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# ANNUAL FINANCIAL REPORT GRAINGER COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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**ANNUAL FINANCIAL REPORT  
GRAINGER COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2008**

***DEPARTMENT OF AUDIT  
JUSTIN P. WILSON  
Comptroller of the Treasury***

***DIVISION OF COUNTY AUDIT  
RICHARD V. NORMENT  
Assistant to the Comptroller***

***JAMES R. ARNETTE  
Director***

***BRYAN W. BURKLIN, CPA, CGFM  
Audit Manager***

***LESTER TACKETT, CPA, CGFM  
Auditor 4***

***MICHAEL JARREAU, CFE  
DOUG SANDIDGE, CISA, CFE  
MARK FAWVER  
GREG BRUSH  
State Auditors***

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

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## GRAINGER COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		9
<u>INTRODUCTORY SECTION</u>		11
Grainger County Officials		13
<u>FINANCIAL SECTION</u>		15
Independent Auditor's Report		17-19
BASIC FINANCIAL STATEMENTS:		21
Government-wide Financial Statements:		
Statement of Net Assets	A	23-24
Statement of Activities	B	25-26
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	27-28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	29
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	30-31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	32
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	33
Notes to the Financial Statements		35-70
REQUIRED SUPPLEMENTARY INFORMATION:		71
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	73-76
Solid Waste/Sanitation Fund	E-2	77
Highway/Public Works Fund	E-3	78
Schedule of Funding Progress – Pension Plan	E-4	79
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Grainger County School Department	E-5	80
Notes to the Required Supplementary Information		81

	Exhibit	Pages
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		83
Nonmajor Governmental Funds:		85
Combining Balance Sheet	F-1	87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	88
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Courthouse and Jail Maintenance Fund	F-3	89
Law Library Fund	F-4	90
Drug Control Fund	F-5	91
Sports and Recreation Fund	F-6	92
Major Governmental Fund:		93
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	95
Fiduciary Funds:		97
Combining Statement of Fiduciary Assets and Liabilities	H-1	99
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	100
Component Unit:		
Discretely Presented Grainger County School Department:		101
Statement of Activities	I-1	103
Balance Sheet – Governmental Funds	I-2	104
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	105
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	106
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	107
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	109
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	110-112
School Federal Projects Fund	I-9	113
Central Cafeteria Fund	I-10	114
Miscellaneous Schedules:		115
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds – Primary Government and Discretely Presented Grainger County School Department	J-1	117-118
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Grainger County School Department	J-2	119-121

	Exhibit	Pages
Schedule of Transfers – Primary Government and Discretely Presented Grainger County School Department	J-3	122
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Grainger County School Department	J-4	123
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	124-133
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Grainger County School Department	J-6	134-135
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	136-154
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Grainger County School Department	J-8	155-167
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	168
<u>SINGLE AUDIT SECTION</u>		169
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		171-173
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		175-177
Schedule of Expenditures of Federal Awards and State Grants		179-180
Schedule of Audit Findings Not Corrected		181
Schedule of Findings and Questioned Costs		183-186
Auditee Reporting Responsibilities		187

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***Audit Highlights***  
Annual Financial Report  
Grainger County, Tennessee  
For the Year Ended June 30, 2008

***Scope***

We have audited the basic financial statements of Grainger County as of and for the year ended June 30, 2008.

***Results***

Our report on Grainger County is unqualified.

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

***Findings***

The following are summaries of the audit findings:

**OFFICES OF COUNTY MAYOR AND SHERIFF**

- ◆ The offices failed to comply with state statutes when entering into a lease-purchase agreement.

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**OTHER FINDINGS**

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

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## INTRODUCTORY SECTION

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# Grainger County Officials

## June 30, 2008

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### **Officials**

Mark Hipsher, County Mayor  
David Bean, Road Superintendent  
Terry Acuff, Director of Schools  
Donald Nance, Trustee  
Johnny Morgan, Assessor of Property  
Angie Lamb, County Clerk  
Rhonda Reagan, Circuit and General Sessions Courts Clerk  
Vickie Greenlee, Clerk and Master  
Dorothy Reagan, Register  
James Harville, Sheriff

### **Board of County Commissioners**

Doyal Wynn, Chairman	Mike Holt
James Acuff	Bill Howerton
Johnny Baker	Larry Johnson
Mike Byrd	Raymond Layel, Jr.
Earl Cameron	Leroy Shelton
David Collins	Darrell Stratton
B. DeWayne Davis	Darrell Williams
T.J. Hill	

### **Board of Education**

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

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

February 10, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grainger County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Grainger County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grainger County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Grainger County Emergency Communications District, which represent 1.2 percent and 2.2 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grainger County Emergency Communications District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grainger County, Tennessee, as of June 30, 2008, 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 February 10, 2009, on our consideration of Grainger County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Grainger County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

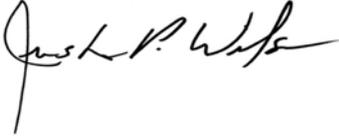
The management of Grainger County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison, pension, and postemployment benefits information on pages 73 through 81 are not required parts of the basic financial statements but they do provide 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 Grainger County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grainger County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grainger County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic

financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and "W".

Justin P. Wilson  
Comptroller of the Treasury

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Grainger County, Tennessee  
Statement of Net Assets  
June 30, 2008

	Component Units		
	Primary Governmental Activities	Grainger County School Department	Grainger County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 75,902	\$ 2,116	\$ 209,687
Equity in Pooled Cash and Investments	4,640,779	5,661,899	0
Accounts Receivable	564,890	46,996	19,500
Allowance for Uncollectible Accounts Receivable	(474,553)	0	0
Due from Other Governments	542,235	718,470	0
Property Taxes Receivable	6,252,252	2,358,652	0
Allowance for Uncollectible Property Taxes	(141,837)	(50,036)	0
Prepaid Insurance	0	0	2,792
Deferred Charges - Debt Issuance Cost	751,834	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,819,753	812,384	0
Construction in Progress	7,500	26,528,173	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	8,901,586	9,463,684	0
Other Capital Assets	1,187,929	636,496	348,755
Infrastructure	2,126,150	0	0
Total Assets	<u>\$ 26,254,420</u>	<u>\$ 46,178,834</u>	<u>\$ 580,734</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 54,546	\$ 1,035,224	\$ 12,240
Accrued Payroll	52,922	32,862	0
Accrued Interest Payable	254,653	0	0
Payroll Deductions Payable	128	0	0
Contracts Payable	28,356	362,992	0
Due to State of Tennessee	28,262	0	0
Other Current Liabilities	2	0	430
Deferred Revenue - Property Taxes	5,854,156	2,225,915	0
Noncurrent Liabilities:			
Due Within One Year	1,660,323	37,943	0
Due in More than One Year (net of unamortized premium on debt)	31,300,840	700,404	0
Total Liabilities	<u>\$ 39,234,188</u>	<u>\$ 4,395,340</u>	<u>\$ 12,670</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 7,866,384	\$ 0	\$ 0
Invested in Capital Assets Restricted for:	0	37,440,737	348,755
General Government	22,740	0	0
Finance	15,523	0	0
Administration of Justice	20,053	0	0
Public Safety	122,906	0	0
Public Health and Welfare	95,673	0	0

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Grainger County School Department	Grainger County Emergency Communications District
<u>NET ASSETS (Cont.)</u>			
Restricted for:			
Social, Cultural, and Recreational Services	\$ 362,440	\$ 0	\$ 0
Highways	878,587	0	0
Instructional	0	796,547	0
Operation of Non-Instructional Services	0	435,439	0
Debt Service	2,698,910	0	0
Capital Projects	1,830	407,624	0
Unrestricted	<u>(25,064,814)</u>	<u>2,703,147</u>	<u>219,309</u>
Total Net Assets	<u>\$ (12,979,768)</u>	<u>\$ 41,783,494</u>	<u>\$ 568,064</u>

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

Exhibit B

Grainger County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Component Units						Grainger County Emergency Communi- cations District
	Expenses	Charges for Services	Operating Contributions	Capital Grants and Contributions	Primary Governmental Activities	Grainger County School Department	
Primary Government:							
Governmental Activities:							
General Government	\$ 806,061	\$ 227,861	\$ 25,532	\$ 0	\$ (552,668)	\$ 0	\$ 0
Finance	522,236	420,028	9,221	0	(92,987)	0	0
Administration of Justice	560,447	313,213	6,750	0	(240,484)	0	0
Public Safety	2,276,802	567,156	18,500	0	(1,691,146)	0	0
Public Health and Welfare	2,397,363	845,285	543,936	0	(1,008,142)	0	0
Social, Cultural, and Recreational Services	241,335	0	47,249	0	(194,086)	0	0
Agriculture and Natural Resources	109,317	0	0	0	(109,317)	0	0
Other Operations	746,343	5,315	0	20,252	(720,776)	0	0
Highways	2,694,365	0	1,514,514	328,532	(851,319)	0	0
Debt Service:							
Interest	1,325,439	0	0	0	(1,325,439)	0	0
Other Debt Service	84,113	0	0	0	(84,113)	0	0
Total Primary Government	\$ 11,763,821	\$ 2,378,858	\$ 2,165,702	\$ 348,784	\$ (6,870,477)	\$ 0	\$ 0
Component Unit:							
Grainger County School Department	\$ 25,191,686	\$ 585,947	\$ 3,519,859	\$ 100,000	\$ 0	\$ (20,985,880)	\$ 0
Emergency Communications District	553,645	177,378	395,128	0	0	0	18,861
Total Component Unit	\$ 25,745,331	\$ 763,325	\$ 3,914,987	\$ 100,000	\$ 0	\$ (20,985,880)	\$ 18,861

(Continued)

Exhibit B

Grainger County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Grainger County School Department	Grainger County Emergency Communications District
General Revenues:						
Property Taxes Levied for General Purposes				\$ 3,240,219	\$ 1,858,210	\$ 0
Property Taxes Levied for Solid Waste/Sanitation				673,664	0	0
Property Taxes Levied for Sports and Recreation				78,519	0	0
Property Taxes Levied for Highway				442,220	0	0
Property Taxes Levied for Debt Service				1,302,061	0	0
Sales Taxes				379,842	995,681	0
Litigation Tax				58,512	0	0
Business Tax				55,780	19,729	0
Wholesale Beer Tax				76,747	0	0
Interstate Telecommunication Tax				2,150	2,673	0
Grants and Contributions Not Restricted to Specific Programs				1,449,377	18,356,649	0
Unrestricted Investment Income				936,961	6,010	2,857
Miscellaneous				80,008	71,761	0
Total General Revenues				\$ 8,776,060	\$ 21,310,713	\$ 2,857
Change in Net Assets				\$ 1,905,583	\$ 324,833	\$ 21,718
Net Assets, July 1, 2007				(14,885,351)	41,458,661	546,346
Net Assets, June 30, 2008				\$ (12,979,768)	\$ 41,783,494	\$ 568,064

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

Exhibit C-1

Granger County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<b>ASSETS</b>							
Cash	\$ 400	\$ 0	\$ 0	\$ 0	\$ 75,502	\$ 75,902	
Equity in Pooled Cash and Investments	661,770	24,074	756,012	2,817,212	381,711	4,640,779	
Accounts Receivable	545,170	3,493	0	14,555	1,672	564,890	
Allowance for Uncollectibles	(474,553)	0	0	0	0	(474,553)	
Due from Other Governments	198,360	0	252,773	63,555	27,547	542,235	
Due from Other Funds	314	8,824	0	0	6,379	15,517	
Property Taxes Receivable	3,550,870	714,517	508,056	1,393,888	84,921	6,252,252	
Allowance for Uncollectible Property Taxes	(80,280)	(16,458)	(11,272)	(31,897)	(1,930)	(141,837)	
Total Assets	\$ 4,402,051	\$ 734,450	\$ 1,505,569	\$ 4,257,313	\$ 575,802	\$ 11,475,185	

LIABILITIES AND FUND BALANCES

<b>Liabilities</b>							
Accounts Payable	\$ 53,865	\$ 609	\$ 0	\$ 0	\$ 72	\$ 54,546	
Accrued Payroll	51,384	1,450	0	0	88	52,922	
Payroll Deductions Payable	128	0	0	0	0	128	
Contracts Payable	0	0	0	0	28,356	28,356	
Due to Other Funds	15,203	0	0	0	314	15,517	
Due to State of Tennessee	27,965	267	0	0	30	28,262	
Other Current Liabilities	2	0	0	0	0	2	
Deferred Revenue - Current Property Taxes	3,326,153	667,774	476,982	1,303,750	79,497	5,854,156	
Deferred Revenue - Delinquent Property Taxes	132,539	27,790	18,171	53,443	3,206	235,149	
Other Deferred Revenues	78,420	0	123,583	33,983	0	235,986	
Total Liabilities	\$ 3,685,659	\$ 697,890	\$ 618,736	\$ 1,391,176	\$ 111,563	\$ 6,505,024	
<b>Fund Balances</b>							
Reserved for Encumbrances	\$ 85,118	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,118	
Reserved for Correctional Incentive Program	17,372	0	0	0	0	17,372	
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	18,548	18,548	

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Fund Balances (Cont.)</u>							
Reserved for Alcohol and Drug Treatment	\$ 59,113	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,113
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	55,978	0	0	0	0	0	55,978
Reserved for Sexual Offender Registration	2,137	0	0	0	0	0	2,137
Reserved for Computer System - Register	15,523	0	0	0	0	0	15,523
Reserved for Automation Purposes - Circuit Court	2,107	0	0	0	0	0	2,107
Reserved for Automation Purposes - General Sessions Court	16,041	0	0	0	0	0	16,041
Reserved for Automation Purposes - Juvenile Court	903	0	0	0	0	0	903
Reserved for Automation Purposes - Chancery Court	1,002	0	0	0	0	0	1,002
Reserved for Automation Purposes - Sheriff	650	0	0	0	0	0	650
Reserved for Archives and Records Management - County Clerk	13,996	0	0	0	0	0	13,996
Reserved for Capital Outlay	0	0	150,000	0	1,830	0	151,830
Unreserved, Reported In:							
General Fund	446,452	0	0	0	0	0	446,452
Special Revenue Funds	0	36,560	736,833	0	443,861	0	1,217,254
Debt Service Funds	0	0	0	2,866,137	0	0	2,866,137
<u>Total Fund Balances</u>	<u>\$ 716,392</u>	<u>\$ 36,560</u>	<u>\$ 886,833</u>	<u>\$ 2,866,137</u>	<u>\$ 464,239</u>	<u>\$ 0</u>	<u>\$ 4,970,161</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 4,402,051</u>	<u>\$ 734,450</u>	<u>\$ 1,505,569</u>	<u>\$ 4,257,313</u>	<u>\$ 575,802</u>	<u>\$ 0</u>	<u>\$ 11,475,185</u>

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

Exhibit C-2

Grainger County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,970,161
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,819,753	
Add: construction in progress		7,500	
Add: buildings and improvements net of accumulated depreciation		8,901,586	
Add: other capital assets net of accumulated depreciation		1,187,929	
Add: infrastructure net of accumulated depreciation		<u>2,126,150</u>	14,042,918
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Add: deferred charges - debt issuance costs	\$	751,834	
Less: notes payable		(1,563,249)	
Less: other loans payable		(569,000)	
Less: capital leases payable		(35,766)	
Less: bonds payable		(29,270,000)	
Less: compensated absences payable		(140,297)	
Less: landfill closure/postclosure care costs		(1,152,529)	
Less: accrued interest on bonds and notes		(254,653)	
Less: other deferred revenue - premium on debt		<u>(230,322)</u>	(32,463,982)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>471,135</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(12,979,768)</u></u>

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

Exhibit C-3

Grainger County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>							
Local Taxes	\$ 3,450,138	\$ 691,669	\$ 445,048	\$ 1,692,767	\$ 84,333	\$ 6,363,955	
Licenses and Permits	57,380	0	0	0	0	57,380	
Fines, Forfeitures, and Penalties	76,574	5,810	3,316	10,145	18,658	114,503	
Charges for Current Services	853,808	0	0	0	311,973	1,165,781	
Other Local Revenues	108,657	21,684	16,039	957,624	463	1,104,467	
Fees Received from County Officials	451,195	0	0	0	0	451,195	
State of Tennessee	1,116,370	78,411	1,887,541	130,867	7,852	3,221,041	
Federal Government	533,729	0	0	0	47,249	580,978	
Other Governments and Citizens Groups	0	0	0	700,000	0	700,000	
Total Revenues	\$ 6,647,851	\$ 797,574	\$ 2,351,944	\$ 3,491,403	\$ 470,528	\$ 13,759,300	
<u>Expenditures</u>							
Current:							
General Government	\$ 828,102	\$ 0	\$ 0	\$ 0	\$ 1,206	\$ 829,308	
Finance	215,841	0	0	0	300,669	516,510	
Administration of Justice	469,138	0	0	0	628	469,766	
Public Safety	2,168,078	0	0	0	29,491	2,197,569	
Public Health and Welfare	1,225,652	759,967	0	0	0	1,985,619	
Social, Cultural, and Recreational Services	127,881	0	0	0	142,716	270,597	
Agriculture and Natural Resources	109,317	0	0	0	0	109,317	
Other Operations	731,721	0	0	0	0	731,721	
Highways	35,447	0	2,166,792	0	0	2,202,239	
Debt Service:							
Principal on Debt	0	0	0	1,507,552	0	1,507,552	
Interest on Debt	0	0	0	1,346,008	0	1,346,008	
Other Debt Service	0	0	0	46,870	0	46,870	
Capital Projects	415,704	0	0	0	0	415,704	
Total Expenditures	\$ 6,326,881	\$ 759,967	\$ 2,166,792	\$ 2,900,430	\$ 474,710	\$ 12,628,780	
Excess (Deficiency) of Revenues Over Expenditures	\$ 320,970	\$ 37,607	\$ 185,152	\$ 590,973	\$ (4,182)	\$ 1,130,520	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 85,000	\$ 0	\$ 150,000	\$ 0	\$ 0	\$ 0	\$ 235,000
Capital Leases Issued	24,346	0	0	0	0	0	24,346
Transfers In	0	0	0	107,451	0	0	107,451
Transfers Out	0	0	(107,451)	0	0	0	(107,451)
Total Other Financing Sources (Uses)	\$ 109,346	\$ 0	\$ 42,549	\$ 107,451	\$ 0	\$ 0	\$ 259,346
Net Change in Fund Balances	\$ 430,316	\$ 37,607	\$ 227,701	\$ 698,424	\$ (4,182)	\$ 1,389,866	\$ 1,389,866
Fund Balance, July 1, 2007	286,076	(1,047)	659,132	2,167,713	468,421	3,580,295	3,580,295
Fund Balance, June 30, 2008	\$ 716,392	\$ 36,560	\$ 886,833	\$ 2,866,137	\$ 464,239	\$ 4,970,161	\$ 4,970,161

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

Exhibit C-4

Grainger County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2008

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)	\$	1,389,866
(1) Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$	288,802
Less: current year depreciation expense		<u>(952,007)</u>
		(663,205)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		(50)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$	471,135
Less: deferred delinquent property taxes and other deferred June 30, 2007		<u>(561,031)</u>
		(89,896)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: change in premium on debt	\$	10,565
Add: principal payments on bonds		960,000
Add: principal payments on notes		463,552
Add: principal payments on other loans		84,000
Add: principal payments on capital leases		13,580
Less: note proceeds		(235,000)
Less: capital lease proceeds		(24,346)
Less: change in deferred debt issuance costs		<u>(37,243)</u>
		1,235,108
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$	10,004
Change in compensated absences payable		9,418
Change in landfill closure/postclosure care costs		<u>14,338</u>
		<u>33,760</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u>1,905,583</u>

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

Exhibit D

Grainger County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 729,674
Accounts Receivable	7,343
Due from Other Governments	113,940
Restricted Assets:	
Other Restricted Assets	<u>77,851</u>
Total Assets	<u><u>\$ 928,808</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 113,940
Due to Litigants, Heirs, and Others	<u>814,868</u>
Total Liabilities	<u><u>\$ 928,808</u></u>

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

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**GRAINGER COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

The Grainger County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Grainger County, and the Grainger County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Grainger County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Grainger County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 Grainger County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The School Department component unit only reports governmental activities in the government-wide financial statements.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

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

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

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

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

Grainger County reports the following major governmental funds:

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

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

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

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

Additionally, Grainger County reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund is used to account for the 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 from the state to be forwarded to the various cities in Grainger County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

Additionally, the School Department reports the following fund type:

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

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

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

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

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

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Grainger 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. Most income from these pooled investments is assigned to the General Debt Service Fund. Grainger County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and

Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

## **2. Receivables and Payables**

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible ambulance receivables is management's estimate based on prior collections and aging reports. The allowance for uncollectible property taxes is equal to 1.25 percent of total taxes levied.

