

**ANNUAL FINANCIAL REPORT
UNICOI COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2013



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FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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This financial report is available at www.comptroller.tn.gov

UNICOI COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Unicoi County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Unicoi County as of and for the year ended June 30, 2013.

Results

Our report on Unicoi County's financial statements is unmodified.

Our audit resulted in six findings and recommendations, which we have reviewed with Unicoi County management. Detailed findings, recommendations, and management's response are included in the Single Audit section of this report.

Findings and Best Practices

The following are summaries of the audit findings and best practices:

OFFICES OF COUNTY MAYOR AND SHERIFF

- ◆ The offices had deficiencies in purchasing procedures.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
-

OFFICE OF TRUSTEE

- ◆ The office did not implement adequate internal controls to protect its information resources.
 - ◆ Usernames and passwords were shared by employees.
-

OFFICE OF SHERIFF

- ◆ A cash shortage of \$4,845.75 existed in the office as of June 30, 2013.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not prorate new construction.
-

BEST PRACTICES

The Division of Local Government Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Unicoi County.

- Unicoi County should adopt a central system of accounting, budgeting, and purchasing.
- Unicoi County should establish an Audit Committee.

INTRODUCTORY SECTION

Unicoi County Officials
June 30, 2013

Officials

Greg Lynch, County Mayor
Terry Haynes, Road Superintendent
Denise Brown, Director of Schools
Paul Berry, Trustee
Patsy Bennett, Assessor of Property
Mitzi Bowen, County Clerk
Darren Shelton, Circuit and General Sessions Courts Clerk
Teresa Simerly, Clerk and Master
Deborah Tittle, Register of Deeds
Michael Hensley, Sheriff

Board of County Commissioners

Sue Jean Moore Wilson, Chairman	Bill Hensley
Kenneth Garland	James Howell
Dwight Bennett	Loren Thomas
Dr. James Hatcher	Gene Wilson

Board of Education

Renea Rogers, Chairman	Victor Price
Rick Butler	Judy Webb
Tyler Engle	Lisa White

FINANCIAL SECTION



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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Unicoi County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Unicoi County Emergency Communications District, which represent 1.8 percent, 1.8 percent, and two percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Unicoi County Emergency Communications District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted

in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of 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 Unicoi County, Tennessee, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note V.B., Unicoi County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Unicoi County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

We draw attention to Note I.D.9. to the financial statements, which describes a restatement to the beginning net position of the governmental activities totaling \$204,910. This restatement was necessary due to the implementation of GASB Statement 65.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress – pension plan and other postemployment benefits plan on pages 71-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Unicoi County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Unicoi County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Unicoi County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Unicoi County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2013, on our consideration of Unicoi County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Unicoi County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 3, 2013

JPW/kp

BASIC FINANCIAL STATEMENTS

Unicoi County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government Governmental Activities	Component Units	
		Unicoi County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 8,380	\$ 66,641	\$ 400,184
Equity in Pooled Cash and Investments	5,682,950	6,519,530	0
Investments	0	0	54,649
Accounts Receivable	198,401	1,598,831	10,816
Due from Other Governments	600,767	244,793	0
Due from Primary Government	0	37,996	0
Due from Component Units	46,899	0	0
Prepaid Items	0	0	2,945
Property Taxes Receivable	6,371,596	2,767,461	0
Allowance for Uncollectible Property Taxes	(296,442)	(128,758)	0
Cash Shortage	4,846	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	457,064	723,886	0
Construction in Progress	6,500	425,122	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	4,080,374	24,554,249	0
Machinery and Equipment	0	0	121,595
Other Capital Assets	636,755	1,015,690	110,535
Infrastructure	5,427,458	0	0
Total Assets	<u>\$ 23,225,548</u>	<u>\$ 37,825,441</u>	<u>\$ 700,724</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	\$ 32,263	\$ 0	\$ 0
Total Deferred Outflows of Resources	<u>\$ 32,263</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 71,131	\$ 90,578	\$ 1,899
Accrued Payroll	249	0	12,725
Accrued Interest Payable	151,761	0	0
Payroll Deductions Payable	34,231	0	0
Contracts Payable	0	154,025	0
Retainage Payable	0	18,306	0
Due to Primary Government	0	46,899	0
Due to Component Units	37,996	0	0
Due to State of Tennessee	4,237	0	0
Other Current Liabilities	10,550	460,770	0
Noncurrent Liabilities:			
Due Within One Year	1,623,915	0	13,500
Due in More Than One Year (net of unamortized premium on debt)	25,459,359	306,632	47,250
Total Liabilities	<u>\$ 27,393,429</u>	<u>\$ 1,077,210</u>	<u>\$ 75,374</u>

(Continued)

Exhibit A

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

	Primary Governmental Activities	<u>Component Units</u>	
		Unicoi County School Department	Emergency Communica- tions District
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 5,845,402	\$ 2,538,912	\$ 0
Total Deferred Inflows of Resources	<u>\$ 5,845,402</u>	<u>\$ 2,538,912</u>	<u>\$ 0</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 6,194,700	\$ 26,718,947	\$ 171,380
Restricted for:			
General Government	72,943	0	0
Finance	16,674	0	0
Administration of Justice	61,863	0	0
Public Safety	74,942	0	0
Public Health and Welfare	60,461	0	0
Highways/Public Works	2,066,733	0	0
Debt Service	2,577,196	0	0
Education	0	397,800	0
Capital Projects	148,613	0	0
Unrestricted	<u>(21,255,145)</u>	<u>7,092,572</u>	<u>453,970</u>
Total Net Position	<u>\$ (9,981,020)</u>	<u>\$ 34,209,319</u>	<u>\$ 625,350</u>

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

Exhibit B

Unicoi County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government		Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Unicoi County School Department	Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	\$ 1,066,223	\$ 136,530	\$ 69,535	\$ 14,160	\$ (845,998)	\$ 0	\$ 0
Finance	724,514	433,193	0	0	(291,321)	0	0
Administration of Justice	734,299	543,407	9,000	0	(181,892)	0	0
Public Safety	3,241,156	897,321	133,510	0	(2,210,325)	0	0
Public Health and Welfare	1,116,974	93,965	198,134	0	(824,875)	0	0
Social, Cultural, and Recreational Services	70,834	25,123	0	0	(45,711)	0	0
Agriculture and Natural Resources	41,450	0	0	0	(41,450)	0	0
Other Operations	71,456	0	0	0	(71,456)	0	0
Highways	2,103,077	193,524	1,322,804	1,422,710	835,961	0	0
Interest on Long-term Debt	1,234,583	0	0	0	(1,234,583)	0	0
Debt Service	40,393	0	178,251	0	137,858	0	0
Total Primary Government	\$ 10,444,959	\$ 2,323,063	\$ 1,911,234	\$ 1,436,870	\$ (4,773,792)	\$ 0	\$ 0
Component Units:							
Unicoi County School Department	\$ 21,209,572	\$ 406,483	\$ 2,917,744	\$ 0	\$ 0	\$ (17,885,345)	\$ 0
Emergency Communications District	283,723	169,430	189,879	0	0	0	75,586
Total Component Units	\$ 21,493,295	\$ 575,913	\$ 3,107,623	\$ 0	\$ 0	\$ (17,885,345)	\$ 75,586

(Continued)

Exhibit B

Unicoi County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government		Component Units	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Unicoi County School Department	Emergency Communications District	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes	\$	4,387,493	\$	2,635,625	\$	0	0
Property Taxes Levied for Debt Service		1,675,221		0		0	0
Local Option Sales Taxes		457,502		1,333,965		0	0
Hotel/Motel Tax		55,779		0		0	0
Litigation Tax - General		102,109		0		0	0
Litigation Tax - Special Purpose		34		0		0	0
Litigation Tax - Jail, Workhouse, or Courthouse		147,553		0		0	0
Business Tax		82,313		33,746		0	0
Mineral Severance Tax		27,481		0		0	0
Wholesale Beer Tax		5,275		2,290		0	0
Interstate Telecommunications Tax		633		1,490		0	0
Other Statutory Local Taxes		64,319		0		0	0
Other Local Taxes		0		310		0	0
Grants and Contributions Not Restricted to Specific Programs		387,746		13,827,445		68,931	0
Unrestricted Investment Income		38,733		5,802		241	0
Miscellaneous		25,820		195,806		0	0
Total General Revenues	\$	7,458,011	\$	18,036,479	\$	69,172	0
Extraordinary Item - Gain on Asset Impairment	\$	0	\$	2,552,895	\$	0	0
Change in Net Position	\$	2,684,219	\$	2,704,029	\$	144,758	0
Net Position, July 1, 2012		(12,460,329)		31,505,290		480,592	0
Prior-period Adjustment		(204,910)		0		0	0
Net Position, June 30, 2013	\$	(9,981,020)	\$	34,209,319	\$	625,350	0

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

Exhibit C-1

Unicoi County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			Nonmajor	Total
	Highway /		General	Other	
	General	Public Works	Debt Service	Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 8,380	\$ 8,380
Equity in Pooled Cash and Investments	304,160	1,881,076	3,114,793	382,921	5,682,950
Accounts Receivable	118,869	77,804	1,337	391	198,401
Due from Other Governments	200,498	238,983	147,126	14,160	600,767
Due from Other Funds	8,380	19,703	423	200	28,706
Due from Component Units	1,400	0	0	0	1,400
Property Taxes Receivable	3,971,564	165,496	1,759,842	474,694	6,371,596
Allowance for Uncollectible Property Taxes	(184,779)	(7,700)	(81,878)	(22,085)	(296,442)
Cash Shortage	4,846	0	0	0	4,846
Total Assets	\$ 4,424,938	\$ 2,375,362	\$ 4,941,643	\$ 858,661	\$ 12,600,604
<u>LIABILITIES</u>					
Accounts Payable	\$ 35,631	\$ 1,433	\$ 0	\$ 34,067	\$ 71,131
Accrued Payroll	0	249	0	0	249
Payroll Deductions Payable	32,401	651	0	1,179	34,231
Due to Other Funds	15,490	0	0	13,216	28,706
Due to Component Units	37,996	0	0	0	37,996
Due to State of Tennessee	4,204	0	0	33	4,237
Other Current Liabilities	0	0	0	10,550	10,550
Total Liabilities	\$ 125,722	\$ 2,333	\$ 0	\$ 59,045	\$ 187,100
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 3,643,575	\$ 151,828	\$ 1,614,507	\$ 435,492	\$ 5,845,402
Deferred Delinquent Property Taxes	116,813	4,868	51,760	13,962	187,403
Other Deferred/Unavailable Revenue	27,678	121,101	66,667	14,160	229,606
Total Deferred Inflows of Resources	\$ 3,788,066	\$ 277,797	\$ 1,732,934	\$ 463,614	\$ 6,262,411
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 72,389	\$ 0	\$ 0	\$ 554	\$ 72,943
Restricted for Finance	16,674	0	0	0	16,674
Restricted for Administration of Justice	61,863	0	0	0	61,863
Restricted for Public Safety	21,398	0	0	53,544	74,942
Restricted for Public Health and Welfare	7,353	0	0	39,146	46,499
Restricted for Highways/Public Works	0	1,967,038	0	0	1,967,038
Restricted for Debt Service	0	0	2,610,530	0	2,610,530
Restricted for Capital Projects	0	0	0	148,613	148,613
Committed:					
Committed for Public Health and Welfare	0	0	0	94,145	94,145
Committed for Highways/Public Works	0	128,194	0	0	128,194
Committed for Debt Service	0	0	598,179	0	598,179
Unassigned	331,473	0	0	0	331,473
Total Fund Balances	\$ 511,150	\$ 2,095,232	\$ 3,208,709	\$ 336,002	\$ 6,151,093
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,424,938	\$ 2,375,362	\$ 4,941,643	\$ 858,661	\$ 12,600,604

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

Exhibit C-2

Unicoi County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 6,151,093
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 457,064	
Add: construction in progress	6,500	
Add: buildings and improvements net of accumulated depreciation	4,080,374	
Add: other capital assets net of accumulated depreciation	636,755	
Add: infrastructure net of accumulated depreciation	5,427,458	10,608,151
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (2,727,225)	
Less: bonds payable	(24,118,631)	
Less: capital leases payable	(45,499)	
Add: debt to be contributed by School Department	45,499	
Add: deferred amount on refunding	32,263	
Less: compensated absences payable	(155,286)	
Less: accrued interest on bonds, notes, and capital leases	(151,761)	
Less: other deferred revenue - premium on debt	(36,633)	(27,157,273)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		417,009
Net position of governmental activities (Exhibit A)		<u>\$ (9,981,020)</u>

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

Exhibit C-3

Unicoi County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues					
Local Taxes	\$ 4,102,449	\$ 175,770	\$ 2,325,897	\$ 465,838	\$ 7,069,954
Licenses and Permits	6,079	471	2,344	488	9,382
Fines, Forfeitures, and Penalties	133,235	0	0	154,720	287,955
Charges for Current Services	93,424	0	0	4,890	98,314
Other Local Revenues	50,829	31,375	3,536	1,460	87,200
Fees Received from County Officials	872,978	0	0	0	872,978
State of Tennessee	981,655	1,324,270	0	15,681	2,321,606
Federal Government	155,024	21,242	0	0	176,266
Other Governments and Citizens Groups	362,654	179,777	256,047	1,020	799,498
Total Revenues	\$ 6,758,327	\$ 1,732,905	\$ 2,587,824	\$ 644,097	\$ 11,723,153
Expenditures					
Current:					
General Government	\$ 909,093	\$ 0	\$ 0	\$ 0	\$ 909,093
Finance	725,620	0	0	508	726,128
Administration of Justice	722,006	0	0	4,890	726,896
Public Safety	3,193,286	0	0	92,406	3,285,692
Public Health and Welfare	611,372	0	0	481,558	1,092,930
Social, Cultural, and Recreational Services	70,834	0	0	0	70,834
Agriculture and Natural Resources	41,266	0	0	0	41,266
Other Operations	92,841	0	0	0	92,841
Highways	0	1,893,979	0	0	1,893,979
Debt Service:					
Principal on Debt	0	0	1,377,915	0	1,377,915
Interest on Debt	0	0	1,239,516	0	1,239,516
Other Debt Service	0	0	40,393	0	40,393
Capital Projects	20,681	0	0	10,677	31,358
Total Expenditures	\$ 6,386,999	\$ 1,893,979	\$ 2,657,824	\$ 590,039	\$ 11,528,841
Excess (Deficiency) of Revenues Over Expenditures	\$ 371,328	\$ (161,074)	\$ (70,000)	\$ 54,058	\$ 194,312
Other Financing Sources (Uses)					
Refunding Debt Issued	\$ 0	\$ 0	\$ 100,000	\$ 0	\$ 100,000
Insurance Recovery	4,357	31,012	0	0	35,369
Payments to Refunded Debt Escrow Agent	0	0	(100,000)	0	(100,000)
Transfers In	0	0	20,849	0	20,849
Transfers Out	0	0	0	(20,849)	(20,849)
Total Other Financing Sources (Uses)	\$ 4,357	\$ 31,012	\$ 20,849	\$ (20,849)	\$ 35,369
Net Change in Fund Balances	\$ 375,685	\$ (130,062)	\$ (49,151)	\$ 33,209	\$ 229,681
Fund Balance, July 1, 2012	135,465	2,225,294	3,257,860	302,793	5,921,412
Fund Balance, June 30, 2013	\$ 511,150	\$ 2,095,232	\$ 3,208,709	\$ 336,002	\$ 6,151,093

