

**ANNUAL FINANCIAL REPORT**  
**UNICOI 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**  
**UNICOI COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

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This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# UNICOI COUNTY, TENNESSEE

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# ***Audit Highlights***

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

## ***Scope***

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

## ***Results***

Our report on Unicoi County's aggregate discretely presented component units is qualified because the financial statements did not include a 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 six findings and recommendations, which we have reviewed with Unicoi County management. The detailed findings and recommendations are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ The Office of General Sessions Court Clerk had a cash shortage of \$21,431 as of December 5, 2006.

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### **OFFICE OF COUNTY MAYOR**

- ◆ The office had not developed procedures to ensure that bids were solicited for all applicable purchases, and procedures had not been developed to ensure that bids received and awarded are forwarded to the County Mayor's Office to support the payment of invoices. Competitive bids were not solicited for the purchase of a used vehicle for the Sheriff's Department.
  - ◆ General Fund expenditures exceeded appropriations approved by the County Commission in 12 major appropriation categories (the legal level of control) by as much as \$53,144, and expenditures exceeded appropriations in 32 salary line items by as much as \$10,524.
-

## **OTHER FINDINGS**

- ◆ Management does not require time and attendance records to be submitted to the County Mayor's Office to support payroll disbursements and leave balances. The Office of Circuit and General Sessions Courts Clerk did not maintain any time and attendance records.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Clerk and Master and Sheriff.

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# INTRODUCTORY SECTION

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Unicoi County Officials  
June 30, 2006

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**Officials**

F. Larry Rose, County Mayor  
Terry Haynes, Road Superintendent  
Denise Brown, Director of Schools  
Paul Berry, Trustee  
William Gaines, Assessor of Property  
Ruby McLaughlin, County Clerk  
Christy Erwin Howard, Circuit and General Sessions Courts Clerk  
Teresa Simerly, Clerk and Master  
Deborah Tittle, Register  
David Kent Harris, Sheriff

**Board of County Commissioners**

Lee Brown, Chairperson	Kenneth Lewis
Jimmy Erwin	Doug Bowman
Kenneth Garland	Cathy Pate
Kimberly Gouge	L. Glenn Runnion
Dr. James Hatcher	

**Board of Education**

Pascal Bailey, Chairperson	Renea Rogers
Garland Evely	Steve Scott
Jan Parsley	Becky Shealy

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

January 5, 2007

Unicoi County Mayor and  
Board of County Commissioners  
Unicoi 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 Unicoi County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Unicoi County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Unicoi 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 Unicoi 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

Unicoi 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 determined.

In our opinion, except for the effects of not including the financial statements of the Unicoi 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 Unicoi 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 Unicoi 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 January 5, 2007, on our consideration of Unicoi 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., Unicoi County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The management of Unicoi 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 57 through 61 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 Unicoi 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 Unicoi 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 Unicoi 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 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

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Unicoi County School Department</u>
<u>ASSETS</u>		
Cash and Equivalents	\$ 11,948	\$ 93,361
Equity in Pooled Cash and Investments	7,216,618	1,513,398
Accounts Receivable	132,884	3,036
Due from Other Governments	554,510	481,603
Due from Component Units	5,261	0
Prepaid Items	0	17,581
Property Taxes Receivable	3,627,170	2,644,811
Allowance for Uncollectible Property Taxes	(153,922)	(112,234)
Capital Assets		
Assets Not Depreciated:		
Land	157,064	438,180
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,029,124	11,820,359
Other Capital Assets	1,085,689	819,840
Infrastructure	4,458,583	0
Total Assets	<u>\$ 18,124,929</u>	<u>\$ 17,719,935</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 241,783	\$ 13,078
Accrued Payroll	37,616	0
Accrued Interest Payable	165,588	0
Payroll Deductions Payable	16,398	0
Contracts Payable	55,769	109,928
Retainage Payable	0	10,119
Other Current Liabilities	2,000	277,374
Deferred Revenue - Property Taxes	3,324,692	2,424,255
Noncurrent Liabilities:		
Due Within One Year	918,361	85,901
Due in More than One Year	13,449,235	449,721
Total Liabilities	<u>\$ 18,211,442</u>	<u>\$ 3,370,376</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Unicoi County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 4,172,226	\$ 12,542,757
Restricted for:		
Courthouse and Jail Maintenance	18,142	0
Drug Control	59,947	0
Highways	3,162,859	0
Debt Service	3,307,494	0
Capital Projects	268,533	0
State and Federal Financial Assistance Programs	0	649,066
Other Purposes	61,852	0
Unrestricted	<u>(11,137,566)</u>	<u>1,157,736</u>
Total Net Assets (Deficit)	<u>\$ (86,513)</u>	<u>\$ 14,349,559</u>

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

Exhibit B

Unicoi County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2006

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	Component
					Governmental	Unit
					Total	Unicoi County School Department
<u>Primary Government:</u>						
Governmental Activities:						
General Government	\$ 773,381	\$ 197,481	\$ 23,981	\$ 86,127	\$ (465,792)	\$ 0
Finance	529,347	358,223	6,810	0	(164,314)	0
Administration of Justice	424,113	582,701	10,848	0	169,436	0
Public Safety	1,829,576	196,093	155,209	168,796	(1,309,478)	0
Public Health and Welfare	649,636	0	114,016	0	(535,620)	0
Social, Cultural, and Recreational Services	59,891	26,208	0	0	(33,683)	0
Agricultural and Natural Resources	37,645	0	0	0	(37,645)	0
Other Operations	671,081	0	0	13,307	(657,774)	0
Highways	1,941,902	194,436	1,314,468	175,948	(257,050)	0
Interest on Long-Term Debt	638,769	0	0	0	(638,769)	0
Debt Service	26,812	0	0	0	(26,812)	0
Total Primary Government	\$ 7,582,153	\$ 1,555,142	\$ 1,625,332	\$ 444,178	\$ (3,957,501)	\$ 0
<u>Component Unit:</u>						
Unicoi County School Department	\$ 17,755,530	\$ 334,188	\$ 2,706,802	\$ 0	\$ 0	\$ (14,714,540)
Total Component Unit	\$ 17,755,530	\$ 334,188	\$ 2,706,802	\$ 0	\$ 0	\$ (14,714,540)

(Continued)

Exhibit B

Unicoi 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	Component
					Government	Unit
				Total	Unicoi	
				Governmental	County	
				Activities	School	
					Department	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 2,762,148	\$ 2,332,166	
Property Taxes Levied for Highway Purposes				60,923	0	
Property Taxes Levied for Debt Service				912,130	0	
Local Option Sales Taxes				478,530	996,028	
Other Local Taxes				389,621	32,478	
Grants and Contributions Not Restricted to Specific Programs				388,462	10,603,726	
Unrestricted Investment Income				235,661	5,952	
Miscellaneous				177,129	32,871	
Gain on Disposal of Capital Assets				18,742	6,862	
Total General Revenues				<u>\$ 5,423,346</u>	<u>\$ 14,010,083</u>	
Change in Net Assets				\$ 1,465,845	\$ (704,457)	
Net Assets, July 1, 2005				<u>(1,552,358)</u>	<u>15,054,016</u>	
Net Assets, June 30, 2006				<u>\$ (86,513)</u>	<u>\$ 14,349,559</u>	

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

Exhibit C-1

Unicoi County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2006

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 11,948	\$ 11,948
Equity in Pooled Cash and Investments	704,254	3,029,760	3,170,248	312,356	7,216,618
Accounts Receivable	112,658	17,783	2,293	150	132,884
Due from Other Governments	131,227	280,119	87,395	55,769	554,510
Due from Other Funds	11,948	0	0	32,395	44,343
Due from Component Units	0	0	5,261	0	5,261
Property Taxes Receivable	2,531,462	62,972	1,032,736	0	3,627,170
Allowance for Uncollectible Property Taxes	(107,424)	(2,673)	(43,825)	0	(153,922)
Total Assets	\$ 3,384,125	\$ 3,387,961	\$ 4,254,108	\$ 412,618	\$ 11,438,812
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 67,689	\$ 141,131	\$ 0	\$ 32,963	\$ 241,783
Accrued Payroll	37,616	0	0	0	37,616
Payroll Deductions Payable	16,373	25	0	0	16,398
Contracts Payable	0	0	0	55,769	55,769
Due to Other Funds	32,395	0	0	11,948	44,343
Other Current Liabilities	0	0	0	2,000	2,000
Deferred Revenue - Current Property Taxes	2,320,358	57,720	946,614	0	3,324,692
Deferred Revenue - Delinquent Property Taxes	91,870	2,285	37,479	0	131,634
Other Deferred Revenues	23,008	119,736	45,439	0	188,183
Total Liabilities	\$ 2,589,309	\$ 320,897	\$ 1,029,532	\$ 102,680	\$ 4,042,418
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 268,533	\$ 268,533
Reserved for Alcohol and Drug Treatment	15,600	0	0	0	15,600
Reserved for Drug Court	4,056	0	0	0	4,056
Reserved for Sexual Offender Registration	1,260	0	0	0	1,260
Reserved for Courtroom Security	62	0	0	0	62
Reserved for Computer System - Register	10,640	0	0	0	10,640
Reserved for Automation Purposes - Circuit Court	457	0	0	0	457
Reserved for Automation Purposes - General Sessions Court	2,024	0	0	0	2,024
Reserved for Automation Purposes - Chancery Court	3,297	0	0	0	3,297
Reserved for Automation Purposes - Other Courts	21,922	0	0	0	21,922
Reserved for Automation Purposes - Sheriff	2,534	0	0	0	2,534
Reserved for Other General Purposes	0	0	0	3,988	3,988
Unreserved, Reported In:					
General Fund	732,964	0	0	0	732,964
Special Revenue Funds	0	3,067,064	0	77,028	3,144,092
Debt Service Funds	0	0	3,224,576	0	3,224,576
Capital Projects Funds (Deficit)	0	0	0	(39,611)	(39,611)
Total Fund Balances	\$ 794,816	\$ 3,067,064	\$ 3,224,576	\$ 309,938	\$ 7,396,394
Total Liabilities and Fund Balances	\$ 3,384,125	\$ 3,387,961	\$ 4,254,108	\$ 412,618	\$ 11,438,812

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

Exhibit C-2

Unicoi 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)		\$	7,396,394
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	157,064	
Add: buildings and improvements net of accumulated depreciation		1,029,124	
Add: other capital assets net of accumulated depreciation		1,085,689	
Add: infrastructure net of accumulated depreciation		<u>4,458,583</u>	6,730,460
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: notes payable	\$	(444,000)	
Less: other loans payable		(1,207,478)	
Less: capital leases payable		(17,100)	
Less: bonds payable		(12,467,684)	
Less: compensated absences payable		(231,334)	
Less: accrued interest on bonds, notes, and capital leases		<u>(165,588)</u>	(14,533,184)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>319,817</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(86,513)</u></u>

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

Exhibit C-3

Unicoi County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,166,727	\$ 95,761	\$ 1,466,294	\$ 7,246	\$ 4,736,028
Licenses and Permits	18,463	403	5,966	0	24,832
Fines, Forfeitures, and Penalties	124,176	0	0	112,040	236,216
Charges for Current Services	65,535	206	0	2,226	67,967
Other Local Revenues	211,756	113,844	93,270	3,135	422,005
Fees Received from County Officials	792,018	0	0	0	792,018
State of Tennessee	594,273	1,311,493	27,139	0	1,932,905
Federal Government	224,655	193,016	0	99,434	517,105
Other Governments and Citizens Groups	109,562	194,230	81,215	46,330	431,337
Total Revenues	\$ 5,307,165	\$ 1,908,953	\$ 1,673,884	\$ 270,411	\$ 9,160,413
<u>Expenditures</u>					
Current:					
General Government	\$ 647,236	\$ 0	\$ 0	\$ 4,553	\$ 651,789
Finance	523,948	0	0	600	524,548
Administration of Justice	421,946	0	0	0	421,946
Public Safety	1,653,469	0	0	112,061	1,765,530
Public Health and Welfare	269,947	0	0	379,821	649,768
Social, Cultural, and Recreational Services	59,891	0	0	0	59,891
Agricultural and Natural Resources	37,645	0	0	0	37,645
Other Operations	654,732	0	0	0	654,732
Highways	0	1,888,669	0	0	1,888,669
Debt Service:					
Principal on Debt	8,563	0	755,886	0	764,449
Interest on Debt	1,233	0	640,008	0	641,241
Other Debt Service	0	0	26,812	0	26,812
Capital Projects	0	0	0	126,264	126,264
Capital Projects - Donated	136,612	0	0	0	136,612
Total Expenditures	\$ 4,415,222	\$ 1,888,669	\$ 1,422,706	\$ 623,299	\$ 8,349,896
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 891,943	\$ 20,284	\$ 251,178	\$ (352,888)	\$ 810,517
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 204,000	\$ 204,000
Insurance Recovery	36,747	11,350	0	1,324	49,421
Transfers In	0	0	0	379,821	379,821
Transfers Out	(379,821)	0	0	0	(379,821)
Total Other Financing Sources (Uses)	\$ (343,074)	\$ 11,350	\$ 0	\$ 585,145	\$ 253,421
Net Change in Fund Balances					
Fund Balance, July 1, 2005	\$ 548,869	\$ 31,634	\$ 251,178	\$ 232,257	\$ 1,063,938
Fund Balance, June 30, 2006	\$ 794,816	\$ 3,067,064	\$ 3,224,576	\$ 309,938	\$ 7,396,394

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

Exhibit C-4

Unicoi 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)		\$ 1,063,938
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 397,754	
Less: current year depreciation expense	<u>(403,546)</u>	(5,792)
(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 and other deferred June 30, 2006	\$ 319,817	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(432,232)</u>	(112,415)
(3) 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. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (204,000)	
Add: principal payments on bonds	504,881	
Add: principal payments on notes	60,000	
Add: principal payments on other loans	191,005	
Add: principal payments on capital leases	<u>8,563</u>	560,449
(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 accrued interest payable	\$ 2,472	
Change in compensated absences payable	<u>(42,807)</u>	<u>(40,335)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,465,845</u>

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

Exhibit D

Unicoi County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 275,110
Accounts Receivable	1,676
Due from Other Governments	199,920
Cash Shortage	1,034
Restricted Assets:	
Other Restricted Assets	<u>62,084</u>
Total Assets	<u>\$ 539,824</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 199,920
Due to Litigants, Heirs, and Others	<u>339,904</u>
Total Liabilities	<u>\$ 539,824</u>

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

**UNICOI COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unicoi 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 Unicoi County:

**A. Reporting Entity**

Unicoi County is a public municipal corporation governed by an elected nine-member board. As required by GAAP, these financial statements present Unicoi 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 Unicoi 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 Unicoi County School Department operates the public school system in the county, and the voters of Unicoi 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 Unicoi County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Unicoi County, and the Unicoi 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 Unicoi County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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

Administrative Office:

Unicoi County Emergency Communications District  
P.O. Box 548  
Erwin, TN 37650

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Unicoi 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 Unicoi County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Separate financial statements are provided for governmental funds. 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 Unicoi 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, Unicoi 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. Unicoi 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 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.

Unicoi 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.

**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.

Additionally, Unicoi County reports the following fund types:

**Capital Projects Funds** – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Unicoi 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 Unicoi County School Department reports the following major governmental fund:

**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.

Additionally, the Unicoi County School Department reports the following fund types:

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

**Capital Projects Fund** – The Education Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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 Unicoi County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to the various funds based on the approved budgets. Unicoi County and the Unicoi County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other

investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.26 percent of total taxes levied.

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

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

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

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

Most payables are disaggregated on the face of the financial statements. Other current liabilities reflected in the primary government funds represent deposits placed with Unicoi County for the HOME Investment Partnership Program. The \$277,374 reflected

as other current liabilities in the General Purpose School Fund of the discretely presented Unicoi County School Department represents insurance premiums held in a clearing account and due to the insurance administrator.

Retainage payable in the Unicoi County School Department's nonmajor governmental funds represents amounts withheld from payments made on a construction contract pending completion of the project. This amount is held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

**3. Restricted Assets**

Restricted assets in the agency funds consist of various investments held by the clerk and master in a court ordered co-substitute trustee capacity for a testamentary trust heir.

**4. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than three 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	30
Other Capital Assets	5 - 10
Infrastructure:	
Roads	40
Bridges	40

**5. Compensated Absences**

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits. Vacation benefits for employees of the discretely presented School Department do not vest or accumulate and must be used within the year or lost. There is no liability for unpaid accumulated sick leave since neither Unicoi County nor the discretely presented Unicoi County School Department has a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

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

7. **Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling (\$61,852) with the primary restrictions being for: (1) Alcohol and Drug Treatment (\$15,600) and computer automation for the various offices (\$40,874).