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

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

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

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

**3. Restricted Assets**

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

**4. Capital Assets**

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

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

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

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

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

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

**5. Compensated Absences**

It is the primary government's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick

pay benefits. The discretely presented School Department's policy allows employees to accumulate sick pay benefits but neither vacation benefits nor compensatory time. There is no liability for unpaid accumulated sick leave in the county or the discretely presented School Department since there is no policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay and compensatory pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

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

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

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

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

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2008, Grainger County had \$24,589,969 in outstanding debt for capital purposes for the discretely presented School Department. This debt is a liability of Grainger County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Grainger County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Grainger County Board of Education has designated \$611,765 of the General Purpose School Fund's fund balance for construction and other costs associated with the new high school.

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

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

#### **Primary Government**

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

#### **Discretely Presented Grainger County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

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

### **Primary Government**

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

### **Discretely Presented Grainger County School Department**

Exhibit I-5 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 General Capital Projects Fund, which adopts a project length budget. All annual appropriations lapse at fiscal year end.

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

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

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

### **B. Expenditures Exceeded Appropriations**

General Fund expenditures exceeded appropriations in the Sheriff's Department major appropriation category (the legal level of control) by

\$7,141. This resulted from obtaining a vehicle through a capitalized lease without receiving the approval or an appropriation from the County Commission. This overexpenditure was funded from available fund balance.

General Debt Service Fund expenditures exceeded appropriations in the Other Debt Service – General Government (\$12,596) and Other Debt Service – Highway (\$774) major appropriation categories. These overexpenditures were funded by revenues greater than amounts anticipated.

Such overexpenditures are a violation of state statutes.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

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

##### Deposits

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

The county had no pooled and nonpooled investments as of June 30, 2008.

## **B. Capital Assets**

Capital assets activity for the year ended June 30, 2008, was as follows:

### Primary Government

#### **Governmental Activities**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,819,803	\$ 0	\$ (50)	\$ 1,819,753
Construction in Progress	30,028	8,080	(30,608)	7,500
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 1,849,831</b>	<b>\$ 8,080</b>	<b>\$ (30,658)</b>	<b>\$ 1,827,253</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,316,852	\$ 67,193	\$ 0	\$ 10,384,045
Roads and Bridges	10,846,848	0	0	10,846,848
Other Capital Assets	2,881,234	244,137	0	3,125,371
<b>Total Capital Assets Depreciated</b>	<b>\$ 24,044,934</b>	<b>\$ 311,330</b>	<b>\$ 0</b>	<b>\$ 24,356,264</b>

**Primary Government (Cont.)**

**Governmental Activities (Cont.)**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Less Accumulated Depreciation For:				
Buildings and				
Improvements	\$ 1,253,750	\$ 228,709	\$ 0	\$ 1,482,459
Roads and Bridges	8,210,315	510,383	0	8,720,698
Other Capital Assets	1,724,527	212,915	0	1,937,442
Total Accumulated Depreciation	<u>\$ 11,188,592</u>	<u>\$ 952,007</u>	<u>\$ 0</u>	<u>\$ 12,140,599</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,856,342</u>	<u>\$ (640,677)</u>	<u>\$ 0</u>	<u>\$ 12,215,665</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,706,173</u>	<u>\$ (632,597)</u>	<u>\$ (30,658)</u>	<u>\$ 14,042,918</u>

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

**Governmental Activities:**

General Government	\$ 20,984
Finance	2,700
Administration of Justice	88,429
Public Safety	136,765
Public Health and Welfare	92,835
Social, Cultural, and Recreational Services	17,916
Other Operations	14,622
Highways/Public Works	<u>577,756</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 952,007</u>

**Discretely Presented Grainger County School Department**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 812,384	\$ 0	\$ 0	\$ 812,384
Construction in Progress	14,176,253	12,351,920	0	26,528,173
	<hr/>			
Not Depreciated	\$ 14,988,637	\$ 12,351,920	\$ 0	\$ 27,340,557
<hr/>				
Capital Assets Depreciated:				
Buildings and Improvements	\$ 15,264,438	\$ 0	\$ 0	\$ 15,264,438
Other Capital Assets	1,207,153	103,568	(87,156)	1,223,565
	<hr/>			
Total Capital Assets Depreciated	\$ 16,471,591	\$ 103,568	\$ (87,156)	\$ 16,488,003
<hr/>				
Less Accumulated Depreciation:				
Buildings and Improvements	\$ 5,452,281	\$ 348,473	\$ 0	\$ 5,800,754
Other Capital Assets	627,407	46,818	(87,156)	587,069
	<hr/>			
Total Accumulated Depreciation	\$ 6,079,688	\$ 395,291	\$ (87,156)	\$ 6,387,823
<hr/>				
Total Capital Assets Depreciated, Net	\$ 10,391,903	\$ (291,723)	\$ 0	\$ 10,100,180
<hr/>				
Governmental Activities Capital Assets, Net	\$ 25,380,540	\$ 12,060,197	\$ 0	\$ 37,440,737
	<hr/>			

The discretely presented School Department charged depreciation expenses of \$348,472 to Instruction and \$46,819 to Support Services functions.

**C. Construction Commitments**

At June 30, 2008, Grainger County had uncompleted waterline construction contracts of \$79,414 in the General Fund. Funding for these future expenditures is being provided by a federal grant program.

At June 30, 2008, the discretely presented School Department had uncompleted construction and architectural contracts in the Education Capital Projects Fund (\$243,781) related to the construction of a new high school. Funding for these future expenditures has been provided.

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

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 314
Nonmajor governmental	General	6,379
Solid Waste/Sanitation	General	<u>8,824</u>
Total		<u><u>\$ 15,517</u></u>

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

**Primary Government**

<u>Transfer Out</u>	<u>Transfer In</u>
	General
	Debt
	Service
	Fund
Highway/Public Works Fund	\$ 107,451

**Discretely Presented Grainger County School Department**

<u>Transfers Out</u>	<u>Transfers In</u>	
	Education	General
	Capital	Purpose
	Project	School
	Fund	Fund
General Purpose School Fund	\$ 3,000,000	\$ 0
Nonmajor governmental funds	0	<u>35,000</u>
Total	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 35,000</u></u>

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

**E. Capital Leases**

On August 31, 2001, Grainger County entered into an 11-year lease-purchase agreement for land for the Ambulance Service. The terms of the agreement require total lease payments of \$55,000 with no interest. The deed to the leased property transfers to Grainger County at the end of the lease period. In addition, on December 26, 2007, Grainger County entered into a two-year lease for a vehicle for the Sheriff's Department. The terms of this agreement require total lease payments of \$25,684, including interest of \$1,338. The lease payments are made by the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 13,561
2010	13,543
2011	5,000
2012	5,000
Total Minimum Lease Payments	<u>\$ 37,104</u>
Less: Amount Representing Interest	<u>(1,338)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 35,766</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. Capital outlay notes are also issued to fund capital facilities, other capital purchases, such as equipment, and closure costs of the county-owned landfill.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 25 years for bonds, up to 12 years for notes, and up to 11 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements

decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2008, 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, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	3.87 to 4.32 %	\$ 31,000,000	\$ 29,270,000
Capital Outlay Notes	3.65 to 4.97	4,830,000	1,563,249
Other Loans	variable	1,000,000	569,000
Capital Leases	0 to 5.6	79,346	35,766

During the 2002-03 year, Grainger County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$1,000,000 to Grainger County for paving and improving roads. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2008, the variable interest rate was 1.45 percent, and other fees totaled approximately .69 percent of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following tables. Estimated interest and other loan fees included in the table for the variable rate debt are computed based on the rates in effect at June 30, 2008.

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 995,000	\$ 1,220,967	\$ 2,215,967
2010	1,025,000	1,182,416	2,207,416
2011	1,060,000	1,142,709	2,202,709
2012	1,095,000	1,101,644	2,196,644
2013	1,140,000	1,059,222	2,199,222
2014-2018	6,355,000	4,597,283	10,952,283
2019-2023	7,725,000	3,208,101	10,933,101

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2024-2028	\$ 6,745,000	\$ 1,626,845	\$ 8,371,845
2029-2030	3,130,000	211,849	3,341,849
Total	\$ 29,270,000	\$ 15,351,036	\$ 44,621,036

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 488,968	\$ 62,558	\$ 551,526
2010	463,048	42,948	505,996
2011	358,288	24,212	382,500
2012	177,945	10,774	188,719
2013	25,000	3,738	28,738
2014-2015	50,000	3,728	53,728
Total	\$ 1,563,249	\$ 147,958	\$ 1,711,207

Year Ending June 30	Other Loan			Total
	Principal	Interest	Other Fees	
2009	\$ 87,000	\$ 7,935	\$ 3,754	\$ 98,689
2010	90,000	6,663	3,152	99,815
2011	93,000	5,347	2,530	100,877
2012	96,000	3,988	1,886	101,874
2013	100,000	2,581	1,221	103,802
2014	103,000	1,120	530	104,650
Total	\$ 569,000	\$ 27,634	\$ 13,073	\$ 609,707

There is \$2,866,137 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,417, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,522, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2007	\$ 30,230,000	\$ 1,791,801	\$ 653,000
Additions	0	235,000	0
Deductions	(960,000)	(463,552)	(84,000)
Balance, June 30, 2008	<u>\$ 29,270,000</u>	<u>\$ 1,563,249</u>	<u>\$ 569,000</u>
Balance Due Within One Year	<u>\$ 995,000</u>	<u>\$ 488,968</u>	<u>\$ 87,000</u>

	Capital Leases	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2007	\$ 25,000	\$ 149,715	\$ 1,166,867
Additions	24,346	143,153	0
Deductions	(13,580)	(152,571)	(14,338)
Balance, June 30, 2008	<u>\$ 35,766</u>	<u>\$ 140,297</u>	<u>\$ 1,152,529</u>
Balance Due Within One Year	<u>\$ 12,677</u>	<u>\$ 28,059</u>	<u>\$ 48,619</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 32,730,841
Less: Balance Due Within One Year	(1,660,323)
Add: Unamortized Premium on Debt	<u>230,322</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 31,300,840</u>

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

**Discretely Presented Grainger County School Department**

The county issued a capital outlay note to fund asbestos removal at various school facilities. Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Debt obligations outstanding were issued for original terms of 18 years for the note. The capital outlay note outstanding as of June 30, 2008, is as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Capital Outlay Note	0 %	\$ 232,968	\$ 51,517

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

The annual requirements to amortize the note outstanding as of June 30, 2008, are presented in the following table:

Year Ending June 30	Note Principal
2009	\$ 12,943
2010	12,943
2011	12,943
2012	12,688
Total	<u>\$ 51,517</u>

#### Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the discretely presented School Department for the year ended June 30, 2008:

	Notes	Retirement Incentive	Other Post-Employment Benefits
Balance, July 1, 2007	\$ 64,460	\$ 30,000	\$ 0
Additions	0	35,000	833,000
Deductions	(12,943)	(22,500)	(188,670)
Balance, June 30, 2008	<u>\$ 51,517</u>	<u>\$ 42,500</u>	<u>\$ 644,330</u>
Balance Due Within One Year	<u>\$ 12,943</u>	<u>\$ 25,000</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 738,347
Less: Balance Due within One Year	<u>(37,943)</u>
Noncurrent Liabilities - Due in More than One Year - Exhibit A	<u>\$ 700,404</u>

Retirement incentives are liquidated from the General Purpose School Fund.

The other postemployment benefits liability is the amount that the School Department recorded in complying with provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financing Reporting by Employers for Postemployment Benefits Other Than Pensions. For Further discussions on this statement see Note V.B.

During the year, the discretely presented School Department contributed \$700,000 to the primary government to apply toward the retirement of school-related debt.

**G. On-Behalf Payments – Discretely Presented Grainger County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Grainger County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$117,923 and \$12,638, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Short-term Debt**

Grainger County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the following funds. These notes were necessary because funds were not available to meet obligations coming due before revenues were available. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance			Balance
	7-1-07	Issued	Redeemed	6-30-08
Tax Anticipation Notes \$	0	\$ 600,000	\$ (600,000)	\$ 0

## V. OTHER INFORMATION

### A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation. The county participates in public entity risk pools (Local Government Property and Casualty Fund and Local Government Workers' Compensation Fund) as opposed to purchasing commercial insurance for these risks. The county pays monthly or annual premiums for its insurance coverage. These pools are to be self-sustaining through member premiums.

The county provides commercial health insurance coverage for its employees. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

For certified employees, the School Department participates in the Local Education Group Insurance Fund (LEGIF) a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF 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. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

The School Department provides commercial health insurance coverage for noncertified personnel. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

### B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance)

when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. In previous years, the Grainger County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively for the Grainger County School Department with a zero net OPEB obligation at transition. GASB Statement No. 45 had no effect on the financial statements of the primary government for the year ended June 30, 2008, since the county does not currently provide any postemployment benefits to its employees. However, it is reasonably expected that Grainger County may provide OPEB benefits in subsequent years.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Grainger County. GASB Statement No. 48 had no effect on the financial statements of Grainger County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Grainger County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Grainger County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. Subsequent Events**

Subsequent to June 30, 2008, the General Debt Service Fund loaned the General (\$500,000) and Solid Waste/Sanitation (\$300,000) funds tax anticipation notes in advance of tax collections.

**D. Contingent Liabilities**

The county is involved in two pending lawsuits. Management, based on information from attorneys, estimates that the potential claims against the

county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

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

State and federal laws and regulations require the county to place a final cover on its Rocky Flat Road landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Grainger County stopped accepting waste, placed the final cover on the site, and has contracted its waste management to a private vendor. The Solid Waste/Sanitation Fund (special revenue fund) reports the activity related to this waste management. The \$1,152,529 reported as landfill closure and postclosure care liability on the government-wide financial statements at June 30, 2008, represents the estimated postclosure care costs for 24 years. This amount is based on what it would cost to perform all postclosure care in 2008. Therefore, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fourth Judicial District, Sevier, Jefferson, Grainger, and Cocke counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Grainger County made no contributions to the DTF for the year ended June 30, 2008.

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

Administrative Office:

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

**G. Jointly Governed Organization**

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock,

Hawkins, Jefferson, Johnson, Sullivan, Washington, and Unicoi. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a Board of Directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee, consisting of the chairman, vice-chairman, secretary, and treasurer of the Board of Directors, along with the center manager, as an ex-officio member, are in charge of the daily operations of the center.

## **H. Retirement Commitments**

### **Employees**

#### **Plan Description**

Employees of Grainger County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Grainger County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

## Funding Policy

Grainger County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 11.47 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Grainger County is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2008, Grainger County's annual pension cost of \$747,545 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Grainger County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 11 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

## Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$747,545	100%	\$0
6-30-07	713,660	100	0
6-30-06	609,491	100	0

## Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 76.64 percent funded. The actuarial accrued liability for benefits was \$12.8 million, and the actuarial value of assets was \$9.81 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.99 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.03 million, and the ratio of the UAAL to the covered payroll was 49.57 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## **School Teachers**

### **Plan Description**

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

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

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$684,310, \$635,350, and \$555,753, respectively, equal to the required contributions for each year.

### **I. Other Postemployment Benefits (OPEB)**

#### Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

#### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for retirees ranges from one to 61 percent based on years of service and type of coverage. During the year ended June 30, 2008, the discretely presented Grainger School Department contributed \$188,670 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 833,000
Interest on the NPO	0
Adjustment to the ARC	0
Annual OPEB cost	<hr/> \$ 833,000
Amount of contribution	(188,670)
Increase/decrease in NPO	<hr/> \$ 644,330
Net OPEB obligation, 7-1-07	<hr/> 0
Net OPEB obligation, 6-30-08	<hr/> <hr/> \$ 644,330

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-08	Local Education Group	\$ 833,000	23%	\$ 644,330

\* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 7,966,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 7,966,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 13,768,474
UAAL as a % of covered payroll	58%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

#### **J. Termination Benefits**

The discretely presented School Department has entered into a retirement incentive bonus payment plan in accordance with contract provisions. This plan is available to all certified teachers who retire from the School Department with at least ten years of service in Grainger County and are between the ages of 55 and 60, or have a minimum of 30 years of credited service in the Tennessee Consolidated Retirement System. The plan provides teachers who have met the noted requirements a bonus of \$5,000 paid in two equal installments. During the year, expenditures of \$22,500 were recognized for retirement incentive bonus payments. At June 30, 2008, ten individuals were participating in the program and were owed \$42,500, with \$25,000 being due within one year.