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

Exhibit C-4

Unicoi County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2013

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)	\$	229,681
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$	145,284
Less: current-year depreciation expense		<u>(555,469)</u>
		(410,185)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Add: assets donated and capitalized		1,422,710
(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, 2013	\$	417,009
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(367,672)</u>
		49,337
(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 position. Also, governmental funds report the effect of 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:		
Less: note proceeds	\$	(100,000)
Add: change in premium on debt issuances		3,486
Add: principal payments on bonds		813,788
Add: principal payments on notes		498,105
Add: debt refunded		100,000
Add: principal payments on capital leases		66,022
Less: contributions from School Department for capital leases		(66,022)
Less: change in deferred amount on refunding debt		<u>(6,845)</u>
		1,308,534
(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	\$	8,291
Change in compensated absences payable		<u>75,851</u>
		84,142
Change in net position of governmental activities (Exhibit B)	\$	<u>2,684,219</u>

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

Exhibit C-5

Unicoi County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,102,449	\$ 4,124,098	\$ 4,124,098	\$ (21,649)
Licenses and Permits	6,079	16,000	16,000	(9,921)
Fines, Forfeitures, and Penalties	133,235	140,290	143,062	(9,827)
Charges for Current Services	93,424	91,475	92,468	956
Other Local Revenues	50,829	85,000	93,302	(42,473)
Fees Received from County Officials	872,978	895,500	895,500	(22,522)
State of Tennessee	981,655	854,201	854,201	127,454
Federal Government	155,024	160,888	178,233	(23,209)
Other Governments and Citizens Groups	362,654	382,774	389,695	(27,041)
Total Revenues	\$ 6,758,327	\$ 6,750,226	\$ 6,786,559	\$ (28,232)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 49,854	\$ 51,849	\$ 52,187	\$ 2,333
Board of Equalization	2,100	2,400	2,400	300
County Mayor/Executive	230,396	237,958	238,458	8,062
County Attorney	32,250	34,000	34,000	1,750
Election Commission	180,744	188,077	187,577	6,833
Register of Deeds	171,502	173,569	178,572	7,070
Planning	11,675	12,830	12,830	1,155
County Buildings	126,543	139,805	139,805	13,262
Other General Administration	96,752	97,573	98,073	1,321
Preservation of Records	7,277	11,225	13,570	6,293
<u>Finance</u>				
Property Assessor's Office	231,123	255,957	257,457	26,334
County Trustee's Office	174,511	175,496	180,309	5,798
County Clerk's Office	238,254	256,321	262,871	24,617
Other Finance	81,732	87,000	87,000	5,268
<u>Administration of Justice</u>				
Circuit Court	420,673	438,800	446,800	26,127
General Sessions Court	113,589	111,765	115,465	1,876
Chancery Court	141,826	142,237	145,352	3,526
Juvenile Court	45,918	54,307	54,307	8,389
<u>Public Safety</u>				
Sheriff's Department	1,620,418	1,657,717	1,690,150	69,732
Jail	638,769	623,580	658,944	20,175
Workhouse	291,640	270,806	322,193	30,553
Juvenile Services	8,908	9,000	9,000	92
Fire Prevention and Control	52,250	52,250	52,250	0
Civil Defense	159,481	188,691	188,691	29,210
Other Emergency Management	4,750	4,750	4,750	0
County Coroner/Medical Examiner	26,943	26,539	26,904	(39)
Other Public Safety	390,127	408,458	408,458	18,331
<u>Public Health and Welfare</u>				
Local Health Center	86,915	98,346	99,593	12,678
Rabies and Animal Control	133,370	128,742	137,042	3,672
Ambulance/Emergency Medical Services	180,000	185,000	185,000	5,000

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Other Local Health Services	\$ 141,501	\$ 227,800	\$ 227,800	\$ 86,299
Regional Mental Health Center	10,600	10,600	10,600	0
Appropriation to State	23,519	23,519	23,519	0
Sanitation Education/Information	35,467	39,237	39,237	3,770
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	4,750	4,750	4,750	0
Senior Citizens Assistance	35,600	35,600	35,600	0
Libraries	23,875	23,875	23,875	0
Other Social, Cultural, and Recreational	6,609	6,609	6,609	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	35,293	35,352	35,352	59
Forest Service	800	800	800	0
Soil Conservation	5,173	5,173	5,173	0
<u>Other Operations</u>				
Tourism	19,350	19,350	19,350	0
Industrial Development	43,806	53,302	53,302	9,496
Veterans' Services	950	950	950	0
Contributions to Other Agencies	2,850	2,850	2,850	0
Employee Benefits	21,385	19,500	23,394	2,009
Miscellaneous	4,500	4,500	4,500	0
<u>Capital Projects</u>				
Other General Government Projects	20,681	0	21,000	319
Total Expenditures	\$ 6,386,999	\$ 6,638,815	\$ 6,828,669	\$ 441,670
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 371,328	\$ 111,411	\$ (42,110)	\$ 413,438
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,357	\$ 0	\$ 4,357	\$ 0
Total Other Financing Sources	\$ 4,357	\$ 0	\$ 4,357	\$ 0
Net Change in Fund Balance				
Fund Balance, July 1, 2012	\$ 135,465	\$ 52,225	\$ 52,225	\$ 83,240
Fund Balance, June 30, 2013				
	\$ 511,150	\$ 163,636	\$ 14,472	\$ 496,678

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

Exhibit C-6

Unicoi County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 175,770	\$ 178,529	\$ 178,529	\$ (2,759)
Licenses and Permits	471	551	551	(80)
Other Local Revenues	31,375	31,806	33,563	(2,188)
State of Tennessee	1,324,270	2,587,574	2,587,574	(1,263,304)
Federal Government	21,242	21,749	21,749	(507)
Other Governments and Citizens Groups	179,777	200,000	272,315	(92,538)
Total Revenues	\$ 1,732,905	\$ 3,020,209	\$ 3,094,281	\$ (1,361,376)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 118,721	\$ 121,573	\$ 121,757	\$ 3,036
Highway and Bridge Maintenance	1,070,373	927,817	1,149,900	79,527
Operation and Maintenance of Equipment	206,307	248,957	258,715	52,408
Other Charges	163,357	170,505	170,505	7,148
Employee Benefits	277,626	308,687	308,687	31,061
Capital Outlay	57,595	1,342,242	1,293,287	1,235,692
Total Expenditures	\$ 1,893,979	\$ 3,119,781	\$ 3,302,851	\$ 1,408,872
Excess (Deficiency) of Revenues Over Expenditures	\$ (161,074)	\$ (99,572)	\$ (208,570)	\$ 47,496
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 31,012	\$ 0	\$ 31,012	\$ 0
Total Other Financing Sources	\$ 31,012	\$ 0	\$ 31,012	\$ 0
Net Change in Fund Balance	\$ (130,062)	\$ (99,572)	\$ (177,558)	\$ 47,496
Fund Balance, July 1, 2012	2,225,294	2,266,285	2,266,285	(40,991)
Fund Balance, June 30, 2013	\$ 2,095,232	\$ 2,166,713	\$ 2,088,727	\$ 6,505

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

Exhibit D

Unicoi County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 343,352
Accounts Receivable	2,649
Due from Other Governments	243,487
Restricted Assets	<u>34,456</u>
Total Assets	<u>\$ 623,944</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 243,487
Due to Litigants, Heirs, and Others	<u>380,457</u>
Total Liabilities	<u>\$ 623,944</u>

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

UNICOI COUNTY, TENNESSEE
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UNICOI COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Unicoi County School Department operates the public school system in the county, and the voters of Unicoi County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

The Unicoi 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 Unicoi County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Unicoi County issues all debt for the discretely presented Unicoi County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2013.

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using 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.

Unicoi County reports the following major governmental funds:

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

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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

Additionally, Unicoi County reports the following fund types:

Capital Projects Funds – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

The discretely presented Unicoi County School Department reports the following major governmental fund:

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

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

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Unicoi County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to the various funds based on the approved budgets. Unicoi County and the 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund

loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.48 percent of total taxes levied.

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 a deferred inflow of resources 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 as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Most payables are disaggregated on the face of the financial statements. The \$460,770 reflected as Other Current Liabilities in the discretely presented General Purpose School Fund represents insurance premiums held in a clearing account and due to the insurance administrator.

3. Restricted Assets

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

4. **Capital Assets**

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30
Other Capital Assets	5 - 10
Infrastructure:	
Roads	40
Bridges	40

5. **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, as well as, other receivables for revenues, which do not meet the availability criteria for governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

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

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expenses in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

8. Net Position and Fund Balance

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

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

As of June 30, 2013, Unicoi County had \$22,482,543 in outstanding debt for capital purposes for the discretely presented Unicoi County School Department. This debt is a liability of Unicoi County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Unicoi County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision making-authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission makes assignments for the general government and the Board of Education makes assignments for the School Department. Assigned for Education in the discretely presented School Department's General Purpose School Fund include fund balances approved for use in the budget for fiscal year ending June 30, 2014 (\$433,625), encumbrances (\$228,984), and amounts assigned by the board for various purposes within Instruction (\$55,934), Support (\$37,668), and Capital Outlay (\$480,000).

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

9. Prior-period Adjustments

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$204,910 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

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 Position

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 Position.

Discretely Presented Unicoi 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 Position.

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 position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Unicoi 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 position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

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

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

B. Cash Shortages - Prior and Current Years

The audit of Unicoi County for the 2009-2010 year reported a cash shortage of \$20,967.36 for the School Department. The cash shortage was liquidated by payment of \$20,967.36 from a former School Department employee. The former employee was also ordered to make restitution of \$8,790 for the additional cost of the special audit, which reported the cash shortage. As of June 30, 2013, the former employee had paid \$2,250 toward liquidating the

remaining restitution, leaving a balance of \$6,540 due to the School Department.

A special report dated July 9, 2013, reported a cash shortage of \$4,845.75 in the Office of Sheriff. A part-time employee of the Sheriff's Department was paid \$4,845.75 for 146 hours of unearned sick leave while out of work due to a medical condition from July 28, 2012, through September 21, 2012. As of June 30, 2013, the employee had not made any payments to liquidate this cash shortage. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Indictment of Sheriff

On October 14, 2011, Sheriff David Kent Harris was indicted by the Unicoi County Grand Jury and charged with six counts of official misconduct and one count each of criminal simulation, theft, attempted aggravated assault, and tampering with evidence. Sheriff Harris resigned from office effective March 1, 2012. Two trials were held and both resulted in a hung jury. One of the charges was dismissed by the trial judge. On August 26, 2013, the district attorney general dropped all remaining charges against former Sheriff Harris.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Unicoi County and the Unicoi County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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 Comptroller’s Office 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 fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2013, Unicoi County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Unicoi County and the discretely presented Unicoi County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturities	Cost
State Treasurer's Investment Pool	11 to 138	N/A	\$ 363,854

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Unicoi County does not have a formal investment policy that limits investment

maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Unicoi County has no investment policy that would further limit its investment choices. As of June 30, 2013, Unicoi County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance				Balance
	7-1-12	Increases	Decreases		6-30-13
Capital Assets Not Depreciated:					
Land	\$ 457,064	\$ 0	\$ 0	\$	457,064
Construction in Progress	0	6,500	0		6,500
Total Capital Assets					
Not Depreciated	\$ 457,064	\$ 6,500	\$ 0	\$	463,564
Capital Assets Depreciated:					
Buildings and Improvements	\$ 6,503,990	\$ 28,145	\$ 0	\$	6,532,135
Other Capital Assets	3,323,274	110,639	(58,367)		3,375,546
Infrastructure	7,288,515	1,422,710	0		8,711,225
Total Capital Assets					
Depreciated	\$ 17,115,779	\$ 1,561,494	\$ (58,367)	\$	18,618,906
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 2,264,372	\$ 187,389	\$ 0	\$	2,451,761
Other Capital Assets	2,623,311	173,847	(58,367)		2,738,791
Infrastructure	3,089,534	194,233	0		3,283,767
Total Accumulated Depreciation	\$ 7,977,217	\$ 555,469	\$ (58,367)	\$	8,474,319
Total Capital Assets Depreciated, Net	\$ 9,138,562	\$ 1,006,025	\$ 0	\$	10,144,587
Governmental Activities Capital Assets, Net	\$ 9,595,626	\$ 1,012,525	\$ 0	\$	10,608,151

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

Governmental Activities:

General Government	\$ 139,867
Finance	2,986
Administration of Justice	1,323
Public Safety	105,298
Public Health and Welfare	21,647
Highways	<u>284,348</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 555,469</u>

Discretely Presented Unicoi County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 618,886	\$ 105,000	\$ 0	\$ 723,886
Construction in Progress	0	425,122	0	425,122
Total Capital Assets Not Depreciated	<u>\$ 618,886</u>	<u>\$ 530,122</u>	<u>\$ 0</u>	<u>\$ 1,149,008</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 37,227,131	\$ 35,306	\$ (2,025,274)	\$ 35,237,163
Other Capital Assets	3,538,131	93,710	(82,765)	3,549,076
Total Capital Assets Depreciated	<u>\$ 40,765,262</u>	<u>\$ 129,016</u>	<u>\$ (2,108,039)</u>	<u>\$ 38,786,239</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 11,567,726	\$ 871,173	\$ (1,755,985)	\$ 10,682,914
Other Capital Assets	2,308,510	300,646	(75,770)	2,533,386
Total Accumulated Depreciation	<u>\$ 13,876,236</u>	<u>\$ 1,171,819</u>	<u>\$ (1,831,755)</u>	<u>\$ 13,216,300</u>
Total Capital Assets Depreciated, Net	<u>\$ 26,889,026</u>	<u>\$ (1,042,803)</u>	<u>\$ (276,284)</u>	<u>\$ 25,569,939</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,507,912</u>	<u>\$ (512,681)</u>	<u>\$ (276,284)</u>	<u>\$ 26,718,947</u>

Depreciation expense was charged to functions of the discretely presented Unicoi County School Department as follows:

Governmental Activities:

Instruction	\$ 924,267
Support Services	214,642
Operation of Non-Instructional Services	<u>32,910</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,171,819</u></u>

C. Impairment Losses for Capital Assets and Insurance Recoveries

Impairment Losses for Capital Assets

Discretely Presented Unicoi County School Department:

In the General Purpose School Fund financial statements, extraordinary items are reflected for expenditures incurred (\$626,411) and insurance recoveries received (\$2,990,860) due to damages caused by a sinkhole in August 2012, which resulted in the closure of Love Chapel Elementary School. On the government-wide statements, the carrying value of the property removed from service (\$270,961) and non-capitalized one-time costs associated with securing the site and moving to a new location (\$167,004) are netted against insurance proceeds received (\$2,990,860), resulting in a gain from impairment of asset reflected on the Statement of Activities totaling \$2,552,895. Costs of \$425,122 for the preparation of the new location were capitalized. Rental costs for modular units at the new location (\$34,285) are reflected as program expenses on the Statement of Activities. No further insurance recovery is expected in future years.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 8,380
Highway/Public Works	General	15,290
Highway/Public Works	Nonmajor governmental	4,413
General Debt Service	Nonmajor governmental	423
Nonmajor governmental	General	200

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

Due to/from Primary Government and Component Units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Component Unit: General Purpose School	\$ 1,400
Component Unit: General Purpose School	Primary Government: General	37,996

The amount reflected as due to primary government from the discretely presented School Department on the government-wide Statement of Net Position also includes a long-term receivable of \$45,499 for debt issued by the primary government, principal of which is being contributed by the School Department.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amount:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u>
	General
	Debt
	Service
	Fund
Nonmajor governmental funds	\$ 20,849

E. Capital Lease

Unicoi County has entered into a ten-year lease-purchase agreement for the School Department for HVAC equipment. The terms of the agreement require total lease payments of \$570,442 plus interest of 3.99 percent. Title to the equipment transfers to the School Department at the end of the lease period.