As of June 30, 2006, Unicoi County had \$11,338,028 in outstanding debt for capital purposes for the discretely presented Unicoi County School Department and \$240,000 in outstanding debt for capital purposes for the Unicoi County Emergency Communications District. This debt is a liability of Unicoi County, but the capital assets acquired are reported in the financial statements of the Unicoi County School Department and the Unicoi County Emergency Communications District. Therefore, Unicoi 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.

**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 Unicoi 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 Unicoi 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 funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances

may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of 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, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Fund Deficit**

The primary government's Community Development/Industrial Park Fund had an unreserved fund deficit of \$59,981 at June 30, 2006. This deficit resulted from the recognition of the unperformed portions of construction contracts of \$63,193 being reserved as encumbrances. Funding for these future expenditures is being provided for through federal grants.

The discretely presented Unicoi County School Department's Education Capital Projects Fund had an unreserved fund deficit of \$490,797 at June 30, 2006. This fund deficit resulted from the recognition of payables of \$120,047 and the unperformed portions of construction contracts of \$370,750 being reserved as encumbrances. Funding for these future expenditures will be provided for with the issuance of debt.

**C. Cash Shortage**

The Office of General Sessions Court had a cash shortage of \$1,034 as of June 30, 2006. This cash shortage increased to \$21,431 as of December 5, 2006. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

**D. Expenditures Exceeded Appropriations**

General Fund expenditures exceeded appropriations approved by the County Commission in the 12 major appropriation categories (the legal level of control) by as much as \$53,144. Such overexpenditures are a violation of state law. These overexpenditures were funded by available fund balances or by greater than anticipated revenues.

**E. Investigations**

As reported in previous reports, the Federal Bureau of Investigation had seized many financial records of the former circuit and general sessions courts clerk Gregory Masters. Mr. Masters entered into a plea agreement in federal court to wrongfully converting county funds for personal use of at least \$10,507, between January 1, 2001, and December 31, 2001. The seized records were returned to the Office of Circuit and General Sessions Courts Clerk in November 2005, and the county received restitution of \$10,507 in February 2006.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

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

## Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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, Unicoi County had the following investments carried at cost. All investments are in the county's trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Unicoi County and the discretely presented Unicoi County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 565,927</u>
Total		<u><u>\$ 565,927</u></u>

**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. Unicoi 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. Unicoi County has no investment policy that would further limit its investment choices. As of June 30, 2006, Unicoi County's investment in the State Treasurer's Investment Pool was unrated.

**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
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 157,064	\$ 0	\$ 0	\$ 157,064
Construction in Progress	413,073	26,830	(439,903)	0
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 570,137</b>	<b>\$ 26,830</b>	<b>\$ (439,903)</b>	<b>\$ 157,064</b>
<b>Capital Assets Depreciated:</b>				
Buildings and Improvements	\$ 2,267,313	\$ 439,903	\$ 0	\$ 2,707,216
Other Capital Assets	2,514,773	370,924	(11,800)	2,873,897
Infrastructure	6,570,741	0	0	6,570,741
<b>Total Capital Assets Depreciated</b>	<b>\$ 11,352,827</b>	<b>\$ 810,827</b>	<b>\$ (11,800)</b>	<b>\$ 12,151,854</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	\$ 1,616,539	\$ 61,553	\$ 0	\$ 1,678,092
Other Capital Assets	1,614,550	185,458	(11,800)	1,788,208
Infrastructure	1,955,623	156,535	0	2,112,158
<b>Total Accumulated Depreciation</b>	<b>\$ 5,186,712</b>	<b>\$ 403,546</b>	<b>\$ (11,800)</b>	<b>\$ 5,578,458</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 6,166,115</b>	<b>\$ 407,281</b>	<b>\$ 0</b>	<b>\$ 6,573,396</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 6,736,252</b>	<b>\$ 434,111</b>	<b>\$ (439,903)</b>	<b>\$ 6,730,460</b>

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

**Governmental Activities:**

General Government	\$ 36,394
Finance	1,710
Administration of Justice	1,323
Public Safety	71,323
Highways	292,796
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 403,546</b>

Discretely Presented Unicoi County School Department

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 438,180	\$ 0	\$ 0	\$ 438,180
Total Capital Assets Not Depreciated	<u>\$ 438,180</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 438,180</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 19,302,623	\$ 162,022	\$ 0	\$ 19,464,645
Other Capital Assets	1,891,547	231,526	(77,722)	2,045,351
Total Capital Assets Depreciated	<u>\$ 21,194,170</u>	<u>\$ 393,548</u>	<u>\$ (77,722)</u>	<u>\$ 21,509,996</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,033,103	\$ 611,183	\$ 0	\$ 7,644,286
Other Capital Assets	1,140,531	162,702	(77,722)	1,225,511
Total Accumulated Depreciation	<u>\$ 8,173,634</u>	<u>\$ 773,885</u>	<u>\$ (77,722)</u>	<u>\$ 8,869,797</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,020,536</u>	<u>\$ (380,337)</u>	<u>\$ 0</u>	<u>\$ 12,640,199</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 13,458,716</u></u>	<u><u>\$ (380,337)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 13,078,379</u></u>

Depreciation expense totaling \$773,885 was charged by the discretely presented Unicoi County School Department.

**C. Construction Commitments**

At June 30, 2006, Unicoi County had uncompleted construction contracts reflected in the General Capital Projects Fund and the Community Development/Industrial Park Fund (nonmajor governmental funds) related to the election commission building project (\$205,340) and the construction of a water storage tank (\$63,193), respectively. Funding for the election commission building has been provided through the issuance of a capital outlay note. Funding for the water storage tank is being provided through a federal grant.

At June 30, 2006, the Unicoi County School Department had uncompleted construction contracts of \$370,750 reflected in Education Capital Projects Fund (a nonmajor governmental fund) related to the re-roofing of the vocational school. Funding of these future expenditures has been provided for subsequent to June 30, 2006, with the issuance of a capital outlay note by the primary government.

**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>
General	Nonmajor governmental	\$ 11,948
Nonmajor governmental	General	32,395

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 units:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government: General Debt Service	Component unit: Unicoi County Emergency Communications District	\$ 5,261

**Interfund Transfers:**

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

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ 379,821
Total	<u>\$ 379,821</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Capital Leases**

Primary Government

On September 13, 2004, Unicoi County entered into a three-year lease-purchase agreement for a Sheriff Department vehicle. The terms of the agreement require total lease payments of \$18,349 plus interest of 5.05 percent. Title to the vehicle will transfer to Unicoi County at the end of the lease period. The lease payments are made from the General Fund.

On December 24, 2004, the circuit and general sessions courts clerk entered into a five-year lease-purchase agreement for data processing equipment. The terms of the agreement require total lease payments of \$13,230 plus interest of 6.25 percent. Title to the equipment will transfer to Unicoi County at the end of the lease period. The lease payments are made from 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:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 9,796
2008	4,315
2009	3,219
2010	<u>1,074</u>
Total Minimum Lease Payments	\$ 18,404
Amount Representing Interest	<u>(1,304)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 17,100</u></u>

Discretely Presented Unicoi County School Department

The discretely presented Unicoi County School Department has entered into two ten-year lease-purchase agreements for HVAC equipment. The terms of the agreements require total lease payments of \$862,369 plus interest ranging from 3.99 to 4.93 percent. Title to the equipment transfers to the Unicoi County School Department at the end of the lease period.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 106,309
2008	106,309
2009	78,532
2010	69,273
2011	69,273
2012-2014	<u>184,728</u>
Total Minimum Lease Payments	\$ 614,424
Amount Representing Interest	<u>(78,802)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 535,622</u></u>

**F. Long-term Debt**

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to five 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:

<u>Type</u>	<u>Interest Rate</u>		<u>Original Amount of Issue</u>	<u>Balance 6-30-06</u>
General Obligation Bonds	3.9 to 6.2	%	\$ 4,500,000	\$ 4,107,684
General Obligation Bonds - Refunding	2.45 to 5.25		8,715,000	8,360,000
Capital Outlay Notes	3.45 to 4.5		504,000	444,000
Other Loans	0		1,551,362	1,207,478
Capital Leases	5.05 to 6.25		31,579	17,100

During the 2000-01 year, Unicoi County entered into an interest-free loan agreement with the Tennessee State School Bond Authority. Under this agreement, the authority issued interest-free qualified zone academy bonds of \$1,551,362 and loaned the proceeds to Unicoi County. The repayment schedule calls for Unicoi County to make annual payments through 2011. In addition to pledging the county's full faith and credit for repayment of this loan, the county also specifically pledged its unobligated state-shared taxes toward the loan.

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:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 530,363	\$ 604,017	\$ 100,800	\$ 16,425
2008	555,868	582,012	100,800	12,539
2009	586,398	556,062	100,800	8,613
2010	606,953	531,315	100,800	4,707
2011	637,536	505,638	40,800	1,836
2012-2016	3,732,465	2,055,963	0	0
2017-2021	4,896,937	1,008,423	0	0
2022-2026	626,641	126,977	0	0
2027-2031	147,983	58,047	0	0
2032-2035	146,540	18,284	0	0
<b>Total</b>	<b>\$ 12,467,684</b>	<b>\$ 6,046,738</b>	<b>\$ 444,000</b>	<b>\$ 44,120</b>

Year Ending June 30	Other Loan
	Principal
2007	\$ 196,506
2008	196,506
2009	196,506
2010	196,506
2011	196,506
2012	224,948
<b>Total</b>	<b>\$ 1,207,478</b>

There is \$3,224,576 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$706, based on the 2000 federal census. Debt per capita, including bonds, notes, capital leases, and other loans outstanding totaled \$800, 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	\$ 12,972,565	\$ 300,000	\$ 1,398,483
Additions	0	204,000	0
Deductions	(504,881)	(60,000)	(191,005)
Balance, June 30, 2006	<u>\$ 12,467,684</u>	<u>\$ 444,000</u>	<u>\$ 1,207,478</u>
Balance Due Within One Year	<u>\$ 530,363</u>	<u>\$ 100,800</u>	<u>\$ 196,506</u>

	Capital Leases	Compensated Absences
Balance, July 1, 2005	\$ 25,663	\$ 188,527
Additions	0	133,440
Deductions	(8,563)	(90,633)
Balance, June 30, 2006	<u>\$ 17,100</u>	<u>\$ 231,334</u>
Balance Due Within One Year	<u>\$ 9,038</u>	<u>\$ 81,654</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 14,367,596
Less: Balance Due Within One Year	<u>(918,361)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 13,449,235</u>

Discretely Presented Unicoi County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Unicoi County School Department for the year ended June 30, 2006, was as follows:

Governmental Activities:	Capital Leases
Balance, July 1, 2005	\$ 617,864
Deductions	<u>(82,242)</u>
Balance, June 30, 2006	<u>\$ 535,622</u>
Balance Due Within One Year	<u>\$ 85,901</u>

**G. Short-term Debt**

Unicoi County issued revenue anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Revenue Anticipation Notes - General Fund	\$ 0	\$ 600,000	\$ (600,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

Primary Government

It is the policy of Unicoi County to purchase commercial insurance for the risks of losses to which it is exposed for general liability, property, casualty, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Unicoi County general government decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. The county joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by an association of member local governments. The county pays an annual premium to LGWCF for its workers' compensation insurance coverage. The creation of LGWCF provides for it to be self-sustaining through member premiums. LGWCF reinsures through commercial insurance companies for claims exceeding a specified amount for each insured event.

Discretely Presented Unicoi County School Department

The School Department joined the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for

losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation. The School Department has decided it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these risks. The School Department has joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Board Association, an association of member school departments. The School Department pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for the pool to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies.

## **B. Accounting Changes**

For the year ended June 30, 2006, Unicoi County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. 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 assets or upon disposal of the capital assets. 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 Unicoi 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 Unicoi 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. Unicoi County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Unicoi County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. 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. Unicoi County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Unicoi County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

On August 31, 2006, Larry Rose left the Office of County Mayor and was succeeded by Greg Lynch.

On October 18, 2006, Unicoi County issued \$3,300,000 in general obligation refunding bonds.

On November 13, 2006, Unicoi County issued \$1,000,000 in capital outlay notes for school purposes.

On September 29, 2006, and October 25, 2006, the county's General Debt Service Fund loaned \$250,000 and \$200,000, respectively, in revenue anticipation notes to the General Fund to provide temporary operating funds.

**D. Contingent Liabilities**

The county is involved in several pending lawsuits. Based on letters from attorneys, management estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements.

**E. Joint Ventures**

The Unicoi County Memorial Hospital is a joint venture in which the county and the Town of Erwin participate in its operation. The hospital was created to provide care for the mental and physical needs of the citizens of Unicoi County, Tennessee, and the surrounding areas. The hospital is governed by a seven-member board comprising three appointees from the county, three from the city, and the president of the medical staff. On dissolution of the corporation, the net assets of the hospital will be shared equally by the county and the city. The hospital generates its operating revenue from providing health care services to the community.

The Upper East Tennessee Juvenile Detention Center was formed through cooperative agreements between Unicoi County and the counties of Carter, Greene, Hawkins, Johnson, Sullivan, and Washington for the operation of a program to divert youth from commitment to the Department of Correction facilities. This program is governed by a Board of Directors designated by the counties. The Board of Directors has contracted with Keystone Education and Youth Services to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population. Unicoi County's participation is 3.8 percent. The county also pays a daily fee for individuals from the county using the facility.

Complete financial statements for the Unicoi County Memorial Hospital and the Juvenile Detention Center can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Unicoi County Memorial Hospital  
Greenway Circle  
Erwin, TN 37650

Upper East Tennessee Regional  
Juvenile Detention Center  
307 Wesley Street  
Johnson City, TN 37601

**F. 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, Unicoi, and Washington. 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/executives of each county or the county mayor's/executive'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, is in charge of the daily operations of the center.

#### Discretely Presented Unicoi County School Department

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Unicoi County, Bristol City, Carter County, Cocke County, Elizabethton City, Greeneville City, Greene County, Hamblen County, Hancock County, Hawkins County, Johnson City, Johnson County, Kingsport City, Newport City, Rogersville City, Sullivan County, and Washington County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated. The cooperative was established to provide the First Tennessee Virginia Development District with educational programs and services of higher quality, greater scope, and greater accessibility. The cooperative is governed by a Board of Control, consisting of one board member and the director of schools from each of the systems. The executive committee consists of the chairman and vice chairman of the Board of Control and the member director of schools. Funding for the cooperative is provided through state grants and member schools' contributions.

### **G. Retirement Commitments**

#### **Plan Description**

Employees of Unicoi 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 Unicoi County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**Funding Policy**

Unicoi 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 6.64 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Unicoi County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2006, Unicoi County’s annual pension cost of \$289,672 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. Unicoi 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, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$289,672	100%	\$0
6-30-05	265,800	100	0
6-30-04	201,628	100	0

## Schedule of Funding Progress

(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	\$9,614	\$9,614	\$0	100.00%	\$3,981	0.00%
6-30-03	8,804	8,804	0	100.00	3,478	0.00
6-30-01	8,116	8,333	217	97.40	3,332	6.51

### SCHOOL TEACHERS

#### Plan Description

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

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

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Unicoi County 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 Unicoi County 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 \$450,927, \$418,637, and \$240,964, respectively, equal to the required contributions for each year.

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

The Unicoi County Board of Education, through school board policy, provides postretirement health care benefits to all teachers (professionals) who retire from service and qualify for incentive retirement. To be eligible for incentive retirement benefits, the retired employee must meet two criteria. The employee must be at least age 52 and must have at least 15 years of experience teaching in the Unicoi County School System. Those eligible employees will receive a supplement of \$1,200 for a period of ten years. This supplement may be applied toward health insurance premiums or used at the employee's discretion. Upon death of the employee, this benefit ceases. The Unicoi County Board of Education currently pays this supplement to 26 retirees. Of the 26 retirees, ten were paid the \$1,200 directly; the other 16 had their supplements applied toward their health insurance premiums. During the year, expenditures of \$31,000 were made for post-employment benefits.