#### **K. Purchasing Laws**

##### Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-207, Tennessee Code Annotated (TCA). This act provides for purchases exceeding

\$10,000 (excluding emergency purchases) to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

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

Office of Director of Schools

Purchasing procedures for the discretely presented School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**VI. OTHER NOTES – DISCRETELY PRESENTED GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Significant Accounting Policies**

**1. General Statement**

Grainger County Emergency Communications District is a 911 service, which receives telephone requests for emergency services and provides for the dispatch of appropriate emergency service units. The district is a component unit of another governmental entity. Grainger County, Tennessee, is the primary government in whose financial reporting entity Grainger County E-911 is included. The district expects to receive a significant portion of its income from the tax revenues of Grainger County. Also, Grainger County's legislative body approves board members and annual operating contributions to the district.

The criteria for including organizations as component units within a county's reporting entity, as set forth in Section 2100 of Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the county appoints all board members of the organization
- the county is able to impose its will on the organization

- the organization has the potential to impose a financial benefit/burden on the county
- the organization fiscally depends on the county

## **2. Basis of Presentation**

The financial statements of the district have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the district has elected not to apply Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The more significant accounting policies of the district are described below.

The entity is a proprietary fund type known as an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

## **3. Methods of Accounting**

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

The district follows the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. It requires the classification of net assets into three components: 1) invested in capital assets, net of related debt service, 2) restricted for debt service, and 3) unrestricted.

4. **Cash and Cash Equivalents**

For purposes of these financial statements, the district considers all highly liquid investments having original maturity dates of three months or less to be cash equivalents.

5. **Budgetary Principles**

Prior to the beginning of the fiscal year, the Board of Directors adopts an annual budget. All revisions must be approved by the board. All annual appropriations lapse at fiscal year end.

The district prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP). At June 30, 2008, the district had no encumbrances.

6. **Capital Assets**

Capital assets owned by the district are recorded at cost or at their fair market value if contributed as property. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method.

7. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. **Operating and Non-Operating Revenues**

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

**9. Restricted and Unrestricted Resources**

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

**B. Cash and Collateral**

Cash consisted of the following at June 30, 2008:

Cash in bank	\$ 118,479
Six-month certificate of deposit, maturing August 14, 2008, with an interest rate of 4.05 percent	91,208

At June 30, 2008, \$100,000 of the district's deposits is insured by federal depository insurance and the remaining is uncollateralized. Investment policies of the district follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

**C. Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 7-1-07	Increases	Balance 6-30-08	Depreciation Rates
Communication equipment	\$ 520,341	\$ 40,459	\$ 560,800	10-20%
Furniture and fixtures	18,783	7,492	26,275	10
Other capital assets	18,995	0	18,995	10
Office equipment	2,232	677	2,909	20
Capital assets depreciated	<u>\$ 560,351</u>	<u>\$ 48,628</u>	<u>\$ 608,979</u>	
Communication equipment	\$ (180,574)	\$ (59,671)	\$ (240,245)	
Furniture and fixtures	(6,714)	(2,543)	(9,257)	
Other capital assets	(6,753)	(1,900)	(8,653)	
Office equipment	(1,650)	(419)	(2,069)	
Depreciation	<u>\$ (195,691)</u>	<u>\$ (64,533)</u>	<u>\$ (260,224)</u>	
Capital assets depreciated, net	<u>\$ 364,660</u>	<u>\$ (15,905)</u>	<u>\$ 348,755</u>	

Depreciation charged to expense totaled \$64,533 for the year ended June 30, 2008.

**D. Risk Management**

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district purchases commercial insurance for all of these risks of loss. There have been no claims in the prior three years.

**E. Retirement Plan**

**Plan Description**

Employees of the Grainger County Emergency Communications District 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). The 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 the Grainger County Emergency Communications District 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

The Grainger County Emergency Communications District requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008, was 6.72 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Grainger County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2008, the Grainger County Emergency Communications District's annual pension cost of \$15,847 to the TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 postretirement 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.

The Grainger County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$ 15,847	100%	\$ 0
6-30-07	14,666	100	0
6-30-06	9,576	100	0

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Craininger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,450,138	\$ 0	\$ 0	\$ 3,450,138	\$ 3,530,273	\$ 3,530,273	\$ (80,135)
Licenses and Permits	57,380	0	0	57,380	50,600	50,600	6,780
Fines, Forfeitures, and Penalties	76,574	0	0	76,574	59,417	59,417	17,157
Charges for Current Services	853,808	0	0	853,808	784,000	784,000	69,808
Other Local Revenues	108,657	0	0	108,657	62,350	106,438	2,219
Fees Received from County Officials	451,195	0	0	451,195	378,100	378,100	73,095
State of Tennessee	1,116,370	0	0	1,116,370	1,081,055	1,106,206	10,164
Federal Government	533,729	0	0	533,729	560,000	560,000	(26,271)
Other Governments and Citizens Groups	0	0	0	0	28,976	28,976	(28,976)
Total Revenues	\$ 6,647,851	\$ 0	\$ 0	\$ 6,647,851	\$ 6,534,771	\$ 6,604,010	\$ 43,841
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 65,050	\$ 0	\$ 0	\$ 65,050	\$ 65,010	\$ 65,785	\$ 735
Board of Equalization	900	0	0	900	1,000	1,000	100
Beer Board	500	0	0	500	2,000	2,000	1,500
Budget and Finance Committee	2,312	0	0	2,312	4,000	4,000	1,688
County Mayor/Executive	149,653	0	0	149,653	154,657	154,657	5,004
Election Commission	148,229	0	0	148,229	156,534	158,307	10,078
Register of Deeds	147,021	0	0	147,021	160,946	160,946	13,925
Planning	11,887	0	0	11,887	20,625	14,175	2,288
County Buildings	50,972	0	0	50,972	66,022	53,860	2,888
Other Facilities	221,722	0	0	221,722	203,120	223,870	2,148
Preservation of Records	29,856	0	0	29,856	21,406	31,746	1,890

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance</u>							
Property Assessor's Office	\$ 122,865	\$ 0	\$ 0	\$ 122,865	\$ 148,558	\$ 148,558	\$ 25,693
County Trustee's Office	49,834	0	0	49,834	55,719	59,652	9,818
County Clerk's Office	43,142	0	0	43,142	57,135	57,135	13,993
<u>Administration of Justice</u>							
Circuit Court	151,194	0	0	151,194	156,471	155,871	4,677
General Sessions Court	142,459	0	0	142,459	133,631	145,275	2,816
Chancery Court	102,216	(480)	0	101,736	107,080	107,080	5,344
Juvenile Court	73,269	0	0	73,269	63,929	77,029	3,760
<u>Public Safety</u>							
Sheriff's Department	1,004,711	0	0	1,004,711	923,056	997,570	(7,141)
Special Patrols	3,330	0	0	3,330	0	3,330	0
Jail	955,345	0	0	955,345	969,216	969,564	14,219
Fire Prevention and Control	1,500	0	0	1,500	1,500	1,500	0
Civil Defense	39,464	(2,719)	3,395	40,140	43,029	103,029	62,889
Other Emergency Management	161,438	0	0	161,438	161,438	161,438	0
Inspection and Regulation	2,290	0	0	2,290	2,300	2,300	10
<u>Public Health and Welfare</u>							
Local Health Center	59,393	0	0	59,393	67,871	67,871	8,478
Ambulance/Emergency Medical Services	1,141,368	0	0	1,141,368	1,140,366	1,142,327	959
Crippled Children Services	0	0	0	0	1,257	1,257	1,257
Other Local Health Services	6,011	0	0	6,011	6,011	6,011	0
Appropriation to State	180	0	0	180	15,580	15,580	15,400
General Welfare Assistance	10,000	0	0	10,000	10,000	10,000	0
Aid to Dependent Children	4,700	0	0	4,700	4,700	4,700	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Other Local Welfare Services	\$ 4,000	\$ 0	\$ 0	\$ 4,000	\$ 4,000	\$ 4,000	\$ 0
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	12,000	0	0	12,000	12,000	12,000	0
Libraries	115,881	0	2,309	118,190	120,031	129,078	10,888
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	49,496	0	0	49,496	49,455	49,496	0
Soil Conservation	59,821	0	0	59,821	62,151	62,150	2,329
<u>Other Operations</u>							
Tourism	0	0	0	0	22,950	22,950	22,950
Industrial Development	40,236	0	0	40,236	39,099	41,349	1,113
Housing and Urban Development	1,422	0	0	1,422	200,625	200,625	199,203
Veterans' Services	7,499	0	0	7,499	10,025	10,025	2,526
Other Charges	635,117	0	0	635,117	654,000	654,000	18,883
Contributions to Other Agencies	3,809	0	0	3,809	3,791	3,809	0
Miscellaneous	43,638	0	0	43,638	56,250	64,104	20,466
<u>Highways</u>							
Litter and Trash Collection	35,447	0	0	35,447	29,237	35,992	545
<u>Capital Projects</u>							
Public Health and Welfare Projects	415,704	(22,000)	79,414	473,118	500,000	500,000	26,882
Total Expenditures	\$ 6,326,881	\$ (25,199)	\$ 85,118	\$ 6,386,800	\$ 6,687,781	\$ 6,897,001	\$ 510,201
Excess (Deficiency) of Revenues Over Expenditures	\$ 320,970	\$ 25,199	\$ (85,118)	\$ 261,051	\$ (153,010)	\$ (292,991)	\$ 554,042

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 85,000	\$ 0	\$ 0	\$ 85,000	\$ 85,000	\$ 85,000	\$ 0
Capital Leases Issued	24,346	0	0	24,346	0	0	24,346
Total Other Financing Sources (Uses)	\$ 109,346	\$ 0	\$ 0	\$ 109,346	\$ 85,000	\$ 85,000	\$ 24,346
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 430,316	\$ 25,199	\$ (85,118)	\$ 370,397	\$ (68,010)	\$ (207,991)	\$ 578,388
	286,076	(25,199)	0	260,877	68,510	207,991	52,886
Fund Balance, June 30, 2008	\$ 716,392	\$ 0	\$ (85,118)	\$ 631,274	\$ 500	\$ 0	\$ 631,274

Exhibit E-2

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 691,669	\$ 709,424	\$ 709,424	\$ (17,755)
Fines, Forfeitures, and Penalties	5,810	4,500	4,500	1,310
Other Local Revenues	21,684	15,100	15,100	6,584
State of Tennessee	78,411	62,000	62,000	16,411
Total Revenues	<u>\$ 797,574</u>	<u>\$ 791,024</u>	<u>\$ 791,024</u>	<u>\$ 6,550</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 744,829	\$ 747,146	\$ 754,746	\$ 9,917
Recycling Center	800	10,800	3,200	2,400
Postclosure Care Costs	14,338	17,000	17,000	2,662
Total Expenditures	<u>\$ 759,967</u>	<u>\$ 774,946</u>	<u>\$ 774,946</u>	<u>\$ 14,979</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 37,607</u>	<u>\$ 16,078</u>	<u>\$ 16,078</u>	<u>\$ 21,529</u>
Net Change in Fund Balance	\$ 37,607	\$ 16,078	\$ 16,078	\$ 21,529
Fund Balance, July 1, 2007	(1,047)	0	0	(1,047)
Fund Balance, June 30, 2008	<u>\$ 36,560</u>	<u>\$ 16,078</u>	<u>\$ 16,078</u>	<u>\$ 20,482</u>

Exhibit E-3

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 445,048	\$ 440,647	\$ 440,647	\$ 4,401
Fines, Forfeitures, and Penalties	3,316	2,100	2,100	1,216
Other Local Revenues	16,039	0	4,415	11,624
State of Tennessee	1,887,541	1,718,572	1,781,104	106,437
Total Revenues	<u>\$ 2,351,944</u>	<u>\$ 2,161,319</u>	<u>\$ 2,228,266</u>	<u>\$ 123,678</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 130,346	\$ 134,490	\$ 132,990	\$ 2,644
Highway and Bridge Maintenance	996,435	1,125,650	1,092,150	95,715
Operation and Maintenance of Equipment	200,218	204,000	225,001	24,783
Other Charges	157,901	160,850	160,264	2,363
Employee Benefits	163,707	203,000	182,000	18,293
Capital Outlay	518,185	380,500	683,032	164,847
Total Expenditures	<u>\$ 2,166,792</u>	<u>\$ 2,208,490</u>	<u>\$ 2,475,437</u>	<u>\$ 308,645</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 185,152</u>	<u>\$ (47,171)</u>	<u>\$ (247,171)</u>	<u>\$ 432,323</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 150,000	\$ 0	\$ 150,000	\$ 0
Transfers Out	(107,451)	(120,000)	(120,000)	12,549
Total Other Financing Sources (Uses)	<u>\$ 42,549</u>	<u>\$ (120,000)</u>	<u>\$ 30,000</u>	<u>\$ 12,549</u>
Net Change in Fund Balance	\$ 227,701	\$ (167,171)	\$ (217,171)	\$ 444,872
Fund Balance, July 1, 2007	<u>659,132</u>	<u>588,357</u>	<u>588,357</u>	<u>70,775</u>
Fund Balance, June 30, 2008	<u>\$ 886,833</u>	<u>\$ 421,186</u>	<u>\$ 371,186</u>	<u>\$ 515,647</u>

Exhibit E-4

Grainger County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 9,812	\$ 12,802	\$ 2,990	76.64 %	\$ 6,032	49.57 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-5

Grainger County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Grainger County School Department  
June 30, 2008

(Dollar amounts in thousands)

	Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group Plan	6-30-07	\$ 0	\$ 7,996	\$ 7,996	0 %	\$ 13,768	58 %

\*Data not available for two preceding years.

**GRAINGER COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2008**

**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 Grainger County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, County Mayor/Executive, etc.). Management may make revisions within major categories, but only the Grainger 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. Any difference 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 Sheriff's Department (\$7,141) major appropriation category (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statute. This overexpenditure resulted from a vehicle obtained through a lease-purchase agreement, which was neither approved nor appropriated by the County Commission. This overexpenditure was funded from available fund balance.

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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 purposes.

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

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

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

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

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

## Capital Projects Funds

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for the general capital expenditures of the county.

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Exhibit F-1

Granger County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2008

	Special Revenue Funds						Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitutional Officers - Fees			General Capital Projects		
\$	0	0	0	0	0	75,502	75,502	0	0	75,502
Equity in Pooled Cash and Investments	8,744	5,115	40,461	297,205	0	351,525	351,525	30,186	0	381,711
Accounts Receivable	0	0	0	1,408	264	1,672	1,672	0	0	1,672
Due from Other Governments	0	0	0	27,547	0	27,547	27,547	0	0	27,547
Due from Other Funds	0	0	6,379	0	0	6,379	6,379	0	0	6,379
Property Taxes Receivable	0	0	0	84,921	0	84,921	84,921	0	0	84,921
Allowance for Uncollectible Property Taxes	0	0	0	(1,930)	0	(1,930)	(1,930)	0	0	(1,930)
Total Assets	\$ 8,744	\$ 5,115	\$ 46,840	\$ 409,151	\$ 75,766	\$ 545,616	\$ 545,616	\$ 30,186	\$ 0	\$ 575,802

ASSETS

Total Assets

LIABILITIES AND FUND BALANCES

	Special Revenue Funds						Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitutional Officers - Fees			General Capital Projects		
\$	0	0	72	0	0	72	72	0	0	72
Accounts Payable	0	0	0	88	0	88	88	0	0	88
Accrued Payroll	0	0	0	0	0	0	0	28,356	0	28,356
Contracts Payable	0	0	0	0	314	314	314	0	0	314
Due to Other Funds	0	0	0	0	0	0	0	0	0	0
Due to State of Tennessee	0	0	0	30	0	30	30	0	0	30
Deferred Revenue - Current Property Taxes	0	0	0	79,497	0	79,497	79,497	0	0	79,497
Deferred Revenue - Delinquent Property Taxes	0	0	0	3,206	0	3,206	3,206	0	0	3,206
Total Liabilities	\$ 0	\$ 0	\$ 72	\$ 82,821	\$ 314	\$ 83,207	\$ 83,207	\$ 28,356	\$ 0	\$ 111,563
Fund Balances										
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	18,548	0	0	18,548	18,548	0	0	18,548
Reserved for Capital Outlay	0	0	0	0	0	0	0	1,830	0	1,830
Unreserved	8,744	5,115	28,220	326,330	75,452	443,861	443,861	0	0	443,861
Total Fund Balances	\$ 8,744	\$ 5,115	\$ 46,768	\$ 326,330	\$ 75,452	\$ 462,409	\$ 462,409	\$ 1,830	\$ 0	\$ 464,239
Total Liabilities and Fund Balances	\$ 8,744	\$ 5,115	\$ 46,840	\$ 409,151	\$ 75,766	\$ 545,616	\$ 545,616	\$ 30,186	\$ 0	\$ 575,802

Total Liabilities and Fund Balances

Exhibit F-2

Granger County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2008

	Special Revenue Funds						Constitu- tional Officers - Fees	Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	General Capital Projects	0 \$					
<u>Revenues</u>											
Local Taxes	\$ 1,731	\$ 1,774	\$ 0	\$ 80,828	\$ 0	\$ 84,333	\$ 0	\$ 84,333	0	\$ 84,333	
Fines, Forfeitures, and Penalties	0	0	17,385	1,273	0	18,658	0	18,658	0	18,658	
Charges for Current Services	0	0	0	5,315	306,658	311,973	0	311,973	0	311,973	
Other Local Revenues	0	0	0	463	0	463	0	463	0	463	
State of Tennessee	0	0	0	7,852	0	7,852	0	7,852	0	7,852	
Federal Government	0	0	0	47,249	0	47,249	0	47,249	0	47,249	
Total Revenues	\$ 1,731	\$ 1,774	\$ 17,385	\$ 142,980	\$ 306,658	\$ 470,528	\$ 0	\$ 470,528	0	\$ 470,528	
<u>Expenditures</u>											
Current:											
General Government	\$ 1,206	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,206	\$ 0	\$ 1,206	0	\$ 1,206	
Finance	0	0	0	0	300,669	300,669	0	300,669	0	300,669	
Administration of Justice	0	0	0	0	628	628	0	628	0	628	
Public Safety	0	0	29,491	0	0	29,491	0	29,491	0	29,491	
Social, Cultural, and Recreational Services	0	675	0	142,041	0	142,716	0	142,716	0	142,716	
Total Expenditures	\$ 1,206	\$ 675	\$ 29,491	\$ 142,041	\$ 301,297	\$ 474,710	\$ 0	\$ 474,710	0	\$ 474,710	
Excess (Deficiency) of Revenues Over Expenditures	\$ 525	\$ 1,099	\$ (12,106)	\$ 939	\$ 5,361	\$ (4,182)	\$ 0	\$ (4,182)	0	\$ (4,182)	
Net Change in Fund Balances	\$ 525	\$ 1,099	\$ (12,106)	\$ 939	\$ 5,361	\$ (4,182)	\$ 0	\$ (4,182)	0	\$ (4,182)	
Fund Balance, July 1, 2007	8,219	4,016	58,874	325,391	70,091	466,591	1,830	468,421	1,830	468,421	
Fund Balance, June 30, 2008	\$ 8,744	\$ 5,115	\$ 46,768	\$ 326,330	\$ 75,452	\$ 462,409	\$ 1,830	\$ 464,239	\$ 1,830	\$ 464,239	