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 570,442
Less: Accumulated Depreciation	<u>(256,699)</u>
Total Book Value	<u><u>\$ 313,743</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2014	\$ 46,182
Total Minimum Lease Payments	\$ 46,182
Less: Amount Representing Interest	<u>(683)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 45,499</u></u>

F. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

Unicoi County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 38 years for bonds and up to ten years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and the capital lease outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	3.5 to 4.875 %	1-1-35	\$ 17,050,000	\$ 16,498,631
General Obligation Bonds - Refunding	2.45 to 5.25	4-1-23	12,015,000	7,620,000
Capital Outlay Notes	0 to 4.12	4-1-22	1,017,904	312,225
Capital Outlay Notes - Refunding	2 to 2.96	4-1-21	2,935,000	2,415,000
Capital Lease	3.99	2-7-14	570,422	45,499

The annual requirements to amortize all general obligation bonds and notes as of June 30, 2013, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,049,460	\$ 1,107,390	\$ 2,156,850
2015	1,190,165	1,061,435	2,251,600
2016	1,230,905	1,010,045	2,240,950
2017	1,276,680	954,232	2,230,912
2018	1,327,493	896,207	2,223,700
2019-2023	7,126,120	3,486,392	10,612,512
2024-2028	8,678,290	1,870,208	10,548,498
2029-2033	2,162,763	138,267	2,301,030
2034-2035	76,755	5,657	82,412
Total	\$ 24,118,631	\$ 10,529,833	\$ 34,648,464

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 428,020	\$ 78,474	\$ 506,494
2015	350,095	67,657	417,752
2016	387,131	57,043	444,174
2017	326,979	45,812	372,791
2018	299,000	36,505	335,505
2019-2022	936,000	56,585	992,585
Total	\$ 2,727,225	\$ 342,076	\$ 3,069,301

There is \$3,208,709 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and capital leases totaled \$1,468, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
<u>Capital Leases</u>	
<u>Contributed through General Purpose School Fund</u>	
HVAC Equipment	\$ 45,499

Changes in Long-term Obligations

Long-term obligation activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases	Compensated Absences
Balance, July 1, 2012	\$ 24,932,419	\$ 3,225,330	\$ 0	\$ 231,137
Reclassification of School Debt	0	0	111,521	0
Additions	0	100,000	0	180,762
Reductions	(813,788)	(598,105)	(66,022)	(256,613)
Balance, June 30, 2013	<u>\$ 24,118,631</u>	<u>\$ 2,727,225</u>	<u>\$ 45,499</u>	<u>\$ 155,286</u>
Balance Due Within One Year	<u>\$ 1,049,460</u>	<u>\$ 428,020</u>	<u>\$ 45,499</u>	<u>\$ 100,936</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 27,046,641
Less: Balance Due Within One Year	(1,623,915)
Add: Unamortized Premium on Debt	<u>36,633</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 25,459,359</u>

Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Current Refunding

On May 31, 2013, Unicoi County issued a capital outlay note of \$100,000 to refund a separate Public Works Series 2010 capital outlay note, which had a balloon payment due on June 1, 2013. The refunding extended the maturity of the debt to June 1, 2016.

Discretely Presented Unicoi County School Department

Changes in Long-term Obligations

Long-term obligation activity for the discretely presented School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Capital Leases	Other Postemployment Benefits
Balance, July 1, 2012	\$ 111,521	\$ 209,473
Additions	0	324,485
Reductions	0	(227,326)
Reclassification of School Debt	(111,521)	0
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 306,632</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

G. Pledges of Receivables and Future Revenues

Local Option Sales Tax Revenues Pledged

Unicoi County, the discretely presented Unicoi County School Department, and the Town of Unicoi agreed in previous years to commit one cent on the local option sales tax rate for the repayment of general obligation bonds issued to finance the construction of a high school. On July 14, 2011, Unicoi County and the Town of Unicoi amended their sales tax agreement to limit the amount the town would contribute to the retirement of debt associated with the construction of the high school to \$175,000 annually. The county originally issued \$9.2 million in Public Improvement Bonds Series 1996, of which \$8.5 million was used to construct the Unicoi County High School. Subsequently, the county refunded \$8.21 million of the outstanding portion of these bonds, with \$8.715 million of General Obligation Refunding Bonds Series 2001. The remaining principal (\$5,180,000) and interest (\$1,294,425) requirements for the bonds are payable semiannually through April 2021.

For the current year, principal and interest paid associated with the high school portion of the refunding bond was \$743,543. The amount of revenue generated by the pledged sales tax levy and the agreement with the Town of Unicoi was \$485,332. The agreements dissolve with the maturity of the debt on April 1, 2021.

H. On-Behalf Payments – Discretely Presented Unicoi County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Unicoi 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, 2013, were \$82,645 and \$29,357, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Unicoi County issued tax anticipation notes of \$1,700,000 in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax and revenue collections. Short-term debt activity for the year ended June 30, 2013, was as follows:

	Balance 7-1-12	Issued	Paid	Balance 6-30-13
Tax Anticipation Notes	\$ 0	\$ 1,700,000	\$ (1,700,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

The county is exposed to various risks related to general liability, property, and casualty losses. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The county joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through

member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each event.

The county carries commercial insurance for employee health and accident coverage, as well as, workers compensation coverage. Retirees are not allowed to participate in the county's health insurance plan. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Discretely Presented Unicoi County School Department

The discretely presented Unicoi County 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*, 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. The state statute provides for the LEGIF to be self-sustaining through member premiums.

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation. The School Department has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for these risks. The School Department joined the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for the pool to be self-sustaining through member premiums.

B. Accounting Changes

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$204,910 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Unicoi County early

implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66, decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modified guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Events

Subsequent to June 30, 2013, the county's General Debt Service Fund loaned \$650,000 in tax anticipation notes to the General Fund for temporary operating funds.

On August 26, 2013, the Unicoi County Commission approved the issuance of general obligation capital outlay notes of \$715,000 for the construction of a building for the operation of the Unicoi County Emergency Communications E-911 and for the reroofing of the jail located downtown. The notes have not been issued as of the date of this report.

Subsequent to June 30, 2013, the road superintendent entered into a state aid contract with the Tennessee Department of Transportation for \$334,575 with the county providing in-kind contributions of \$111,525 for a total project estimated cost of \$446,100. The project is for resurfacing 3.35 miles of Sams Creek Road.

D. Contingent Liabilities

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

E. Joint Ventures

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

The Upper East Tennessee Regional Juvenile Detention Center was formed through cooperative agreements between Unicoi County and the counties of Carter, Greene, Hawkins, Johnson, Sullivan, and Washington for the operation of a program to divert youth from commitment to the Department of Correction facilities. This program is governed by a board of directors designated by the counties. The board of directors has contracted with Universal Health Services to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population. Unicoi County's participation is 3.6 percent. The county also pays a daily fee for individuals from the county using the facility.

The Erwin, Unicoi, and Unicoi County Animal Welfare Board was formed through a cooperative agreement between Unicoi County, the Town of Erwin, and the Town of Unicoi to operate and maintain a facility for the sheltering of animals. This entity is governed by a seven-member board comprising two appointees from the county, two from the Town of Erwin, two from the Town of Unicoi, and one from the Unicoi County Humane Society. The board will generate its operating revenues from fees charged for the reclamation, adoption, spaying, and neutering of animals; however, each member is responsible for one-third of the annual operating costs of the shelter if revenues are insufficient to meet such costs. Unicoi County contributed \$40,652 to the Animal Welfare Board for the year ended June 30, 2013.

The First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the First Judicial District, Carter, Johnson, Unicoi, and Washington 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. Unicoi County made no contributions to the DTF for the year ended June 30, 2013.

Complete financial statements for the Unicoi County Memorial Hospital; the Juvenile Detention Center; the Erwin, Unicoi, and Unicoi County Animal Welfare Board and the First Judicial District Drug Task Force can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Unicoi County Memorial Hospital
Greenway Circle
Erwin, TN 37650

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

Erwin, Unicoi, and Unicoi County
Animal Welfare Board
185 North Industrial Drive
Erwin, TN 37650

Office of District Attorney General
First Judicial District Drug Task Force
PO Box 38
Jonesborough, TN 37659

F. Jointly Governed Organizations

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of *Tennessee Code Annotated*, and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county mayors/executives of each county or their designee and one nonvoting member representing 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's manager as an ex-officio member, is in charge of the daily operations of the center.

The Joint Economic Development Board of Unicoi County is jointly governed by Unicoi County, the towns of Erwin and Unicoi, the Unicoi County Gas Utility District, and various local private enterprises. The board is composed of 16 members, four of which represent Unicoi County. The purpose is to coordinate the governmental and private sector activities in attracting businesses and industries to the Unicoi County area.

G. Retirement Commitments

Information for this footnote for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2012.

Plan Description

Employees of Unicoi County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining

the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Unicoi County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Unicoi County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 8.52 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, the county's annual pension cost of \$490,404 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 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 ten-year period. The 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, 2009, was 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$490,404	100%	\$0
6-30-11	432,943	100	0
6-30-10	457,403	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 90.31 percent funded. The actuarial accrued liability for benefits was \$15.55 million, and the actuarial value of assets was \$14.05 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.51 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.31 million, and the ratio of the UAAL to the covered payroll was 28.37 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL TEACHERS

Plan Description

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

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, was 9.05 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, 2012, 2011, and 2010, were \$855,510, \$811,269, and \$562,237, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Discretely Presented Unicoi County School Department

The Unicoi County 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 between the standard or partnership preferred provider organization (PPO) 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://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are 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 employers in each plan develop their 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 for Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2013, the School Department contributed \$227,326 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 325,000
Interest on the NOPEBO	8,379
Adjustment to the ARC	(8,894)
Annual OPEB cost	<hr/> \$ 324,485
Amount of contribution	(227,326)
Increase/decrease in NOPEBO	<hr/> \$ 97,159
Net OPEB obligation, 7-1-12	<hr/> 209,473
Net OPEB obligation, 6-30-13	<hr/> <hr/> \$ 306,632

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>		<hr/>	<hr/>	<hr/>
6-30-11	Local Education Group	\$ 188,403	129%	\$ 115,201
6-30-12	"	321,717	71	209,473
6-30-13	"	324,485	70	306,632

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2011, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 2,573,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,573,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 9,575,425
UAAL as of % of covered payroll	27%

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 required supplementary information 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 July 1, 2011, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare trend rate of 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 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 July 1, 2007.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 (excluding emergency purchases) to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 678, Private Acts of 1949, and provisions of the Uniform Road Law, Section 54-7-113, *TCA*, which 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 Unicoi County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

VI. OTHER NOTES – DISCRETELY PRESENTED UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. General Information and Significant Accounting Policies

The Organization

Unicoi County Emergency Communications District is an emergency communications district located in Unicoi County, Tennessee, that operates as directed by *Tennessee Code Annotated*, Section 7-86. The district began operations in 1999 as an enterprise fund.

Unicoi County Emergency Communications District is a component unit of Unicoi County, Tennessee. The district provides a simplified means of securing emergency services through a uniform emergency number for the residents of Unicoi County, and the Unicoi County Commission appoints its governing body. The district has a nine-member board comprised of the Unicoi County Mayor, Town of Erwin Mayor, Town of Unicoi Mayor, Sheriff of Unicoi County, Police Chief of Town of Erwin, Director of Emergency Preparedness of Unicoi County, a member appointed by the Unicoi County Commission, a member of Firefighters Association, and a member at large who is appointed by the county mayor and confirmed by the County

Commission. 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the district have been prepared with the economic resources measurement focus and accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

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

Policy for Defining Operating and Non-Operating revenue and Recognition of Revenue and Expenses

Operating revenue consists of Emergency Telephone Service Charges, Tennessee Emergency Communications Board (TECB) Shared Wireless Charges and Tennessee Emergency Communications (TECB) Operating Fund and other recurring receipts. Subscriber fee revenue from E-911 service charges for telephone landlines are recognized in the period in which monthly subscribers fees are billed by the service supplier. Revenue from the TECB Shared Wireless Charges, which consists of 25 percent of the revenue generated by the state board, and the TECB Operating Fund and other recurring receipts are received by the district monthly.

Non-Operating revenue consists of investment income, contributions from primary government and other governments, and grants and reimbursements from the Tennessee Emergency Communications Board.

Operating expenses are recognized on the accrual basis. The required and permissible uses of 911 revenues are limited to those uses outlined in the 911 Revenue Standards adopted by the Tennessee Emergency Communication Board.

Budget and Budgetary Accounting

In accordance with *Tennessee Code Annotated*, an annual budget is adopted by the district. The budget is approved by the Board and is also submitted to the primary government, Unicoi County, Tennessee. As a legal level of control, expenses are presented at the line-item level in accordance with the Accounting and *Financial Reporting Manual for Tennessee Emergency Communications District*.

Cash and Cash Equivalent

The cash and cash equivalents on the Statement of Cash Flows includes petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less.

Deposits and Investments

State statutes authorize the district to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State of Treasurer's Investment Pool. The district is authorized by the governing board to invest with local financial institutions that are members of the State Collateral Pool. The Cash – Certificate of Deposit account has an original maturity of greater than three months.

Accounts Receivable

Accounts receivable consist of various surcharges levied on telephone services, which were collected by the service provider. The district considers the accounts to be fully collectible; therefore, no allowance for uncollectible has been recorded.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The items include insurance and maintenance contracts and lease payments.

Capital Assets

Capital assets, which include property and equipment, are defined as assets with an initial estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

The capital assets are depreciated on the straight-line basis over their various estimated lives. The cost of intangible assets are amortized over their estimated useful lives.

Advertising

Advertising costs are expensed as incurred.

Net Position

The equity reported in the Statement of Net Position is displayed in three components: “net invested in capital assets,” “restricted,” and “unrestricted.” The following explains each:

Net invested in capital assets consists of capital assets, reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct, or improve those assets.

The restricted component of net position reports the net position with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws or regulations of other governments) or that are imposed by the government’s own constitutional provisions or enabling legislation.

Unrestricted net position consists of all net positions that do not meet the definition of either of the two other components.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Bank Deposits

Bank deposits as of the balance sheet date are entirely insured or collateralized by the district’s agent in the State of Tennessee Collateral Pool.

C. Receivables

Accounts receivable consist of various surcharges levied on telephone services, which were collected by the service provider and remitted to the district after year end totaling \$10,816.

D. Related-party Transaction

The contract bookkeeper of the district is a non-voting member of the Board of Directors and the wife of the chairman of the Board of Directors. The bookkeeping services include maintaining the accounting records, processing the various payable, and bank deposits and reconciliation of the accounting records. The bookkeeper fees for the year were \$6,000 with no payable at year end.

The district is a component unit of Unicoi County, Tennessee. The district staff are employees of Unicoi County. The district reimburses the county for its director's salary and one-half of the other employee's payroll costs. The salary and wage reimbursement cost for the year was \$171,054 of which \$12,725 was payable at year end. Unicoi County also provides space to house the operations of the district rent free.