### **I. Purchasing Laws**

#### Office of County Mayor

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

#### Office of Road Superintendent

Purchasing procedures for the Highway Department are governed by provisions of the Uniform Road Law, Section 54-7-113, TCA, which provides 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 Unicoi County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Unicoi County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,166,727	\$ 3,038,051	\$ 3,038,051	\$ 128,676
Licenses and Permits	18,463	10,500	10,500	7,963
Fines, Forfeitures, and Penalties	124,176	89,505	89,505	34,671
Charges for Current Services	65,535	41,100	41,600	23,935
Other Local Revenues	211,756	36,700	50,690	161,066
Fees Received from County Officials	792,018	727,700	727,700	64,318
State of Tennessee	594,273	529,858	539,676	54,597
Federal Government	224,655	280,646	290,607	(65,952)
Other Governments and Citizens Groups	109,562	167,848	200,719	(91,157)
<b>Total Revenues</b>	<b>\$ 5,307,165</b>	<b>\$ 4,921,908</b>	<b>\$ 4,989,048</b>	<b>\$ 318,117</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 44,118	\$ 50,500	\$ 50,500	\$ 6,382
Board of Equalization	987	2,800	2,800	1,813
County Mayor/Executive	158,232	162,699	163,808	5,576
County Attorney	12,006	16,500	16,500	4,494
Election Commission	97,600	120,381	120,381	22,781
Register of Deeds	119,960	114,673	120,108	148
Development	7,000	7,000	7,000	0
County Buildings	109,911	90,925	90,925	(18,986)
Other General Administration	97,422	106,188	106,233	8,811
<u>Finance</u>				
Property Assessor's Office	176,055	182,103	182,944	6,889
County Trustee's Office	118,164	119,859	122,949	4,785
County Clerk's Office	168,313	177,796	180,796	12,483
Other Finance	61,416	55,000	55,000	(6,416)
<u>Administration of Justice</u>				
Circuit Court	239,977	216,613	232,655	(7,322)
General Sessions Court	64,617	64,146	64,146	(471)
Chancery Court	81,041	84,053	84,053	3,012
Juvenile Court	36,311	42,654	42,654	6,343
<u>Public Safety</u>				
Sheriff's Department	988,835	895,075	985,862	(2,973)
Jail	359,255	329,175	347,818	(11,437)
Juvenile Services	9,792	9,000	9,000	(792)
Fire Prevention and Control	45,000	45,000	45,000	0
Civil Defense	145,511	236,304	99,692	(45,819)
Other Emergency Management	5,000	5,000	5,000	0
County Coroner/Medical Examiner	12,034	14,061	14,061	2,027
Public Safety Grant Programs	40,422	29,865	29,865	(10,557)
Other Public Safety	47,620	48,922	49,064	1,444

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 201,173	\$ 291,088	\$ 291,447	\$ 90,274
Regional Mental Health Center	10,185	10,185	10,185	0
Appropriation to State	24,719	24,719	24,719	0
Sanitation Education/Information	33,870	31,737	31,737	(2,133)
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	5,000	5,000	5,000	0
Senior Citizens Assistance	30,600	30,600	30,600	0
Libraries	19,500	19,500	19,500	0
Other Social, Cultural, and Recreational	4,791	4,791	4,791	0
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	31,400	30,813	30,813	(587)
Forest Service	800	800	800	0
Soil Conservation	5,445	5,445	5,445	0
<u>Other Operations</u>				
Tourism	23,250	23,250	23,250	0
Industrial Development	24,577	24,843	24,843	266
Other Economic and Community Development	0	22,000	22,000	22,000
Veterans' Services	55	500	500	445
Contributions to Other Agencies	1,000	1,000	1,000	0
Employee Benefits	601,350	548,083	548,206	(53,144)
Miscellaneous	4,500	4,500	4,500	0
<u>Principal on Debt</u>				
General Government	8,563	7,119	9,105	542
<u>Interest on Debt</u>				
General Government	1,233	0	1,233	0
<u>Capital Projects - Donated</u>				
Capital Projects Donated to Other Entities	136,612	0	136,612	0
Total Expenditures	\$ 4,415,222	\$ 4,312,265	\$ 4,455,100	\$ 39,878
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 891,943	\$ 609,643	\$ 533,948	\$ 357,995
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 36,747	\$ 0	\$ 6,924	\$ 29,823
Transfers Out	(379,821)	(396,345)	(396,345)	16,524
Total Other Financing Sources (Uses)	\$ (343,074)	\$ (396,345)	\$ (389,421)	\$ 46,347
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ 245,947	\$ 164,113	\$ 204,885	\$ 41,062
Fund Balance, June 30, 2006				
	\$ 794,816	\$ 377,411	\$ 349,412	\$ 445,404

Exhibit E-2

Unicoi County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 95,761	\$ 0	\$ 95,761	\$ 90,916	\$ 90,916	\$ 4,845
Licenses and Permits	403	0	403	255	255	148
Charges for Current Services	206	0	206	0	0	206
Other Local Revenues	113,844	0	113,844	63,083	63,083	50,761
State of Tennessee	1,311,493	0	1,311,493	1,320,603	1,320,603	(9,110)
Federal Government	193,016	0	193,016	331,933	450,430	(257,414)
Other Governments and Citizens Groups	194,230	0	194,230	255,000	255,000	(60,770)
<b>Total Revenues</b>	<b>\$ 1,908,953</b>	<b>\$ 0</b>	<b>\$ 1,908,953</b>	<b>\$ 2,061,790</b>	<b>\$ 2,180,287</b>	<b>\$ (271,334)</b>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 112,064	\$ 0	\$ 112,064	\$ 123,852	\$ 124,252	\$ 12,188
Highway and Bridge Maintenance	860,257	0	860,257	882,754	926,888	66,631
Operation and Maintenance of Equipment	184,846	0	184,846	183,401	209,371	24,525
Other Charges	132,119	0	132,119	163,243	149,929	17,810
Employee Benefits	225,354	0	225,354	228,698	230,248	4,894
Capital Outlay	374,029	(72,184)	301,845	665,000	819,400	517,555
<b>Total Expenditures</b>	<b>\$ 1,888,669</b>	<b>\$ (72,184)</b>	<b>\$ 1,816,485</b>	<b>\$ 2,246,948</b>	<b>\$ 2,460,088</b>	<b>\$ 643,603</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 20,284</b>	<b>\$ 72,184</b>	<b>\$ 92,468</b>	<b>\$ (185,158)</b>	<b>\$ (279,801)</b>	<b>\$ 372,269</b>
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 11,350	\$ 0	\$ 11,350	\$ 0	\$ 0	\$ 11,350
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 11,350</b>	<b>\$ 0</b>	<b>\$ 11,350</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 11,350</b>
<b>Net Change in Fund Balance</b>	<b>\$ 31,634</b>	<b>\$ 72,184</b>	<b>\$ 103,818</b>	<b>\$ (185,158)</b>	<b>\$ (279,801)</b>	<b>\$ 383,619</b>
Fund Balance, July 1, 2005	3,035,430	(72,184)	2,963,246	2,746,014	2,746,014	217,232
<b>Fund Balance, June 30, 2006</b>	<b>\$ 3,067,064</b>	<b>\$ 0</b>	<b>\$ 3,067,064</b>	<b>\$ 2,560,856</b>	<b>\$ 2,466,213</b>	<b>\$ 600,851</b>

**UNICOI COUNTY, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**A. BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Unicoi 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, County Attorney, etc.). Management may make revisions within major categories, but only the Unicoi County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

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

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
County Buildings	\$ 18,986
Other Finance	6,416
Circuit Court	7,322
General Sessions Court	471
Sheriff's Department	2,973
Jail	11,437
Juvenile Services	792
Civil Defense	45,819
Public Safety Grant Programs	10,557
Sanitation Education/Information	2,133
Agriculture Extension Service	587
Employee Benefits	53,144

Such overexpenditures are a violation of state law. These overexpenditures were funded by available fund balances or by greater than anticipated revenues.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collection.

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

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

## Capital Projects Funds

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Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital projects.

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General Capital Projects Fund – The General Capital Project Fund is used to account for expenditures related to the Health Department building addition.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for expenditures related to community development in the county.

Exhibit F-1

Unicoi County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
<b>ASSETS</b>									
Cash	\$ 0	\$ 0	\$ 0	\$ 11,948	\$ 11,948	\$ 0	\$ 0	\$ 0	\$ 11,948
Equity in Pooled Cash and Investments	18,142	2,927	60,365	0	81,434	225,710	5,212	230,922	312,356
Accounts Receivable	0	0	150	0	150	0	0	0	150
Due from Other Governments	0	0	0	0	0	0	55,769	55,769	55,769
Due from Other Funds	0	32,395	0	0	32,395	0	0	0	32,395
<b>Total Assets</b>	<b>\$ 18,142</b>	<b>\$ 35,322</b>	<b>\$ 60,515</b>	<b>\$ 11,948</b>	<b>\$ 125,927</b>	<b>\$ 225,710</b>	<b>\$ 60,981</b>	<b>\$ 286,691</b>	<b>\$ 412,618</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts Payable	\$ 0	\$ 32,395	\$ 568	\$ 0	\$ 32,963	\$ 0	\$ 0	\$ 0	\$ 32,963
Contracts Payable	0	0	0	0	0	0	55,769	55,769	55,769
Due to Other Funds	0	0	0	11,948	11,948	0	0	0	11,948
Current Liabilities Payable from Restricted Assets:									
Customer Deposits Payable	0	0	0	0	0	0	2,000	2,000	2,000
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 32,395</b>	<b>\$ 568</b>	<b>\$ 11,948</b>	<b>\$ 44,911</b>	<b>\$ 0</b>	<b>\$ 57,769</b>	<b>\$ 57,769</b>	<b>\$ 102,680</b>
<b>Fund Balances</b>									
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 205,340	\$ 63,193	\$ 268,533	\$ 268,533
Reserved for Other General Purposes	3,988	0	0	0	3,988	0	0	0	3,988
Unreserved (Deficit)	14,154	2,927	59,947	0	77,028	20,370	(59,981)	(39,611)	37,417
<b>Total Fund Balances</b>	<b>\$ 18,142</b>	<b>\$ 2,927</b>	<b>\$ 59,947</b>	<b>\$ 0</b>	<b>\$ 81,016</b>	<b>\$ 225,710</b>	<b>\$ 3,212</b>	<b>\$ 228,922</b>	<b>\$ 309,938</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,142</b>	<b>\$ 35,322</b>	<b>\$ 60,515</b>	<b>\$ 11,948</b>	<b>\$ 125,927</b>	<b>\$ 225,710</b>	<b>\$ 60,981</b>	<b>\$ 286,691</b>	<b>\$ 412,618</b>

Exhibit F-2

Unicoi 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					Capital Projects Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
<u>Revenues</u>									
Local Taxes	\$ 7,246	\$ 0	\$ 0	\$ 0	\$ 7,246	\$ 0	\$ 0	\$ 0	\$ 7,246
Fines, Forfeitures, and Penalties	0	0	112,040	0	112,040	0	0	0	112,040
Charges for Current Services	0	0	0	2,226	2,226	0	0	0	2,226
Other Local Revenues	0	0	3,135	0	3,135	0	0	0	3,135
Federal Government	0	0	0	0	0	0	99,434	99,434	99,434
Other Governments and Citizens Groups	6,000	0	40,330	0	46,330	0	0	0	46,330
<b>Total Revenues</b>	<b>\$ 13,246</b>	<b>\$ 0</b>	<b>\$ 155,505</b>	<b>\$ 2,226</b>	<b>\$ 170,977</b>	<b>\$ 0</b>	<b>\$ 99,434</b>	<b>\$ 99,434</b>	<b>\$ 270,411</b>
<u>Expenditures</u>									
Current:									
General Government	\$ 2,327	\$ 0	\$ 0	\$ 2,226	\$ 4,553	\$ 0	\$ 0	\$ 0	\$ 4,553
Finance	0	0	600	0	600	0	0	0	600
Public Safety	0	0	112,061	0	112,061	0	0	0	112,061
Public Health and Welfare	0	379,821	0	0	379,821	0	0	0	379,821
Capital Projects	0	0	0	0	0	26,830	99,434	126,264	126,264
<b>Total Expenditures</b>	<b>\$ 2,327</b>	<b>\$ 379,821</b>	<b>\$ 112,661</b>	<b>\$ 2,226</b>	<b>\$ 497,035</b>	<b>\$ 26,830</b>	<b>\$ 99,434</b>	<b>\$ 126,264</b>	<b>\$ 623,299</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,919	\$ (379,821)	\$ 42,844	\$ 0	\$ (326,058)	\$ (26,830)	\$ 0	\$ (26,830)	\$ (352,888)
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,000	\$ 0	\$ 204,000	\$ 204,000
Insurance Recovery	0	0	1,324	0	1,324	0	0	0	1,324
Transfers In	0	379,821	0	0	379,821	0	0	0	379,821
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 379,821</b>	<b>\$ 1,324</b>	<b>\$ 0</b>	<b>\$ 381,145</b>	<b>\$ 204,000</b>	<b>\$ 0</b>	<b>\$ 204,000</b>	<b>\$ 585,145</b>
Net Change in Fund Balances	\$ 10,919	\$ 0	\$ 44,168	\$ 0	\$ 55,087	\$ 177,170	\$ 0	\$ 177,170	\$ 232,257
Fund Balance, July 1, 2005	7,223	2,927	15,779	0	25,929	48,540	3,212	51,752	77,681
<b>Fund Balance, June 30, 2006</b>	<b>\$ 18,142</b>	<b>\$ 2,927</b>	<b>\$ 59,947</b>	<b>\$ 0</b>	<b>\$ 81,016</b>	<b>\$ 225,710</b>	<b>\$ 3,212</b>	<b>\$ 228,922</b>	<b>\$ 309,938</b>

Exhibit F-3

Unicoi 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	\$ 7,246	\$ 4,000	\$ 4,000	\$ 3,246
Other Governments and Citizens Groups	6,000	0	500	5,500
Total Revenues	<u>\$ 13,246</u>	<u>\$ 4,000</u>	<u>\$ 4,500</u>	<u>\$ 8,746</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 2,327	\$ 4,000	\$ 4,500	\$ 2,173
Total Expenditures	<u>\$ 2,327</u>	<u>\$ 4,000</u>	<u>\$ 4,500</u>	<u>\$ 2,173</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,919</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,919</u>
Net Change in Fund Balance	\$ 10,919	\$ 0	\$ 0	\$ 10,919
Fund Balance, July 1, 2005	<u>7,223</u>	<u>7,223</u>	<u>7,223</u>	<u>0</u>
Fund Balance, June 30, 2006	<u><u>\$ 18,142</u></u>	<u><u>\$ 7,223</u></u>	<u><u>\$ 7,223</u></u>	<u><u>\$ 10,919</u></u>

Exhibit F-4

Unicoi 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	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 379,821	\$ 396,345	\$ 396,345	\$ 16,524
Total Expenditures	\$ 379,821	\$ 396,345	\$ 396,345	\$ 16,524
Excess (Deficiency) of Revenues Over Expenditures	\$ (379,821)	\$ (396,345)	\$ (396,345)	\$ 16,524
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 379,821	\$ 396,345	\$ 396,345	\$ (16,524)
Total Other Financing Sources (Uses)	\$ 379,821	\$ 396,345	\$ 396,345	\$ (16,524)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2005	2,927	2,927	2,927	0
Fund Balance, June 30, 2006	\$ 2,927	\$ 2,927	\$ 2,927	\$ 0

Exhibit F-5

Unicoi 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	\$ 112,040	\$ 141,000	\$ 141,000	\$ (28,960)
Other Local Revenues	3,135	2,000	3,199	(64)
Federal Government	0	4,000	4,000	(4,000)
Other Governments and Citizens Groups	40,330	35,000	39,000	1,330
Total Revenues	<u>\$ 155,505</u>	<u>\$ 182,000</u>	<u>\$ 187,199</u>	<u>\$ (31,694)</u>
<u>Expenditures</u>				
<u>Finance</u>				
Other Finance	\$ 600	\$ 0	\$ 0	\$ (600)
<u>Public Safety</u>				
Sheriff's Department	112,061	32,550	119,842	7,781
Total Expenditures	<u>\$ 112,661</u>	<u>\$ 32,550</u>	<u>\$ 119,842</u>	<u>\$ 7,181</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 42,844</u>	<u>\$ 149,450</u>	<u>\$ 67,357</u>	<u>\$ (24,513)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,324	\$ 0	\$ 1,324	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 1,324</u>	<u>\$ 0</u>	<u>\$ 1,324</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 44,168	\$ 149,450	\$ 68,681	\$ (24,513)
Fund Balance, July 1, 2005	<u>15,779</u>	<u>21,916</u>	<u>21,916</u>	<u>(6,137)</u>
Fund Balance, June 30, 2006	<u>\$ 59,947</u>	<u>\$ 171,366</u>	<u>\$ 90,597</u>	<u>\$ (30,650)</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit G