Exhibit F-3

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse and Jail Maintenance Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,731	\$ 1,200	\$ 1,200	\$ 531
Total Revenues	\$ 1,731	\$ 1,200	\$ 1,200	\$ 531
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 1,206	\$ 5,015	\$ 5,015	\$ 3,809
Total Expenditures	\$ 1,206	\$ 5,015	\$ 5,015	\$ 3,809
Excess (Deficiency) of Revenues Over Expenditures	\$ 525	\$ (3,815)	\$ (3,815)	\$ 4,340
Net Change in Fund Balance	\$ 525	\$ (3,815)	\$ (3,815)	\$ 4,340
Fund Balance, July 1, 2007	8,219	3,815	3,815	4,404
Fund Balance, June 30, 2008	\$ 8,744	\$ 0	\$ 0	\$ 8,744

Exhibit F-4

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Law Library Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,774	\$ 1,500	\$ 1,500	\$ 274
Total Revenues	\$ 1,774	\$ 1,500	\$ 1,500	\$ 274
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 675	\$ 1,515	\$ 1,515	\$ 840
Total Expenditures	\$ 675	\$ 1,515	\$ 1,515	\$ 840
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,099	\$ (15)	\$ (15)	\$ 1,114
Net Change in Fund Balance	\$ 1,099	\$ (15)	\$ (15)	\$ 1,114
Fund Balance, July 1, 2007	4,016	15	15	4,001
Fund Balance, June 30, 2008	\$ 5,115	\$ 0	\$ 0	\$ 5,115

Exhibit F-5

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 17,385	\$ 18,000	\$ 18,000	\$ (615)
Total Revenues	\$ 17,385	\$ 18,000	\$ 18,000	\$ (615)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 29,491	\$ 34,850	\$ 39,349	\$ 9,858
Total Expenditures	\$ 29,491	\$ 34,850	\$ 39,349	\$ 9,858
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,106)	\$ (16,850)	\$ (21,349)	\$ 9,243
Net Change in Fund Balance	\$ (12,106)	\$ (16,850)	\$ (21,349)	\$ 9,243
Fund Balance, July 1, 2007	58,874	16,850	21,349	37,525
Fund Balance, June 30, 2008	\$ 46,768	\$ 0	\$ 0	\$ 46,768

Exhibit F-6

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Sports and Recreation Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 80,828	\$ 87,613	\$ 87,613	\$ (6,785)
Fines, Forfeitures, and Penalties	1,273	850	850	423
Charges for Current Services	5,315	2,500	2,500	2,815
Other Local Revenues	463	4,000	4,000	(3,537)
State of Tennessee	7,852	233,500	8,500	(648)
Federal Government	47,249	0	225,000	(177,751)
Total Revenues	<u>\$ 142,980</u>	<u>\$ 328,463</u>	<u>\$ 328,463</u>	<u>\$ (185,483)</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Parks and Fair Boards	\$ 142,041	\$ 543,765	\$ 552,665	\$ 410,624
Total Expenditures	<u>\$ 142,041</u>	<u>\$ 543,765</u>	<u>\$ 552,665</u>	<u>\$ 410,624</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 939	\$ (215,302)	\$ (224,202)	\$ 225,141
Net Change in Fund Balance	\$ 939	\$ (215,302)	\$ (224,202)	\$ 225,141
Fund Balance, July 1, 2007	325,391	215,302	224,202	101,189
Fund Balance, June 30, 2008	<u>\$ 326,330</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 326,330</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

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,692,767	\$ 1,662,796	\$ 1,662,796	\$ 29,971
Fines, Forfeitures, and Penalties	10,145	5,394	5,394	4,751
Other Local Revenues	957,624	440,000	440,000	517,624
State of Tennessee	130,867	74,386	74,386	56,481
Other Governments and Citizens Groups	700,000	0	700,000	0
Total Revenues	<u>\$ 3,491,403</u>	<u>\$ 2,182,576</u>	<u>\$ 2,882,576</u>	<u>\$ 608,827</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 454,174	\$ 465,000	\$ 465,000	\$ 10,826
Highways and Streets	84,000	84,500	84,500	500
Education	969,378	969,378	969,378	0
<u>Interest on Debt</u>				
General Government	249,531	257,708	257,708	8,177
Highways and Streets	18,443	30,000	30,000	11,557
Education	1,078,034	1,090,019	1,090,019	11,985
<u>Other Debt Service</u>				
General Government	40,596	28,000	28,000	(12,596)
Highways and Streets	6,274	5,500	5,500	(774)
Total Expenditures	<u>\$ 2,900,430</u>	<u>\$ 2,930,105</u>	<u>\$ 2,930,105</u>	<u>\$ 29,675</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 590,973</u>	<u>\$ (747,529)</u>	<u>\$ (47,529)</u>	<u>\$ 638,502</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 107,451	\$ 832,944	\$ 132,944	\$ (25,493)
Total Other Financing Sources (Uses)	<u>\$ 107,451</u>	<u>\$ 832,944</u>	<u>\$ 132,944</u>	<u>\$ (25,493)</u>
Net Change in Fund Balance	\$ 698,424	\$ 85,415	\$ 85,415	\$ 613,009
Fund Balance, July 1, 2007	<u>2,167,713</u>	<u>2,438,183</u>	<u>2,438,183</u>	<u>(270,470)</u>
Fund Balance, June 30, 2008	<u>\$ 2,866,137</u>	<u>\$ 2,523,598</u>	<u>\$ 2,523,598</u>	<u>\$ 342,539</u>

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# Fiduciary Funds

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

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

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

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Exhibit H-1

Grainger County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 729,674	\$ 729,674
Accounts Receivable	0	7,343	7,343
Due from Other Governments	113,940	0	113,940
Restricted Assets:			
Other Restricted Assets	0	77,851	77,851
Total Assets	<u>\$ 113,940</u>	<u>\$ 814,868</u>	<u>\$ 928,808</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 113,940	\$ 0	\$ 113,940
Due to Litigants, Heirs, and Others	0	814,868	814,868
Total Liabilities	<u>\$ 113,940</u>	<u>\$ 814,868</u>	<u>\$ 928,808</u>

Exhibit H-2

Grainger County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 606,583	\$ 606,583	\$ 0
Due from Other Governments	103,909	113,940	103,909	113,940
Total Assets	\$ 103,909	\$ 720,523	\$ 710,492	\$ 113,940
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 103,909	\$ 720,523	\$ 710,492	\$ 113,940
Total Liabilities	\$ 103,909	\$ 720,523	\$ 710,492	\$ 113,940
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 634,350	\$ 3,877,169	\$ 3,781,845	\$ 729,674
Accounts Receivable	0	7,343	0	7,343
Due from Other Governments	216	0	216	0
Other Restricted Assets	74,902	2,949	0	77,851
Total Assets	\$ 709,468	\$ 3,887,461	\$ 3,782,061	\$ 814,868
<u>Liabilities</u>				
Due to Other Funds	\$ 216	\$ 0	\$ 216	\$ 0
Due to Litigants, Heirs, and Others	709,252	3,887,461	3,781,845	814,868
Total Liabilities	\$ 709,468	\$ 3,887,461	\$ 3,782,061	\$ 814,868
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 606,583	\$ 606,583	\$ 0
Cash	634,350	3,877,169	3,781,845	729,674
Accounts Receivable	0	7,343	0	7,343
Due from Other Governments	104,125	113,940	104,125	113,940
Other Restricted Assets	74,902	2,949	0	77,851
Total Assets	\$ 813,377	\$ 4,607,984	\$ 4,492,553	\$ 928,808
<u>Liabilities</u>				
Due to Other Funds	\$ 216	\$ 0	\$ 216	\$ 0
Due to Other Taxing Units	103,909	720,523	710,492	113,940
Due to Litigants, Heirs, and Others	709,252	3,887,461	3,781,845	814,868
Total Liabilities	\$ 813,377	\$ 4,607,984	\$ 4,492,553	\$ 928,808

# Grainger County School Department

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

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

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

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

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

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Exhibit I-1

Grainger County, Tennessee  
Statement of Activities  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net Expense (Revenue) and Changes in Net Assets Total
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 15,856,810	0 \$	1,870,567 \$	0 \$	(13,986,243)
Support Services	6,157,934	7,652	267,037	100,000	(5,783,245)
Operation of Non-Instructional Services	2,476,942	578,295	1,382,255	0	(516,392)
Debt Service	700,000	0	0	0	(700,000)
<b>Total Governmental Activities</b>	<b>\$ 25,191,686 \$</b>	<b>585,947 \$</b>	<b>3,519,859 \$</b>	<b>100,000 \$</b>	<b>(20,985,880)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 1,858,210
Local Option Sales Taxes					995,681
Business Tax					19,729
Interstate Telecommunications Tax					2,673
Grants and Contributions Not Restricted for Specific Programs					18,356,649
Unrestricted Investment Earnings					6,010
Miscellaneous					71,761
<b>Total General Revenues</b>					<b>\$ 21,310,713</b>
Change in Net Assets					\$ 324,833
Net Assets, July 1, 2007					41,458,661
Net Assets, June 30, 2008					\$ 41,783,494

Exhibit I-2

Grainger County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Grainger County School Department  
June 30, 2008

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Funds Other Govern- mental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,116	\$ 2,116
Equity in Pooled Cash and Investments	3,929,101	1,353,086	379,712	5,661,899
Accounts Receivable	46,996	0	0	46,996
Due from Other Governments	521,410	0	197,060	718,470
Property Taxes Receivable	2,358,652	0	0	2,358,652
Allowance for Uncollectible Property Taxes	(50,036)	0	0	(50,036)
Total Assets	<u>\$ 6,806,123</u>	<u>\$ 1,353,086</u>	<u>\$ 578,888</u>	<u>\$ 8,738,097</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 332,337	\$ 582,470	\$ 100,417	\$ 1,015,224
Accrued Payroll	32,862	0	0	32,862
Contracts Payable	0	362,992	0	362,992
Deferred Revenue - Current Property Taxes	2,225,915	0	0	2,225,915
Deferred Revenue - Delinquent Property Taxes	75,888	0	0	75,888
Other Deferred Revenues	93,464	0	0	93,464
Total Liabilities	<u>\$ 2,760,466</u>	<u>\$ 945,462</u>	<u>\$ 100,417</u>	<u>\$ 3,806,345</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 243,781	\$ 0	\$ 243,781
Reserved for Vocational Projects	0	0	1,385	1,385
Reserved for Career Ladder Program	2,158	0	0	2,158
Reserved for Technology	13,932	0	0	13,932
Reserved for Basic Education Program	737,425	0	0	737,425
Reserved for Title I Grants to Local Education Agencies	0	0	3,861	3,861
Reserved for Special Education - Grants to States	0	0	37,786	37,786
Unreserved, Reported In:				
General Fund	3,292,142	0	0	3,292,142
Special Revenue Funds	0	0	435,439	435,439
Capital Projects Funds	0	163,843	0	163,843
Total Fund Balances	<u>\$ 4,045,657</u>	<u>\$ 407,624</u>	<u>\$ 478,471</u>	<u>\$ 4,931,752</u>
Total Liabilities and Fund Balances	<u>\$ 6,806,123</u>	<u>\$ 1,353,086</u>	<u>\$ 578,888</u>	<u>\$ 8,738,097</u>

Exhibit I-3

Grainger County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Grainger County School Department  
June 30, 2008

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-2)		\$ 4,931,752
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 812,384	
Add: construction in progress	26,528,173	
Add: buildings and improvements net of accumulated depreciation	9,463,684	
Add: other capital assets net of accumulated depreciation	<u>636,496</u>	37,440,737
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		169,352
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (51,517)	
Less: retirement incentive payable	(42,500)	
Less: other postemployment benefits	<u>(664,330)</u>	<u>(758,347)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 41,783,494</u>

Exhibit I-4

Grainger County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 2,906,860	\$ 0	\$ 0	\$ 2,906,860
Licenses and Permits	504	0	0	504
Fines, Forfeitures, and Penalties	18,804	0	0	18,804
Charges for Current Services	4,236	0	581,711	585,947
Other Local Revenues	79,426	0	6,010	85,436
State of Tennessee	18,436,887	100,000	19,731	18,556,618
Federal Government	361,924	0	2,924,425	3,286,349
Other Governments and Citizens Groups	31	0	0	31
Total Revenues	<u>\$ 21,808,672</u>	<u>\$ 100,000</u>	<u>\$ 3,531,877</u>	<u>\$ 25,440,549</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,429,069	\$ 0	\$ 1,402,439	\$ 14,831,508
Support Services	5,728,763	0	485,920	6,214,683
Operation of Non-Instructional Services	393,119	0	1,655,703	2,048,822
Capital Outlay	42,846	41,850	0	84,696
Debt Service:				
Principal on Debt	12,943	0	0	12,943
Other Debt Service	700,000	0	0	700,000
Capital Projects	0	12,611,335	0	12,611,335
Total Expenditures	<u>\$ 20,306,740</u>	<u>\$ 12,653,185</u>	<u>\$ 3,544,062</u>	<u>\$ 36,503,987</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,501,932</u>	<u>\$ (12,553,185)</u>	<u>\$ (12,185)</u>	<u>\$ (11,063,438)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 35,000	\$ 3,000,000	\$ 0	\$ 3,035,000
Transfers Out	(3,000,000)	0	(35,000)	(3,035,000)
Total Other Financing Sources (Uses)	<u>\$ (2,965,000)</u>	<u>\$ 3,000,000</u>	<u>\$ (35,000)</u>	<u>\$ 0</u>
Net Change in Fund Balances	<u>\$ (1,463,068)</u>	<u>\$ (9,553,185)</u>	<u>\$ (47,185)</u>	<u>\$ (11,063,438)</u>
Fund Balance, July 1, 2007	<u>5,508,725</u>	<u>9,960,809</u>	<u>525,656</u>	<u>15,995,190</u>
Fund Balance, June 30, 2008	<u>\$ 4,045,657</u>	<u>\$ 407,624</u>	<u>\$ 478,471</u>	<u>\$ 4,931,752</u>

Exhibit I-5

Grainger County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

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

Net changes in fund balances - total governmental funds (Exhibit I-4)		\$ (11,063,438)
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 12,455,488	
Less: current year depreciation expense	<u>(395,291)</u>	12,060,197
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes/other deferred June 30, 2008	\$ 169,352	
Less: deferred delinquent property taxes/other deferred June 30, 2007	<u>(177,391)</u>	(8,039)
<p>(3) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Add: principal payments on notes	\$ 12,943	
Less: increase in other postemployment benefits	<u>(664,330)</u>	(651,387)
<p>(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.</p>		
Change in retirement incentive payable		<u>(12,500)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 324,833</u>

Exhibit I-6

Grainger County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Grainger County School Department  
June 30, 2008

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,116	\$ 2,116
Equity in Pooled Cash and Investments	63,549	316,163	379,712
Due from Other Governments	1,000	196,060	197,060
Total Assets	<u>\$ 64,549</u>	<u>\$ 514,339</u>	<u>\$ 578,888</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 21,517	\$ 78,900	\$ 100,417
Total Liabilities	<u>\$ 21,517</u>	<u>\$ 78,900</u>	<u>\$ 100,417</u>
<u>Fund Balances</u>			
Reserved for Vocational Projects	\$ 1,385	\$ 0	\$ 1,385
Reserved for Title I Grants to Local Education Agencies	3,861	0	3,861
Reserved for Special Education - Grants to States	37,786	0	37,786
Unreserved	0	435,439	435,439
Total Fund Balances	<u>\$ 43,032</u>	<u>\$ 435,439</u>	<u>\$ 478,471</u>
Total Liabilities and Fund Balances	<u>\$ 64,549</u>	<u>\$ 514,339</u>	<u>\$ 578,888</u>

Exhibit I-7

Grainger County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 581,711	\$ 581,711
Other Local Revenues	0	6,010	6,010
State of Tennessee	0	19,731	19,731
Federal Government	1,897,716	1,026,709	2,924,425
Total Revenues	<u>\$ 1,897,716</u>	<u>\$ 1,634,161</u>	<u>\$ 3,531,877</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,402,439	\$ 0	\$ 1,402,439
Support Services	485,920	0	485,920
Operation of Non-Instructional Services	0	1,655,703	1,655,703
Total Expenditures	<u>\$ 1,888,359</u>	<u>\$ 1,655,703</u>	<u>\$ 3,544,062</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,357</u>	<u>\$ (21,542)</u>	<u>\$ (12,185)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ 0	\$ (35,000)	\$ (35,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>
Net Change in Fund Balances	\$ 9,357	\$ (56,542)	\$ (47,185)
Fund Balance, July 1, 2007	33,675	491,981	525,656
Fund Balance, June 30, 2008	<u>\$ 43,032</u>	<u>\$ 435,439</u>	<u>\$ 478,471</u>