E. Risk Management

The Unicoi County Emergency Communications District's exposure to various risks of loss to theft of, damage to, and destruction of assets; errors and omissions; natural disasters, and the building are covered by the comprehensive insurance policy of Unicoi County.

F. Operating Leases

The district entered into an operating lease agreement on December 20, 2008, with Canon Financial Services for a Canon Copier. The lease was for a term of 60 months with monthly payments of \$101. The district has the option at the end of the lease to purchase the equipment at its fair market value. The lease expires on December 20, 2013. The required payment for the year ended June 30, 2014, is \$505.

G. Capital Lease

As part of a inter-local agreement with seven other Emergency Communications Districts located in East Tennessee, the Unicoi County Emergency Communications District acquired under a capital lease, a joint interest in Next Generation 911 call processing equipment to implement internet protocol enabled services. The amount capitalized in the balance sheet is \$68,100, and accumulated amortization of this asset is \$3,955. The lease expires on November 30, 2017, and carries an interest rate of zero percent per annum. There is no purchase option at the end of the lease term.

Following is a schedule of future minimum payments required under the lease together with the present value:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 13,500
2015	13,500
2016	13,500
2017	13,500
2018	6,750
Less Interest	0
Present Value - Minimum Lease Payments	<u>\$ 60,750</u>

Interest rates used per FASB would be the lessee's incremental borrowing rate unless the lessee can learn the implicit rate computed by the lessor and the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. The lessor used a zero rate when it divided the cost of the equipment by the number of districts in the agreement to set the annual rental due from each. The district's incremental borrowing rate would be zero because it can get the funds from the Tennessee Emergency Communications district without an interest charge.

H. Inter-Local Agreement

During the year, the district entered an inter-local agreement with seven other districts for the acquisition, maintenance, and joint use of Next Generation 911 equipment. The agreement requires the district to pay one-eighth of the related cost. See Note VI.G. for information about the capital lease that relates to this agreement.

I. Capital Assets

Capital asset additions, retirements, and balances for the year ended June 30, 2013, are as follows:

	Beginning Balance 7-1-12		Additions	Retirements	Ending Balance 6-30-13
<u>Capital Assets</u>					
Leasehold Improvements	\$	188,857	\$ 0	\$ 0	\$ 188,857
Communications Equipment		560,411	69,074	0	629,485
Office Equipment		49,340	0	0	49,340
Total Capital Assets	\$	798,608	\$ 69,074	\$ 0	\$ 867,682
<u>Less Accumulated Depreciation</u>					
Leasehold Improvements	\$	68,255	\$ 10,067	\$ 0	\$ 78,322
Communications Equipment		494,067	18,741	0	512,808
Office Equipment		42,736	1,686	0	44,422
Total Accumulated Depreciation	\$	605,058	\$ 30,494	\$ 0	\$ 635,552
Capital Assets, Net	\$	193,550	\$ 38,580	\$ 0	\$ 232,130

J. Subsequent Events

Subsequent events for Unicoi County Emergency Communications District were evaluated by management up to the financial statement issuance date.

K. Other Required Disclosures

Depreciation expense for the year was \$30,494.

There was no amortization expense for the year.

There was no advertising cost for the year.

There was no interest cost incurred and charged to expense for the year. No interest costs were capitalized.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Unicoi County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Unicoi County School Department
June 30, 2013

(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)
7-1-11	\$ 14,046	\$ 15,554	\$ 1,508	90.31 %	\$ 5,315	28.37 %
7-1-09	11,701	14,163	2,462	82.61	5,361	45.93
7-1-07	11,064	11,064	0	100	4,814	0

Information for this exhibit for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2012.

Exhibit E-2

Unicoi County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Unicoi County School Department
June 30, 2013

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-09	\$0	\$1,654	\$1,654	0%	\$8,339	19.83%
"	7-1-10	0	1,681	1,681	0	8,749	19.21
"	7-1-11	0	2,573	2,573	0	9,760	26.36

UNICOI COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions relating to the disposal of solid waste. Local taxes are the foundational revenues of this fund.

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

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

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

Exhibit F-1

Unicoi County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
ASSETS									
Cash	0	0	0	8,380	8,380	0	0	0	8,380
Equity in Pooled Cash and Investments	554	167,228	66,526	0	234,308	407	148,206	148,613	382,921
Accounts Receivable	0	391	0	0	391	0	0	0	391
Due from Other Governments	0	0	0	0	0	0	14,160	14,160	14,160
Due from Other Funds	0	0	200	0	200	0	0	0	200
Property Taxes Receivable	0	474,694	0	0	474,694	0	0	0	474,694
Allowance for Uncollectible Property Taxes	0	(22,085)	0	0	(22,085)	0	0	0	(22,085)
Total Assets	554	620,228	66,726	8,380	695,888	407	162,366	162,773	858,661
LIABILITIES									
Accounts Payable	0	33,024	1,043	0	34,067	0	0	0	34,067
Payroll Deductions Payable	0	46	1,133	0	1,179	0	0	0	1,179
Due to Other Funds	0	4,413	423	8,380	13,216	0	0	0	13,216
Due to State of Tennessee	0	0	33	0	33	0	0	0	33
Other Current Liabilities	0	0	10,550	0	10,550	0	0	0	10,550
Total Liabilities	0	37,483	13,182	8,380	59,045	0	0	0	59,045
DEFERRED INFLOWS OF RESOURCES									
Deferred Current Property Taxes	0	435,492	0	0	435,492	0	0	0	435,492
Deferred Delinquent Property Taxes	0	13,962	0	0	13,962	0	0	0	13,962
Other Deferred/Unavailable Revenue	0	0	0	0	0	0	14,160	14,160	14,160
Total Deferred Inflows of Resources	0	449,454	0	0	449,454	0	14,160	14,160	463,614
FUND BALANCES									
Restricted:									
Restricted for General Government	554	0	0	0	554	0	0	0	554
Restricted for Public Safety	0	0	53,544	0	53,544	0	0	0	53,544
Restricted for Public Health and Welfare	0	39,146	0	0	39,146	0	0	0	39,146
Restricted for Capital Projects	0	0	0	0	0	407	148,206	148,613	148,613
Committed:									
Committed for Public Health and Welfare	0	94,145	0	0	94,145	0	0	0	94,145
Total Fund Balances	554	133,291	53,544	0	187,389	407	148,206	148,613	336,002
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	554	620,228	66,726	8,380	695,888	407	162,366	162,773	858,661

Exhibit F-2

Unicoi County, Tennessee
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constitu- tional Officers - Fees	General Capital Projects	Community Development/ Industrial Park	Total	
Revenues								
Local Taxes	\$ 34	\$ 465,804	\$ 0	\$ 0	\$ 465,838	\$ 0	\$ 0	\$ 465,838
Licenses and Permits	0	488	0	0	488	0	0	488
Fines, Forfeitures, and Penalties	0	0	154,720	0	154,720	0	0	154,720
Charges for Current Services	0	0	0	4,890	4,890	0	0	4,890
Other Local Revenues	0	0	1,460	0	1,460	0	0	1,460
State of Tennessee	0	15,681	0	0	15,681	0	0	15,681
Other Governments and Citizens Groups	0	0	1,020	0	1,020	0	0	1,020
Total Revenues	\$ 34	\$ 481,973	\$ 157,200	\$ 4,890	\$ 644,097	\$ 0	\$ 0	\$ 644,097
Expenditures								
Current:								
Finance	\$ 0	\$ 0	\$ 508	\$ 0	\$ 508	\$ 0	\$ 0	\$ 508
Administration of Justice	0	0	0	4,890	4,890	0	0	4,890
Public Safety	0	0	92,406	0	92,406	0	0	92,406
Public Health and Welfare	0	481,558	0	0	481,558	0	0	481,558
Capital Projects	0	0	0	0	0	10,677	0	10,677
Total Expenditures	\$ 0	\$ 481,558	\$ 92,914	\$ 4,890	\$ 579,362	\$ 0	\$ 10,677	\$ 590,039
Excess (Deficiency) of Revenues Over Expenditures	\$ 34	\$ 415	\$ 64,286	\$ 0	\$ 64,735	\$ 0	\$ (10,677)	\$ 54,058
Other Financing Sources (Uses)								
Transfers Out	\$ 0	\$ 0	\$ (20,849)	\$ 0	\$ (20,849)	\$ 0	\$ 0	\$ (20,849)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ (20,849)	\$ 0	\$ (20,849)	\$ 0	\$ 0	\$ (20,849)
Net Change in Fund Balances Fund Balance, July 1, 2012	\$ 34	\$ 415	\$ 43,437	\$ 0	\$ 43,886	\$ 0	\$ (10,677)	\$ 33,209
Fund Balance, July 1, 2012	520	132,876	10,107	0	143,503	407	158,883	302,793
Fund Balance, June 30, 2013	\$ 554	\$ 133,291	\$ 53,544	\$ 0	\$ 187,389	\$ 407	\$ 148,206	\$ 336,002

Exhibit F-3

Unicoi 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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 34	\$ 55	\$ 55	\$ (21)
Total Revenues	\$ 34	\$ 55	\$ 55	\$ (21)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 0	\$ 55	\$ 55	\$ 55
Total Expenditures	\$ 0	\$ 55	\$ 55	\$ 55
Excess (Deficiency) of Revenues Over Expenditures	\$ 34	\$ 0	\$ 0	\$ 34
Net Change in Fund Balance	\$ 34	\$ 0	\$ 0	\$ 34
Fund Balance, July 1, 2012	520	436	436	84
Fund Balance, June 30, 2013	\$ 554	\$ 436	\$ 436	\$ 118

Exhibit F-4

Unicoi County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 465,804	\$ 463,550	\$ 463,550	\$ 2,254
Licenses and Permits	488	2,600	2,600	(2,112)
State of Tennessee	15,681	20,000	20,000	(4,319)
Total Revenues	<u>\$ 481,973</u>	<u>\$ 486,150</u>	<u>\$ 486,150</u>	<u>\$ (4,177)</u>
<u>Expenditures</u>				
Public Health and Welfare				
Sanitation Management	\$ 481,558	\$ 559,886	\$ 559,886	\$ 78,328
Total Expenditures	<u>\$ 481,558</u>	<u>\$ 559,886</u>	<u>\$ 559,886</u>	<u>\$ 78,328</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 415</u>	<u>\$ (73,736)</u>	<u>\$ (73,736)</u>	<u>\$ 74,151</u>
Net Change in Fund Balance	\$ 415	\$ (73,736)	\$ (73,736)	\$ 74,151
Fund Balance, July 1, 2012	132,876	133,843	133,843	(967)
Fund Balance, June 30, 2013	<u>\$ 133,291</u>	<u>\$ 60,107</u>	<u>\$ 60,107</u>	<u>\$ 73,184</u>

Exhibit F-5

Unicoi County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 154,720	\$ 129,425	\$ 129,425	\$ 25,295
Other Local Revenues	1,460	0	0	1,460
Other Governments and Citizens Groups	1,020	1,000	2,000	(980)
Total Revenues	<u>\$ 157,200</u>	<u>\$ 130,425</u>	<u>\$ 131,425</u>	<u>\$ 25,775</u>
<u>Expenditures</u>				
<u>Finance</u>				
Other Finance	\$ 508	\$ 500	\$ 550	\$ 42
<u>Public Safety</u>				
Sheriff's Department	92,406	130,625	106,625	14,219
Total Expenditures	<u>\$ 92,914</u>	<u>\$ 131,125</u>	<u>\$ 107,175</u>	<u>\$ 14,261</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 64,286</u>	<u>\$ (700)</u>	<u>\$ 24,250</u>	<u>\$ 40,036</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (20,849)	0	(25,000)	4,151
Total Other Financing Sources	<u>\$ (20,849)</u>	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ 4,151</u>
Net Change in Fund Balance	\$ 43,437	\$ (700)	\$ (750)	\$ 44,187
Fund Balance, July 1, 2012	10,107	10,080	10,080	27
Fund Balance, June 30, 2013	<u>\$ 53,544</u>	<u>\$ 9,380</u>	<u>\$ 9,330</u>	<u>\$ 44,214</u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Exhibit G

Unicoi County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,325,897	\$ 2,518,394	\$ 2,518,394	\$ (192,497)
Licenses and Permits	2,344	8,000	8,000	(5,656)
Other Local Revenues	3,536	7,500	7,500	(3,964)
Other Governments and Citizens Groups	256,047	32,630	81,047	175,000
Total Revenues	<u>\$ 2,587,824</u>	<u>\$ 2,566,524</u>	<u>\$ 2,614,941</u>	<u>\$ (27,117)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,311,893	\$ 1,415,000	\$ 1,415,000	\$ 103,107
Education	66,022	0	66,022	0
<u>Interest on Debt</u>				
General Government	1,236,265	1,237,095	1,237,095	830
Education	3,251	0	3,251	0
<u>Other Debt Service</u>				
General Government	40,393	42,000	42,000	1,607
Total Expenditures	<u>\$ 2,657,824</u>	<u>\$ 2,694,095</u>	<u>\$ 2,763,368</u>	<u>\$ 105,544</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (170,000)</u>	<u>\$ (127,571)</u>	<u>\$ (248,427)</u>	<u>\$ 78,427</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 100,000	\$ 0	\$ 100,000	\$ 0
Payments to Refunded Debt Escrow Agent	(100,000)	0	(100,000)	0
Transfers In	20,849	0	20,856	(7)
Total Other Financing Sources	<u>\$ 20,849</u>	<u>\$ 0</u>	<u>\$ 20,856</u>	<u>\$ (7)</u>
Net Change in Fund Balance	\$ (49,151)	\$ (127,571)	\$ (127,571)	\$ 78,420
Fund Balance, July 1, 2012	<u>3,257,860</u>	<u>3,257,860</u>	<u>3,257,860</u>	<u>0</u>
Fund Balance, June 30, 2013	<u>\$ 3,208,709</u>	<u>\$ 3,130,289</u>	<u>\$ 3,130,289</u>	<u>\$ 78,420</u>

Fiduciary Funds

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

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

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

Exhibit H-1

Unicoi County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 343,352	\$ 343,352
Accounts Receivable	0	2,649	2,649
Due from Other Governments	243,487	0	243,487
Restricted Assets	0	34,456	34,456
Total Assets	<u>\$ 243,487</u>	<u>\$ 380,457</u>	<u>\$ 623,944</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 243,487	\$ 0	\$ 243,487
Due to Litigants, Heirs, and Others	0	380,457	380,457
Total Liabilities	<u>\$ 243,487</u>	<u>\$ 380,457</u>	<u>\$ 623,944</u>

Exhibit H-2

Unicoi County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,486,571	\$ 1,486,571	\$ 0
Due from Other Governments	257,984	243,487	257,984	243,487
Total Assets	<u>\$ 257,984</u>	<u>\$ 1,730,058</u>	<u>\$ 1,744,555</u>	<u>\$ 243,487</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 257,984	\$ 1,730,058	\$ 1,744,555	\$ 243,487
Total Liabilities	<u>\$ 257,984</u>	<u>\$ 1,730,058</u>	<u>\$ 1,744,555</u>	<u>\$ 243,487</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 469,134	\$ 3,759,725	\$ 3,885,507	\$ 343,352
Accounts Receivable	2,510	2,649	2,510	2,649
Restricted Assets	32,077	2,379	0	34,456
Total Assets	<u>\$ 503,721</u>	<u>\$ 3,764,753</u>	<u>\$ 3,888,017</u>	<u>\$ 380,457</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 503,721	\$ 3,764,753	\$ 3,888,017	\$ 380,457
Total Liabilities	<u>\$ 503,721</u>	<u>\$ 3,764,753</u>	<u>\$ 3,888,017</u>	<u>\$ 380,457</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 469,134	\$ 3,759,725	\$ 3,885,507	\$ 343,352
Equity in Pooled Cash and Investments	0	1,486,571	1,486,571	0
Accounts Receivable	2,510	2,649	2,510	2,649
Due from Other Governments	257,984	243,487	257,984	243,487
Restricted Assets	32,077	2,379	0	34,456
Total Assets	<u>\$ 761,705</u>	<u>\$ 5,494,811</u>	<u>\$ 5,632,572</u>	<u>\$ 623,944</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 257,984	\$ 1,730,058	\$ 1,744,555	\$ 243,487
Due to Litigants, Heirs, and Others	503,721	3,764,753	3,888,017	380,457
Total Liabilities	<u>\$ 761,705</u>	<u>\$ 5,494,811</u>	<u>\$ 5,632,572</u>	<u>\$ 623,944</u>

Unicoi County School Department

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

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. U.S.D.A. lunch and breakfast program revenues and charges to students and adults are the foundational revenues of this fund.