Unicoi 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	\$ 1,466,294	\$ 1,390,115	\$ 1,390,115	\$ 76,179
Licenses and Permits	5,966	4,000	4,000	1,966
Other Local Revenues	93,270	50,250	54,492	38,778
State of Tennessee	27,139	25,000	25,000	2,139
Other Governments and Citizens Groups	81,215	69,315	69,315	11,900
Total Revenues	<u>\$ 1,673,884</u>	<u>\$ 1,538,680</u>	<u>\$ 1,542,922</u>	<u>\$ 130,962</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 755,886	\$ 588,780	\$ 755,886	\$ 0
<u>Interest on Debt</u>				
General Government	640,008	635,783	659,682	19,674
<u>Other Debt Service</u>				
General Government	26,812	26,200	26,821	9
Total Expenditures	<u>\$ 1,422,706</u>	<u>\$ 1,250,763</u>	<u>\$ 1,442,389</u>	<u>\$ 19,683</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 251,178</u>	<u>\$ 287,917</u>	<u>\$ 100,533</u>	<u>\$ 150,645</u>
Net Change in Fund Balance	\$ 251,178	\$ 287,917	\$ 100,533	\$ 150,645
Fund Balance, July 1, 2005	<u>2,973,398</u>	<u>1,226,527</u>	<u>1,226,527</u>	<u>1,746,871</u>
Fund Balance, June 30, 2006	<u>\$ 3,224,576</u>	<u>\$ 1,514,444</u>	<u>\$ 1,327,060</u>	<u>\$ 1,897,516</u>

# Fiduciary Funds

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

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

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

Exhibit H-1

Unicoi County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 275,110	\$ 275,110
Accounts Receivable	0	1,676	1,676
Due from Other Governments	199,920	0	199,920
Cash Shortage	0	1,034	1,034
Restricted Assets:			
Other Restricted Assets	0	62,084	62,084
Total Assets	<u>\$ 199,920</u>	<u>\$ 339,904</u>	<u>\$ 539,824</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 199,920	\$ 0	\$ 199,920
Due to Litigants, Heirs, and Others	0	339,904	339,904
Total Liabilities	<u>\$ 199,920</u>	<u>\$ 339,904</u>	<u>\$ 539,824</u>

Exhibit H-2

Unicoi 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	\$ 916,561	\$ 916,561	\$ 0
Due From Other Governments	156,349	199,920	156,349	199,920
Total Assets	\$ 156,349	\$ 1,116,481	\$ 1,072,910	\$ 199,920
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 156,349	\$ 1,116,481	\$ 1,072,910	\$ 199,920
Total Liabilities	\$ 156,349	\$ 1,116,481	\$ 1,072,910	\$ 199,920
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 405,220	\$ 3,615,167	\$ 3,745,277	\$ 275,110
Accounts Receivable	2,268	1,676	2,268	1,676
Cash Shortage	0	1,034	0	1,034
Other Restricted Assets	58,949	62,084	58,949	62,084
Total Assets	\$ 466,437	\$ 3,679,961	\$ 3,806,494	\$ 339,904
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 466,437	\$ 3,679,961	\$ 3,806,494	\$ 339,904
Total Liabilities	\$ 466,437	\$ 3,679,961	\$ 3,806,494	\$ 339,904
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 405,220	\$ 3,615,167	\$ 3,745,277	\$ 275,110
Equity in Pooled Cash and Investments	0	916,561	916,561	0
Accounts Receivable	2,268	1,676	2,268	1,676
Due From Other Governments	156,349	199,920	156,349	199,920
Cash Shortage	0	1,034	0	1,034
Other Restricted Assets	58,949	62,084	58,949	62,084
Total Assets	\$ 622,786	\$ 4,796,442	\$ 4,879,404	\$ 539,824
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 156,349	\$ 1,116,481	\$ 1,072,910	\$ 199,920
Due to Litigants, Heirs, and Others	466,437	3,679,961	3,806,494	339,904
Total Liabilities	\$ 622,786	\$ 4,796,442	\$ 4,879,404	\$ 539,824

# Unicoi County School Department

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

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

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

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

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

Exhibit I-1

Unicoi County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Unicoi County School Department  
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Cash	\$ 84,180	\$ 9,181	\$ 93,361
Equity in Pooled Cash and Investments	1,122,383	391,015	1,513,398
Accounts Receivable	1,218	1,818	3,036
Due from Other Governments	303,528	178,075	481,603
Property Taxes Receivable	2,644,811	0	2,644,811
Allowance for Uncollectible Property Taxes	(112,234)	0	(112,234)
Prepaid Items	17,581	0	17,581
<b>Total Assets</b>	<b>\$ 4,061,467</b>	<b>\$ 580,089</b>	<b>\$ 4,641,556</b>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 9,466	\$ 3,612	\$ 13,078
Contracts Payable	0	109,928	109,928
Retainage Payable	0	10,119	10,119
Other Current Liabilities	277,374	0	277,374
Deferred Revenue - Current Property Taxes	2,424,255	0	2,424,255
Deferred Revenue - Delinquent Property Taxes	95,983	0	95,983
Other Deferred Revenues	107,694	0	107,694
<b>Total Liabilities</b>	<b>\$ 2,914,772</b>	<b>\$ 123,659</b>	<b>\$ 3,038,431</b>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 91,568	\$ 370,750	\$ 462,318
Other Local Education Reserves	9,391	0	9,391
Reserved for Career Ladder - Extended Contract	63,198	0	63,198
Reserved for Title I Grants to Local Education Agencies	0	72,460	72,460
Reserved for Special Education - Grants to States	0	95,278	95,278
Unreserved, Reported In:			
General Fund	982,538	0	982,538
Special Revenue Funds	0	408,739	408,739
Capital Projects Funds (Deficit)	0	(490,797)	(490,797)
<b>Total Fund Balances</b>	<b>\$ 1,146,695</b>	<b>\$ 456,430</b>	<b>\$ 1,603,125</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,061,467</b>	<b>\$ 580,089</b>	<b>\$ 4,641,556</b>

Exhibit I-2

Unicoi County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Unicoi 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)		\$	1,603,125
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	438,180	
Add: building and improvements net of accumulated depreciation		11,820,359	
Add: other capital assets net of accumulated depreciation		<u>819,840</u>	13,078,379
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			203,677
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: leases payable			<u>(535,622)</u>
Net assets of governmental activities (Exhibit A)		\$	<u>14,349,559</u>

Exhibit I-3

Unicoi County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Unicoi County School Department  
For the Year Ended June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,410,967	\$ 0	\$ 3,410,967
Licenses and Permits	17,670	0	17,670
Fines, Forfeitures, and Penalties	3,202	0	3,202
Charges for Current Services	1,610	314,057	315,667
Other Local Revenues	45,685	30,798	76,483
State of Tennessee	10,504,740	13,642	10,518,382
Federal Government	782,683	1,960,123	2,742,806
Other Governments and Citizens Groups	26,956	0	26,956
Total Revenues	<u>\$ 14,793,513</u>	<u>\$ 2,318,620</u>	<u>\$ 17,112,133</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,863,024	\$ 1,162,050	\$ 10,025,074
Support Services	5,008,747	388,843	5,397,590
Operation of Non-Instructional Services	777,980	1,000,436	1,778,416
Capital Outlay	30,000	120,047	150,047
Debt Service:			
Principal on Debt	82,242	0	82,242
Interest on Debt	24,066	0	24,066
Total Expenditures	<u>\$ 14,786,059</u>	<u>\$ 2,671,376</u>	<u>\$ 17,457,435</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,454</u>	<u>\$ (352,756)</u>	<u>\$ (345,302)</u>
Net Change in Fund Balances	<u>\$ 7,454</u>	<u>\$ (352,756)</u>	<u>\$ (345,302)</u>
Fund Balance, July 1, 2005	<u>1,139,241</u>	<u>809,186</u>	<u>1,948,427</u>
Fund Balance, June 30, 2006	<u>\$ 1,146,695</u>	<u>\$ 456,430</u>	<u>\$ 1,603,125</u>

Exhibit I-4

Unicoi County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Unicoi 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 change in fund balances - total governmental funds (Exhibit I-3)		\$	(345,302)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	393,548	
Less: current year depreciation expense		<u>(773,885)</u>	(380,337)
(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	\$	203,677	
Less: deferred delinquent property taxes/other deferred June 30, 2005		<u>(264,737)</u>	(61,060)
(3) The issuance of long-term debt (e.g., capital 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.			
Add: principal payments on leases			<u>82,242</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(704,457)</u>

Exhibit I-5

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

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 9,181	\$ 9,181	\$ 0	\$ 9,181
Equity in Pooled Cash and Investments	68,878	322,137	391,015	0	391,015
Accounts Receivable	0	1,818	1,818	0	1,818
Due from Other Governments	98,860	79,215	178,075	0	178,075
<b>Total Assets</b>	<b>\$ 167,738</b>	<b>\$ 412,351</b>	<b>\$ 580,089</b>	<b>\$ 0</b>	<b>\$ 580,089</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 3,612	\$ 3,612	\$ 0	\$ 3,612
Contracts Payable	0	0	0	109,928	109,928
Retainage Payable	0	0	0	10,119	10,119
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 3,612</b>	<b>\$ 3,612</b>	<b>\$ 120,047</b>	<b>\$ 123,659</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 370,750	\$ 370,750
Reserved for Title I Grants to Local Education Agencies	72,460	0	72,460	0	72,460
Reserved for Special Education - Grants to States	95,278	0	95,278	0	95,278
Unreserved (Deficit)	0	408,739	408,739	(490,797)	(82,058)
<b>Total Fund Balances</b>	<b>\$ 167,738</b>	<b>\$ 408,739</b>	<b>\$ 576,477</b>	<b>\$ (120,047)</b>	<b>\$ 456,430</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 167,738</b>	<b>\$ 412,351</b>	<b>\$ 580,089</b>	<b>\$ 0</b>	<b>\$ 580,089</b>

Exhibit I-6

Unicoi County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Unicoi County School Department  
For the Year Ended June 30, 2006

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 314,057	\$ 314,057	\$ 0	\$ 314,057
Other Local Revenues	0	30,798	30,798	0	30,798
State of Tennessee	0	13,642	13,642	0	13,642
Federal Government	1,391,814	568,309	1,960,123	0	1,960,123
Total Revenues	<u>\$ 1,391,814</u>	<u>\$ 926,806</u>	<u>\$ 2,318,620</u>	<u>\$ 0</u>	<u>\$ 2,318,620</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,162,050	\$ 0	\$ 1,162,050	\$ 0	\$ 1,162,050
Support Services	388,843	0	388,843	0	388,843
Operation of Non-Instructional Services	0	1,000,436	1,000,436	0	1,000,436
Capital Outlay	0	0	0	120,047	120,047
Total Expenditures	<u>\$ 1,550,893</u>	<u>\$ 1,000,436</u>	<u>\$ 2,551,329</u>	<u>\$ 120,047</u>	<u>\$ 2,671,376</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (159,079)</u>	<u>\$ (73,630)</u>	<u>\$ (232,709)</u>	<u>\$ (120,047)</u>	<u>\$ (352,756)</u>
Net Change in Fund Balances	\$ (159,079)	\$ (73,630)	\$ (232,709)	\$ (120,047)	\$ (352,756)
Fund Balance, July 1, 2005	326,817	482,369	809,186	0	809,186
Fund Balance, June 30, 2006	<u>\$ 167,738</u>	<u>\$ 408,739</u>	<u>\$ 576,477</u>	<u>\$ (120,047)</u>	<u>\$ 456,430</u>

Exhibit I-7

Unicoi County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Unicoi County School Department  
General Purpose School 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	\$ 3,410,967	\$ 0	\$ 0	\$ 3,410,967	\$ 3,316,683	\$ 3,319,728	\$ 91,239
Licenses and Permits	17,670	0	0	17,670	12,600	17,620	50
Fines, Forfeitures, and Penalties	3,202	0	0	3,202	0	1,707	1,495
Charges for Current Services	1,610	0	0	1,610	3,500	1,000	610
Other Local Revenues	45,685	0	0	45,685	50,000	39,083	6,602
State of Tennessee	10,504,740	0	0	10,504,740	9,996,300	10,528,480	(23,740)
Federal Government	782,683	0	0	782,683	289,784	876,398	(93,715)
Other Governments and Citizens Groups	26,956	0	0	26,956	0	26,647	309
Total Revenues	\$ 14,793,513	\$ 0	\$ 0	\$ 14,793,513	\$ 13,668,867	\$ 14,810,663	\$ (17,150)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,952,118	\$ (8,600)	\$ 73	\$ 6,943,591	\$ 6,855,477	\$ 6,993,578	\$ 49,987
Alternative Instruction Program	111,824	0	0	111,824	103,498	112,716	892
Special Education Program	1,095,837	0	2,400	1,098,237	1,065,777	1,102,169	3,932
Vocational Education Program	674,089	(300)	0	673,789	697,313	685,299	11,510
Adult Education Program	29,156	(18,095)	7,025	18,086	17,757	19,114	1,028
<u>Support Services</u>							
Attendance	78,891	0	0	78,891	83,679	79,108	217
Health Services	66,427	(386)	438	66,479	74,685	67,586	1,107
Other Student Support	287,683	0	0	287,683	306,984	311,305	23,622
Regular Instruction Program	256,272	0	0	256,272	267,363	269,408	13,136
Alternative Instruction Program	52,880	0	0	52,880	52,977	52,977	97
Special Education Program	104,013	0	0	104,013	110,193	110,193	6,180
Vocational Education Program	115,923	0	0	115,923	117,198	117,198	1,275
Adult Programs	69,677	0	0	69,677	75,350	75,350	5,673

(Continued)

Exhibit I-7

Unicoi County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Unicoi County School Department  
General Purpose School 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>Support Services (Cont.)</u>							
Board of Education	\$ 322,442	\$ (434)	\$ 60	\$ 322,068	\$ 349,101	\$ 329,971	\$ 7,903
Director of Schools	260,893	0	1,246	262,139	259,105	267,070	4,931
Office of the Principal	897,670	0	0	897,670	919,366	918,665	20,995
Fiscal Services	95,681	(81)	0	95,600	94,452	96,617	1,017
Operation of Plant	1,128,504	(43,481)	0	1,085,023	1,096,155	1,175,790	90,767
Maintenance of Plant	521,420	(21,282)	49,157	549,295	498,158	597,923	48,628
Transportation	616,618	0	0	616,618	661,989	667,397	50,779
Central and Other	133,753	0	0	133,753	172,141	154,281	20,528
<u>Operation of Non-Instructional Services</u>							
Food Service	1,112	0	0	1,112	1,132	1,132	20
Community Services	205,279	(88,500)	10,505	127,284	0	226,200	98,916
Early Childhood Education	571,589	0	20,664	592,253	0	590,393	(1,860)
<u>Capital Outlay</u>							
Regular Capital Outlay	30,000	0	0	30,000	30,000	30,000	0
<u>Principal on Debt</u>							
Education	82,242	0	0	82,242	80,689	82,242	0
<u>Interest on Debt</u>							
Education	24,066	0	0	24,066	25,417	24,070	4
Total Expenditures	\$ 14,786,059	\$ (181,159)	\$ 91,568	\$ 14,696,468	\$ 14,015,956	\$ 15,157,752	\$ 461,284
Excess (Deficiency) of Revenues Over Expenditures							
	\$ 7,454	\$ 181,159	\$ (91,568)	\$ 97,045	\$ (347,089)	\$ (347,089)	\$ 444,134
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,139,241	(181,159)	0	958,082	1,282,423	1,282,423	(324,341)
Fund Balance, June 30, 2006							
	\$ 1,146,695	\$ 0	\$ (91,568)	\$ 1,055,127	\$ 935,334	\$ 935,334	\$ 119,793