Exhibit I-8

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Grainger County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,906,860	\$ 0	\$ 2,906,860	\$ 2,756,354	\$ 2,656,354	\$ 250,506
Licenses and Permits	504	0	504	0	0	504
Fines, Forfeitures, and Penalties	18,804	0	18,804	22,000	22,000	(3,196)
Charges for Current Services	4,236	0	4,236	5,000	6,500	(2,264)
Other Local Revenues	79,426	0	79,426	38,476	50,000	29,426
State of Tennessee	18,436,887	0	18,436,887	16,391,649	17,893,439	543,448
Federal Government	361,924	0	361,924	90,300	321,580	40,344
Other Governments and Citizens Groups	31	0	31	0	0	31
Total Revenues	\$ 21,808,672	\$ 0	\$ 21,808,672	\$ 19,303,779	\$ 20,949,873	\$ 858,799
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 10,566,686	\$ 0	\$ 10,566,686	\$ 10,435,030	\$ 10,846,418	\$ 279,732
Alternative Instruction Program	67,398	0	67,398	67,455	69,065	1,667
Special Education Program	1,557,232	0	1,557,232	1,637,032	1,625,032	67,800
Vocational Education Program	849,297	0	849,297	841,001	871,176	21,879
Student Body Education Program	92,172	0	92,172	37,000	94,893	2,721
Adult Education Program	296,284	0	296,284	96,214	319,450	23,166
<u>Support Services</u>						
Attendance	8,075	0	8,075	9,063	9,063	988
Health Services	174,128	0	174,128	105,732	197,732	23,604
Other Student Support	424,383	0	424,383	341,481	435,309	10,926
Regular Instruction Program	610,846	0	610,846	610,510	652,270	41,424
Special Education Program	124,852	0	124,852	141,659	141,659	16,807

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Vocational Education Program	\$ 51,715	\$ 0	\$ 51,715	\$ 54,198	\$ 54,198	\$ 2,483
Adult Programs	42,566	0	42,566	0	45,547	2,981
Other Programs	130,561	0	130,561	0	130,561	0
Board of Education	293,429	0	293,429	305,268	339,768	46,339
Director of Schools	172,894	0	172,894	180,150	177,750	4,856
Office of the Principal	918,814	0	918,814	915,409	925,709	6,895
Operation of Plant	1,260,443	0	1,260,443	1,125,904	1,269,904	9,461
Maintenance of Plant	354,709	0	354,709	425,266	359,016	4,307
Transportation	1,161,348	(55,315)	1,106,033	1,124,163	1,157,189	51,156
<u>Operation of Non-Instructional Services</u>						
Community Services	33,300	0	33,300	33,300	33,300	0
Early Childhood Education	359,819	0	359,819	0	395,849	36,030
<u>Capital Outlay</u>						
Regular Capital Outlay	42,846	0	42,846	105,000	92,822	49,976
Principal on Debt	12,943	0	12,943	712,944	12,944	1
Education						
Other Debt Service						
Education	700,000	0	700,000	0	700,000	0
Total Expenditures	\$ 20,306,740	\$ (55,315)	\$ 20,251,425	\$ 19,303,779	\$ 20,956,624	\$ 705,199
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,501,932	\$ 55,315	\$ 1,557,247	\$ 0	\$ (6,751)	\$ 1,563,998

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 35,000	0	\$ 35,000	0	0	\$ 35,000
Transfers Out	(3,000,000)	0	(3,000,000)	0	(3,000,000)	0
Total Other Financing Sources (Uses)	\$ (2,965,000)	0	(2,965,000)	0	(3,000,000)	\$ 35,000
Net Change in Fund Balance	\$ (1,463,068)	55,315	\$ (1,407,753)	0	(3,006,751)	\$ 1,598,998
Fund Balance, July 1, 2007	5,508,725	(55,315)	5,453,410	0	5,508,725	(55,315)
Fund Balance, June 30, 2008	\$ 4,045,657	0	\$ 4,045,657	0	2,501,974	\$ 1,543,683

Exhibit I-9

Craininger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Grainger County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 9,669	\$ 0	\$ 0
Federal Government	1,897,716	0	1,897,716	1,947,064	2,329,737	(432,021)
Total Revenues	\$ 1,897,716	\$ 0	\$ 1,897,716	\$ 1,956,733	\$ 2,329,737	\$ (432,021)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 814,469	\$ 0	\$ 814,469	\$ 858,875	\$ 1,005,984	\$ 191,515
Special Education Program	529,755	0	529,755	623,821	624,815	95,060
Vocational Education Program	58,215	0	58,215	53,914	58,215	0
<u>Support Services</u>						
Other Student Support	24,488	0	24,488	31,349	36,083	11,595
Regular Instruction Program	216,679	0	216,679	229,092	374,459	157,780
Special Education Program	160,211	0	160,211	91,616	223,551	63,340
Vocational Education Program	13,481	0	13,481	13,481	13,481	0
Transportation	71,061	(20,500)	50,561	54,585	54,585	4,024
Total Expenditures	\$ 1,888,359	\$ (20,500)	\$ 1,867,859	\$ 1,956,733	\$ 2,391,173	\$ 523,314
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,357	\$ 20,500	\$ 29,857	\$ 0	\$ (61,436)	\$ 91,293
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,060	\$ (47,060)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,060	\$ (47,060)
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 9,357	\$ 20,500	\$ 29,857	\$ 0	\$ (14,376)	\$ 44,233
	33,675	(20,500)	13,175	0	33,675	(20,500)
Fund Balance, June 30, 2008	\$ 43,032	\$ 0	\$ 43,032	\$ 0	\$ 19,299	\$ 23,733

Exhibit I-10

Grainger County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Grainger County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 581,711	\$ 593,000	\$ 593,000	\$ (11,289)
Other Local Revenues	6,010	4,500	4,500	1,510
State of Tennessee	19,731	20,000	20,000	(269)
Federal Government	1,026,709	962,500	962,500	64,209
Total Revenues	<u>\$ 1,634,161</u>	<u>\$ 1,580,000</u>	<u>\$ 1,580,000</u>	<u>\$ 54,161</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,655,703	\$ 1,590,000	\$ 1,827,865	\$ 172,162
Total Expenditures	<u>\$ 1,655,703</u>	<u>\$ 1,590,000</u>	<u>\$ 1,827,865</u>	<u>\$ 172,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (21,542)</u>	<u>\$ (10,000)</u>	<u>\$ (247,865)</u>	<u>\$ 226,323</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (35,000)	\$ (40,000)	\$ (50,000)	\$ 15,000
Total Other Financing Sources (Uses)	<u>\$ (35,000)</u>	<u>\$ (40,000)</u>	<u>\$ (50,000)</u>	<u>\$ 15,000</u>
Net Change in Fund Balance	\$ (56,542)	\$ (50,000)	\$ (297,865)	\$ 241,323
Fund Balance, July 1, 2007	<u>491,981</u>	<u>297,865</u>	<u>297,865</u>	<u>194,116</u>
Fund Balance, June 30, 2008	<u>\$ 435,439</u>	<u>\$ 247,865</u>	<u>\$ 0</u>	<u>\$ 435,439</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Grainger County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds  
Primary Government and Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<b><u>PRIMARY GOVERNMENT</u></b>								
<b><u>BONDS PAYABLE</u></b>								
<u>Payable through General Debt Service Fund</u>								
Justice Center	\$ 6,500,000	3.87 %	12-23-03	3-1-23	\$ 5,730,000	0	\$ 270,000	\$ 5,460,000
General Obligation School Bonds - Series 2005	20,500,000	4.21	7-14-05	5-1-30	20,500,000	0	590,000	19,910,000
General Obligation School Bonds - Series 2006	4,000,000	4.32	8-10-06	5-1-30	4,000,000	0	100,000	3,900,000
Total Bonds Payable					\$ 30,230,000	0	\$ 960,000	\$ 29,270,000
<b><u>NOTES PAYABLE</u></b>								
<u>Payable through General Debt Service Fund</u>								
Justice Center Equipment	225,000	4.97	12-16-05	12-16-14	\$ 200,000	0	\$ 25,000	\$ 175,000
Health Department Roof	125,000	4.26	10-17-05	10-17-10	100,000	0	25,000	75,000
School Building - Phase I	1,000,000	3.65	10-10-1998	10-9-10	289,540	0	83,410	206,130
School Building - Phase II	1,500,000	3.65	12-14-1998	12-14-10	437,500	0	125,000	312,500
School Building - Phase III	500,000	4.15	8-23-1999	8-23-11	186,500	0	41,800	144,700
School Building - Phase IV	350,000	4.25	5-19-00	5-19-12	145,807	0	29,168	116,639
Landfill Engineering and Closure	225,000	4.15	5-15-00	5-15-09	50,000	0	25,000	25,000
Landfill Closure	550,000	4.25	5-30-00	5-30-12	229,120	0	45,840	183,280
Courthouse Renovations/Roof Repair	100,000	3.5	6-28-05	6-28-08	33,334	0	33,334	0
Vehicles for the Sheriff's Department	120,000	4.46	1-5-07	1-5-11	120,000	0	30,000	90,000
Ambulance	85,000	4.8	12-7-07	12-7-11	0	85,000	0	85,000
Black Fox Bridge	150,000	4.17	2-11-08	2-28-12	0	150,000	0	150,000
Total Notes Payable					\$ 1,791,801	\$ 235,000	\$ 463,552	\$ 1,563,249

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Fund								
Real Property - Ambulance Authority	\$ 55,000	0 %	8-31-01	6-30-12	\$ 25,000	0 \$	5,000 \$	20,000
Sheriff Vehicle	24,346	5.6	12-26-07	12-26-09	0	24,346	8,580	15,766
Total Capital Leases Payable					\$ 25,000	\$ 24,346	\$ 13,580	\$ 35,766
<u>OTHER LOANS PAYABLE</u>								
Payable through General Debt Service Fund								
Montgomery County Public Building Authority	1,000,000	Variable	3-5-03	5-24-14	\$ 653,000	0 \$	84,000 \$	569,000
Total Other Loans Payable					\$ 653,000	0 \$	84,000 \$	569,000
<u>DISCRETELY PRESENTED GRAINGER COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Purpose School Fund								
EPA Asbestos Abatement	232,968	0	11-30-1994	5-30-12	\$ 64,460	0 \$	12,943 \$	51,517
Total Notes Payable					\$ 64,460	0 \$	12,943 \$	51,517

Exhibit J-2

Grainger County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented  
Grainger County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 995,000	\$ 1,220,967	\$ 2,215,967
2010	1,025,000	1,182,416	2,207,416
2011	1,060,000	1,142,709	2,202,709
2012	1,095,000	1,101,644	2,196,644
2013	1,140,000	1,059,222	2,199,222
2014	1,180,000	1,015,028	2,195,028
2015	1,220,000	969,306	2,189,306
2016	1,270,000	921,686	2,191,686
2017	1,315,000	871,694	2,186,694
2018	1,370,000	819,569	2,189,569
2019	1,425,000	764,866	2,189,866
2020	1,480,000	707,371	2,187,371
2021	1,540,000	645,014	2,185,014
2022	1,605,000	579,694	2,184,694
2023	1,675,000	511,156	2,186,156
2024	1,240,000	439,149	1,679,149
2025	1,295,000	385,056	1,680,056
2026	1,345,000	328,565	1,673,565
2027	1,405,000	268,500	1,673,500
2028	1,460,000	205,575	1,665,575
2029	1,530,000	140,187	1,670,187
2030	1,600,000	71,662	1,671,662
Total	<u>\$ 29,270,000</u>	<u>\$ 15,351,036</u>	<u>\$ 44,621,036</u>

(Continued)

Exhibit J-2

Grainger County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented  
Grainger County School Department (Cont.)

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 488,968	\$ 62,558	\$ 551,526
2010	463,048	42,948	505,996
2011	358,288	24,212	382,500
2012	177,945	10,774	188,719
2013	25,000	3,738	28,738
2014	25,000	2,485	27,485
2015	25,000	1,243	26,243
Total	\$ 1,563,249	\$ 147,958	\$ 1,711,207

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Capital Lease Requirements
2009	\$ 12,677	\$ 884	\$ 13,561
2010	13,089	454	13,543
2011	5,000	0	5,000
2012	5,000	0	5,000
Total	\$ 35,766	\$ 1,338	\$ 37,104

(Continued)

Exhibit J-2

Grainger County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented  
Grainger County School Department (Cont.)

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Other Loan Requirements
2009	\$ 87,000	\$ 7,935	\$ 3,754	\$ 98,689
2010	90,000	6,663	3,152	99,815
2011	93,000	5,347	2,530	100,877
2012	96,000	3,988	1,887	101,875
2013	100,000	2,581	1,221	103,802
2014	103,000	1,120	530	104,650
Total	\$ 569,000	\$ 27,634	\$ 13,074	\$ 609,708

DISCRETELY PRESENTED GRAINGER  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 12,942	\$ 0	\$ 12,942
2010	12,942	0	12,942
2011	12,942	0	12,942
2012	12,691	0	12,691
Total	\$ 51,517	\$ 0	\$ 51,517

Exhibit J-3

Grainger County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Highway/Public Works	General Debt Service	Debt retirement	\$ 107,451
Total Transfers Primary Government			\$ 107,451
<u>DISCRETELY PRESENTED GRAINGER COUNTY SCHOOL DEPARTMENT</u>			
Central Cafeteria General Purpose School	General Purpose School Education Capital Projects	Operations (utilities) Building program	\$ 35,000 3,000,000
Total Transfers Discretely Presented Grainger County School Department			\$ 3,035,000

Exhibit J-4

Craininger County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:	Section 8-24-102, <u>TCA</u>	\$ 66,546	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	60,360	100,000	"
Director of Schools	State Board of Education and County Board of Education	76,952 (1)	(2)	"
Trustee	Section 8-24-102, <u>TCA</u>	54,872	711,902	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,872	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	Ohio Casualty Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	54,872 (3)	50,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	54,872	25,000	Ohio Casualty Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	60,360 (4)	25,000	"
Employee Blanket Bonds:				
County Employees			150,000	Local Government Insurance Pool
School Department Employees			100,000	Southern States Insurance Company

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

(2) - Covered by employee blanket bond.

(3) - Does not include special commissioner fee of \$19,975.

(4) - Does not include \$3,018 (5 percent of salary) for serving as workhouse superintendent and \$600 law enforcement training supplement.

Exhibit J-5

Grainger County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2008

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Law Library	Waste / Sanitation	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,048,875	\$ 0	\$ 0	\$ 636,777	\$ 0
Trustee's Collections - Prior Year	114,922	0	0	18,822	0
Circuit/Clerk & Master Collections - Prior Years	24,096	0	0	4,790	0
Interest and Penalty	19,119	0	0	3,632	0
Payments in-Lieu-of Taxes - T.V.A.	2,399	0	0	503	0
Payments in-Lieu-of Taxes - Local Utilities	47,930	0	0	15,050	0
Payments in-Lieu-of Taxes - Other	775	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	0
Litigation Tax - General	2,415	0	0	0	0
Litigation Tax - Special Purpose	36,650	1,731	1,774	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	15,942	0	0	0	0
Business Tax	32,265	0	0	6,636	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	26,033	0	0	5,459	0
Wholesale Beer Tax	76,747	0	0	0	0
Interstate Telecommunications Tax	1,970	0	0	0	0
Total Local Taxes	\$ 3,450,138	\$ 1,731	\$ 1,774	\$ 691,669	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 670	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	56,130	0	0	0	0
<u>Permits</u>					
Beer Permits	580	0	0	0	0
Total Licenses and Permits	\$ 57,380	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 6,218	\$ 0	\$ 0	\$ 1,284	\$ 0

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds			
		Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Officers Costs	\$ 2,185	\$ 0	\$ 0	\$ 446	\$ 0
Game and Fish Fines	43	0	0	8	0
Drug Control Fines	0	0	0	0	7,961
Drug Court Fees	2,903	0	0	0	0
Jail Fees	1,393	0	0	0	0
DUI Treatment Fines	1,031	0	0	0	0
Data Entry Fee - Circuit Court	1,047	0	0	0	0
<u>General Sessions Court</u>					
Fines	12,626	0	0	2,506	0
Officers Costs	7,320	0	0	1,461	0
Game and Fish Fines	111	0	0	21	0
Drug Control Fines	0	0	0	0	9,424
Drug Court Fees	5,774	0	0	0	0
Jail Fees	21,325	0	0	0	0
DUI Treatment Fines	5,666	0	0	0	0
Data Entry Fee - General Sessions Court	4,222	0	0	0	0
Courtroom Security Fee	199	0	0	0	0
<u>Juvenile Court</u>					
Fines	404	0	0	84	0
Officers Costs	1,065	0	0	0	0
Drug Control Fines	166	0	0	0	0
Data Entry Fee - Juvenile Court	348	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	1,712	0	0	0	0
Data Entry Fee - Chancery Court	762	0	0	0	0
<u>Other Courts - In-county</u>					
Jail Fees	54	0	0	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 76,574</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,810</b>	<b>\$ 17,385</b>

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds			
		Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Other Employee Benefit Charges/Contributions	\$ 556	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	782,465	0	0	0	0
Service Charges	5,119	0	0	0	0
<u>Fees</u>					
Recreation Fees	0	0	0	0	0
Copy Fees	20,329	0	0	0	0
Library Fees	2,472	0	0	0	0
Archives and Records Management Fee - County Clerk	13,996	0	0	0	0
Telephone Commissions	14,071	0	0	0	0
Vending Machine Collections	1,891	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	10,788	0	0	0	0
Data Processing Fee - Sheriff	577	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,544	0	0	0	0
Total Charges for Current Services	\$ 853,808	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	0	0	0	0	0
Lease/Rentals	35,618	0	0	0	0
Sale of Materials and Supplies	58	0	0	0	0
Commissary Sales	7,195	0	0	0	0
Sale of Maps	130	0	0	0	0
Sale of Recycled Materials	0	0	0	21,339	0
Miscellaneous Refunds	62,025	0	0	345	0
<u>Nonrecurring Items</u>					
Sale of Property	1	0	0	0	0
Damages Recovered from Individuals	856	0	0	0	0
Contributions and Gifts	2,032	0	0	0	0