Exhibit I-1

Unicoi County, Tennessee
Statement of Activities
Discretely Presented Unicoi County School Department
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services		Operating Grants and Contributions
Governmental Activities:				
Instruction	\$ 12,278,165	\$ 50,328	\$ 1,837,780	\$ (10,390,057)
Support Services	7,104,959	2,000	149,974	(6,952,985)
Operation of Non-Instructional Services	1,823,234	354,155	929,990	(539,089)
Interest on Long-term Debt	3,214	0	0	(3,214)
Total Governmental Activities	\$ 21,209,572	\$ 406,483	\$ 2,917,744	\$ (17,885,345)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$	2,635,625
Local Option Sales Taxes				1,333,965
Business Tax				33,746
Wholesale Beer Tax				2,290
Interstate Telecommunications Tax				1,490
Other Local Taxes				310
Grants and Contributions Not Restricted to Specific Programs				13,827,445
Unrestricted Investment Income				5,802
Miscellaneous				195,806
Total General Revenues			\$	18,036,479
Extraordinary Item - Gain on Asset Impairment			\$	2,552,895
Change in Net Position			\$	2,704,029
Net Position, July 1, 2012				31,505,290
Net Position, June 30, 2013			\$	34,209,319

Unicoi County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Unicoi County School Department
June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Purpose</u>	<u>Govern-</u>	<u>Governmental</u>
	<u>School</u>	<u>mental</u>	<u>Funds</u>
		<u>Funds</u>	
<u>ASSETS</u>			
Cash	\$ 63,641	\$ 3,000	\$ 66,641
Equity in Pooled Cash and Investments	6,200,302	319,228	6,519,530
Accounts Receivable	1,598,831	0	1,598,831
Due from Other Governments	227,520	17,273	244,793
Due from Primary Government	37,996	0	37,996
Property Taxes Receivable	2,767,461	0	2,767,461
Allowance for Uncollectible Property Taxes	(128,758)	0	(128,758)
Total Assets	<u>\$ 10,766,993</u>	<u>\$ 339,501</u>	<u>\$ 11,106,494</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 90,578	\$ 0	\$ 90,578
Contracts Payable	154,025	0	154,025
Retainage Payable	18,306	0	18,306
Due to Primary Government	1,400	0	1,400
Other Current Liabilities	460,770	0	460,770
Total Liabilities	<u>\$ 725,079</u>	<u>\$ 0</u>	<u>\$ 725,079</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 2,538,912	\$ 0	\$ 2,538,912
Deferred Delinquent Property Taxes	81,397	0	81,397
Other Deferred/Unavailable Revenue	110,000	0	110,000
Total Deferred Inflows of Resources	<u>\$ 2,730,309</u>	<u>\$ 0</u>	<u>\$ 2,730,309</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 63,299	\$ 334,501	\$ 397,800
Committed:			
Committed for Education	0	5,000	5,000
Assigned:			
Assigned for Education	1,236,211	0	1,236,211
Assigned for Capital Projects	1,406,649	0	1,406,649
Unassigned	4,605,446	0	4,605,446
Total Fund Balances	<u>\$ 7,311,605</u>	<u>\$ 339,501</u>	<u>\$ 7,651,106</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,766,993</u>	<u>\$ 339,501</u>	<u>\$ 11,106,494</u>

Exhibit I-3

Unicoi County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Unicoi County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	7,651,106
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	723,886	
Add: construction in progress		425,122	
Add: building and improvements net of accumulated depreciation		24,554,249	
Add: other capital assets net of accumulated depreciation		<u>1,015,690</u>	26,718,947
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			191,397
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: principal on leases to be contributed on primary government debt	\$	(45,499)	
Less: other postemployment benefits liability		<u>(306,632)</u>	<u>(352,131)</u>
Net position of governmental activities (Exhibit A)			<u>\$ 34,209,319</u>

Unicoi County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Unicoi County School Department
For the Year Ended June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 4,045,511	\$ 0	\$ 4,045,511
Licenses and Permits	9,607	0	9,607
Fines, Forfeitures, and Penalties	436	0	436
Charges for Current Services	50,328	213,497	263,825
Other Local Revenues	366,377	7,687	374,064
State of Tennessee	13,390,266	13,196	13,403,462
Federal Government	811,423	2,450,751	3,262,174
Total Revenues	<u>\$ 18,673,948</u>	<u>\$ 2,685,131</u>	<u>\$ 21,359,079</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 10,041,579	\$ 1,300,337	\$ 11,341,916
Support Services	6,691,019	281,044	6,972,063
Operation of Non-Instructional Services	635,007	1,158,412	1,793,419
Capital Outlay	29,645	0	29,645
Debt Service:			
Other Debt Service	69,273	0	69,273
Total Expenditures	<u>\$ 17,466,523</u>	<u>\$ 2,739,793</u>	<u>\$ 20,206,316</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,207,425</u>	<u>\$ (54,662)</u>	<u>\$ 1,152,763</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 5,255	\$ 0	\$ 5,255
Total Other Financing Sources (Uses)	<u>\$ 5,255</u>	<u>\$ 0</u>	<u>\$ 5,255</u>
<u>Extraordinary Items</u>			
Insurance Recovery	\$ 2,990,860	\$ 0	\$ 2,990,860
Sinkhole Damage Expenditures	(626,411)	0	(626,411)
Total Extraordinary Items	<u>\$ 2,364,449</u>	<u>\$ 0</u>	<u>\$ 2,364,449</u>
Net Change in Fund Balances	\$ 3,577,129	\$ (54,662)	\$ 3,522,467
Fund Balance, July 1, 2012	3,734,476	394,163	4,128,639
Fund Balance, June 30, 2013	<u>\$ 7,311,605</u>	<u>\$ 339,501</u>	<u>\$ 7,651,106</u>

Unicoi County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Unicoi County School Department
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 3,522,467
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 659,138	
Less: current-year depreciation expense	<u>(1,171,819)</u>	(512,681)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: loss on disposal of capital assets	\$ (5,323)	
Less: impairment loss due to sinkhole	<u>(270,961)</u>	(276,284)
(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, 2013	\$ 191,397	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(189,770)</u>	1,627
(4) The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal contributions on lease for primary government		66,022
(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	\$ 37	
Change in other postemployment benefits liability	<u>(97,159)</u>	<u>(97,122)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,704,029</u>

Unicoi County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Unicoi County School Department
June 30, 2013

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 3,000	\$ 3,000
Equity in Pooled Cash and Investments	26,522	292,706	319,228
Due from Other Governments	17,273	0	17,273
Total Assets	<u>\$ 43,795</u>	<u>\$ 295,706</u>	<u>\$ 339,501</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 38,795	\$ 295,706	\$ 334,501
Committed:			
Committed for Education	5,000	0	5,000
Total Fund Balances	<u>\$ 43,795</u>	<u>\$ 295,706</u>	<u>\$ 339,501</u>

Unicoi County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Unicoi County School Department
For the Year Ended June 30, 2013

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 213,497	\$ 213,497
Other Local Revenues	0	7,687	7,687
State of Tennessee	0	13,196	13,196
Federal Government	1,533,957	916,794	2,450,751
Total Revenues	<u>\$ 1,533,957</u>	<u>\$ 1,151,174</u>	<u>\$ 2,685,131</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,300,337	\$ 0	\$ 1,300,337
Support Services	281,044	0	281,044
Operation of Non-Instructional Services	0	1,158,412	1,158,412
Total Expenditures	<u>\$ 1,581,381</u>	<u>\$ 1,158,412</u>	<u>\$ 2,739,793</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (47,424)</u>	<u>\$ (7,238)</u>	<u>\$ (54,662)</u>
Net Change in Fund Balances	<u>\$ (47,424)</u>	<u>\$ (7,238)</u>	<u>\$ (54,662)</u>
Fund Balance, July 1, 2012	91,219	302,944	394,163
Fund Balance, June 30, 2013	<u>\$ 43,795</u>	<u>\$ 295,706</u>	<u>\$ 339,501</u>

Exhibit I-8

Unicoi County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Unicoi County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 4,045,511	\$ 0	\$ 0	\$ 4,045,511	\$ 4,014,481	\$ 4,048,767	\$ (3,256)
Licenses and Permits	9,607	0	0	9,607	19,500	19,500	(9,893)
Fines, Forfeitures, and Penalties	436	0	0	436	0	0	436
Charges for Current Services	50,328	0	0	50,328	41,470	41,470	8,858
Other Local Revenues	366,377	0	0	366,377	294,500	299,500	66,877
State of Tennessee	13,390,266	0	0	13,390,266	12,497,002	13,377,240	13,026
Federal Government	811,423	0	0	811,423	180,659	194,667	616,756
Total Revenues	\$ 18,673,948	\$ 0	\$ 0	\$ 18,673,948	\$ 17,047,612	\$ 17,981,144	\$ 692,804
Expenditures							
Instruction							
Regular Instruction Program	\$ 7,718,723	\$ (4,182)	\$ 0	\$ 7,714,541	\$ 8,044,713	\$ 8,076,355	\$ 361,814
Alternative Instruction Program	89,301	0	0	89,301	89,841	89,841	540
Special Education Program	1,394,724	0	30,765	1,425,489	1,422,972	1,432,480	6,991
Vocational Education Program	691,714	0	0	691,714	717,895	717,895	26,181
Student Body Education Program	147,117	(1,598)	18,890	164,409	168,194	168,194	3,785
Support Services							
Attendance	93,170	0	0	93,170	93,246	93,246	76
Health Services	277,681	(581)	797	277,897	178,926	278,926	1,029
Other Student Support	532,658	0	1,000	533,658	511,210	548,934	15,276
Regular Instruction Program	480,729	0	0	480,729	518,157	518,157	37,428
Special Education Program	143,738	0	2,500	146,238	146,792	151,292	5,054
Vocational Education Program	130,274	0	0	130,274	130,906	130,906	632
Other Programs	112,002	0	0	112,002	0	112,002	0
Board of Education	510,090	0	0	510,090	548,173	548,173	38,083
Director of Schools	345,333	0	0	345,333	344,217	353,653	8,320
Office of the Principal	1,061,826	0	0	1,061,826	1,094,934	1,094,559	32,733
Fiscal Services	124,819	0	0	124,819	127,766	127,766	2,947

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Expenditures (Cont.)							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,506,080	\$ (355)	0	\$ 1,505,725	\$ 1,643,040	\$ 1,606,236	\$ 100,511
Maintenance of Plant	507,314	(7,956)	1,000	500,358	574,739	560,935	60,577
Transportation	538,598	(101)	173,349	711,846	834,579	812,722	100,876
Central and Other	326,707	(1,478)	494	325,723	338,399	334,990	9,267
<u>Operation of Non-Instructional Services</u>							
Community Services	2,612	0	0	2,612	0	2,613	1
Early Childhood Education	632,395	(10,629)	189	621,955	48,201	630,277	8,322
Capital Outlay							
Regular Capital Outlay	29,645	0	0	29,645	366,782	32,982	3,337
Principal on Debt							
Education	0	0	0	0	66,022	0	0
Education	0	0	0	0	3,251	0	0
Other Debt Service							
Education	69,273	0	0	69,273	0	69,273	0
Total Expenditures	\$ 17,466,523	\$ (26,880)	\$ 228,984	\$ 17,668,627	\$ 18,012,955	\$ 18,492,407	\$ 823,780
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,207,425	\$ 26,880	\$ (228,984)	\$ 1,005,321	\$ (965,343)	\$ (511,263)	\$ 1,516,584
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 5,255	0	0	\$ 5,255	0	0	\$ 5,255
Total Other Financing Sources	\$ 5,255	\$ 0	\$ 0	\$ 5,255	\$ 0	\$ 0	\$ 5,255
<u>Extraordinary Items</u>							
Insurance Recovery	\$ 2,990,860	0	0	\$ 2,990,860	0	0	\$ 2,990,860
Sinkhole Damage Expenditures	(626,411)	0	0	(626,411)	0	(454,080)	(172,331)
Total Extraordinary Items	\$ 2,364,449	\$ 0	\$ 0	\$ 2,364,449	\$ 0	\$ (454,080)	\$ 2,818,529

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less:		Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2012	26,880 (26,880)			Original	Final	
Net Change in Fund Balance	\$ 3,577,129	\$ 26,880	\$ (228,984)	\$ 3,375,025	\$ (965,343)	\$ (965,343)	\$ 4,340,368	
Fund Balance, July 1, 2012	3,734,476	(26,880)	0	3,707,596	2,771,285	2,771,285	936,311	
Fund Balance, June 30, 2013	\$ 7,311,605	\$ 0	\$ (228,984)	\$ 7,082,621	\$ 1,805,942	\$ 1,805,942	\$ 5,276,679	

Exhibit I-9

Unicoi County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Unicoi County School Department
School Federal Projects Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,533,957	\$ 1,729,805	\$ 1,788,715	\$ (254,758)
Total Revenues	\$ 1,533,957	\$ 1,729,805	\$ 1,788,715	\$ (254,758)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 628,550	\$ 672,050	\$ 701,766	\$ 73,216
Special Education Program	646,198	827,662	827,662	181,464
Vocational Education Program	25,589	25,589	25,589	0
<u>Support Services</u>				
Other Student Support	43,152	45,514	104,990	61,838
Regular Instruction Program	229,066	312,151	324,126	95,060
Special Education Program	7,626	14,224	14,224	6,598
Vocational Education Program	1,200	1,200	1,200	0
Total Expenditures	\$ 1,581,381	\$ 1,898,390	\$ 1,999,557	\$ 418,176
Excess (Deficiency) of Revenues Over Expenditures	\$ (47,424)	\$ (168,585)	\$ (210,842)	\$ 163,418
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 176,066	\$ 0	\$ 0
Transfers Out	0	(176,066)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (47,424)	\$ (168,585)	\$ (210,842)	\$ 163,418
Fund Balance, July 1, 2012	91,219	168,585	210,842	(119,623)
Fund Balance, June 30, 2013	\$ 43,795	\$ 0	\$ 0	\$ 43,795