Exhibit I-8

Unicoi County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Unicoi County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,391,814	\$ 0	\$ 1,391,814	\$ 722,360	\$ 1,391,814	\$ 0
Total Revenues	\$ 1,391,814	\$ 0	\$ 1,391,814	\$ 722,360	\$ 1,391,814	\$ 0
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 416,330	\$ 0	\$ 416,330	\$ 472,037	\$ 494,331	\$ 78,001
Special Education Program	692,545	(5,471)	687,074	183,570	762,810	75,736
Vocational Education Program	53,175	0	53,175	53,175	53,175	0
<u>Support Services</u>						
Other Student Support	19,832	0	19,832	21,550	21,550	1,718
Regular Instruction Program	255,779	0	255,779	279,657	310,389	54,610
Special Education Program	110,320	0	110,320	30,359	129,872	19,552
Board of Education	2,912	0	2,912	3,387	3,628	716
Total Expenditures	\$ 1,550,893	\$ (5,471)	\$ 1,545,422	\$ 1,043,735	\$ 1,775,755	\$ 230,333
Excess (Deficiency) of Revenues Over Expenditures	\$ (159,079)	\$ 5,471	\$ (153,608)	\$ (321,375)	\$ (383,941)	\$ 230,333
Net Change in Fund Balance	\$ (159,079)	\$ 5,471	\$ (153,608)	\$ (321,375)	\$ (383,941)	\$ 230,333
Fund Balance, July 1, 2005	326,817	(5,471)	321,346	321,375	383,941	(62,595)
Fund Balance, June 30, 2006	\$ 167,738	\$ 0	\$ 167,738	\$ 0	\$ 0	\$ 167,738

Exhibit I-9

Unicoi County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Unicoi 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	\$ 314,057	\$ 320,000	\$ 320,000	\$ (5,943)
Other Local Revenues	30,798	45,000	45,000	(14,202)
State of Tennessee	13,642	0	13,642	0
Federal Government	568,309	545,000	545,000	23,309
Total Revenues	<u>\$ 926,806</u>	<u>\$ 910,000</u>	<u>\$ 923,642</u>	<u>\$ 3,164</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,000,436	\$ 986,199	\$ 1,053,944	\$ 53,508
Total Expenditures	<u>\$ 1,000,436</u>	<u>\$ 986,199</u>	<u>\$ 1,053,944</u>	<u>\$ 53,508</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (73,630)</u>	<u>\$ (76,199)</u>	<u>\$ (130,302)</u>	<u>\$ 56,672</u>
Net Change in Fund Balance	\$ (73,630)	(76,199)	(130,302)	\$ 56,672
Fund Balance, July 1, 2005	482,369	401,559	455,662	26,707
Fund Balance, June 30, 2006	<u>\$ 408,739</u>	<u>\$ 325,360</u>	<u>\$ 325,360</u>	<u>\$ 83,379</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Unicoi County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
Primary Government and Discretely Presented Unicoi 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>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Capital Outlay - 911 Communication Equipment	\$ 300,000	3.45%	10-4-04	10-4-09	\$ 300,000	\$ 0	\$ 60,000	\$ 240,000
Capital Outlay - Election Commission Building	204,000	4.5	6-16-06	6-16-11	0	204,000	0	204,000
Total Payable through General Debt Service Fund					<u>\$ 300,000</u>	<u>\$ 204,000</u>	<u>\$ 60,000</u>	<u>\$ 444,000</u>
Total Notes Payable					<u>\$ 300,000</u>	<u>\$ 204,000</u>	<u>\$ 60,000</u>	<u>\$ 444,000</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
<u>Tennessee State School Bond Authority</u>								
<u>Loan Agreement</u>								
Qualified Zone Academy Bonds - School Renovation, Repairs, and Equipping	1,551,362	0	9-29-01	5-25-11	\$ 1,398,483	\$ 0	\$ 191,005	\$ 1,207,478
Total Payable through General Debt Service Fund					<u>\$ 1,398,483</u>	<u>\$ 0</u>	<u>\$ 191,005</u>	<u>\$ 1,207,478</u>
Total Other Loans Payable					<u>\$ 1,398,483</u>	<u>\$ 0</u>	<u>\$ 191,005</u>	<u>\$ 1,207,478</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff Department Vehicle	18,349	5.05	9-13-04	8-13-07	\$ 13,470	\$ 0	\$ 6,035	\$ 7,435
Circuit Court Computer System	13,230	6.25	12-24-04	11-21-09	12,193	0	2,528	9,665
Total Payable through General Fund					<u>\$ 25,663</u>	<u>\$ 0</u>	<u>\$ 8,563</u>	<u>\$ 17,100</u>
Total Capital Leases Payable					<u>\$ 25,663</u>	<u>\$ 0</u>	<u>\$ 8,563</u>	<u>\$ 17,100</u>

(Continued)

Exhibit J-1

Unicoi County, Tennessee

Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds

Primary Government and Discretely Presented Unicoi 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
<u>PRIMARY GOVERNMENT (Cont.)</u>								
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation Public Improvement Bond	\$ 9,200,000	5.2 to 6%	4-1-1996	4-1-21	\$ 345,000	\$ 0	\$ 345,000	\$ 0
General Obligation Public Improvement Bond	700,000	4.875	4-9-1997	1-1-35	642,565	0	9,881	632,684
General Obligation Public Improvement Bond	800,000	5.1 to 6.2	5-1-1997	4-1-21	745,000	0	30,000	715,000
School Bonds	3,000,000	3.9 to 4.85	9-1-1998	4-1-23	2,845,000	0	85,000	2,760,000
General Obligation Refunding Bond	8,715,000	2.45 to 5.25	9-1-01	4-1-21	8,395,000	0	35,000	8,360,000
Total Payable through General Debt Service Fund					<u>\$ 12,972,565</u>	<u>\$ 0</u>	<u>\$ 504,881</u>	<u>\$ 12,467,684</u>
Total Bonds Payable					<u>\$ 12,972,565</u>	<u>\$ 0</u>	<u>\$ 504,881</u>	<u>\$ 12,467,684</u>
<u>DISCRETELY PRESENTED UNICOI COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
HVAC Equipment	291,927	4.93	9-9-1998	9-9-08	\$ 111,009	\$ 0	\$ 32,286	\$ 78,723
HVAC Equipment	570,442	3.99	2-17-04	2-17-14	506,855	0	49,956	456,899
Total Payable through General Purpose School Fund					<u>\$ 617,864</u>	<u>\$ 0</u>	<u>\$ 82,242</u>	<u>\$ 535,622</u>
Total Capital Leases Payable					<u>\$ 617,864</u>	<u>\$ 0</u>	<u>\$ 82,242</u>	<u>\$ 535,622</u>

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 530,363	\$ 604,017	\$ 1,134,380
2008	555,868	582,012	1,137,880
2009	586,398	556,062	1,142,460
2010	606,953	531,315	1,138,268
2011	637,536	505,638	1,143,174
2012	678,147	477,949	1,156,096
2013	703,788	448,219	1,152,007
2014	739,460	413,700	1,153,160
2015	785,165	377,373	1,162,538
2016	825,905	338,722	1,164,627
2017	871,680	296,501	1,168,181
2018	927,493	251,856	1,179,349
2019	968,346	204,278	1,172,624
2020	1,034,240	154,518	1,188,758
2021	1,095,178	101,270	1,196,448
2022	266,162	44,779	310,941
2023	287,194	31,865	319,059
2024	23,275	17,931	41,206
2025	24,410	16,796	41,206
2026	25,600	15,606	41,206
2027	26,848	14,358	41,206
2028	28,157	13,049	41,206
2029	29,530	11,676	41,206
2030	30,969	10,237	41,206
2031	32,479	8,727	41,206
2032	34,062	7,144	41,206
2033	35,723	5,483	41,206
2034	37,464	3,742	41,206
2035	39,291	1,915	41,206
Total	\$ 12,467,684	\$ 6,046,738	\$ 18,514,422

Exhibit J-3

Unicoi County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	To provide funds for operations	<u>\$ 379,821</u>
Total Transfers			<u><u>\$ 379,821</u></u>

Exhibit J-4

Unicoi County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Unicoi 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>	\$ 57,804	\$ 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	87,968 (1)	50,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	50,048	479,400	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	70,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> and Chancery Court Judge	52,219 (2)	100,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (3)	35,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments				10,000 "
Public Employee Dishonesty - School Department				150,000 Tennessee School Boards Risk Management Trust

- (1) Includes chief executive officer's training supplement of \$1,000.  
(2) Includes special commissioner fees of \$2,171.  
(3) Includes law enforcement training supplement of \$519.

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,537,473	\$ 0	\$ 0	\$ 0	\$ 55,488	\$ 820,217	\$ 0	\$ 3,413,178
Trustee's Collections - Prior Year	70,957	0	0	0	1,697	30,066	0	102,720
Circuit/Clerk & Master Collections - Prior Years	115,221	0	0	0	2,756	46,309	0	164,286
Interest and Penalty	13,491	0	0	0	304	5,185	0	18,980
Pick-up Taxes	63,660	0	0	0	1,516	25,333	0	90,509
Payments in-Lieu-of Taxes - T.V.A.	227	0	0	0	5	73	0	305
Payments in-Lieu-of Taxes - Local Utilities	30,725	0	0	0	671	9,929	0	41,325
Payments in-Lieu-of Taxes - Other	13,519	0	0	0	295	4,369	0	18,183
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	473,002	0	473,002
Hotel/Motel Tax	65,596	0	0	0	0	0	0	65,596
Litigation Tax - General	112,922	0	0	0	0	0	0	112,922
Litigation Tax - Special Purpose	0	7,246	0	0	0	0	0	7,246
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	34,926	0	34,926
Business Tax	34,780	0	0	0	732	10,590	0	46,102
Mineral Severance Tax	31,969	0	0	0	31,969	0	0	63,938
<u>Statutory Local Taxes</u>								
Bank Excise Tax	13,527	0	0	0	295	4,371	0	18,193
Wholesale Beer Tax	1,663	0	0	0	33	597	0	2,293
Interstate Telecommunications Tax	0	0	0	0	0	1,327	0	1,327
Other Statutory Local Taxes	60,997	0	0	0	0	0	0	60,997
Total Local Taxes	\$ 3,166,727	\$ 7,246	\$ 0	\$ 0	\$ 95,761	\$ 1,466,294	\$ 0	\$ 4,736,028
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 18,463	\$ 0	\$ 0	\$ 0	\$ 403	\$ 5,966	\$ 0	\$ 24,832
Total Licenses and Permits	\$ 18,463	\$ 0	\$ 0	\$ 0	\$ 403	\$ 5,966	\$ 0	\$ 24,832
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 5,224	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,224
Officers Costs	3,715	0	0	0	0	0	0	3,715

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Drug Control Fines	\$ 0	\$ 0	\$ 11,256	\$ 0	\$ 0	\$ 0	\$ 0	11,256
Jail Fees	535	0	0	0	0	0	0	535
DUI Treatment Fines	570	0	0	0	0	0	0	570
Courtroom Security Fee	1	0	0	0	0	0	0	1
<u>Criminal Court</u>								
Drug Court Fees	266	0	0	0	0	0	0	266
Data Entry Fee - Criminal Court	457	0	0	0	0	0	0	457
<u>General Sessions Court</u>								
Fines	27,168	0	0	0	0	0	0	27,168
Officers Costs	24,334	0	0	0	0	0	0	24,334
Game and Fish Fines	362	0	0	0	0	0	0	362
Drug Control Fines	0	0	15,959	0	0	0	0	15,959
Drug Court Fees	3,790	0	0	0	0	0	0	3,790
Jail Fees	6,662	0	0	0	0	0	0	6,662
DUI Treatment Fines	8,014	0	0	0	0	0	0	8,014
Data Entry Fee - General Sessions Court	7,904	0	0	0	0	0	0	7,904
Courtroom Security Fee	61	0	0	0	0	0	0	61
<u>Juvenile Court</u>								
Fines	2,674	0	0	0	0	0	0	2,674
Officers Costs	5,862	0	0	0	0	0	0	5,862
Jail Fees	2,592	0	0	0	0	0	0	2,592
Data Entry Fee - Juvenile Court	744	0	0	0	0	0	0	744
<u>Chancery Court</u>								
Officers Costs	1,838	0	0	0	0	0	0	1,838
Data Entry Fee - Chancery Court	1,658	0	0	0	0	0	0	1,658
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	3,000	0	0	0	0	3,000
Data Entry Fee - Other Courts	19,745	0	0	0	0	0	0	19,745
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	46,033	0	0	0	0	46,033
Other Fines, Forfeitures, and Penalties	0	0	35,792	0	0	0	0	35,792
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 124,176</b>	<b>\$ 0</b>	<b>\$ 112,040</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>236,216</b>

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Work Release Charges for Board	\$ 24,740	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,740
Other General Service Charges	1,000	0	0	0	206	0	0	1,206
<u>Fees</u>								
Recreation Fees	28,388	0	0	0	0	0	0	28,388
Copy Fees	622	0	0	0	0	0	0	622
Telephone Commissions	1,447	0	0	0	0	0	0	1,447
Vending Machine Collections	553	0	0	0	0	0	0	553
Constitutional Officers' Fees and Commissions	0	0	0	55	0	0	0	55
Special Commissioner Fees/Special Master Fees	0	0	0	2,171	0	0	0	2,171
Data Processing Fee - Register	5,976	0	0	0	0	0	0	5,976
Data Processing Fee - Sheriff	1,909	0	0	0	0	0	0	1,909
Sexual Offender Registration Fees - Sheriff	900	0	0	0	0	0	0	900
Total Charges for Current Services	\$ 65,535	\$ 0	\$ 0	\$ 2,226	\$ 206	\$ 0	\$ 0	\$ 67,967
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 48,222	\$ 0	\$ 0	\$ 0	\$ 94,526	\$ 92,913	\$ 0	\$ 235,661
Lease/Rentals	1,104	0	0	0	24	357	0	1,485
Sale of Recycled Materials	762	0	0	0	0	0	0	762
Retirees' Insurance Payments	7,576	0	0	0	539	0	0	8,115
Miscellaneous Refunds	106,418	0	3,135	0	18,755	0	0	128,308
<u>Nonrecurring Items</u>								
Sale of Property	18,742	0	0	0	0	0	0	18,742
Performance Bond Forfeitures	28,932	0	0	0	0	0	0	28,932
Total Other Local Revenues	\$ 211,756	\$ 0	\$ 3,135	\$ 0	\$ 113,844	\$ 93,270	\$ 0	\$ 422,005
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 158,831	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 158,831
Circuit Court Clerk	72,744	0	0	0	0	0	0	72,744
General Sessions Court Clerk	207,157	0	0	0	0	0	0	207,157
Clerk and Master	64,358	0	0	0	0	0	0	64,358

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees-In-Lieu of Salary (Cont.)</u>								
Register	\$ 85,777	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,777
Sheriff	3,759	0	0	0	0	0	0	3,759
Trustee	199,392	0	0	0	0	0	0	199,392
Total Fees Received from County Officials	\$ 792,018	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 792,018
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 10,848	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,848
State Reappraisal Grant	3,405	0	0	0	0	0	0	3,405
Other General Government Grants	30,000	0	0	0	0	0	0	30,000
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	8,818	0	0	0	0	0	0	8,818
<u>Health and Welfare Grants</u>								
Health Department Programs	122,519	0	0	0	0	0	0	122,519
<u>Public Works Grants</u>								
Litter Program	41,258	0	0	0	0	0	0	41,258
<u>Other State Revenues</u>								
Income Tax	11,903	0	0	0	0	0	0	11,903
Beer Tax	17,212	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	21,121	0	0	0	0	0	0	21,121
Mixed Drink Tax	1,487	0	0	0	0	0	0	1,487
State Revenue Sharing - T.V.A.	83,985	0	0	0	1,834	27,139	0	112,958
Contracted Prisoner Boarding	220,932	0	0	0	0	0	0	220,932
Gasoline and Motor Fuel Tax	0	0	0	0	1,295,447	0	0	1,295,447
Petroleum Special Tax	0	0	0	0	14,212	0	0	14,212
Reappraisal Program Reimbursement	3,405	0	0	0	0	0	0	3,405
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	1,000	0	0	0	0	0	0	1,000
Total State of Tennessee	\$ 594,273	\$ 0	\$ 0	\$ 0	\$ 1,311,493	\$ 27,139	\$ 0	\$ 1,932,905