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds			
		Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control
Other Local Revenues (Cont.)					
Other Local Revenues	742 \$	0 \$	0 \$	0 \$	0 \$
Total Other Local Revenues	108,657 \$	0 \$	0 \$	21,684 \$	0 \$
<u>Fees Received from County Officials</u>					
Excess Fees					
County Clerk	4,870 \$	0 \$	0 \$	0 \$	0 \$
Trustee	108,500	0	0	0	0
Fees in-Lieu-of-Salary					
Circuit Court Clerk	50,616	0	0	0	0
General Sessions Court Clerk	81,587	0	0	0	0
Clerk and Master	59,446	0	0	0	0
Juvenile Court Clerk	7,061	0	0	0	0
Register	132,141	0	0	0	0
Sheriff	6,974	0	0	0	0
Total Fees Received from County Officials	451,195 \$	0 \$	0 \$	0 \$	0 \$
<u>State of Tennessee</u>					
General Government Grants					
Juvenile Services Program	6,750 \$	0 \$	0 \$	0 \$	0 \$
State Reappraisal Grant	9,221	0	0	0	0
Solid Waste Grants	0	0	0	6,897	0
Public Safety Grants					
Law Enforcement Training Programs	13,900	0	0	0	0
Health and Welfare Grants					
Public Health Nurses	29,082	0	0	0	0
Other Health and Welfare Grants	1,312	0	0	0	0
Public Works Grants					
State Aid Program	0	0	0	0	0
Litter Program	22,090	0	0	3,463	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues</u>						
Income Tax	\$ 76,193	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Beer Tax	19,312	0	0	0	0	0
Alcoholic Beverage Tax	31,381	0	0	0	0	0
State Revenue Sharing - T.V.A.	324,550	0	0	68,051	0	0
Contracted Prisoner Boarding	536,795	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	20,252	0	0	0	0	0
Other State Revenues	9,152	0	0	0	0	0
Total State of Tennessee	\$ 1,116,370	\$ 0	\$ 0	\$ 78,411	\$ 0	\$ 0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 480,642	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	48,487	0	0	0	0	0
Other Federal through State	0	0	0	0	0	0
Direct Federal Revenue	4,600	0	0	0	0	0
Other Direct Federal Revenue	533,729	0	0	0	0	0
Total Federal Government	\$ 533,729	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 6,647,851	\$ 1,731	\$ 1,774	\$ 797,574	\$ 17,385	\$ 17,385

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Total
	Sports and Recreation	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 74,051	\$ 0	\$ 419,066	\$ 1,229,368	\$ 5,408,137	
Trustee's Collections - Prior Year	2,972	0	7,481	29,563	173,760	
Circuit/Clerk & Master Collections - Prior Years	628	0	2,624	8,132	40,270	
Interest and Penalty	527	0	1,564	5,433	30,275	
Payments in-Lieu-of Taxes - T.V.A.	58	0	329	967	4,256	
Payments in-Lieu-of Taxes - Local Utilities	1,159	0	6,571	19,327	90,037	
Payments in-Lieu-of Taxes - Other	0	0	0	0	775	
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	377,248	377,248	
Litigation Tax - General	0	0	0	0	2,415	
Litigation Tax - Special Purpose	0	0	0	0	40,155	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	15,942	
Business Tax	803	0	3,844	12,232	55,780	
<u>Statutory Local Taxes</u>						
Bank Excise Tax	630	0	3,569	10,497	46,188	
Wholesale Beer Tax	0	0	0	0	76,747	
Interstate Telecommunications Tax	0	0	0	0	1,970	
Total Local Taxes	\$ 80,828	\$ 0	\$ 445,048	\$ 1,692,767	\$ 6,363,955	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 670	
Cable TV Franchise	0	0	0	0	56,130	
<u>Permits</u>						
Beer Permits	0	0	0	0	580	
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 57,380	
<u>Fines, Forfeitures, and Penalties</u>						
Circuit Court	\$ 154	\$ 0	\$ 777	\$ 2,386	\$ 10,819	
Fines						

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Total
	Sports and Recreation	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Officers Costs	55 \$	0 \$	258 \$	806 \$	3,750	
Game and Fish Fines	1	0	3	11	66	
Drug Control Fines	530	0	0	0	8,491	
Drug Court Fees	0	0	0	0	2,903	
Jail Fees	0	0	0	0	1,393	
DUI Treatment Fines	0	0	0	0	1,031	
Data Entry Fee - Circuit Court	0	0	0	0	1,047	
<u>General Sessions Court</u>						
Fines	330	0	1,402	4,240	21,104	
Officers Costs	190	0	809	2,509	12,289	
Game and Fish Fines	3	0	13	33	181	
Drug Control Fines	0	0	0	0	9,424	
Drug Court Fees	0	0	0	0	5,774	
Jail Fees	0	0	0	0	21,325	
DUI Treatment Fines	0	0	0	0	5,666	
Data Entry Fee - General Sessions Court	0	0	0	0	4,222	
Courtroom Security Fee	0	0	0	0	199	
<u>Juvenile Court</u>						
Fines	10	0	54	160	712	
Officers Costs	0	0	0	0	1,065	
Drug Control Fines	0	0	0	0	166	
Data Entry Fee - Juvenile Court	0	0	0	0	348	
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	1,712	
Data Entry Fee - Chancery Court	0	0	0	0	762	
<u>Other Courts - In-county</u>						
Jail Fees	0	0	0	0	54	
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 1,273 \$</b>	<b>0 \$</b>	<b>3,316 \$</b>	<b>10,145 \$</b>	<b>114,503</b>	

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund
	Sports and Recreation	Constitu- tional Officers - Fees	Highway/ Public Works	General Debt Service	
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Other Employee Benefit Charges/Contributions	\$ 0	\$ 0	\$ 0	\$ 0	556
Patient Charges	0	0	0	0	782,465
Service Charges	0	0	0	0	5,119
<u>Fees</u>					
Recreation Fees	5,315	0	0	0	5,315
Copy Fees	0	0	0	0	20,329
Library Fees	0	0	0	0	2,472
Archives and Records Management Fee - County Clerk	0	0	0	0	13,996
Telephone Commissions	0	0	0	0	14,071
Vending Machine Collections	0	0	0	0	1,891
Constitutional Officers' Fees and Commissions	0	306,658	0	0	306,658
Data Processing Fee - Register	0	0	0	0	10,788
Data Processing Fee - Sheriff	0	0	0	0	577
Sexual Offender Registration Fees - Sheriff	0	0	0	0	1,544
<b>Total Charges for Current Services</b>	<b>\$ 5,315</b>	<b>\$ 306,658</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,165,781</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	0	0	0	957,624	957,624
Lease/Rentals	0	0	0	0	35,618
Sale of Materials and Supplies	0	0	0	0	58
Commissary Sales	0	0	0	0	7,195
Sale of Maps	0	0	0	0	130
Sale of Recycled Materials	0	0	0	0	21,339
Miscellaneous Refunds	0	0	16,039	0	78,409
<u>Nonrecurring Items</u>					
Sale of Property	0	0	0	0	1
Damages Recovered from Individuals	0	0	0	0	856
Contributions and Gifts	463	0	0	0	2,495

(Continued)

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund	Total
	Sports and Recreation	Constitu- tional Officers - Fees	Highway / Public Works		
<u>Other Local Revenues (Cont.)</u>					
<u>Other Local Revenues</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 742
Total Other Local Revenues	\$ 463	\$ 0	\$ 16,039	\$ 957,624	\$ 1,104,467
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,870
Trustee	0	0	0	0	108,500
<u>Fees in-Lieu-of Salary</u>					
Circuit Court Clerk	0	0	0	0	50,616
General Sessions Court Clerk	0	0	0	0	81,587
Clerk and Master	0	0	0	0	59,446
Juvenile Court Clerk	0	0	0	0	7,061
Register	0	0	0	0	132,141
Sheriff	0	0	0	0	6,974
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 451,195
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,750
State Reappraisal Grant	0	0	0	0	9,221
Solid Waste Grants	0	0	0	0	6,897
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	13,900
<u>Health and Welfare Grants</u>					
Public Health Nurses	0	0	0	0	29,082
Other Health and Welfare Grants	0	0	0	0	1,312
<u>Public Works Grants</u>					
State Aid Program	0	0	328,532	0	328,532
Litter Program	0	0	0	0	25,553

(Continued)

Exhibit J-5

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

	Special Revenue Funds			Debt Service Fund	Total
	Sports and Recreation	Constitu- tional Officers - Fees	Highway / Public Works		
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Income Tax	\$ 0 \$	0 \$	0 \$	0 \$	76,193
Beer Tax	0	0	0	0	19,312
Alcoholic Beverage Tax	0	0	0	0	31,381
State Revenue Sharing - T.V.A.	7,852	0	44,495	130,867	575,815
Contracted Prisoner Boarding	0	0	0	0	536,795
Gasoline and Motor Fuel Tax	0	0	1,497,923	0	1,497,923
Petroleum Special Tax	0	0	16,591	0	16,591
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	20,252
Other State Revenues	0	0	0	0	9,152
Total State of Tennessee	\$ 7,852 \$	0 \$	1,887,541 \$	130,867 \$	3,221,041
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0 \$	0 \$	0 \$	0 \$	480,642
Homeland Security Grants	0	0	0	0	48,487
Other Federal through State	47,249	0	0	0	47,249
Direct Federal Revenue	0	0	0	0	4,600
Other Direct Federal Revenue	47,249	0	0	0	580,978
Total Federal Government	\$ 47,249 \$	0 \$	0 \$	0 \$	580,978
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0 \$	0 \$	0 \$	700,000 \$	700,000
Total Other Governments and Citizens Groups	\$ 0 \$	0 \$	0 \$	700,000 \$	700,000
Total	\$ 142,980 \$	306,658 \$	2,351,944 \$	3,491,403 \$	13,759,300

Exhibit J-6

Grainger County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,651,025	\$ 0	\$ 0	\$ 0	\$ 1,651,025
Trustee's Collections - Prior Year	70,333	0	0	0	70,333
Circuit/Clerk & Master Collections - Prior Years	14,868	0	0	0	14,868
Interest and Penalty	12,387	0	0	0	12,387
Payments in-Lieu-of Taxes - T.V.A.	1,373	0	0	0	1,373
Payments in-Lieu-of Taxes - Local Utilities	128,967	0	0	0	128,967
<u>County Local Option Taxes</u>					
Local Option Sales Tax	990,610	0	0	0	990,610
Business Tax	19,729	0	0	0	19,729
<u>Statutory Local Taxes</u>					
Bank Excise Tax	14,906	0	0	0	14,906
Interstate Telecommunications Tax	2,662	0	0	0	2,662
<b>Total Local Taxes</b>	<b>\$ 2,906,860</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,906,860</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 504	\$ 0	\$ 0	\$ 0	\$ 504
<b>Total Licenses and Permits</b>	<b>\$ 504</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 504</b>
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 3,662	\$ 0	\$ 0	\$ 0	\$ 3,662
Officers Costs	1,274	0	0	0	1,274
Game and Fish Fines	29	0	0	0	29
<u>General Sessions Court</u>					
Fines	8,644	0	0	0	8,644
Officers Costs	4,861	0	0	0	4,861
Game and Fish Fines	101	0	0	0	101
<u>Juvenile Court</u>					
Fines	233	0	0	0	233
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 18,804</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,804</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 317,237	\$ 0	\$ 317,237
Lunch Payments - Adults	0	0	50,796	0	50,796
Income from Breakfast	0	0	60,695	0	60,695
A la carte Sales	0	0	143,552	0	143,552
Receipts from Individual Schools	0	0	3,416	0	3,416
Community Service Fees - Adults	360	0	0	0	360
TBI Criminal Background Fees	3,876	0	0	0	3,876
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	6,015	0	6,015
<b>Total Charges for Current Services</b>	<b>\$ 4,236</b>	<b>\$ 0</b>	<b>\$ 581,711</b>	<b>\$ 0</b>	<b>\$ 585,947</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 6,010	\$ 0	\$ 6,010

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Cobra Insurance Payments	\$ 8,516	\$ 0	\$ 0	\$ 0	\$ 8,516
Miscellaneous Refunds	40,410	0	0	0	40,410
<u>Nonrecurring Items</u>					
Sale of Property	4,000	0	0	0	4,000
Contributions and Gifts	26,500	0	0	0	26,500
Total Other Local Revenues	\$ 79,426	\$ 0	\$ 6,010	\$ 0	\$ 85,436
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 130,561	\$ 0	\$ 0	\$ 0	\$ 130,561
<u>Public Works Grants</u>					
Tennessee Industrial Infrastructure Program	0	0	0	100,000	100,000
<u>State Education Funds</u>					
Basic Education Program	17,206,001	0	0	0	17,206,001
Early Childhood Education	359,722	0	0	0	359,722
School Food Service	0	0	19,731	0	19,731
Driver Education	13,000	0	0	0	13,000
Other State Education Funds	165,255	0	0	0	165,255
Career Ladder Program	175,644	0	0	0	175,644
Career Ladder - Extended Contract	62,027	0	0	0	62,027
Other Vocational	14,991	0	0	0	14,991
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	185,831	0	0	0	185,831
Other State Grants	49,089	0	0	0	49,089
Other State Revenues	74,766	0	0	0	74,766
Total State of Tennessee	\$ 18,436,887	\$ 0	\$ 19,731	\$ 100,000	\$ 18,556,618
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 746,319	\$ 0	\$ 746,319
Breakfast	0	0	276,214	0	276,214
USDA - Other	0	0	4,176	0	4,176
Adult Education State Grant Program	80,401	0	0	0	80,401
Vocational Education - Basic Grants to States	26,000	72,696	0	0	98,696
Title I Grants to Local Education Agencies	0	740,000	0	0	740,000
Innovative Education Program Strategies	0	58,094	0	0	58,094
Special Education - Grants to States	0	736,700	0	0	736,700
Special Education Preschool Grants	0	42,626	0	0	42,626
Eisenhower Professional Development State Grants	0	231,300	0	0	231,300
Other Federal through State	203,056	16,300	0	0	219,356
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	52,467	0	0	0	52,467
Total Federal Government	\$ 361,924	\$ 1,897,716	\$ 1,026,709	\$ 0	\$ 3,286,349
<u>Other Governments and Citizens Groups</u>					
<u>Citizens Groups</u>					
Donations	\$ 31	\$ 0	\$ 0	\$ 0	\$ 31
Total Other Governments and Citizens Groups	\$ 31	\$ 0	\$ 0	\$ 0	\$ 31
Total	\$ 21,808,672	\$ 1,897,716	\$ 1,634,161	\$ 100,000	\$ 25,440,549

Exhibit J-7

Grainger County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 53,437	
Social Security	4,055	
State Retirement	6,108	
Dues and Memberships	<u>1,450</u>	
Total County Commission		\$ 65,050

Board of Equalization

Board and Committee Members Fees	\$ 900	
Total Board of Equalization		900

Beer Board

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

Budget and Finance Committee

Board and Committee Members Fees	\$ 2,312	
Total Budget and Finance Committee		2,312

County Mayor/Executive

County Official/Administrative Officer	\$ 66,546	
Longevity Pay	1,150	
Other Salaries and Wages	46,675	
Social Security	8,761	
State Retirement	13,136	
Unemployment Compensation	234	
Communication	1,901	
Data Processing Services	4,144	
Dues and Memberships	1,300	
Maintenance Agreements	1,650	
Postal Charges	908	
Printing, Stationery, and Forms	235	
Travel	1,657	
Office Supplies	<u>1,356</u>	
Total County Mayor/Executive		149,653

Election Commission

County Official/Administrative Officer	\$ 49,385	
Assistant(s)	19,397	
Longevity Pay	400	
Election Commission	18,750	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	10,095	
In-Service Training		1,770	
Social Security		5,325	
State Retirement		7,983	
Unemployment Compensation		224	
Communication		2,225	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		2,467	
Maintenance Agreements		8,027	
Maintenance and Repair Services - Equipment		899	
Maintenance and Repair Services - Office Equipment		1,603	
Postal Charges		2,290	
Printing, Stationery, and Forms		1,775	
Rentals		3,600	
Travel		4,378	
Electricity		1,205	
Office Supplies		1,361	
Propane Gas		2,699	
Water and Sewer		373	
Office Equipment		1,773	
Total Election Commission			\$ 148,229

Register of Deeds

County Official/Administrative Officer	\$	54,872	
Clerical Personnel		43,130	
Longevity Pay		850	
Social Security		6,534	
State Retirement		11,350	
Unemployment Compensation		196	
Communication		2,888	
Data Processing Services		13,028	
Dues and Memberships		422	
Maintenance Agreements		5,444	
Maintenance and Repair Services - Office Equipment		1,035	
Postal Charges		774	
Printing, Stationery, and Forms		953	
Travel		478	
Office Supplies		3,307	
Office Equipment		1,760	
Total Register of Deeds			147,021

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Planning

Board and Committee Members Fees	\$	2,625	
Other Contracted Services		9,250	
Other Charges		12	
Total Planning			\$ 11,887

County Buildings

Custodial Personnel	\$	8,982	
Social Security		796	
State Retirement		184	
Unemployment Compensation		117	
Maintenance and Repair Services - Buildings		12,508	
Other Contracted Services		2,150	
Coal		2,400	
Custodial Supplies		3,373	
Electricity		12,633	
Water and Sewer		5,245	
Building Improvements		2,584	
Total County Buildings			50,972

Other Facilities

Maintenance Personnel	\$	20,472	
Longevity Pay		1,600	
Social Security		1,296	
State Retirement		2,136	
Unemployment Compensation		118	
Communication		1,478	
Maintenance and Repair Services - Buildings		27,086	
Other Contracted Services		1,767	
Custodial Supplies		5,544	
Diesel Fuel		1,853	
Electricity		77,203	
Propane Gas		54,610	
Water and Sewer		26,559	
Total Other Facilities			221,722

Preservation of Records

Part-time Personnel	\$	10,300	
Social Security		788	
Unemployment Compensation		100	
Communication		1,259	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records (Cont.)