Exhibit I-10

Unicoi County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Unicoi County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 213,497	0	213,497	295,400	295,400	(81,903)
Other Local Revenues	7,687	0	7,687	25,100	25,100	(17,413)
State of Tennessee	13,196	0	13,196	14,000	14,000	(804)
Federal Government	916,794	0	916,794	893,091	893,091	23,703
Total Revenues	\$ 1,151,174	0	1,151,174	1,227,591	1,227,591	(76,417)
<u>Expenditures</u>						
Operation of Non-Instructional Services	\$ 1,158,412	6,500	1,164,912	1,253,249	1,253,249	88,337
Food Service	1,158,412	6,500	1,164,912	1,253,249	1,253,249	88,337
Total Expenditures	\$ (7,238)	(6,500)	(13,738)	(25,658)	(25,658)	11,920
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,238)	(6,500)	(13,738)	(25,658)	(25,658)	11,920
Net Change in Fund Balance Fund Balance, July 1, 2012	302,944	0	302,944	277,249	277,249	25,695
Fund Balance, June 30, 2013	\$ 295,706	(6,500)	289,206	251,591	251,591	37,615

MISCELLANEOUS SCHEDULES

Exhibit J-1

Unicoi County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-13
NOTES PAYABLE									
Payable through General Debt Service Fund									
Capital Outlay - Jail Renovations/Courthouse HVAC	\$ 326,850	4.12%	2-18-07	1-18-17	\$ 166,530	0 \$	33,705 \$	0 \$	132,825
Capital Outlay - Energy Efficiency	415,800	0	4-23-07	6-1-14	118,800	0	59,400	0	59,400
Capital Outlay - Public Works	130,000	1.98	12-21-10	6-1-13	110,000	0	10,000	100,000	0
Capital Outlay - Public Works Refunding	2,835,000	2.96	6-16-11	4-1-21	2,590,000	0	275,000	0	2,315,000
Capital Outlay - Sheriff's Department Vehicles	115,254	2.11	12-16-11	6-1-14	80,000	0	40,000	0	40,000
Capital Outlay - Public Works	160,000	2.85	5-31-12	4-1-22	160,000	0	80,000	0	80,000
Capital Outlay - Refunding 2013	100,000	2	5-31-13	6-1-16	0	100,000	0	100,000	0
Total Payable through General Debt Service Fund					\$ 3,225,330	\$ 100,000	\$ 498,105	\$ 100,000	\$ 2,727,225
Total Notes Payable					\$ 3,225,330	\$ 100,000	\$ 498,105	\$ 100,000	\$ 2,727,225
CAPITAL LEASES PAYABLE									
Contributed by School Department through General Purpose School Fund									
HVAC Equipment	570,442	3.99	2-17-04	2-17-14	\$ 111,521	0 \$	66,022 \$	0 \$	45,499
Total Contributed by School Department through General Purpose School Fund					\$ 111,521	0 \$	66,022 \$	0 \$	45,499
Total Capital Leases Payable					\$ 111,521	0 \$	66,022 \$	0 \$	45,499
BONDS PAYABLE									
Payable through General Debt Service Fund									
General Obligation Public Improvement	700,000	4.875	4-9-1997	1-1-35	\$ 562,419	0 \$	13,788 \$	0 \$	548,631
General Obligation Refunding	8,715,000	2.45 to 5.25	9-1-01	4-1-21	5,690,000	0	510,000	0	5,180,000
General Obligation Refunding	3,300,000	4	10-18-06	4-1-23	2,630,000	0	190,000	0	2,440,000
General Obligation School	16,350,000	3.5 to 4.75	9-24-08	5-1-29	16,050,000	0	100,000	0	15,950,000
Total Payable through General Debt Service Fund					\$ 24,932,419	0 \$	813,788 \$	0 \$	24,118,631
Total Bonds Payable					\$ 24,932,419	0 \$	813,788 \$	0 \$	24,118,631

Exhibit J-2

Unicoi County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		Total
	Principal	Interest	
2014	\$ 428,020	\$ 78,474	\$ 506,494
2015	350,095	67,657	417,752
2016	387,131	57,043	444,174
2017	326,979	45,812	372,791
2018	299,000	36,505	335,505
2019	294,000	27,666	321,666
2020	314,000	18,974	332,974
2021	319,000	9,689	328,689
2022	9,000	256	9,256
Total	\$ 2,727,225	\$ 342,076	\$ 3,069,301

Year Ending June 30	Capital Leases		Total
	Principal	Interest	
2014	\$ 45,499	\$ 683	\$ 46,182
Total	\$ 45,499	\$ 683	\$ 46,182

Year Ending June 30	Bonds		Total
	Principal	Interest	
2014	\$ 1,049,460	\$ 1,107,390	\$ 2,156,850
2015	1,190,165	1,061,435	2,251,600
2016	1,230,905	1,010,045	2,240,950
2017	1,276,680	954,232	2,230,912
2018	1,327,493	896,207	2,223,700
2019	1,468,346	834,704	2,303,050
2020	1,534,240	767,185	2,301,425
2021	1,590,178	696,459	2,286,637
2022	1,256,162	621,738	1,877,900
2023	1,277,194	566,306	1,843,500
2024	1,148,275	511,274	1,659,549
2025	1,449,410	460,921	1,910,331
2026	2,025,600	395,606	2,421,206
2027	2,026,848	299,358	2,326,206
2028	2,028,157	203,049	2,231,206
2029	2,029,530	106,676	2,136,206

(Continued)

Exhibit J-2

Unicoi County, Tennessee
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2030	\$ 30,969	\$ 10,237	\$ 41,206
2031	32,479	8,727	41,206
2032	34,062	7,144	41,206
2033	35,723	5,483	41,206
2034	37,464	3,742	41,206
2035	39,291	1,915	41,206
Total	\$ 24,118,631	\$ 10,529,833	\$ 34,648,464

Exhibit J-3

Unicoi County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Drug Control	General Debt Service	Debt payments	\$ 20,849
Total Transfers			<u>\$ 20,849</u>

Unicoi County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Unicoi County School Department
For the Year Ended June 30, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 71,236	\$ 50,000	Auto Owners (Mutual) Insurance Company
Road Superintendent	Section 8-24-102, TCA	64,613	100,000	"
Director of Schools	State Board of Education and County Board of Education	120,443	50,000	Western Surety Company
Trustee	Section 8-24-102, TCA	58,739	999,600	Auto Owners (Mutual) Insurance Company
Assessor of Property	Section 8-24-102, TCA	58,739	50,000	"
County Clerk	Section 8-24-102, TCA	58,739	70,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	58,739	100,000	"
Clerk and Master	Section 8-24-102, TCA			
Register of Deeds	and Chancery Court Judge	58,739	100,000	Ohio Casualty Insurance Company
Sheriff	Section 8-24-102, TCA	58,739	25,000	Auto Owners (Mutual) Insurance Company
	Section 8-24-102, TCA	67,843	35,000	"
Individual Employee Bonds - County Departments			10,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer training supplement of \$1,000 and a career ladder supplement of \$3,000. Also includes contractual payments for a travel allowance of \$550 per month and accrued vacation leave of \$6,436.

(2) Does not include special commissioner fees of \$4,890.

(3) Includes \$3,230 for serving as workhouse superintendent and does not include \$600 for a law enforcement training supplement.

Exhibit J-5

Unicoi County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds							Debt Service Fund		Total
	General	Courtthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Fund			
							General	Debt Service		
<u>Local Taxes</u>										
County Property Taxes										
Current Property Tax	\$ 3,517,686	\$ 0	\$ 420,444	\$ 0	\$ 0	\$ 146,586	\$ 1,558,762	\$ 5,643,478		
Trustee's Collections - Prior Year	86,274	0	13,720	0	0	4,415	42,748	147,157		
Circuit/Clerk & Master Collections - Prior Years	126,129	0	15,536	0	0	5,172	56,472	203,309		
Interest and Penalty	19,628	0	2,912	0	0	945	9,413	32,898		
Pick-up Taxes	153	0	18	0	0	6	68	245		
Payments in-Lieu-of-Taxes - T.V.A.	214	0	26	0	0	9	95	344		
Payments in-Lieu-of-Taxes - Local Utilities	50,259	0	6,007	0	0	1,969	22,270	80,505		
Payments in-Lieu-of-Taxes - Other	6,519	0	779	0	0	272	2,888	10,458		
<u>County Local Option Taxes</u>										
Local Option Sales Tax										
Hotel/Motel Tax	2,886	0	0	0	0	0	460,866	463,752		
Litigation Tax - General	57,057	0	0	0	0	0	0	57,057		
Litigation Tax - Special Purpose	102,109	0	0	0	0	0	0	102,109		
Litigation Tax - Jail, Workhouse, or Courthouse	0	34	0	0	0	0	0	34		
Business Tax	51,687	0	0	0	0	0	147,553	147,553		
Mineral Severance Tax	14,241	0	5,969	0	0	2,018	22,639	82,313		
<u>Statutory Local Taxes</u>										
Wholesale Beer Tax	3,288	0	393	0	0	137	1,457	5,275		
Interstate Telecommunications Tax	0	0	0	0	0	0	666	666		
Other Statutory Local Taxes	64,319	0	0	0	0	0	0	64,319		
Total Local Taxes	\$ 4,102,449	\$ 34	\$ 465,804	\$ 0	\$ 0	\$ 175,770	\$ 2,325,897	\$ 7,069,954		
<u>Licenses and Permits</u>										
Marriage Licenses	166	0	0	0	0	0	0	166		
Cable TV Franchise	5,913	0	488	0	0	471	2,344	9,216		
Total Licenses and Permits	\$ 6,079	\$ 0	\$ 488	\$ 0	\$ 0	\$ 471	\$ 2,344	\$ 9,382		
<u>Fines, Forfeitures, and Penalties</u>										
<u>Circuit Court</u>										
Fines	1,046	0	0	0	0	0	0	1,046		
Officers Costs	1,769	0	0	0	0	0	0	1,769		
Drug Control Fines	0	0	0	16,018	0	0	0	16,018		
Drug Court Fees	935	0	0	0	0	0	0	935		
-Jail Fees	590	0	0	0	0	0	0	590		
DUI Treatment Fines	95	0	0	0	0	0	0	95		
Courtroom Security Fee	457	0	0	0	0	0	0	457		

(Continued)

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Criminal Court</u>									
Data Entry Fee - Criminal Court	\$ 1,845	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,845
<u>General Sessions Court</u>									
Fines	22,730	0	0	0	0	0	0	0	22,730
Officers Costs	24,766	0	0	0	0	0	0	0	24,766
Game and Fish Fines	9	0	0	0	0	0	0	0	9
Drug Control Fines	0	0	0	18,585	0	0	0	0	18,585
Drug Court Fees	3,446	0	0	0	0	0	0	0	3,446
-Jail Fees	24,474	0	0	0	0	0	0	0	24,474
DUI Treatment Fines	5,471	0	0	0	0	0	0	0	5,471
Data Entry Fee - General Sessions Court	13,171	0	0	0	0	0	0	0	13,171
Courtroom Security Fee	242	0	0	0	0	0	0	0	242
<u>Juvenile Court</u>									
Fines	772	0	0	0	0	0	0	0	772
Officers Costs	808	0	0	0	0	0	0	0	808
Drug Control Fines	1,232	0	0	0	0	0	0	0	1,232
-Jail Fees	6,379	0	0	0	0	0	0	0	6,379
Data Entry Fee - Juvenile Court	2,581	0	0	0	0	0	0	0	2,581
<u>Chancery Court</u>									
Officers Costs	848	0	0	0	0	0	0	0	848
Data Entry Fee - Chancery Court	2,364	0	0	0	0	0	0	0	2,364
Courtroom Security Fee	8	0	0	0	0	0	0	0	8
<u>Judicial District Drug Program</u>									
Data Entry Fee - Other Courts	15,122	0	0	0	0	0	0	0	15,122
Other Fines, Forfeitures, and Penalties	2,075	0	0	112,729	0	0	0	0	114,804
Proceeds from Confiscated Property	0	0	0	7,388	0	0	0	0	7,388
Other Fines, Forfeitures, and Penalties									
Total Fines, Forfeitures, and Penalties	\$ 133,235	\$ 0	\$ 0	\$ 154,720	\$ 0	\$ 0	\$ 0	\$ 0	\$ 287,955
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Work Release Charges for Board Fees	\$ 4,519	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,519
<u>Recreation Fees</u>									
Archives and Records Management Fee - County Clerk	25,123	0	0	0	0	0	0	0	25,123
Telephone Commissions	47,430	0	0	0	0	0	0	0	47,430
Special Commissioner Fees/Special Master Fees	7,200	0	0	0	0	0	0	0	7,200
	0	0	0	0	4,890	0	0	0	4,890

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Fund		
							General	Debt Service	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Data Processing Fee - Register	\$ 5,152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,152
Data Processing Fee - Sheriff	2,101	0	0	0	0	0	0	0	2,101
Sexual Offender Registration Fees - Sheriff	1,020	0	0	0	0	0	0	0	1,020
Data Processing Fee - County Clerk	879	0	0	0	0	0	0	0	879
Total Charges for Current Services	\$ 93,424	\$ 0	\$ 0	\$ 0	\$ 4,890	\$ 0	\$ 0	\$ 0	\$ 98,314
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 21,603	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,594	\$ 3,536	\$ 0	\$ 38,733
Sale of Materials and Supplies	477	0	0	0	0	0	0	0	477
Sale of Gasoline	0	0	0	0	0	5,184	0	0	5,184
Sale of Recycled Materials	1,387	0	0	251	0	4,542	0	0	6,180
Retirees' Insurance Payments	8,870	0	0	0	0	785	0	0	9,655
Cobra Insurance Payments	1,142	0	0	0	0	3,249	0	0	4,391
Miscellaneous Refunds	16,888	0	0	334	0	4,021	0	0	21,243
<u>Nonrecurring Items</u>									
Damages Recovered from Individuals	462	0	0	0	0	0	0	0	462
Contributions and Gifts	0	0	0	875	0	0	0	0	875
Total Other Local Revenues	\$ 50,829	\$ 0	\$ 0	\$ 1,460	\$ 0	\$ 31,375	\$ 3,536	\$ 0	\$ 87,200
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of-Salary</u>									
County Clerk	\$ 156,289	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,289
Circuit Court Clerk	106,296	0	0	0	0	0	0	0	106,296
General Sessions Court Clerk	231,235	0	0	0	0	0	0	0	231,235
Clerk and Master	50,345	0	0	0	0	0	0	0	50,345
Register	61,382	0	0	0	0	0	0	0	61,382
Sheriff	6,694	0	0	0	0	0	0	0	6,694
Trustee	260,737	0	0	0	0	0	0	0	260,737
Total Fees Received from County Officials	\$ 872,978	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 872,978
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Public Safety Grants	11,400	0	0	0	0	0	0	0	11,400
Law Enforcement Training Programs									

(Continued)