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<b>Federal Government</b>								
<u>Federal Through State</u>								
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	13,307	\$ 13,307
Disaster Relief	2,741	0	0	0	4,860	0	0	7,601
Homeland Security Grants	168,796	0	0	0	0	0	0	168,796
Other Federal through State	40,988	0	0	0	0	0	86,127	127,115
<u>Direct Federal Revenue</u>								
Forest Service	9,961	0	0	0	12,208	0	0	22,169
Other Direct Federal Revenue	2,169	0	0	0	175,948	0	0	178,117
Total Federal Government	\$ 224,655	\$ 0	\$ 0	\$ 0	\$ 193,016	\$ 0	\$ 99,434	\$ 517,105
<b>Other Governments and Citizens Groups</b>								
<u>Other Governments</u>								
Contributions	\$ 33,088	\$ 6,000	\$ 39,946	\$ 0	\$ 0	\$ 69,441	\$ 0	\$ 148,475
Contracted Services	76,474	0	0	0	194,230	0	0	270,704
<u>Citizens Groups</u>								
Donations	0	0	384	0	0	0	0	384
<u>Other</u>								
Other	0	0	0	0	0	11,774	0	11,774
Total Other Governments and Citizens Groups	\$ 109,562	\$ 6,000	\$ 40,330	\$ 0	\$ 194,230	\$ 81,215	\$ 0	\$ 431,337
Total	\$ 5,307,165	\$ 13,246	\$ 155,505	\$ 2,226	\$ 1,908,953	\$ 1,673,884	\$ 99,434	\$ 9,160,413

## Exhibit J-6

Unicoi County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Unicoi County School Department  
 For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,102,935	\$ 0	\$ 0	\$ 2,102,935
Trustee's Collections - Prior Year	74,855	0	0	74,855
Circuit/Clerk & Master Collections - Prior Years	110,259	0	0	110,259
Interest and Penalty	12,527	0	0	12,527
Pick-up Taxes	60,510	0	0	60,510
Payments in-Lieu-of Taxes - T.V.A.	188	0	0	188
Payments in-Lieu-of Taxes - Local Utilities	25,492	0	0	25,492
Payments in-Lieu-of Taxes - Other	11,355	0	0	11,355
<u>County Local Option Taxes</u>				
Local Option Sales Tax	969,148	0	0	969,148
Business Tax	27,579	0	0	27,579
Other County Local Option Taxes	589	0	0	589
<u>Statutory Local Taxes</u>				
Bank Excise Tax	11,223	0	0	11,223
Wholesale Beer Tax	1,256	0	0	1,256
Interstate Telecommunications Tax	3,051	0	0	3,051
Total Local Taxes	\$ 3,410,967	\$ 0	\$ 0	\$ 3,410,967
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,351	\$ 0	\$ 0	\$ 2,351
Cable TV Franchise	15,319	0	0	15,319
Total Licenses and Permits	\$ 17,670	\$ 0	\$ 0	\$ 17,670
<u>Fines, Forfeitures, and Penalties</u>				
<u>Juvenile Court</u>				
Fines	\$ 3,202	\$ 0	\$ 0	\$ 3,202
Total Fines, Forfeitures, and Penalties	\$ 3,202	\$ 0	\$ 0	\$ 3,202
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 1,610	\$ 0	\$ 0	\$ 1,610
Lunch Payments - Children	0	0	207,916	207,916
Lunch Payments - Adults	0	0	21,433	21,433
Income from Breakfast	0	0	633	633
A la carte Sales	0	0	84,075	84,075
Total Charges for Current Services	\$ 1,610	\$ 0	\$ 314,057	\$ 315,667
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 5,952	\$ 0	\$ 6,279	\$ 12,231
Lease/Rentals	916	0	0	916
Retirees' Insurance Payments	616	0	0	616
Miscellaneous Refunds	31,339	0	24,519	55,858
<u>Nonrecurring Items</u>				
Sale of Equipment	6,862	0	0	6,862
Total Other Local Revenues	\$ 45,685	\$ 0	\$ 30,798	\$ 76,483

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 9,659,643	\$ 0	\$ 0	\$ 9,659,643
Early Childhood Education	494,616	0	0	494,616
School Food Service	0	0	13,642	13,642
Other State Education Funds	58,118	0	0	58,118
Career Ladder Program	131,284	0	0	131,284
Career Ladder - Extended Contract	91,397	0	0	91,397
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	69,682	0	0	69,682
Total State of Tennessee	\$ 10,504,740	\$ 0	\$ 13,642	\$ 10,518,382
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 426,441	\$ 426,441
Breakfast	0	0	139,696	139,696
USDA - Other	0	0	2,172	2,172
Adult Education State Grant Program	79,731	0	0	79,731
Vocational Education - Basic Grants to States	0	65,325	0	65,325
Other Vocational	25,000	0	0	25,000
Title I Grants to Local Education Agencies	0	458,786	0	458,786
Innovative Education Program Strategies	0	8,301	0	8,301
Special Education - Grants to States	12,129	617,116	0	629,245
Special Education Preschool Grants	0	61,637	0	61,637
Eisenhower Professional Development State Grants	0	141,302	0	141,302
Other Federal through State	264,274	39,347	0	303,621
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	270,308	0	0	270,308
ROTC Reimbursement	44,844	0	0	44,844
Forest Service	86,397	0	0	86,397
Total Federal Government	\$ 782,683	\$ 1,391,814	\$ 568,309	\$ 2,742,806
<u>Other Governments and Citizens Groups</u>				
<u>Citizens Groups</u>				
Donations	\$ 26,956	\$ 0	\$ 0	\$ 26,956
Total Other Governments and Citizens Groups	\$ 26,956	\$ 0	\$ 0	\$ 26,956
Total	\$ 14,793,513	\$ 1,391,814	\$ 926,806	\$ 17,112,133

Exhibit J-7

Unicoi 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	\$	32,400	
Audit Services		6,000	
Contracts with Government Agencies		595	
Dues and Memberships		4,096	
Legal Notices, Recording, and Court Costs		307	
Other Charges		720	
Total County Commission			\$ 44,118

Board of Equalization

Board and Committee Members Fees	\$	880	
Legal Notices, Recording, and Court Costs		107	
Total Board of Equalization			987

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Accountants/Bookkeepers		24,650	
Salary Supplements		860	
Secretary(ies)		21,762	
Clerical Personnel		22,407	
Communication		4,616	
Data Processing Services		15,360	
Dues and Memberships		1,100	
Maintenance & Repair Services - Office Equipment		1,434	
Maintenance & Repair Services - Vehicles		769	
Travel		3,303	
Office Supplies		2,089	
Premiums on Corporate Surety Bonds		129	
Other Charges		515	
Office Equipment		1,434	
Total County Mayor/Executive			158,232

County Attorney

County Official/Administrative Officer	\$	12,000	
Legal Services		6	
Total County Attorney			12,006

Election Commission

County Official/Administrative Officer	\$	40,495	
Deputy(ies)		23,734	
Mechanic(s)		270	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Clerical Personnel	\$	4,933	
Election Commission		3,955	
Election Workers		6,305	
Communication		2,070	
Data Processing Services		1,725	
Dues and Memberships		175	
Janitorial Services		1,175	
Legal Notices, Recording, and Court Costs		4,000	
Maintenance & Repair Services - Equipment		764	
Postal Charges		64	
Printing, Stationery, and Forms		1,276	
Travel		3,215	
Other Contracted Services		2,224	
Office Supplies		1,129	
Office Equipment		91	
Total Election Commission			\$ 97,600

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		24,607	
Clerical Personnel		19,379	
Communication		2,612	
Data Processing Services		7,005	
Dues and Memberships		473	
Maintenance & Repair Services - Office Equipment		204	
Travel		974	
Other Contracted Services		150	
Data Processing Supplies		989	
Office Supplies		4,227	
Premiums on Corporate Surety Bonds		94	
Data Processing Equipment		3,300	
Office Equipment		5,898	
Total Register of Deeds			119,960

Development

Contracts with Government Agencies	\$	7,000	
Total Development			7,000

County Buildings

Custodial Personnel	\$	29,081	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance & Repair Services - Buildings	\$	27,398	
Custodial Supplies		3,363	
Natural Gas		12,368	
Utilities		31,817	
Building and Contents Insurance		5,884	
Total County Buildings			\$ 109,911

Other General Administration

Postal Charges	\$	24,468	
Duplicating Supplies		3,095	
Office Supplies		1,467	
Excess Risk Insurance		4,056	
Indirect Cost		312	
Liability Insurance		45,282	
Land		18,742	
Total Other General Administration			97,422

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Assistant(s)		24,023	
Deputy(ies)		25,762	
Clerical Personnel		24,406	
Audit Services		11,350	
Communication		3,250	
Data Processing Services		8,802	
Dues and Memberships		997	
Maintenance & Repair Services - Office Equipment		7,477	
Postal Charges		80	
Printing, Stationery, and Forms		2,000	
Travel		7,630	
Office Supplies		5,119	
Premiums on Corporate Surety Bonds		64	
Office Equipment		5,047	
Total Property Assessor's Office			176,055

County Trustee's Office

County Official/Administrative Officer	\$	50,048
Assistant(s)		29,449
Deputy(ies)		24,663

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Temporary Personnel	\$	720	
Communication		1,687	
Data Processing Services		5,295	
Dues and Memberships		458	
Legal Notices, Recording, and Court Costs		480	
Maintenance & Repair Services - Office Equipment		195	
Travel		1,490	
Office Supplies		1,266	
Premiums on Corporate Surety Bonds		804	
Office Equipment		1,609	
Total County Trustee's Office			\$ 118,164

County Clerk's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		25,834	
Salary Supplements		1,200	
Clerical Personnel		23,710	
Temporary Personnel		860	
Part-time Personnel		15,767	
Other Salaries & Wages		23,710	
Communication		5,297	
Dues and Memberships		377	
Maintenance & Repair Services - Office Equipment		11,255	
Travel		1,000	
Office Supplies		3,040	
Premiums on Corporate Surety Bonds		176	
Data Processing Equipment		3,358	
Office Equipment		2,681	
Total County Clerk's Office			168,313

Other Finance

Trustee's Commission	\$	61,416	
Total Other Finance			61,416

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Assistant(s)		26,094	
Deputy(ies)		38,792	
Accountants/Bookkeepers		21,514	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Clerical Personnel	\$	19,309	
Temporary Personnel		6,080	
Other Salaries & Wages		21,301	
Jury and Witness Fees		13,858	
Communication		3,526	
Data Processing Services		3,173	
Dues and Memberships		528	
Maintenance & Repair Services - Office Equipment		9,195	
Travel		961	
Data Processing Supplies		195	
Office Supplies		13,669	
Premiums on Corporate Surety Bonds		339	
Office Equipment		11,395	
Total Circuit Court			\$ 239,977

General Sessions Court

Judge(s)	\$	62,626	
Communication		628	
Dues and Memberships		100	
Travel		1,263	
Total General Sessions Court			64,617

Chancery Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		21,610	
Communication		1,219	
Dues and Memberships		408	
Legal Notices, Recording, and Court Costs		147	
Maintenance & Repair Services - Office Equipment		2,560	
Travel		204	
Data Processing Supplies		720	
Office Supplies		3,859	
Premiums on Corporate Surety Bonds		266	
Total Chancery Court			81,041

Juvenile Court

Salary Supplements	\$	10,037	
Contracts with Government Agencies		25,951	
Travel		323	
Total Juvenile Court			36,311

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,571	
Supervisor/Director		13,351	
Deputy(ies)		206,356	
Investigator(s)		59,391	
Captain(s)		31,311	
Lieutenant(s)		81,225	
Youth Service Officer(s)		26,441	
Sergeant(s)		54,258	
Dispatchers/Radio Operators		125,504	
Secretary(ies)		54,071	
Other Salaries & Wages		18,043	
In-Service Training		6,115	
Communication		11,595	
Dues and Memberships		1,500	
Maintenance & Repair Services - Equipment		426	
Maintenance & Repair Services - Vehicles		53,935	
Travel		3,126	
Gasoline		97,313	
Law Enforcement Supplies		22,504	
Office Supplies		1,204	
Tires and Tubes		10,824	
Uniforms		6,767	
Liability Insurance		18,518	
Premiums on Corporate Surety Bonds		72	
Workers' Compensation Insurance		27,480	
Other Charges		344	
Law Enforcement Equipment		1,590	
Total Sheriff's Department			\$ 988,835

Jail

Supervisor/Director	\$	22,375
Guards		112,873
Other Salaries & Wages		61,939
In-Service Training		426
Maintenance & Repair Services - Buildings		9,250
Maintenance & Repair Services - Equipment		2,118
Medical and Dental Services		25,439
Travel		952
Custodial Supplies		593
Drugs and Medical Supplies		16,435

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Food Supplies	\$	65,804	
Natural Gas		3,568	
Prisoners Clothing		936	
Utilities		30,498	
Building and Contents Insurance		6,049	
Total Jail			\$ 359,255

Juvenile Services

Other Salaries & Wages	\$	9,165	
Other Fringe Benefits		627	
Total Juvenile Services			9,792

Fire Prevention and Control

Contributions	\$	45,000	
Total Fire Prevention and Control			45,000

Civil Defense

County Official/Administrative Officer	\$	30,143	
Contributions		1,000	
Maintenance & Repair Services - Vehicles		70	
Travel		156	
Gasoline		2,250	
Law Enforcement Supplies		790	
Office Supplies		186	
Other Supplies and Materials		109,855	
Communication Equipment		1,061	
Total Civil Defense			145,511

Other Emergency Management

Contributions	\$	5,000	
Total Other Emergency Management			5,000

County Coroner/Medical Examiner

County Official/Administrative Officer	\$	1,775	
Assistant(s)		150	
Contracts with Other Public Agencies		9,900	
Law Enforcement Supplies		209	
Total County Coroner/Medical Examiner			12,034

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Public Safety Grant Programs

Dispatchers/Radio Operators	\$	20,696	
Part-time Personnel		17,144	
Social Security		2,582	
Total Public Safety Grant Programs			\$ 40,422

Other Public Safety

Investigator(s)	\$	25,292	
In-Service Training		100	
Other Fringe Benefits		7,948	
Communication		1,440	
Printing, Stationery, and Forms		180	
Travel		1,792	
Law Enforcement Supplies		640	
Office Supplies		2,417	
Uniforms		600	
Law Enforcement Equipment		7,211	
Total Other Public Safety			47,620

Public Health and Welfare

Local Health Center

Paraprofessionals	\$	123,858	
Other Salaries & Wages		33,491	
Communication		3,388	
Maintenance & Repair Services - Equipment		1,000	
Maintenance & Repair Services - Office Equipment		149	
Matching Share		4,800	
Custodial Supplies		1,821	
Drugs and Medical Supplies		5,905	
Electricity		13,000	
Office Supplies		3,030	
Water and Sewer		330	
Other Supplies and Materials		8,008	
Other Charges		2,393	
Total Local Health Center			201,173

Regional Mental Health Center

Contributions	\$	10,185	
Total Regional Mental Health Center			10,185

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Appropriation to State

Contracts with Government Agencies	\$ 24,719	
Total Appropriation to State		\$ 24,719

Sanitation Education/Information

Other Salaries & Wages	\$ 28,933	
Instructional Supplies and Materials	4,700	
Other Charges	237	
Total Sanitation Education/Information		33,870

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 5,000	
Total Adult Activities		5,000

Senior Citizens Assistance

Contracts with Other Public Agencies	\$ 10,600	
Contributions	20,000	
Total Senior Citizens Assistance		30,600

Libraries

Contributions	\$ 19,500	
Total Libraries		19,500

Other Social, Cultural, and Recreational

Contributions	\$ 4,791	
Total Other Social, Cultural, and Recreational		4,791

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$ 4,639	
Contributions	26,761	
Total Agriculture Extension Service		31,400

Forest Service

Contributions	\$ 800	
Total Forest Service		800

Soil Conservation

Contributions	\$ 5,445	
Total Soil Conservation		5,445

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$	20,000	
Dues and Memberships		1,250	
Other Charges		<u>2,000</u>	
Total Tourism	\$		23,250

Industrial Development

Contributions	\$	22,343	
Other Charges		<u>2,234</u>	
Total Industrial Development			24,577

Veterans' Services

Contributions	\$	<u>55</u>	
Total Veterans' Services			55

Contributions to Other Agencies

Contributions	\$	<u>1,000</u>	
Total Contributions to Other Agencies			1,000

Employee Benefits

Social Security	\$	156,729	
State Retirement		111,376	
Employee and Dependent Insurance		4,800	
Medical Insurance		299,509	
Dental Insurance		16,564	
Unemployment Compensation		4,195	
Workers' Compensation Insurance		<u>8,177</u>	
Total Employee Benefits			601,350

Miscellaneous

Contributions	\$	<u>4,500</u>	
Total Miscellaneous			4,500

Principal on Debt

General Government

Principal on Capital Leases	\$	<u>8,563</u>	
Total General Government			8,563

Interest on Debt

General Government

Interest on Capital Leases	\$	<u>1,233</u>	
Total General Government			1,233

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Capital Projects - Donated

Capital Projects Donated to Other Entities

Other Capital Outlay	\$ 136,612	
Total Capital Projects Donated to Other Entities		\$ 136,612