Maintenance and Repair Services - Office Equipment	\$	6,990	
Postal Charges		103	
Electricity		826	
Office Supplies		918	
Other Supplies and Materials		1,083	
Other Charges		3,600	
Other Equipment		3,889	
Total Preservation of Records			\$ 29,856

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	54,872	
Assistant(s)		9,300	
Deputy(ies)		21,712	
Longevity Pay		600	
Bonus Payments		2,500	
Social Security		6,474	
State Retirement		8,938	
Unemployment Compensation		219	
Communication		2,433	
Contracts with Private Agencies		1,775	
Data Processing Services		10,198	
Maintenance Agreements		630	
Maintenance and Repair Services - Vehicles		297	
Postal Charges		253	
Gasoline		950	
Office Supplies		262	
Other Supplies and Materials		1,452	
Total Property Assessor's Office			122,865

County Trustee's Office

Social Security	\$	10,628	
State Retirement		16,456	
Unemployment Compensation		294	
Communication		2,151	
Data Processing Services		10,121	
Dues and Memberships		507	
Maintenance Agreements		1,032	
Postal Charges		5,121	
Printing, Stationery, and Forms		1,793	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Travel	\$	595	
Office Supplies		1,136	
Total County Trustee's Office			\$ 49,834

County Clerk's Office

Social Security	\$	11,807	
State Retirement		12,434	
Unemployment Compensation		440	
Communication		1,893	
Dues and Memberships		497	
Maintenance Agreements		1,650	
Postal Charges		7,163	
Printing, Stationery, and Forms		1,260	
Travel		1,412	
Office Supplies		4,456	
Office Equipment		130	
Total County Clerk's Office			43,142

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		23,895	
Secretary(ies)		23,411	
Longevity Pay		600	
Jury and Witness Fees		9,244	
Social Security		7,417	
State Retirement		11,791	
Unemployment Compensation		189	
Communication		3,230	
Dues and Memberships		457	
Legal Notices, Recording, and Court Costs		120	
Maintenance Agreements		10,080	
Postal Charges		1,942	
Printing, Stationery, and Forms		1,730	
Travel		60	
Office Supplies		1,858	
Office Equipment		298	
Total Circuit Court			151,194

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	82,799	
Secretary(ies)		22,744	
Social Security		7,979	
State Retirement		11,876	
Unemployment Compensation		98	
Maintenance Agreements		1,304	
Postal Charges		1,000	
Printing, Stationery, and Forms		1,480	
Travel		457	
Library Books/Media		716	
Office Supplies		1,360	
Data Processing Equipment		10,646	
Total General Sessions Court			\$ 142,459

Chancery Court

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		23,137	
Longevity Pay		400	
Social Security		5,365	
State Retirement		9,045	
Unemployment Compensation		98	
Communication		2,481	
Dues and Memberships		854	
Postal Charges		1,240	
Printing, Stationery, and Forms		990	
Travel		148	
Library Books/Media		745	
Office Supplies		2,357	
Premiums on Corporate Surety Bonds		250	
Office Equipment		234	
Total Chancery Court			102,216

Juvenile Court

Supervisor/Director	\$	43,783	
Secretary(ies)		5,540	
Social Security		3,844	
State Retirement		5,764	
Unemployment Compensation		196	
Communication		2,546	
Contracts with Other Public Agencies		8,385	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Maintenance and Repair Services - Office Equipment	\$	152	
Medical and Dental Services		64	
Postal Charges		223	
Printing, Stationery, and Forms		350	
Travel		738	
Office Supplies		1,079	
Office Equipment		605	
Total Juvenile Court			\$ 73,269

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,978	
Deputy(ies)		444,277	
Sergeant(s)		50,003	
Medical Personnel		18,300	
Secretary(ies)		43,111	
Longevity Pay		2,750	
In-Service Training		7,181	
Social Security		42,621	
State Retirement		59,108	
Unemployment Compensation		2,475	
Communication		13,937	
Dues and Memberships		1,300	
Legal Notices, Recording, and Court Costs		65	
Maintenance Agreements		5,407	
Maintenance and Repair Services - Vehicles		32,983	
Postal Charges		1,206	
Printing, Stationery, and Forms		2,039	
Travel		4,505	
Electricity		469	
Gasoline		109,786	
Law Enforcement Supplies		22,524	
Office Supplies		7,653	
Tires and Tubes		5,788	
Uniforms		8,027	
Other Supplies and Materials		9,574	
Other Charges		234	
Principal on Capital Leases		8,580	
Communication Equipment		12,059	
Motor Vehicles		24,771	
Total Sheriff's Department			1,004,711

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Special Patrols

School Resource Officer	\$	3,058	
Social Security		234	
Unemployment Compensation		38	
Total Special Patrols			\$ 3,330

Jail

Medical Personnel	\$	54,900	
Guards		485,775	
Cafeteria Personnel		50,687	
Social Security		37,749	
State Retirement		57,033	
Unemployment Compensation		2,746	
Medical and Dental Services		83,000	
Other Contracted Services		1,018	
Drugs and Medical Supplies		30,079	
Food Preparation Supplies		125,585	
Other Supplies and Materials		25,781	
Other Charges		992	
Total Jail			955,345

Fire Prevention and Control

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

Civil Defense

Supervisor/Director	\$	8,276	
In-Service Training		2,311	
Social Security		633	
Unemployment Compensation		98	
Communication		3,940	
Maintenance Agreements		3,000	
Maintenance and Repair Services - Equipment		655	
Maintenance and Repair Services - Office Equipment		590	
Maintenance and Repair Services - Vehicles		2,285	
Printing, Stationery, and Forms		117	
Rentals		1,200	
Travel		17	
Diesel Fuel		295	
Gasoline		1,915	
Office Supplies		458	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Communication Equipment	\$ 2,136	
Surplus Equipment	2,646	
Other Equipment	8,892	
Total Civil Defense		\$ 39,464

Other Emergency Management

Contributions	\$ 161,438	
Total Other Emergency Management		161,438

Inspection and Regulation

Supervisor/Director	\$ 2,100	
Social Security	161	
Unemployment Compensation	29	
Total Inspection and Regulation		2,290

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 16,928	
Custodial Personnel	12,200	
Other Salaries and Wages	5,001	
Social Security	2,488	
State Retirement	1,998	
Unemployment Compensation	267	
Communication	3,931	
Dues and Memberships	100	
Maintenance Agreements	1,029	
Maintenance and Repair Services - Buildings	581	
Postal Charges	42	
Travel	994	
Custodial Supplies	416	
Drugs and Medical Supplies	1,895	
Office Supplies	869	
Utilities	10,654	
Total Local Health Center		59,393

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 38,800	
Medical Personnel	698,057	
Paraprofessionals	835	
Longevity Pay	1,800	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Other Salaries and Wages	\$ 27,614	
Board and Committee Members Fees	600	
Social Security	55,844	
State Retirement	69,879	
Unemployment Compensation	3,676	
Communication	5,666	
Licenses	1,010	
Maintenance Agreements	2,318	
Maintenance and Repair Services - Vehicles	21,910	
Postal Charges	1,970	
Rentals	4,656	
Travel	5,219	
Diesel Fuel	42,475	
Drugs and Medical Supplies	38,140	
Electricity	11,351	
Office Supplies	1,770	
Tires and Tubes	2,475	
Uniforms	2,078	
Water and Sewer	1,504	
Other Supplies and Materials	9,340	
Principal on Capital Leases	5,000	
Communication Equipment	2,509	
Motor Vehicles	84,872	
Total Ambulance/Emergency Medical Services		\$ 1,141,368
<u>Other Local Health Services</u>		
Contracts with Other Public Agencies	\$ 6,011	
Total Other Local Health Services		6,011
<u>Appropriation to State</u>		
Contracts with Government Agencies	\$ 180	
Total Appropriation to State		180
<u>General Welfare Assistance</u>		
Contributions	\$ 10,000	
Total General Welfare Assistance		10,000
<u>Aid to Dependent Children</u>		
Contracts with Other Public Agencies	\$ 4,700	
Total Aid to Dependent Children		4,700

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services

Contributions	\$ 4,000	
Total Other Local Welfare Services		\$ 4,000

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contracts with Other Public Agencies	\$ 1,000	
Contributions	11,000	
Total Senior Citizens Assistance		12,000

Libraries

Assistant(s)	\$ 8,055	
Librarians	56,772	
Part-time Personnel	3,959	
Longevity Pay	1,550	
Social Security	5,345	
State Retirement	5,129	
Unemployment Compensation	611	
Communication	4,662	
Data Processing Services	425	
Maintenance and Repair Services - Buildings	1,460	
Maintenance and Repair Services - Office Equipment	1,488	
Postal Charges	396	
Other Contracted Services	1,080	
Electricity	6,496	
Library Books/Media	13,994	
Office Supplies	862	
Periodicals	528	
Water and Sewer	206	
Other Supplies and Materials	565	
Other Charges	2,298	
Total Libraries		115,881

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 39,046	
Communication	2,435	
Contributions	6,840	
Travel	1,175	
Total Agriculture Extension Service		49,496

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	21,919	
Longevity Pay		250	
Other Salaries and Wages		18,013	
Social Security		3,132	
State Retirement		4,696	
Unemployment Compensation		196	
Communication		1,461	
Contributions		4,000	
Rentals		3,850	
Other Supplies and Materials		939	
Office Equipment		1,365	
Total Soil Conservation			\$ 59,821

Other Operations

Industrial Development

Longevity Pay	\$	750	
Other Salaries and Wages		26,854	
Social Security		2,043	
State Retirement		1,689	
Unemployment Compensation		222	
Maintenance and Repair Services - Equipment		66	
Electricity		5,962	
Water and Sewer		303	
Other Supplies and Materials		1,277	
Other Charges		1,070	
Total Industrial Development			40,236

Housing and Urban Development

Building Improvements	\$	1,422	
Total Housing and Urban Development			1,422

Veterans' Services

Supervisor/Director	\$	6,379	
Social Security		488	
Unemployment Compensation		89	
Communication		543	
Total Veterans' Services			7,499

Other Charges

Medical Insurance	\$	427,333	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Building and Contents Insurance	\$ 26,392	
Liability Insurance	21,328	
Trustee's Commission	74,889	
Vehicle and Equipment Insurance	24,622	
Workers' Compensation Insurance	60,553	
Total Other Charges		\$ 635,117

Contributions to Other Agencies

Contributions	\$ 3,809	
Total Contributions to Other Agencies		3,809

Miscellaneous

Audit Services	\$ 6,478	
Contributions	20,000	
Legal Services	4,946	
Maintenance Agreements	3,650	
Other Charges	8,564	
Total Miscellaneous		43,638

Highways

Litter and Trash Collection

Guards	\$ 24,966	
Social Security	1,814	
State Retirement	2,386	
Unemployment Compensation	135	
Maintenance and Repair Services - Vehicles	455	
Instructional Supplies and Materials	5,691	
Total Litter and Trash Collection		35,447

Capital Projects

Public Health and Welfare Projects

Other Construction	\$ 415,704	
Total Public Health and Welfare Projects		415,704

Total General Fund \$ 6,326,881

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 1,190	
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(Continued)

Exhibit J-7

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

Courthouse and Jail Maintenance Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Trustee's Commission	\$ 16	
Total County Buildings		\$ 1,206

Total Courthouse and Jail Maintenance Fund \$ 1,206

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Library Books/Media	\$ 658	
Trustee's Commission	17	
Total Libraries		\$ 675

Total Law Library Fund 675

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Accountants/Bookkeepers	\$ 9,520	
Attendants	174,591	
Longevity Pay	2,800	
Social Security	14,081	
State Retirement	16,221	
Unemployment Compensation	1,184	
Communication	614	
Maintenance and Repair Services - Vehicles	7,639	
Disposal Fees	451,648	
Other Contracted Services	4,462	
Diesel Fuel	6,025	
Tires and Tubes	1,046	
Utilities	11,790	
Other Supplies and Materials	3,613	
Liability Insurance	7,918	
Trustee's Commission	14,461	
Vehicle and Equipment Insurance	5,278	
Workers' Compensation Insurance	11,938	
Total Sanitation Management		\$ 744,829

Recycling Center

Other Contracted Services	\$ 800	
Total Recycling Center		800

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Postclosure Care Costs

Testing	\$ 14,338	
Total Postclosure Care Costs		<u>\$ 14,338</u>

Total Solid Waste/Sanitation Fund \$ 759,967

Drug Control Fund

Public Safety

Drug Enforcement

Data Processing Services	\$ 2,499	
Confidential Drug Enforcement Payments	20,000	
Food Supplies	131	
Instructional Supplies and Materials	1,163	
Law Enforcement Supplies	1,204	
Other Supplies and Materials	4,297	
Trustee's Commission	197	
Total Drug Enforcement		<u>\$ 29,491</u>

Total Drug Control Fund 29,491

Sports and Recreation Fund

Social, Cultural, and Recreational Services

Parks and Fair Boards

Supervisor/Director	\$ 27,705	
Clerical Personnel	4,988	
Custodial Personnel	5,513	
Social Security	2,690	
State Retirement	3,600	
Unemployment Compensation	203	
Communication	1,427	
Contributions	500	
Legal Notices, Recording, and Court Costs	288	
Postal Charges	132	
Printing, Stationery, and Forms	149	
Travel	1,653	
Other Contracted Services	6,270	
Asphalt - Hot Mix	8,900	
Electricity	557	
Gasoline	237	
Office Supplies	565	
Other Supplies and Materials	3,041	

(Continued)

Exhibit J-7

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

Sports and Recreation Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Premiums on Corporate Surety Bonds	\$	100	
Trustee's Commission		1,692	
Other Charges		6,964	
Maintenance Equipment		1,912	
Motor Vehicles		7,562	
Office Equipment		298	
Other Equipment		47,595	
Other Construction		7,500	
Total Parks and Fair Boards			\$ 142,041

Total Sports and Recreation Fund \$ 142,041

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	144,543	
Total County Trustee's Office			\$ 144,543

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	156,126	
Total County Clerk's Office			156,126

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	628	
Total Chancery Court			628

Total Constitutional Officers - Fees Fund 301,297

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,360	
Accountants/Bookkeepers		35,559	
Secretary(ies)		25,808	
Data Processing Services		3,533	
Legal Notices, Recording, and Court Costs		84	
Postal Charges		800	
Travel		566	
Office Supplies		1,154	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Other Charges	\$ 2,482	
Total Administration		\$ 130,346

Highway and Bridge Maintenance

Salary Supplements	\$ 18,500	
Foremen	94,734	
Equipment Operators	160,391	
Truck Drivers	118,322	
Laborers	321,007	
Rentals	2,217	
Asphalt - Cold Mix	1,145	
Asphalt - Hot Mix	259,474	
Crushed Stone	8,477	
Pipe - Metal	8,998	
Road Signs	1,575	
Small Tools	162	
Wood Products	125	
Other Supplies and Materials	1,308	
Total Highway and Bridge Maintenance		996,435

Operation and Maintenance of Equipment

Mechanic(s)	\$ 27,222	
Nightwatchmen	26,112	
Maintenance and Repair Services - Equipment	2,648	
Diesel Fuel	50,513	
Electricity	2,686	
Equipment and Machinery Parts	33,924	
Gasoline	39,770	
Lubricants	8,908	
Tires and Tubes	3,469	
Other Supplies and Materials	4,966	
Total Operation and Maintenance of Equipment		200,218

Other Charges

Communication	\$ 5,384	
Custodial Supplies	850	
Electricity	2,010	
Water and Sewer	373	
Trustee's Commission	24,407	
Vehicle and Equipment Insurance	52,785	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Workers' Compensation Insurance	\$ 71,629	
Other Self-Insured Claims	463	
Total Other Charges	<u>          </u>	\$ 157,901

Employee Benefits

Social Security	\$ 63,145	
State Retirement	93,544	
Unemployment Compensation	<u>7,018</u>	
Total Employee Benefits		163,707

Capital Outlay

Furniture and Fixtures	\$ 226	
Highway Equipment	73,256	
State Aid Projects	<u>444,703</u>	
Total Capital Outlay		<u>518,185</u>

Total Highway/Public Works Fund \$ 2,166,792

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 270,000	
Principal on Notes	<u>184,174</u>	
Total General Government		\$ 454,174

Highways and Streets

Principal on Other Loans	<u>\$ 84,000</u>	
Total Highways and Streets		84,000

Education

Principal on Bonds	\$ 690,000	
Principal on Notes	<u>279,378</u>	
Total Education		969,378

Interest on Debt

General Government

Interest on Bonds	\$ 217,708	
Interest on Notes	<u>31,823</u>	
Total General Government		249,531

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Highways and Streets

Interest on Other Loans	\$ 18,443	
Total Highways and Streets		\$ 18,443

Education

Interest on Bonds	\$ 1,040,019	
Interest on Notes	<u>38,015</u>	
Total Education		1,078,034

Other Debt Service

General Government

Trustee's Commission	\$ 40,596	
Total General Government		40,596

Highways and Streets

Other Debt Service	\$ 6,274	
Total Highways and Streets		<u>6,274</u>

Total General Debt Service Fund		<u>\$ 2,900,430</u>
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Total Governmental Funds - Primary Government		<u><u>\$ 12,628,780</u></u>
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Exhibit J-8

Grainger County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Grainger County School Department  
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,027,421	
Career Ladder Program	109,828	
Career Ladder Extended Contracts	54,462	
Homebound Teachers	39,321	
Educational Assistants	254,959	
Other Salaries and Wages	213,027	
Certified Substitute Teachers	62,575	
Non-certified Substitute Teachers	123,344	
Social Security	462,163	
State Retirement	489,362	
Life Insurance	5,050	
Medical Insurance	1,065,266	
Unemployment Compensation	5,518	
Employer Medicare	109,279	
Maintenance and Repair Services - Equipment	32,609	
Instructional Supplies and Materials	82,302	
Textbooks	190,637	
Other Supplies and Materials	23,989	
Other Charges	46,423	
Regular Instruction Equipment	169,151	
Total Regular Instruction Program		\$ 10,566,686

Alternative Instruction Program

Teachers	\$ 35,685	
Educational Assistants	19,257	
Social Security	3,343	
State Retirement	4,435	
Life Insurance	29	
Medical Insurance	3,821	
Unemployment Compensation	46	
Employer Medicare	782	
Total Alternative Instruction Program		67,398

Special Education Program

Teachers	\$ 684,720
Career Ladder Program	12,750
Homebound Teachers	21,855
Educational Assistants	174,385
Speech Pathologist	134,450

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries and Wages	\$	94,767	
Certified Substitute Teachers		11,675	
Non-certified Substitute Teachers		28,325	
Social Security		67,697	
State Retirement		82,697	
Life Insurance		662	
Medical Insurance		136,957	
Unemployment Compensation		808	
Employer Medicare		15,834	
Contracts with Private Agencies		24,935	
Maintenance and Repair Services - Equipment		660	
Other Contracted Services		54,018	
Instructional Supplies and Materials		135	
Other Supplies and Materials		4,433	
Other Charges		3,754	
Special Education Equipment		1,715	
Total Special Education Program			\$ 1,557,232

Vocational Education Program

Teachers	\$	590,032	
Career Ladder Program		7,000	
Other Salaries and Wages		36,846	
Certified Substitute Teachers		7,675	
Non-certified Substitute Teachers		8,600	
Social Security		37,844	
State Retirement		39,250	
Life Insurance		466	
Medical Insurance		100,027	
Unemployment Compensation		370	
Employer Medicare		8,878	
Instructional Supplies and Materials		9,029	
T&I Construction Materials		3,280	
Total Vocational Education Program			849,297

Student Body Education Program

Other Salaries and Wages	\$	33,170
Social Security		2,052
State Retirement		671
Medical Insurance		1,494

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Student Body Education Program (Cont.)