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

	Special Revenue Funds							Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Total	
<u>State of Tennessee (Cont.)</u>									
Health and Welfare Grants									
Health Department Programs									
Public Works Grants									
Litter Program									
Other State Revenues									
Income Tax	\$ 159,265	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 159,265
Beer Tax	38,209	0	0	0	0	0	0	0	38,209
Alcoholic Beverage Tax	31,704	0	0	0	0	0	0	0	31,704
Mixed Drink Tax	18,586	0	0	0	0	0	0	0	18,586
State Revenue Sharing - T.V.A.	28,785	0	0	0	0	0	0	0	28,785
Contracted Prisoner Boarding	2,775	0	0	0	0	0	0	0	2,775
Gasoline and Motor Fuel Tax	189,330	0	15,681	0	0	5,467	0	0	210,478
Petroleum Special Tax	476,747	0	0	0	0	0	0	0	476,747
Registrar's Salary Supplement	0	0	0	0	0	1,305,590	0	0	1,305,590
Other State Revenues	0	0	0	0	0	13,213	0	0	13,213
Total State of Tennessee	\$ 981,655	\$ 0	\$ 15,681	\$ 0	\$ 0	\$ 1,324,270	\$ 0	\$ 0	\$ 2,321,606
<u>Federal Government</u>									
Federal Through State									
Civil Defense Reimbursement	\$ 22,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,500
Homeland Security Grants	92,335	0	0	0	0	0	0	0	92,335
Law Enforcement Grants	5,000	0	0	0	0	0	0	0	5,000
Other Federal through State	3,005	0	0	0	0	0	0	0	3,005
Direct Federal Revenue									
Forest Service	30,784	0	0	0	0	21,242	0	0	52,026
Other Direct Federal Revenue	1,400	0	0	0	0	0	0	0	1,400
Total Federal Government	\$ 155,024	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,242	\$ 0	\$ 0	\$ 176,266
<u>Other Governments and Citizens Groups</u>									
Other Governments									
Contributions	\$ 191,600	\$ 0	\$ 0	\$ 1,020	\$ 0	\$ 0	\$ 244,273	\$ 0	\$ 436,893
Contracted Services	171,054	0	0	0	0	179,777	0	0	350,831
Other	0	0	0	0	0	0	11,774	0	11,774
Total Other Governments and Citizens Groups	\$ 362,654	\$ 0	\$ 0	\$ 1,020	\$ 0	\$ 179,777	\$ 256,047	\$ 0	\$ 799,498
Total	\$ 6,758,327	\$ 34	\$ 481,973	\$ 157,900	\$ 4,890	\$ 1,732,905	\$ 2,587,824	\$ 0	\$ 11,723,153

Exhibit J-6

Unicoi County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Unicoi County School Department
 For the Year Ended June 30, 2013

	Special Revenue Funds			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,439,561	\$ 0	\$ 0	\$ 2,439,561
Trustee's Collections - Prior Year	80,911	0	0	80,911
Circuit/Clerk & Master Collections - Prior Years	89,619	0	0	89,619
Interest and Penalty	15,800	0	0	15,800
Pick-up Taxes	107	0	0	107
Payments in-Lieu-of Taxes - T.V.A.	149	0	0	149
Payments in-Lieu-of Taxes - Local Utilities	35,021	0	0	35,021
Payments in-Lieu-of Taxes - Other	4,542	0	0	4,542
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,341,965	0	0	1,341,965
Business Tax	33,746	0	0	33,746
Other County Local Option Taxes	310	0	0	310
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	2,290	0	0	2,290
Interstate Telecommunications Tax	1,490	0	0	1,490
Total Local Taxes	\$ 4,045,511	\$ 0	\$ 0	\$ 4,045,511
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,724	\$ 0	\$ 0	\$ 1,724
Cable TV Franchise	7,883	0	0	7,883
Total Licenses and Permits	\$ 9,607	\$ 0	\$ 0	\$ 9,607
<u>Fines, Forfeitures, and Penalties</u>				
<u>Juvenile Court</u>				
Fines	\$ 436	\$ 0	\$ 0	\$ 436
Total Fines, Forfeitures, and Penalties	\$ 436	\$ 0	\$ 0	\$ 436
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 2,351	\$ 0	\$ 0	\$ 2,351
Tuition - Other	47,977	0	0	47,977
Lunch Payments - Children	0	0	165,280	165,280
Lunch Payments - Adults	0	0	3,767	3,767
Income from Breakfast	0	0	44	44
A la carte Sales	0	0	44,406	44,406
Total Charges for Current Services	\$ 50,328	\$ 0	\$ 213,497	\$ 263,825
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 2,011	\$ 0	\$ 3,791	\$ 5,802
Lease/Rentals	2,000	0	0	2,000
Sale of Materials and Supplies	140,655	0	0	140,655
Refund of Telecommunication & Internet Fees (E-Rate)	56,839	0	0	56,839
Retirees' Insurance Payments	942	0	0	942
Miscellaneous Refunds	131,580	0	1,215	132,795
<u>Nonrecurring Items</u>				
Sale of Equipment	2,552	0	2,678	5,230
Contributions and Gifts	29,798	0	0	29,798
<u>Other Local Revenues</u>				
Other Local Revenues	0	0	3	3
Total Other Local Revenues	\$ 366,377	\$ 0	\$ 7,687	\$ 374,064

(Continued)

Exhibit J-6

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 112,002	\$ 0	\$ 0	\$ 112,002
<u>State Education Funds</u>				
Basic Education Program	12,336,637	0	0	12,336,637
Early Childhood Education	582,076	0	0	582,076
School Food Service	0	0	13,196	13,196
Other State Education Funds	126,118	0	0	126,118
Career Ladder Program	75,124	0	0	75,124
Career Ladder - Extended Contract	35,800	0	0	35,800
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	117,149	0	0	117,149
Other State Grants	5,360	0	0	5,360
Total State of Tennessee	<u>\$ 13,390,266</u>	<u>\$ 0</u>	<u>\$ 13,196</u>	<u>\$ 13,403,462</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 625,523	\$ 625,523
USDA - Commodities	0	0	73,591	73,591
Breakfast	0	0	217,680	217,680
Vocational Education - Basic Grants to States	0	39,927	0	39,927
Title I Grants to Local Education Agencies	0	586,470	0	586,470
Special Education - Grants to States	14,008	575,040	0	589,048
Special Education Preschool Grants	0	57,754	0	57,754
English Language Acquisition Grants	0	13,596	0	13,596
Eisenhower Professional Development State Grants	0	99,284	0	99,284
Race-to-the-Top - ARRA	0	161,886	0	161,886
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	634,646	0	0	634,646
ROTC Reimbursement	59,981	0	0	59,981
Other Direct Federal Revenue	102,788	0	0	102,788
Total Federal Government	<u>\$ 811,423</u>	<u>\$ 1,533,957</u>	<u>\$ 916,794</u>	<u>\$ 3,262,174</u>
Total	<u>\$ 18,673,948</u>	<u>\$ 1,533,957</u>	<u>\$ 1,151,174</u>	<u>\$ 21,359,079</u>

Exhibit J-7

Unicoi County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	32,400	
Social Security		2,203	
State Retirement		352	
Audit Services		5,494	
Contracts with Government Agencies		1,250	
Dues and Memberships		4,283	
Legal Notices, Recording, and Court Costs		1,518	
Travel		104	
Other Charges		2,250	
Total County Commission			\$ 49,854

Board of Equalization

Board and Committee Members Fees	\$	2,100	
Total Board of Equalization			2,100

County Mayor/Executive

County Official/Administrative Officer	\$	71,236	
Accountants/Bookkeepers		28,123	
Salary Supplements		2,000	
Secretary(ies)		27,935	
Clerical Personnel		28,123	
Social Security		11,494	
State Retirement		12,659	
Life Insurance		557	
Medical Insurance		18,115	
Dental Insurance		1,006	
Unemployment Compensation		358	
Communication		4,568	
Data Processing Services		12,160	
Dues and Memberships		1,650	
Maintenance and Repair Services - Office Equipment		1,223	
Travel		4,027	
Penalties		1,026	
Office Supplies		3,030	
Other Charges		825	
Office Equipment		281	
Total County Mayor/Executive			230,396

County Attorney

County Official/Administrative Officer	\$	24,000	
Legal Services		8,250	
Total County Attorney			32,250

Election Commission

County Official/Administrative Officer	\$	52,865	
Deputy(ies)		28,123	
Mechanic(s)		1,051	
Clerical Personnel		9,060	
Election Commission		4,085	
Election Workers		17,385	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	7,155	
State Retirement		6,787	
Life Insurance		300	
Medical Insurance		12,480	
Dental Insurance		542	
Unemployment Compensation		374	
Communication		1,892	
Data Processing Services		12,167	
Dues and Memberships		225	
Janitorial Services		880	
Legal Notices, Recording, and Court Costs		6,528	
Maintenance and Repair Services - Buildings		420	
Maintenance and Repair Services - Equipment		342	
Printing, Stationery, and Forms		1,213	
Travel		6,728	
Other Contracted Services		2,025	
Electricity		2,819	
Office Supplies		1,892	
Office Equipment		3,406	
Total Election Commission			\$ 180,744

Register of Deeds

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		28,123	
Clerical Personnel		23,246	
Part-time Personnel		2,734	
Social Security		8,421	
State Retirement		8,141	
Life Insurance		406	
Medical Insurance		16,744	
Dental Insurance		734	
Unemployment Compensation		344	
Communication		2,631	
Data Processing Services		9,026	
Dues and Memberships		532	
Maintenance and Repair Services - Office Equipment		345	
Travel		1,094	
Other Contracted Services		250	
Data Processing Supplies		688	
Office Supplies		2,204	
Premiums on Corporate Surety Bonds		4	
Data Processing Equipment		2,058	
Office Equipment		5,038	
Total Register of Deeds			171,502

Planning

Board and Committee Members Fees	\$	3,600	
Social Security		275	
State Retirement		50	
Contracts with Government Agencies		7,750	
Total Planning			11,675

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	22,479	
Part-time Personnel		11,525	
Social Security		2,570	
State Retirement		1,884	
Life Insurance		150	
Medical Insurance		6,240	
Dental Insurance		271	
Unemployment Compensation		214	
Maintenance and Repair Services - Buildings		31,163	
Custodial Supplies		3,968	
Natural Gas		10,038	
Utilities		30,646	
Building and Contents Insurance		5,395	
Total County Buildings			\$ 126,543

Other General Administration

Postal Charges	\$	24,849	
Duplicating Supplies		3,841	
Office Supplies		284	
Excess Risk Insurance		1,205	
Liability Insurance		66,573	
Total Other General Administration			96,752

Preservation of Records

Consultants	\$	1,828	
Dues and Memberships		225	
Maintenance and Repair Services - Buildings		2,616	
Travel		909	
Office Equipment		1,699	
Total Preservation of Records			7,277

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,739	
Assistant(s)		24,384	
Deputy(ies)		27,209	
Clerical Personnel		26,960	
Other Salaries and Wages		7,150	
Social Security		10,923	
State Retirement		9,459	
Life Insurance		575	
Medical Insurance		23,920	
Dental Insurance		1,040	
Unemployment Compensation		324	
Audit Services		3,250	
Communication		3,818	
Data Processing Services		12,182	
Dues and Memberships		1,250	
Maintenance and Repair Services - Office Equipment		6,703	
Printing, Stationery, and Forms		2,000	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Travel	\$	4,316	
Office Supplies		3,750	
Premiums on Corporate Surety Bonds		397	
Office Equipment		2,774	
Total Property Assessor's Office			\$ 231,123

County Trustee's Office

County Official/Administrative Officer	\$	58,739	
Assistant(s)		28,123	
Deputy(ies)		28,123	
Temporary Personnel		4,462	
Social Security		9,067	
State Retirement		9,636	
Life Insurance		450	
Medical Insurance		18,720	
Dental Insurance		814	
Unemployment Compensation		270	
Communication		2,049	
Data Processing Services		7,140	
Dues and Memberships		517	
Legal Notices, Recording, and Court Costs		200	
Maintenance and Repair Services - Office Equipment		299	
Travel		1,854	
Data Processing Supplies		2,024	
Office Supplies		1,020	
Premiums on Corporate Surety Bonds		4	
Office Equipment		1,000	
Total County Trustee's Office			174,511

County Clerk's Office

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		28,123	
Salary Supplements		1,350	
Clerical Personnel		28,124	
Part-time Personnel		18,144	
Other Salaries and Wages		28,123	
Social Security		11,566	
State Retirement		11,993	
Life Insurance		600	
Medical Insurance		27,000	
Dental Insurance		1,085	
Unemployment Compensation		424	
Communication		3,987	
Dues and Memberships		602	
Maintenance and Repair Services - Buildings		2,595	
Maintenance and Repair Services - Office Equipment		12,547	
Travel		270	
Office Supplies		892	
Utilities		977	
Premiums on Corporate Surety Bonds		20	
Office Equipment		1,093	
Total County Clerk's Office			238,254

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Other Finance

Trustee's Commission	\$ 81,732	
Total Other Finance		\$ 81,732

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 58,739	
Assistant(s)	29,586	
Deputy(ies)	47,223	
Accountants/Bookkeepers	26,742	
Clerical Personnel	46,493	
Part-time Personnel	13,440	
Other Salaries and Wages	51,044	
Jury and Witness Expense	19,782	
Social Security	19,937	
State Retirement	17,679	
Life Insurance	1,212	
Medical Insurance	41,820	
Dental Insurance	2,192	
Unemployment Compensation	1,153	
Communication	5,181	
Data Processing Services	2,391	
Dues and Memberships	467	
Maintenance and Repair Services - Office Equipment	16,282	
Travel	69	
Remittance of Revenue Collected	1,008	
Data Processing Supplies	734	
Office Supplies	9,694	
Office Equipment	7,805	
Total Circuit Court		420,673

General Sessions Court

Judge(s)	\$ 86,403	
Social Security	5,903	
State Retirement	7,241	
Life Insurance	150	
Medical Insurance	8,280	
Dental Insurance	271	
Communication	715	
Travel	978	
Remittance of Revenue Collected	3,648	
Total General Sessions Court		113,589

Chancery Court

County Official/Administrative Officer	\$ 58,739	
Deputy(ies)	28,123	
Part-time Personnel	8,612	
Social Security	7,158	
State Retirement	7,279	
Life Insurance	300	
Medical Insurance	12,650	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Dental Insurance	\$	542	
Unemployment Compensation		211	
Communication		1,439	
Dues and Memberships		567	
Legal Notices, Recording, and Court Costs		720	
Maintenance and Repair Services - Office Equipment		10,500	
Travel		1,000	
Data Processing Supplies		490	
Office Supplies		2,996	
Office Equipment		500	
Total Chancery Court	\$		141,826

Juvenile Court

Salary Supplements	\$	9,186	
Social Security		699	
Unemployment Compensation		85	
Communication		850	
Contracts with Government Agencies		34,906	
Office Supplies		192	
Total Juvenile Court			45,918

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,843	
Supervisor/Director		97,650	
Deputy(ies)		300,576	
Investigator(s)		48,033	
Captain(s)		65,409	
Lieutenant(s)		61,048	
Youth Service Officer(s)		90,770	
Sergeant(s)		83,310	
Dispatchers/Radio Operators		400	
Secretary(ies)		62,242	
Other Salaries and Wages		60,346	
In-Service Training		22,892	
Social Security		70,508	
State Retirement		58,548	
Employee and Dependent Insurance		7	
Life Insurance		3,236	
Medical Insurance		137,677	
Dental Insurance		5,715	
Unemployment Compensation		4,506	
Communication		18,200	
Dues and Memberships		1,800	
Maintenance and Repair Services - Equipment		2,751	
Maintenance and Repair Services - Vehicles		39,698	
Travel		1,908	
Gasoline		138,729	
Law Enforcement Supplies		5,149	
Office Supplies		1,122	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Tires and Tubes	\$	6,500	
Uniforms		14,591	
Liability Insurance		33,432	
Premiums on Corporate Surety Bonds		392	
Workers' Compensation Insurance		88,006	
Other Charges		1,987	
Law Enforcement Equipment		7,737	
Motor Vehicles		17,700	
Total Sheriff's Department			\$ 1,620,418