Total General Fund \$ 4,415,222

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$ 2,260	
Trustee's Commission	67	
Total County Buildings		\$ 2,327

Total Courthouse & Jail Maintenance Fund 2,327

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Communication	\$ 1,624	
Contracts with Private Agencies	344,830	
Operating Lease Payments	11,919	
Maintenance & Repair Services - Office Equipment	949	
Rentals	845	
Other Contracted Services	14,540	
Electricity	5,088	
Site Development	26	
Total Sanitation Management		\$ 379,821

Total Solid Waste/Sanitation Fund 379,821

Drug Control Fund

Finance

Other Finance

Trustee's Commission	\$ 600	
Total Other Finance		\$ 600

Public Safety

Sheriff's Department

In-Service Training	\$ 2,349	
Advertising	2,206	
Communication	1,635	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Confidential Drug Enforcement Payments	\$	4,000	
Dues and Memberships		505	
Maintenance & Repair Services - Buildings		528	
Maintenance & Repair Services - Vehicles		9,663	
Travel		2,562	
Veterinary Services		698	
Animal Food and Supplies		580	
Law Enforcement Supplies		6,309	
Office Supplies		50	
Tires and Tubes		576	
Uniforms		6,916	
Other Supplies and Materials		1,427	
Refunds		30,619	
Other Charges		626	
Building Improvements		617	
Communication Equipment		85	
Law Enforcement Equipment		18,610	
Motor Vehicles		21,500	
Total Sheriff's Department			\$ 112,061

Total Drug Control Fund \$ 112,661

Constitutional Officers - Fees Fund

General Government

Other General Administration

Special Commissioner Fees/Special Master Fees	\$	2,171	
Other Charges		55	
Total Other General Administration			\$ 2,226

Total Constitutional Officers - Fees Fund 2,226

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Accountants/Bookkeepers		44,793	
Audit Services		1,600	
Communication		2,488	
Postal Charges		214	
Travel		1,481	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Data Processing Supplies	\$	472	
Office Supplies		1,601	
Other Charges		4,019	
Office Equipment		344	
Total Administration			\$ 112,064

Highway and Bridge Maintenance

Foremen	\$	36,759	
Laborers		570,456	
Other Salaries & Wages		12,943	
Asphalt		150,998	
Concrete		5,187	
Crushed Stone		21,916	
Other Road Supplies		35,921	
Pipe		4,893	
Structural Steel		17,859	
Wood Products		2,078	
Other Supplies and Materials		1,247	
Total Highway and Bridge Maintenance			860,257

Operation and Maintenance of Equipment

Mechanic(s)	\$	33,301	
Communication		3,559	
Diesel Fuel		50,325	
Electricity		4,331	
Equipment and Machinery Parts		54,410	
Garage Supplies		2,547	
Gasoline		8,951	
Lubricants		2,664	
Natural Gas		5,387	
Propane Gas		1,836	
Tires and Tubes		7,661	
Communication Equipment		1,226	
Office Equipment		8,648	
Total Operation and Maintenance of Equipment			184,846

Other Charges

Dues and Memberships	\$	1,944	
Maintenance Agreements		5,408	
Office Supplies		349	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Premiums on Corporate Surety Bonds	\$	193	
Trustee's Commission		15,350	
Vehicle and Equipment Insurance		36,991	
Workers' Compensation Insurance		67,239	
Liability Claims		4,645	
Total Other Charges	\$		132,119

Employee Benefits

Social Security	\$	57,746	
State Retirement		48,258	
Employee and Dependent Insurance		109,788	
Unemployment Compensation		554	
Uniforms		9,008	
Total Employee Benefits			225,354

Capital Outlay

Highway Equipment	\$	219,629	
Other Capital Outlay		154,400	
Total Capital Outlay			374,029

Total Highway/Public Works Fund \$ 1,888,669

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	504,881	
Principal on Notes		60,000	
Principal on Other Loans		191,005	
Total General Government	\$		755,886

Interest on Debt

General Government

Interest on Bonds	\$	630,567	
Interest on Notes		9,441	
Total General Government			640,008

Other Debt Service

General Government

Trustee's Commission	\$	24,759	
Other Debt Service		2,053	
Total General Government			26,812

Total General Debt Service Fund 1,422,706

(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Building Improvements	\$	26,830	
Total Public Health and Welfare Projects			\$ 26,830
Total General Capital Projects Fund			\$ 26,830
<u>Community Development/Industrial Park Fund</u>			
<u>Capital Projects</u>			
<u>Public Utility Projects</u>			
Consultants	\$	1,500	
Engineering Services		11,807	
Total Public Utility Projects			\$ 13,307
<u>Other General Government Projects</u>			
Architects	\$	5,744	
Consultants		5,683	
Other Contracted Services		74,700	
Total Other General Government Projects			86,127
Total Community Development/Industrial Park Fund			99,434
Total Governmental Funds - Primary Government			\$ 8,349,896

Exhibit J-8

Unicoi County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Unicoi County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,748,731	
Career Ladder Program		67,319	
Career Ladder Extended Contracts		116,390	
Homebound Teachers		46,405	
Educational Assistants		124,060	
Certified Substitute Teachers		8,559	
Non-certified Substitute Teachers		80,600	
Social Security		321,810	
State Retirement		282,262	
Life Insurance		5,533	
Medical Insurance		758,717	
Dental Insurance		12,067	
Employer Medicare		75,294	
Other Contracted Services		4,675	
Instructional Supplies and Materials		88,315	
Textbooks		168,512	
Other Supplies and Materials		5,100	
Fee Waivers		11,181	
Other Charges		22,705	
Regular Instruction Equipment		3,883	
Total Regular Instruction Program			\$ 6,952,118

Alternative Instruction Program

Teachers	\$	79,560	
Career Ladder Program		2,575	
Social Security		3,907	
State Retirement		5,989	
Life Insurance		108	
Medical Insurance		17,705	
Dental Insurance		233	
Employer Medicare		1,747	
Total Alternative Instruction Program			111,824

Special Education Program

Teachers	\$	763,980
Career Ladder Program		12,992
Educational Assistants		34,871
Certified Substitute Teachers		4,094
Non-certified Substitute Teachers		13,983

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	51,123	
State Retirement		42,976	
Life Insurance		835	
Medical Insurance		120,130	
Dental Insurance		2,230	
Employer Medicare		11,183	
Other Fringe Benefits		6,610	
Other Contracted Services		8,600	
Instructional Supplies and Materials		8,730	
Other Supplies and Materials		8,500	
Other Charges		1,500	
Special Education Equipment		3,500	
Total Special Education Program			\$ 1,095,837

Vocational Education Program

Teachers	\$	469,453	
Career Ladder Program		4,875	
Educational Assistants		15,928	
Certified Substitute Teachers		1,545	
Non-certified Substitute Teachers		9,220	
Social Security		29,892	
State Retirement		26,401	
Life Insurance		547	
Medical Insurance		71,839	
Dental Insurance		1,076	
Employer Medicare		6,991	
Maintenance & Repair Services - Equipment		2,776	
Other Contracted Services		3,500	
Instructional Supplies and Materials		15,953	
Textbooks		322	
Other Supplies and Materials		1,392	
Other Charges		3,379	
Vocational Instruction Equipment		9,000	
Total Vocational Education Program			674,089

Adult Education Program

Other Salaries & Wages	\$	7,395
Social Security		457
State Retirement		122

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Life Insurance	\$	11	
Medical Insurance		1,674	
Dental Insurance		6	
Employer Medicare		107	
Instructional Supplies and Materials		17,344	
Other Supplies and Materials		2,040	
Total Adult Education Program			\$ 29,156

Support Services

Attendance

Supervisor/Director	\$	61,321	
Career Ladder Program		2,000	
Social Security		3,915	
State Retirement		3,483	
Life Insurance		41	
Medical Insurance		4,748	
Dental Insurance		120	
Employer Medicare		915	
Travel		2,348	
Total Attendance			78,891

Health Services

Medical Personnel	\$	40,218	
Other Salaries & Wages		12,508	
Social Security		3,246	
State Retirement		2,959	
Life Insurance		75	
Employer Medicare		759	
Travel		750	
Drugs and Medical Supplies		4,035	
Other Charges		1,877	
Total Health Services			66,427

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		192,811	
School Resource Officer		17,530	
Other Salaries & Wages		11,098	
Social Security		13,409	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

State Retirement	\$	11,812	
Life Insurance		246	
Medical Insurance		26,171	
Dental Insurance		470	
Employer Medicare		3,136	
Evaluation and Testing		8,000	
Total Other Student Support			\$ 287,683

Regular Instruction Program

Career Ladder Program	\$	5,591	
Librarians		170,906	
Educational Assistants		11,550	
Other Salaries & Wages		9,665	
Social Security		9,994	
State Retirement		8,797	
Life Insurance		190	
Medical Insurance		18,207	
Dental Insurance		275	
Employer Medicare		2,340	
Travel		5,607	
Periodicals		3,298	
In Service/Staff Development		9,852	
Total Regular Instruction Program			256,272

Alternative Instruction Program

Supervisor/Director	\$	41,366	
Career Ladder Program		1,000	
Social Security		2,627	
State Retirement		2,330	
Life Insurance		40	
Medical Insurance		4,794	
Dental Insurance		111	
Employer Medicare		612	
Total Alternative Instruction Program			52,880

Special Education Program

Supervisor/Director	\$	64,320
Career Ladder Program		1,000
Secretary(ies)		16,601

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Social Security	\$	5,068	
State Retirement		4,695	
Life Insurance		67	
Medical Insurance		5,354	
Dental Insurance		129	
Employer Medicare		1,185	
Travel		2,517	
In Service/Staff Development		3,077	
Total Special Education Program			\$ 104,013

Vocational Education Program

Supervisor/Director	\$	61,460	
Career Ladder Program		1,000	
Secretary(ies)		24,555	
Social Security		5,340	
State Retirement		5,066	
Life Insurance		81	
Medical Insurance		9,758	
Dental Insurance		120	
Employer Medicare		1,249	
Maintenance & Repair Services - Equipment		5,000	
Travel		961	
Other Contracted Services		893	
Other Supplies and Materials		440	
Total Vocational Education Program			115,923

Adult Programs

Supervisor/Director	\$	50,762	
Career Ladder Program		3,600	
Social Security		3,359	
State Retirement		2,990	
Life Insurance		40	
Medical Insurance		4,879	
Dental Insurance		120	
Employer Medicare		786	
Travel		500	
In Service/Staff Development		2,641	
Total Adult Programs			69,677

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Secretary to Board	\$	24,409	
Other Salaries & Wages		49,255	
Board and Committee Members Fees		5,580	
Social Security		2,852	
State Retirement		1,752	
Life Insurance		41	
Medical Insurance		4,879	
Dental Insurance		240	
Unemployment Compensation		18,000	
Employer Medicare		667	
Audit Services		7,000	
Dues and Memberships		8,157	
Legal Services		1,402	
Travel		13,376	
Other Contracted Services		10,094	
Other Supplies and Materials		2,704	
Liability Insurance		27,069	
Premiums on Corporate Surety Bonds		1,389	
Trustee's Commission		88,022	
Workers' Compensation Insurance		49,865	
Other Charges		5,689	
Total Board of Education			\$ 322,442

Director of Schools

County Official/Administrative Officer	\$	87,968
Assistant(s)		28,710
Secretary(ies)		19,085
Clerical Personnel		10,000
Social Security		8,450
State Retirement		7,207
Life Insurance		101
Medical Insurance		6,238
Dental Insurance		236
Employer Medicare		1,976
Communication		47,576
Dues and Memberships		3,930
Postal Charges		9,600
Travel		9,000
Other Contracted Services		3,900

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Office Supplies	\$	6,118	
Other Charges		6,829	
Administration Equipment		3,969	
Total Director of Schools			\$ 260,893

Office of the Principal

Principals	\$	327,589	
Career Ladder Program		8,000	
Accountants/Bookkeepers		44,661	
Assistant Principals		173,516	
Secretary(ies)		144,261	
Social Security		42,438	
State Retirement		40,161	
Life Insurance		790	
Medical Insurance		102,262	
Dental Insurance		1,684	
Employer Medicare		9,808	
Dues and Memberships		2,500	
Total Office of the Principal			897,670

Fiscal Services

Accountants/Bookkeepers	\$	65,087	
Social Security		3,936	
State Retirement		4,319	
Life Insurance		75	
Medical Insurance		4,273	
Dental Insurance		111	
Employer Medicare		925	
Travel		2,696	
Other Contracted Services		5,700	
Data Processing Supplies		2,500	
Office Supplies		937	
Other Supplies and Materials		390	
Administration Equipment		4,732	
Total Fiscal Services			95,681

Operation of Plant

Supervisor/Director	\$	26,991	
Custodial Personnel		296,796	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Social Security	\$	19,565	
State Retirement		17,186	
Life Insurance		614	
Medical Insurance		48,606	
Dental Insurance		644	
Employer Medicare		4,578	
Disposal Fees		16,313	
Other Contracted Services		20,202	
Custodial Supplies		45,232	
Electricity		366,673	
Natural Gas		159,753	
Water and Sewer		19,477	
Boiler Insurance		4,442	
Building and Contents Insurance		80,931	
Other Charges		501	
Total Operation of Plant			\$ 1,128,504

Maintenance of Plant

Supervisor/Director	\$	38,419	
Maintenance Personnel		157,443	
Social Security		11,981	
State Retirement		12,313	
Life Insurance		316	
Medical Insurance		30,413	
Dental Insurance		479	
Employer Medicare		2,802	
Communication		430	
Maintenance & Repair Services - Buildings		77,247	
Maintenance & Repair Services - Equipment		8,976	
Maintenance & Repair Services - Vehicles		1,998	
Other Contracted Services		19,858	
General Construction Materials		9,502	
Other Supplies and Materials		30,486	
Other Charges		73,934	
Maintenance Equipment		44,823	
Total Maintenance of Plant			521,420

Transportation

Supervisor/Director	\$	35,628	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Mechanic(s)	\$	26,580	
Bus Drivers		202,579	
Other Salaries & Wages		5,274	
Social Security		18,419	
State Retirement		9,177	
Life Insurance		81	
Medical Insurance		9,758	
Employer Medicare		4,308	
Communication		3,340	
Medical and Dental Services		933	
Travel		100	
Other Contracted Services		10,172	
Diesel Fuel		74,832	
Garage Supplies		4,421	
Gasoline		11,843	
Lubricants		1,340	
Tires and Tubes		10,715	
Vehicle Parts		43,220	
Other Supplies and Materials		1,018	
Vehicle and Equipment Insurance		24,987	
Other Charges		2,458	
Transportation Equipment		115,435	
Total Transportation			\$ 616,618

Central and Other

Supervisor/Director	\$	42,238	
Computer Programmer(s)		16,266	
Other Salaries & Wages		28,120	
Social Security		5,305	
State Retirement		3,895	
Life Insurance		122	
Medical Insurance		10,034	
Dental Insurance		120	
Employer Medicare		1,248	
Data Processing Services		761	
Travel		1,104	
Data Processing Supplies		24,540	
Total Central and Other			133,753

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$	1,000	
Social Security		43	
State Retirement		55	
Employer Medicare		14	
Total Food Service			\$ 1,112

Community Services

Supervisor/Director	\$	5,215	
Teachers		65,661	
Computer Programmer(s)		1,194	
Bus Drivers		1,477	
Secretary(ies)		1,530	
Educational Assistants		9,519	
Cafeteria Personnel		554	
Custodial Personnel		1,140	
Social Security		5,206	
State Retirement		3,927	
Life Insurance		40	
Medical Insurance		8,170	
Employer Medicare		1,218	
Postal Charges		98	
Travel		2,450	
Other Contracted Services		80,000	
Other Supplies and Materials		14,759	
In Service/Staff Development		3,121	
Total Community Services			205,279

Early Childhood Education

Supervisor/Director	\$	52,201
Teachers		214,917
Educational Assistants		92,704
Other Salaries & Wages		12,935
Social Security		22,065
State Retirement		16,558
Life Insurance		656
Medical Insurance		29,804
Dental Insurance		1,440
Employer Medicare		5,467
Other Fringe Benefits		697

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Travel	\$	3,500	
Other Contracted Services		4,030	
Food Supplies		4,000	
Other Supplies and Materials		33,776	
In Service/Staff Development		3,490	
Other Charges		6,223	
Other Equipment		<u>67,126</u>	
Total Early Childhood Education			\$ 571,589