Employer Medicare	\$	480	
Other Fringe Benefits		17,610	
Instructional Supplies and Materials		35,000	
Other Supplies and Materials		145	
Other Charges		1,550	
Total Student Body Education Program			\$ 92,172

Adult Education Program

Teachers	\$	152,157	
Clerical Personnel		3,708	
Educational Assistants		29,477	
Other Salaries and Wages		44,969	
Social Security		12,911	
State Retirement		15,219	
Life Insurance		115	
Medical Insurance		24,040	
Unemployment Compensation		116	
Employer Medicare		3,145	
Instructional Supplies and Materials		3,543	
Other Supplies and Materials		3,884	
Other Equipment		3,000	
Total Adult Education Program			296,284

Support Services

Attendance

Supervisor/Director	\$	5,998	
Career Ladder Program		1,000	
Social Security		434	
State Retirement		437	
Unemployment Compensation		2	
Employer Medicare		101	
Travel		103	
Total Attendance			8,075

Health Services

Medical Personnel	\$	101,212	
Other Salaries and Wages		12,064	
Social Security		6,658	
State Retirement		12,373	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Life Insurance	\$	84	
Medical Insurance		9,856	
Unemployment Compensation		114	
Employer Medicare		1,557	
Travel		3,572	
Drugs and Medical Supplies		3,952	
Instructional Supplies and Materials		20,479	
In Service/Staff Development		200	
Other Charges		2,007	
Total Health Services			\$ 174,128

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		218,887	
School Resource Officer		23,300	
Other Salaries and Wages		59,198	
Social Security		16,042	
State Retirement		19,601	
Life Insurance		144	
Medical Insurance		30,672	
Unemployment Compensation		116	
Employer Medicare		3,752	
Evaluation and Testing		25,342	
Travel		616	
Other Supplies and Materials		7,923	
Other Charges		15,790	
Total Other Student Support			424,383

Regular Instruction Program

Supervisor/Director	\$	119,968
Career Ladder Program		5,000
Librarians		244,575
Instructional Computer Personnel		69,978
Social Security		25,696
State Retirement		27,731
Life Insurance		259
Medical Insurance		64,235
Unemployment Compensation		196
Employer Medicare		6,010

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Communication	\$	1,000	
Travel		16,196	
Other Contracted Services		13,576	
In Service/Staff Development		15,333	
Other Charges		1,093	
Total Regular Instruction Program			\$ 610,846

Special Education Program

Supervisor/Director	\$	65,526	
Career Ladder Program		3,000	
Clerical Personnel		15,426	
Social Security		5,316	
State Retirement		6,045	
Life Insurance		29	
Medical Insurance		3,472	
Unemployment Compensation		35	
Employer Medicare		1,243	
Maintenance and Repair Services - Equipment		537	
Travel		3,133	
Other Contracted Services		8,084	
In Service/Staff Development		10,000	
Other Charges		3,006	
Total Special Education Program			124,852

Vocational Education Program

Supervisor/Director	\$	22,105	
Career Ladder Program		1,000	
Clerical Personnel		15,426	
Social Security		2,335	
State Retirement		3,211	
Life Insurance		10	
Medical Insurance		1,957	
Unemployment Compensation		35	
Employer Medicare		546	
Travel		2,606	
Other Supplies and Materials		935	
In Service/Staff Development		549	
Other Charges		1,000	
Total Vocational Education Program			51,715

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	3,090	
Other Salaries and Wages		2,500	
Social Security		183	
State Retirement		193	
Employer Medicare		43	
Travel		5,139	
In Service/Staff Development		15,894	
Other Charges		15,524	
Total Adult Programs			\$ 42,566

Other Programs

On-Behalf Payments to OPEB	\$	130,561	
Total Other Programs			130,561

Board of Education

Other Salaries and Wages	\$	14,515	
Board and Committee Members Fees		24,000	
Social Security		2,358	
State Retirement		3,443	
Employer Medicare		551	
Audit Services		6,000	
Dues and Memberships		10,999	
Legal Services		1,220	
Travel		7,205	
Liability Insurance		60,000	
Premiums on Corporate Surety Bonds		1,050	
Trustee's Commission		88,306	
Workers' Compensation Insurance		64,307	
Criminal Investigation of Applicants - TBI		3,852	
Other Charges		5,623	
Total Board of Education			293,429

Director of Schools

County Official/Administrative Officer	\$	76,952	
Secretary(ies)		14,515	
Other Salaries and Wages		30,853	
Social Security		7,511	
State Retirement		10,005	
Life Insurance		26	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Medical Insurance	\$	5,127	
Unemployment Compensation		46	
Employer Medicare		1,757	
Communication		10,343	
Postal Charges		2,422	
Travel		3,295	
Other Contracted Services		3,815	
Office Supplies		5,653	
Other Charges		574	
Total Director of Schools			\$ 172,894

Office of the Principal

Principals	\$	349,181	
Career Ladder Program		12,000	
Assistant Principals		237,398	
Secretary(ies)		140,810	
Social Security		44,443	
State Retirement		53,502	
Life Insurance		317	
Medical Insurance		58,444	
Unemployment Compensation		416	
Employer Medicare		10,394	
Communication		11,909	
Total Office of the Principal			918,814

Operation of Plant

Custodial Personnel	\$	346,174	
Other Salaries and Wages		34,543	
Social Security		23,570	
State Retirement		42,604	
Unemployment Compensation		439	
Employer Medicare		5,512	
Other Contracted Services		13,056	
Custodial Supplies		37,118	
Electricity		620,887	
Natural Gas		46,269	
Water and Sewer		41,869	
Other Supplies and Materials		24,925	
Building and Contents Insurance		23,477	
Total Operation of Plant			1,260,443

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	59,982	
Other Salaries and Wages		160,367	
Social Security		12,472	
State Retirement		20,346	
Life Insurance		31	
Medical Insurance		5,106	
Unemployment Compensation		162	
Employer Medicare		3,101	
Maintenance and Repair Services - Buildings		50,180	
Travel		1,247	
Other Supplies and Materials		10,056	
Other Charges		31,659	
Total Maintenance of Plant			\$ 354,709

Transportation

Bus Drivers	\$	67,212	
Other Salaries and Wages		6,086	
Social Security		4,517	
State Retirement		3,911	
Medical Insurance		20	
Unemployment Compensation		69	
Employer Medicare		1,057	
Contracts with Parents		17,891	
Contracts with Vehicle Owners		749,700	
Maintenance and Repair Services - Vehicles		25,852	
Medical and Dental Services		2,900	
Travel		25,214	
Other Contracted Services		23,439	
Diesel Fuel		44,999	
Gasoline		39,919	
Lubricants		1,720	
Tires and Tubes		6,212	
Vehicle and Equipment Insurance		24,315	
Special Education Equipment		55,315	
Transportation Equipment		61,000	
Total Transportation			1,161,348

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	24,572	
Social Security		1,524	
State Retirement		2,818	
Unemployment Compensation		21	
Employer Medicare		356	
Travel		1,250	
Other Supplies and Materials		810	
Other Charges		1,949	
Total Community Services			\$ 33,300

Early Childhood Education

Teachers	\$	148,680	
Educational Assistants		66,139	
Non-certified Substitute Teachers		5,000	
Social Security		12,761	
State Retirement		16,801	
Life Insurance		115	
Medical Insurance		25,479	
Unemployment Compensation		190	
Employer Medicare		2,984	
Travel		286	
Instructional Supplies and Materials		69,362	
Other Supplies and Materials		10,000	
In Service/Staff Development		2,022	
Total Early Childhood Education			359,819

Capital Outlay

Regular Capital Outlay

Social Security	\$	101	
Employer Medicare		24	
Building Construction		1,125	
Building Improvements		15,314	
Other Capital Outlay		26,282	
Total Regular Capital Outlay			42,846

Principal on Debt

Education

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

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 700,000	
Total Education		\$ 700,000

Total General Purpose School Fund \$ 20,306,740

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 283,617	
Educational Assistants	268,111	
Other Salaries and Wages	1,541	
Certified Substitute Teachers	8,000	
Non-certified Substitute Teachers	25,000	
Social Security	35,420	
State Retirement	48,628	
Life Insurance	187	
Medical Insurance	35,574	
Unemployment Compensation	796	
Employer Medicare	8,017	
Instructional Supplies and Materials	43,723	
Other Supplies and Materials	33,349	
Other Charges	22,506	
Total Regular Instruction Program		\$ 814,469

Special Education Program

Teachers	\$ 30,584
Homebound Teachers	11,771
Educational Assistants	280,628
Speech Pathologist	39,395
Other Salaries and Wages	23,069
Non-certified Substitute Teachers	23,000
Social Security	23,838
State Retirement	40,829
Life Insurance	29
Medical Insurance	3,557
Unemployment Compensation	423
Employer Medicare	5,575
Other Contracted Services	30,728
Instructional Supplies and Materials	12,000

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$ 4,329	
Total Special Education Program		\$ 529,755

Vocational Education Program

Instructional Supplies and Materials	\$ 29,400	
T&I Construction Materials	9,000	
Vocational Instruction Equipment	19,815	
Total Vocational Education Program		58,215

Support Services

Other Student Support

Other Salaries and Wages	\$ 8,236	
Social Security	495	
State Retirement	945	
Employer Medicare	116	
Travel	2,021	
Other Supplies and Materials	466	
In Service/Staff Development	2,592	
Other Charges	7,579	
Other Equipment	2,038	
Total Other Student Support		24,488

Regular Instruction Program

Supervisor/Director	\$ 60,299	
Certified Substitute Teachers	800	
Non-certified Substitute Teachers	14,575	
Social Security	4,546	
State Retirement	3,763	
Life Insurance	29	
Medical Insurance	5,212	
Employer Medicare	1,071	
Maintenance and Repair Services - Equipment	59,715	
Travel	5,717	
Other Contracted Services	985	
Other Supplies and Materials	20,668	
In Service/Staff Development	33,495	
Other Charges	804	
Other Equipment	5,000	
Total Regular Instruction Program		216,679

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Consultants	\$	3,500	
Maintenance and Repair Services - Equipment		8,194	
Postal Charges		1,602	
Travel		7,022	
Other Contracted Services		81,882	
Other Supplies and Materials		14,607	
In Service/Staff Development		19,919	
Other Charges		4,485	
Other Equipment		19,000	
Total Special Education Program			\$ 160,211

Vocational Education Program

Travel	\$	5,481	
In Service/Staff Development		8,000	
Total Vocational Education Program			13,481

Transportation

Bus Drivers	\$	37,125	
Other Salaries and Wages		6,515	
Social Security		2,499	
State Retirement		3,837	
Employer Medicare		585	
Transportation Equipment		20,500	
Total Transportation			71,061

Total School Federal Projects Fund \$ 1,888,359

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	41,051
Clerical Personnel		30,853
Cafeteria Personnel		358,780
Part-time Personnel		547
Other Salaries and Wages		38,929
Social Security		27,491
State Retirement		44,773
Life Insurance		19
Medical Insurance		3,255

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Unemployment Compensation	\$	897	
Employer Medicare		6,496	
Communication		2,999	
Maintenance and Repair Services - Equipment		6,634	
Travel		1,451	
Other Contracted Services		9,364	
Food Preparation Supplies		93,458	
Food Supplies		822,227	
Workers' Compensation Insurance		13,330	
In Service/Staff Development		760	
Other Charges		34,124	
Food Service Equipment		118,265	
Total Food Service			\$ 1,655,703

Total Central Cafeteria Fund \$ 1,655,703

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Other Salaries and Wages	\$	41,850	
Total Regular Capital Outlay			\$ 41,850

Capital Projects

Education Capital Projects

Architects	\$	74,385	
Other Charges		7,587	
Building Construction		12,269,948	
Furniture and Fixtures		259,415	
Total Education Capital Projects			12,611,335

Total Education Capital Projects Fund 12,653,185

Total Governmental Funds - Grainger County School Department \$ 36,503,987

Exhibit J-9

Grainger County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 606,583
Total Cash Receipts	<u>\$ 606,583</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 600,517
Trustee's Commission	6,066
Total Cash Disbursements	<u>\$ 606,583</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	 <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 37243-1402  
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

February 10, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grainger County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Grainger County's basic financial statements and have issued our report thereon dated February 10, 2009. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Grainger County Emergency Communications District as described in our report on Grainger County's financial statements. This report does not include the results of the other auditor's testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grainger County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grainger County's internal control over financial

reporting. Accordingly, we do not express an opinion on the effectiveness of Grainger County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting: 08.02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Grainger County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

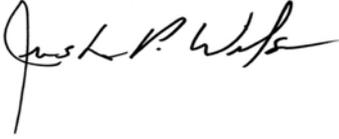
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grainger County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 08.01.

We consider item 08.03 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain other matters that we reported to the management of Grainger County in separate communications.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Grainger County, 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,

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Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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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 37243-1402  
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

February 10, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Grainger County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Grainger County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Grainger County's management. Our responsibility is to express an opinion on Grainger County's compliance based on our audit.

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

believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grainger County's compliance with those requirements.

In our opinion, Grainger County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Grainger County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Grainger County's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grainger County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

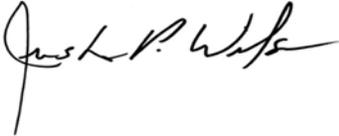
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grainger County as of and for the year ended June 30, 2008, and have issued our report thereon dated February 10, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Grainger County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Grainger County, 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.

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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Grainger County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2008

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 84,009 (4)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	276,214
National School Lunch Program	10.555	N/A	750,495 (4)
Total U.S. Department of Agriculture			<u>\$ 1,110,718</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 480,642
Passed-through Tennessee Housing Development Agency:			
HOME Investment Partnerships Program	14.239	(3)	1,312
Total U.S. Department of Housing and Urban Development			<u>\$ 481,954</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(3)	\$ 139,171
Total U.S. Department of Labor			<u>\$ 139,171</u>
U.S. Department of Transportation:			
Passed-through State Department of Environment and Conservation:			
Recreational Trails Program	20.219	(3)	\$ 47,249
Total U.S. Department of Transportation			<u>\$ 47,249</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 736,276
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	718,402
Special Education - Preschool Grants	84.173	N/A	42,626
Vocational Education - Basic Grants to States	84.048	N/A	72,696
Safe and Drug-Free Schools and Communities - State Grants	84.186	(3)	17,037
Even Start - State Educational Agencies	84.213	(3)	57,500
State Grants for Innovative Programs	84.298	N/A	8,116
Education Technology State Grants	84.318	(3)	12,294
Rural Education	84.358	N/A	54,412
Improving Teacher Quality State Grants	84.367	N/A	225,330
Passed-through Jefferson County School Department:			
English Language Acquisition Grants	84.365	N/A	7,555
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	80,401
Total U.S. Department of Education			<u>\$ 2,032,645</u>

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	Z-05-025158-00	\$ 450
Total U.S. Department of Homeland Security			<u>\$ 450</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,812,187</u></u>

<u>State Grants</u>		<u>Contract Number</u>	
State Reappraisal Program - Comptroller of the Treasury	N/A	(3)	\$ 9,221
Public Health Nurses - State Department of Health	N/A	(3)	29,082
Juvenile Services Program - State Children's Services Commission	N/A	(3)	6,750
Litter Grant Program - State Department of Transportation	N/A	(3)	25,553
High Schools That Work - State Department of Education	N/A	(3)	14,991
Adult Education - State Grant Program - State Department of Education	N/A	(3)	25,792
Regional User Group - State Department of Education	N/A	(3)	3,462
Highway Safety Grant - State Department of Transportation	N/A	(3)	4,900
Family Resource Center - State Department of Education	N/A	(3)	33,300
Driver's Education - State Department of Education	N/A	(3)	13,000
Community Enhancement Grant Program - Archives Tennessee Secretary of State	N/A	(3)	16,340
Safe Schools Act Grant - State Department of Education	N/A	(3)	23,300
Tobacco Use Prevention and Cessation Grant - State Department of Health	N/A	(3)	15,789
THP Project - TN Dept. of Economic and Community Development	N/A	(3)	100,000
AOC Grant - State Administrative Office of the Courts	N/A	(3)	2,138
Coordinated School Health - Department of Education	N/A	(3)	97,625
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(3)	359,722
Waste Tire Grant - State Department of Environment and and Conservation	N/A	(3)	<u>6,897</u>
Total State Grants			<u><u>\$ 787,862</u></u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) - GG-07-20256-00: \$59,305; GG-04-11284-00: \$421,337.
- (3) - Information not available.
- (4) - Total for CFDA No. 10.555 is \$834,504.

Grainger County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Grainger County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.07	169	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, Sheriff, and Ambulance Service
07.08	169	A central system of accounting, budgeting, and purchasing had not been adopted

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**GRAINGER COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2008**

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

1. Our report on the financial statements of Grainger County is unqualified.
2. The audit of the financial statements of Grainger County disclosed one significant deficiency in internal control. That deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Grainger County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Development Block Grants/States Program (CFDA No. 14.228), and the Special Education Cluster: 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 \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Grainger County did not qualify as a low-risk auditee.

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

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

### **OFFICES OF COUNTY MAYOR AND SHERIFF**

**FINDING 08.01      THE OFFICES FAILED TO COMPLY WITH STATE STATUTES WHEN ENTERING INTO A LEASE-PURCHASE AGREEMENT**  
(Noncompliance Under Government Auditing Standards)

On December 26, 2007, the sheriff entered into a three-year lease-purchase agreement for a patrol car (\$24,346) without the prior approval of the County Commission. Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by resolution of the County Commission. Additionally, the County Mayor's Office did not file a Report on Debt Obligation with the state director of Local Finance. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, the county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the costs of issuance. Officials advised that they were not aware of the requirements that lease-purchase agreements must be approved by the County Commission and reported to the state director of Local Finance.

### **RECOMMENDATION**

Lease-purchase agreements should be approved by the County Commission, and a Report on Debt Obligation should be filed with the state director of Local Finance within 45 days following the issuance of the debt.

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### **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 08.02      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, SHERIFF, AND THE AMBULANCE SERVICE DEPARTMENT**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, Sheriff, and the Ambulance Service Department. Officials and employees responsible for maintaining accounting records of these offices were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal

controls be designed to provide reasonable assurances of the reliability in financial reporting and of the effectiveness and efficiency of operation. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

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FINDING 08.03      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practices indicate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

**GRAINGER COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2008**

There were no audit findings relative to federal awards presented in the prior- or current-years' Schedules of Findings and Questioned Costs.