$12,002.

(3) - Information not available.

(4) - Z-05-020505-10: \$3,595; Z-06-025987-00: \$6,258.

Grainger County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2006

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, 2005, which have not been corrected.

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.05	166	The office had deficiencies in the administration of drug control funds

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.06	167	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
05.07	167	A central system of accounting, budgeting, and purchasing had not been adopted

GRAINGER COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

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 conditions were considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Grainger County.
4. The audit disclosed no reportable conditions 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), the Special Education Cluster: Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Community Development Block Grants/State Program (CFDA No. 14.228) 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 response of the county mayor is quoted 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 ROAD SUPERINTENDENT

FINDING 06.01 **THE OFFICE DID NOT LABEL SOME CAPITAL ASSETS (Noncompliance Under Government Auditing Standards)**

Some capital assets were not identified as property of the Road Department. The County Uniform Road Law, Section 54-7-112, Tennessee Code Annotated, requires that all machinery, equipment, and tools be plainly marked as property of the department and that each item be numbered.

RECOMMENDATION

All capital assets should be clearly identified as property of the Road Department as required by state statute.

OFFICE OF SHERIFF

FINDING 06.02 **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.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.03 **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.

FINDING 06.04 **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 (DIRECT QUOTE)

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, 2006

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.