Capital Outlay

Regular Capital Outlay

Consultants	\$	<u>30,000</u>	
Total Regular Capital Outlay			30,000

Principal on Debt

Education

Principal on Capital Leases	\$	<u>82,242</u>	
Total Education			82,242

Interest on Debt

Education

Interest on Capital Leases	\$	<u>24,066</u>	
Total Education			<u>24,066</u>

Total General Purpose School Fund \$ 14,786,059

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	71,390	
Educational Assistants		166,853	
Other Salaries & Wages		13,015	
Certified Substitute Teachers		2,988	
Non-certified Substitute Teachers		9,246	
Social Security		16,105	
State Retirement		13,765	
Life Insurance		661	
Medical Insurance		25,690	
Dental Insurance		708	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	3,620	
Instructional Supplies and Materials		55,689	
Other Charges		30	
Regular Instruction Equipment		36,570	
Total Regular Instruction Program			\$ 416,330

Special Education Program

Teachers	\$	12,729	
Educational Assistants		401,315	
Certified Substitute Teachers		3,264	
Social Security		24,936	
State Retirement		23,552	
Life Insurance		1,252	
Medical Insurance		72,206	
Dental Insurance		1,524	
Employer Medicare		5,844	
Other Fringe Benefits		3,318	
Other Contracted Services		39,332	
Instructional Supplies and Materials		46,556	
Other Supplies and Materials		10,201	
Special Education Equipment		46,516	
Total Special Education Program			692,545

Vocational Education Program

Travel	\$	2,020	
Instructional Supplies and Materials		3,955	
Vocational Instruction Equipment		47,200	
Total Vocational Education Program			53,175

Support Services

Other Student Support

Evaluation and Testing	\$	150	
Travel		9,491	
Other Supplies and Materials		6,281	
In Service/Staff Development		2,509	
Other Charges		1,401	
Total Other Student Support			19,832

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	68,018	
Secretary(ies)		24,409	
Other Salaries & Wages		29,488	
Social Security		6,821	
State Retirement		6,738	
Life Insurance		81	
Medical Insurance		9,096	
Dental Insurance		240	
Employer Medicare		1,595	
Maintenance & Repair Services - Equipment		633	
Travel		2,959	
Other Contracted Services		4,990	
Library Books/Media		32,558	
Other Supplies and Materials		6,910	
In Service/Staff Development		56,319	
Other Charges		2,559	
Other Equipment		2,365	
Total Regular Instruction Program			\$ 255,779

Special Education Program

Psychological Personnel	\$	38,778	
Secretary(ies)		16,740	
Clerical Personnel		3,000	
Social Security		3,554	
State Retirement		3,244	
Life Insurance		81	
Medical Insurance		8,622	
Dental Insurance		120	
Employer Medicare		831	
Other Fringe Benefits		468	
Travel		10,915	
In Service/Staff Development		23,967	
Total Special Education Program			110,320

Board of Education

Workers' Compensation Insurance	\$	2,912	
Total Board of Education			2,912

Total School Federal Projects Fund \$ 1,550,893

(Continued)

Exhibit J-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	67,943	
Clerical Personnel		23,794	
Cafeteria Personnel		288,043	
Social Security		23,232	
State Retirement		14,043	
Life Insurance		446	
Medical Insurance		46,784	
Dental Insurance		840	
Employer Medicare		5,433	
Advertising		45	
Dues and Memberships		402	
Licenses		480	
Maintenance Agreements		2,450	
Maintenance & Repair Services - Equipment		4,865	
Travel		9,700	
Other Contracted Services		40,073	
Food Preparation Supplies		33,838	
Food Supplies		358,232	
Office Supplies		2,576	
Small Tools		206	
Uniforms		1,724	
Vehicle Parts		220	
Other Supplies and Materials		497	
Workers' Compensation Insurance		12,889	
In Service/Staff Development		4,393	
Other Charges		1,471	
Food Service Equipment		55,817	
Total Food Service			\$ 1,000,436

Total Central Cafeteria Fund \$ 1,000,436

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Architects	\$	18,860	
Building Improvements		101,187	
Total Regular Capital Outlay			\$ 120,047

Total Education Capital Projects Fund 120,047

Total Governmental Funds - Unicoi County School Department \$ 17,457,435

Exhibit J-9

Unicoi 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	\$ 916,561
Total Cash Receipts	<u>\$ 916,561</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 907,395
Trustee's Commissions	9,166
Total Cash Disbursements	<u>\$ 916,561</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>

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## **SINGLE AUDIT SECTION**

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

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

January 5, 2007

Unicoi County Mayor and  
Board of County Commissioners  
Unicoi 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 Unicoi County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Unicoi County's basic financial statements and have issued our report thereon dated January 5, 2007. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Unicoi County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unicoi 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 Unicoi 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 06.01, 06.02(A), 06.04, 06.05, and 06.06.

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, of the reportable conditions described above, we consider item 06.01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unicoi 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02(B) and 06.03.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb



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

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

January 5, 2007

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Unicoi 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. Unicoi 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 Unicoi County's management. Our responsibility is to express an opinion on Unicoi 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 Unicoi 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 Unicoi County's compliance with those requirements.

In our opinion, Unicoi 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 Unicoi 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 Unicoi 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 Unicoi County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated January 5, 2007. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Unicoi 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" with a horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

Unicoi County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Watershed Rehabilitation Program	10.916	N/A	\$ 175,948
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	93,357
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	139,696
National School Lunch Program	10.555	N/A	428,613
Total U.S. Department of Agriculture			<u>\$ 837,614</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11560-00	\$ 13,307
HOME Investment Partnerships Program	14.239	HM-05-51	86,127
Total U.S. Department of Housing and Urban Development			<u>\$ 99,434</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in Lieu of Taxes	15.226	N/A	\$ 98,605
Total U.S. Department of the Interior			<u>\$ 98,605</u>
U.S. Department of Justice:			
Passed-through State Department of Finance and Administration:			
Violence Against Women Formula Grants	16.588	Z-00-001450-01	\$ 40,988
Total U.S. Department of Justice			<u>\$ 40,988</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	Z-05-024751-00	\$ 4,860
Total U.S. Department of Transportation			<u>\$ 4,860</u>
U.S. Department of Education:			
Direct Program:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	\$ 33,850
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	(2) (6)	25,000
Title I Grants to Local Educational Agencies	84.010	N/A	462,827
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	746,668
Special Education - Preschool Grants	84.173	N/A	68,336
Impact Aid	84.041	N/A	270,308
Vocational Education - Basic Grants to States	84.048	N/A	65,325
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	14,073

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Even Start - State Educational Agencies	84.213	(2)	\$ 134,140
State Grants for Innovative Programs	84.298	N/A	74,648
Education Technology State Grants	84.318	(4)	83,567
English Language Acquisition Grants	84.365	N/A	25,274
Improving Teacher Quality State Grants	84.367	N/A	97,262
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3) (6)	<u>79,731</u>
Total U.S Department of Education			<u>\$ 2,181,009</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
Temporary Assistance for Needy Families	93.558	Z-06-027229-00	<u>\$ 21,326</u>
Total U.S. Department of Health and Human Services			<u>\$ 21,326</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(5)	\$ 163,300
Homeland Security Preparedness Technical Assistance Program	97.007	GG-03-09944-00	2,741
Emergency Management Performance Grants	97.042	Z-05-025381-00	<u>5,496</u>
Total U.S. Department of Homeland Security			<u>\$ 171,537</u>
Total Expenditures of Federal Awards			<u>\$ 3,455,373</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 10,848
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	3,405
Health Department Grant - State Department of Health	N/A	(2)	122,519
Litter program - State Department of Transportation	N/A	(2)	41,258
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	485,116
Model Dropout Prevention Program - State Department of Education	N/A	(2)	9,500
LEAP - State Department of Education	N/A	(2)	42,334
Safe Schools Act Grant - State Department of Education	N/A	(2)	<u>15,784</u>
Total State Grants			<u>\$ 730,764</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.  
(2) Information not available.  
(3) Z-04-016721-00: \$14,759; Z-05-022275-00: \$1,307; Z-06-027828-00: \$63,665  
(4) Z-04-020857-00: \$74,958; (N/A): \$8,609  
(5) Z-04-020152-00: \$14,368; Z-04-022500-00: \$148,932  
(6) Total Adult Education - State Grants Program (CFDA No. 84.002) from the U.S. Dept. of Education \$104,731.

Unicoi 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 Unicoi County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.02B	150	The office had deficiencies in budget operations

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.06	153	Circuit Court and General Sessions Courts collections were not deposited properly

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.11	156	A central system of accounting, budgeting, and purchasing had not been adopted
05.12	156	Duties were not segregated adequately in the Offices of Clerk and Master and Sheriff

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**UNICOI COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Unicoi County disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Unicoi 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 the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: the Special Education – Grants to States and the Special Education Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Unicoi 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. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 06.01      **A CASH SHORTAGE OF \$21,431 EXISTED IN THE OFFICE OF GENERAL SESSIONS COURT CLERK AS OF DECEMBER 5, 2006**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Due to discrepancies discovered in deposits, we extended certain audit procedures through December 5, 2006. As a result of our extended procedures, we found that a cash shortage of \$21,431 existed in the Office of General Sessions Court Clerk as of December 5, 2006. Of that amount, \$1,034 occurred prior to June 30, 2006, and is reflected as a cash shortage in the financial statements of this report. The majority of this shortage consisted of checks and money orders (\$21,137) that had been deposited to the official bank account during the period June 22, 2006, through December 5, 2006, but had not been receipted. Therefore, these checks had been substituted for cash that had been receipted by the clerk's office.

Our examination disclosed several discrepancies involving deposits of the office. We identified over 40 deposits where the allocation between cash and checks/money orders listed on the deposit tickets did not agree with the allocation between cash and checks/money orders on the office's receipt reports. On those deposits, less cash was deposited than was receipted, and more checks/money orders were deposited than were receipted. We also found that deposits were not taken to the bank on a current basis, allowing cash to accumulate in the office. Several deposits were made over a week after the funds were received. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit funds within three days of collection.

When we inquired about these discrepancies, we were advised that several customers had complained that they had received notifications from the state Department of Safety that their driver's licenses were being suspended for failure to pay traffic tickets, when in fact the tickets had been paid. Those customers forwarded copies of their canceled checks/money orders to the office as proof of payment, and the clerk's office then notified the state Department of Safety that the traffic tickets had been paid. Adjustments were not made to the accounting records to record the receipt of the funds, and the cause of the discrepancies was not adequately investigated by the clerk.

The following table and subsequent discussions summarize the cash shortage identified by our audit.

Cash Shortage:

ITEM A. - A total of 117 checks and money orders from customers were deposited but not receipted. Names or addresses on the items could be traced to cases in General Sessions Court.	\$ 20,637
ITEM B. - Five checks from the State of Tennessee were deposited but not receipted.	500
ITEM C. - Four receipts issued by the office were not posted to the general ledger. The office did not account for those collections.	244
ITEM D. - One deposit total was adjusted down by the bank. The office did not account for those funds.	<u>50</u>
Total Cash Shortage	<u><u>\$ 21,431</u></u>

ITEM A. - Due to the discrepancies in the deposits, we requested that the clerk obtain from the bank copies of items deposited to the official bank account for the days where totals of cash and checks/money orders did not agree with corresponding totals on receipt reports. Our examination revealed that 143 checks and money orders had been deposited to the account but not receipted. We also found that checks and money orders from certain days' collections had been commingled with collections deposited for other days.

We attempted to trace names and addresses on the 143 unreceipted checks and money orders to cases in General Sessions Court to confirm that the payments related to cases in the court. We were able to trace names or addresses on 117 of those items, totaling \$20,637, to existing court cases. However, records for those court cases did not reflect a receipt for the funds deposited. Some of the cases reflected notations or entries to indicate that amounts had been paid, but did not reflect an actual receipt entry. Those 117 items have been included in the calculation of the cash shortage.

ITEM B. - Five other unreceipted checks, from the 143 items identified, were determined to be for payment of fees to the office from the State of Tennessee. Those five checks, totaling \$500, have also been included in the calculation of the cash shortage.

We could not trace names and addresses on the remaining 21 checks and money orders, which totaled \$2,589.53, to cases in the court. The propriety of those transactions has not yet been determined, and we have not included those items in the calculation of the cash shortage. If any additional cash shortage is determined, we will communicate that in a future report.

ITEM C. & D. - While performing our audit procedures we discovered four receipts totaling \$244 that were not posted to the general ledger and one bank deposit that was adjusted down by the bank by \$50. These transactions were not accounted for and have been included in the cash shortage.

The clerk advised us that she had deposited approximately \$600 of personal funds to the official bank account during May 2006, to balance deposits with receipts issued by the office. However, the clerk could produce no evidence of the personal payment, stating that the funds were paid in cash. The clerk did not notify our office of that shortage, or of any of the checks and money orders presented by customers, until we informed her about improprieties in the deposits.

Other deficiencies we noted included the failure to maintain any records for checks and money orders received by mail. We also noted that collections were sometimes left in unlocked desk drawers overnight or on weekends. These conditions increase the risk for funds to be diverted without detection.

The cash shortage and other irregularities have been reviewed with the circuit and general sessions courts clerk, the district attorney general, the Tennessee Bureau of Investigation, the Circuit and General Sessions Judges, and the county mayor.

#### RECOMMENDATION

Officials should take steps to liquidate the cash shortage of \$21,431. The office should institute more oversight and investigation when receiving customer complaints. Likewise, auditors should be immediately notified of irregularities in accounting for funds.

All funds should be stored in locked and secure locations until deposited. Funds should be deposited to the official bank account within three days of collection as required by state statute. Procedures should be developed to reconcile the allocation between cash and checks/money orders reflected on the daily receipts report with the allocation reflected on the deposit tickets. Also, procedures should be developed to document checks and money orders received by mail. That record should be used to trace all items received by mail to a receipt issued by the office. Any differences should be immediately investigated.

**OFFICE COUNTY MAYOR**

**FINDING 06.02      **THE OFFICE HAD PURCHASING DEFICIENCIES****

(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards)

We noted the following purchasing deficiencies:

- A.      Unicoi County had not developed procedures to ensure that bids were solicited for all required purchases. Likewise, procedures had not been developed to ensure that bids received and awarded were forwarded to the County Mayor’s Office to support payment of the invoices. Also, bid tabulation forms were not used, and there were no standard procedures of awarding bids. Currently, bids are solicited and awarded by the various department heads and officials, and in most instances, the documentation relating to the bid procurement is maintained by these individuals.
  
- B.      Subsequent to year end, deficiencies were noted in the purchase of a used vehicle (\$5,000) for the Sheriff’s Department. Neither the county mayor nor the sheriff solicited competitive bids for this purchase. Section 5-14-204, Tennessee Code Annotated, provides for all purchases of \$5,000 or more to be made after public advertisement and solicitation of competitive bids.

**RECOMMENDATION**

County officials should develop written policies and procedures for soliciting and awarding bids. These policies and procedures should include details for the solicitation, public advertisement, documentation, award, and approval of bids. All documentation of the competitive process should be filed in the County Mayor’s Office to support the payment of invoices. All purchases of \$5,000 or more should be competitively bid.

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**FINDING 06.03      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS****  
(Noncompliance Under Government Auditing Standards)

General Fund expenditures exceeded appropriations approved by the County Commission in 12 major appropriations categories (the legal level of control) in amounts ranging from \$471 to \$53,144. Also, General Fund expenditures exceeded appropriations in 32 line items for salaries in amounts ranging from \$14 to \$10,524.

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

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OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.04      **TIME AND ATTENDANCE RECORDS WERE NOT MAINTAINED PROPERLY**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Management did not require time and attendance records to be submitted to the County Mayor’s Office to support payroll disbursements and leave balances. Instead, some departments maintained the time and attendance records in their own offices; however, the Office of Circuit and General Sessions Courts Clerk had not maintained these records at all.

RECOMMENDATION

Time and attendance records should be maintained for all departments and offices of the general county government. Those records should be submitted to the County Mayor’s Office to support payroll disbursements and leave balances.

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FINDING 06.05      **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 process.

RECOMMENDATION

County officials should consider adopting 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.

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FINDING 06.06

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CLERK AND MASTER AND SHERIFF**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Clerk and Master and Sheriff. The officials and employees responsible for maintaining the accounting records 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.

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

There were no findings and questioned costs for federal programs.

**UNICOI 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 year's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.