Jail

Supervisor/Director	\$	30,784	
Guards		148,384	
Other Salaries and Wages		101,734	
Social Security		22,339	
State Retirement		13,479	
Life Insurance		1,062	
Medical Insurance		37,614	
Dental Insurance		1,648	
Unemployment Compensation		1,738	
Maintenance and Repair Services - Buildings		13,146	
Maintenance and Repair Services - Equipment		2,388	
Medical and Dental Services		88,981	
Travel		953	
Custodial Supplies		1,947	
Drugs and Medical Supplies		10,480	
Food Supplies		99,956	
Natural Gas		3,479	
Prisoners Clothing		477	
Utilities		47,432	
Building and Contents Insurance		10,748	
Total Jail			638,769

Workhouse

Supervisor/Director	\$	11,022	
Guards		24,384	
Other Salaries and Wages		113,896	
Social Security		11,370	
State Retirement		3,034	
Life Insurance		238	
Medical Insurance		9,692	
Dental Insurance		429	
Unemployment Compensation		1,199	
Maintenance and Repair Services - Buildings		12,981	
Maintenance and Repair Services - Equipment		986	
Medical and Dental Services		5,143	
Custodial Supplies		654	
Drugs and Medical Supplies		5,000	
Food Supplies		50,813	
Natural Gas		6,013	

(Continued)

Exhibit J-7

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Workhouse (Cont.)</u>		
Utilities	\$	32,475
Law Enforcement Equipment		2,311
Total Workhouse		<u>291,640</u>
	\$	291,640
 <u>Juvenile Services</u>		
Other Salaries and Wages	\$	8,190
Social Security		630
Unemployment Compensation		42
Other Fringe Benefits		46
Total Juvenile Services		<u>8,908</u>
 <u>Fire Prevention and Control</u>		
Contributions	\$	52,250
Total Fire Prevention and Control		<u>52,250</u>
 <u>Civil Defense</u>		
County Official/Administrative Officer	\$	37,261
Social Security		2,831
State Retirement		3,122
Life Insurance		150
Medical Insurance		6,240
Dental Insurance		271
Unemployment Compensation		102
Maintenance and Repair Services - Vehicles		441
Travel		320
Gasoline		2,125
Law Enforcement Supplies		147
Office Supplies		64
Other Supplies and Materials		7,464
Communication Equipment		98,943
Total Civil Defense		<u>159,481</u>
 <u>Other Emergency Management</u>		
Contributions	\$	4,750
Total Other Emergency Management		<u>4,750</u>
 <u>County Coroner/Medical Examiner</u>		
County Official/Administrative Officer	\$	1,864
Assistant(s)		200
Social Security		158
State Retirement		173
Life Insurance		1
Medical Insurance		33
Dental Insurance		1
Unemployment Compensation		6
Contracts with Other Public Agencies		19,365
Other Contracted Services		4,800
Law Enforcement Supplies		342
Total County Coroner/Medical Examiner		<u>26,943</u>

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Supervisor/Director	\$	34,690	
Dispatchers/Radio Operators		239,732	
Other Salaries and Wages		17,000	
Social Security		21,929	
State Retirement		17,847	
Life Insurance		1,307	
Medical Insurance		53,671	
Dental Insurance		2,363	
Unemployment Compensation		1,588	
Total Other Public Safety			\$ 390,127

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	31,721	
Social Security		1,344	
State Retirement		1,494	
Life Insurance		150	
Medical Insurance		6,240	
Dental Insurance		271	
Unemployment Compensation		108	
Communication		4,139	
Maintenance and Repair Services - Equipment		2,138	
Maintenance and Repair Services - Office Equipment		1,767	
Custodial Supplies		2,451	
Drugs and Medical Supplies		3,208	
Natural Gas		2,753	
Office Supplies		3,250	
Utilities		17,258	
Other Supplies and Materials		3,207	
Liability Insurance		2,085	
Workers' Compensation Insurance		1,357	
Other Charges		1,974	
Total Local Health Center			86,915

Rabies and Animal Control

Part-time Personnel	\$	59,728	
Other Salaries and Wages		25,571	
Social Security		6,451	
State Retirement		3,269	
Life Insurance		262	
Medical Insurance		10,504	
Dental Insurance		475	
Unemployment Compensation		691	
Contributions		23,269	
Workers' Compensation Insurance		3,150	
Total Rabies and Animal Control			133,370

Ambulance/Emergency Medical Services

Other Contracted Services	\$	180,000	
Total Ambulance/Emergency Medical Services			180,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Other Salaries and Wages	\$	111,358	
Social Security		8,426	
State Retirement		3,544	
Life Insurance		344	
Medical Insurance		13,676	
Dental Insurance		622	
Unemployment Compensation		744	
Travel		2,787	
Total Other Local Health Services			\$ 141,501

Regional Mental Health Center

Contributions	\$	10,600	
Total Regional Mental Health Center			10,600

Appropriation to State

Contracts with Government Agencies	\$	23,519	
Total Appropriation to State			23,519

Sanitation Education/Information

Other Salaries and Wages	\$	22,062	
Social Security		1,688	
Unemployment Compensation		163	
Instructional Supplies and Materials		5,598	
Other Supplies and Materials		1,989	
Workers' Compensation Insurance		3,967	
Total Sanitation Education/Information			35,467

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	4,750	
Total Adult Activities			4,750

Senior Citizens Assistance

Contracts with Other Public Agencies	\$	10,600	
Contributions		25,000	
Total Senior Citizens Assistance			35,600

Libraries

Contributions	\$	23,875	
Total Libraries			23,875

Other Social, Cultural, and Recreational

Contributions	\$	6,609	
Total Other Social, Cultural, and Recreational			6,609

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	3,019	
Contributions		26,324	
Dues and Memberships		360	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Maintenance and Repair Services - Office Equipment	\$	1,607	
Travel		2,499	
Office Supplies		1,484	
Total Agriculture Extension Service			\$ 35,293

Forest Service

Contributions	\$	800	
Total Forest Service			800

Soil Conservation

Contributions	\$	5,173	
Total Soil Conservation			5,173

Other Operations

Tourism

Contributions	\$	16,200	
Dues and Memberships		1,250	
Other Charges		1,900	
Total Tourism			19,350

Industrial Development

Other Salaries and Wages	\$	4,800	
Social Security		367	
Unemployment Compensation		19	
Contributions		38,075	
Other Charges		545	
Total Industrial Development			43,806

Veterans' Services

Contributions	\$	950	
Total Veterans' Services			950

Contributions to Other Agencies

Contributions	\$	2,850	
Total Contributions to Other Agencies			2,850

Employee Benefits

Employee and Dependent Insurance	\$	13,102	
Workers' Compensation Insurance		8,283	
Total Employee Benefits			21,385

Miscellaneous

Contributions	\$	4,500	
Total Miscellaneous			4,500

Capital Projects

Other General Government Projects

Engineering Services	\$	10,612	
Other Charges		110	
Building Improvements		9,959	
Total Other General Government Projects			20,681

Total General Fund \$ 6,386,999

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Social Security	\$	420	
Unemployment Compensation		66	
Communication		1,958	
Contracts with Private Agencies		402,229	
Operating Lease Payments		41,397	
Rentals		1,345	
Other Contracted Services		10,980	
Electricity		5,845	
Liability Insurance		801	
Trustee's Commission		9,209	
Workers' Compensation Insurance		5,377	
Site Development		1,931	
Total Sanitation Management			\$ 481,558

Total Solid Waste/Sanitation Fund \$ 481,558

Drug Control Fund

Finance

Other Finance

Trustee's Commission	\$	508	
Total Other Finance			\$ 508

Public Safety

Sheriff's Department

Deputy(ies)	\$	27,473	
Other Salaries and Wages		5,480	
In-Service Training		1,313	
Social Security		2,348	
State Retirement		2,570	
Life Insurance		157	
Medical Insurance		6,543	
Dental Insurance		283	
Unemployment Compensation		151	
Advertising		3,396	
Communication		3,271	
Confidential Drug Enforcement Payments		14,000	
Dues and Memberships		300	
Maintenance and Repair Services - Buildings		4,706	
Maintenance and Repair Services - Equipment		918	
Maintenance and Repair Services - Vehicles		6,255	
Towing Services		746	
Travel		1,409	
Veterinary Services		1,020	
Animal Food and Supplies		859	
Law Enforcement Supplies		1,891	
Office Supplies		975	
Tires and Tubes		845	
Uniforms		988	
Other Supplies and Materials		500	
Refunds		562	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Other Charges	\$	500	
Law Enforcement Equipment		2,947	
Total Sheriff's Department			\$ 92,406

Total Drug Control Fund

\$ 92,914

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	4,890	
Total Chancery Court			\$ 4,890

Total Constitutional Officers - Fees Fund

4,890

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	64,613	
Accountants/Bookkeepers		40,315	
Audit Services		1,115	
Communication		1,917	
Postal Charges		440	
Travel		1,084	
Data Processing Supplies		382	
Office Supplies		711	
Other Charges		2,642	
Data Processing Equipment		5,502	
Total Administration			\$ 118,721

Highway and Bridge Maintenance

Foremen	\$	35,224	
Laborers		522,247	
Other Salaries and Wages		29,420	
Asphalt		232,691	
Crushed Stone		52,078	
Other Road Supplies		169,239	
Pipe		19,550	
Structural Steel		6,183	
Other Supplies and Materials		3,741	
Total Highway and Bridge Maintenance			1,070,373

Operation and Maintenance of Equipment

Mechanic(s)	\$	31,091	
Communication		2,585	
Diesel Fuel		64,055	
Electricity		6,952	
Equipment and Machinery Parts		59,038	
Garage Supplies		1,849	
Gasoline		18,049	
Lubricants		2,991	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Natural Gas	\$	4,411	
Propane Gas		2,251	
Tires and Tubes		12,293	
Communication Equipment		742	
Total Operation and Maintenance of Equipment			\$ 206,307

Other Charges

Dues and Memberships	\$	2,109	
Maintenance Agreements		792	
Trustee's Commission		16,505	
Vehicle and Equipment Insurance		29,892	
Workers' Compensation Insurance		114,059	
Total Other Charges			163,357

Employee Benefits

Social Security	\$	55,377	
State Retirement		58,886	
Employee and Dependent Insurance		157,089	
Unemployment Compensation		3,436	
Uniforms		2,838	
Total Employee Benefits			277,626

Capital Outlay

Bridge Construction	\$	16,550	
Highway Equipment		41,045	
Total Capital Outlay			57,595

Total Highway/Public Works Fund \$ 1,893,979

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	813,788	
Principal on Notes		498,105	
Total General Government			\$ 1,311,893

Education

Principal on Capital Leases	\$	66,022	
Total Education			66,022

Interest on Debt

General Government

Interest on Bonds	\$	1,144,665	
Interest on Notes		91,600	
Total General Government			1,236,265

Education

Interest on Capital Leases	\$	3,251	
Total Education			3,251

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	39,743	
Other Debt Service		650	
Total General Government		<u>40,393</u>	\$ 40,393
Total General Debt Service Fund			\$ 2,657,824
<u>Community Development/Industrial Park Fund</u>			
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Other Capital Outlay	\$	10,677	
Total Other General Government Projects		<u>10,677</u>	\$ 10,677
Total Community Development/Industrial Park Fund			<u>10,677</u>
Total Governmental Funds - Primary Government			<u>\$ 11,528,841</u>

Exhibit J-8

Unicoi County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Unicoi County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	5,347,767	
Career Ladder Program		41,527	
Career Ladder Extended Contracts		37,645	
Homebound Teachers		4,660	
Educational Assistants		40,848	
Other Salaries and Wages		3,600	
Certified Substitute Teachers		37,475	
Non-certified Substitute Teachers		62,316	
Social Security		334,899	
State Retirement		483,222	
Life Insurance		5,295	
Medical Insurance		832,463	
Dental Insurance		10,508	
Employer Medicare		78,355	
Instructional Supplies and Materials		144,607	
Textbooks		199,600	
Other Supplies and Materials		12,116	
Fee Waivers		22,950	
Other Charges		18,870	
Total Regular Instruction Program			\$ 7,718,723

Alternative Instruction Program

Teachers	\$	47,026	
Social Security		2,916	
State Retirement		4,176	
Life Insurance		40	
Employer Medicare		682	
Contracts with Other School Systems		34,461	
Total Alternative Instruction Program			89,301

Special Education Program

Teachers	\$	720,681	
Career Ladder Program		4,000	
Educational Assistants		67,186	
Speech Pathologist		168,713	
Certified Substitute Teachers		5,768	
Non-certified Substitute Teachers		22,242	
Social Security		56,701	
State Retirement		84,137	
Life Insurance		1,090	
Medical Insurance		147,288	
Dental Insurance		2,095	
Employer Medicare		13,996	
Other Fringe Benefits		7,866	
Other Contracted Services		64,920	
Instructional Supplies and Materials		1,562	
Other Supplies and Materials		6,765	
Other Charges		4,535	
Special Education Equipment		15,179	
Total Special Education Program			1,394,724

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	482,610	
Career Ladder Program		4,000	
Certified Substitute Teachers		2,352	
Non-certified Substitute Teachers		9,320	
Social Security		29,397	
State Retirement		43,211	
Life Insurance		485	
Medical Insurance		84,711	
Dental Insurance		838	
Employer Medicare		6,909	
Maintenance and Repair Services - Equipment		1,630	
Other Contracted Services		567	
Instructional Supplies and Materials		16,073	
Textbooks		34	
Other Supplies and Materials		105	
Other Charges		2,183	
Vocational Instruction Equipment		7,289	
Total Vocational Education Program			\$ 691,714

Student Body Education Program

Other Supplies and Materials	\$	23,773	
Other Equipment		123,344	
Total Student Body Education Program			147,117

Support Services

Attendance

Supervisor/Director	\$	70,461	
Career Ladder Program		2,000	
Social Security		4,434	
State Retirement		6,435	
Life Insurance		40	
Medical Insurance		6,144	
Dental Insurance		120	
Employer Medicare		1,037	
Travel		2,499	
Total Attendance			93,170

Health Services

Medical Personnel	\$	88,279	
Other Salaries and Wages		95,274	
Social Security		11,095	
State Retirement		15,304	
Life Insurance		319	
Medical Insurance		34,079	
Dental Insurance		59	
Employer Medicare		2,590	
Travel		6,547	
Other Contracted Services		375	
Drugs and Medical Supplies		5,226	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Other Supplies and Materials	\$	17,079	
Other Charges		1,455	
Total Health Services			\$ 277,681

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		306,194	
Psychological Personnel		42,527	
School Resource Officer		21,417	
Other Salaries and Wages		14,056	
Social Security		21,943	
State Retirement		32,415	
Life Insurance		364	
Medical Insurance		56,485	
Dental Insurance		840	
Employer Medicare		5,132	
Evaluation and Testing		8,500	
Other Supplies and Materials		10,794	
Other Charges		1,861	
Other Equipment		7,130	
Total Other Student Support			532,658

Regular Instruction Program

Supervisor/Director	\$	72,631	
Career Ladder Program		3,000	
Librarians		257,157	
Educational Assistants		12,218	
Social Security		20,749	
State Retirement		29,949	
Life Insurance		321	
Medical Insurance		41,667	
Dental Insurance		717	
Employer Medicare		4,853	
Travel		13,851	
In Service/Staff Development		21,885	
Other Equipment		1,731	
Total Regular Instruction Program			480,729

Special Education Program

Supervisor/Director	\$	69,036	
Career Ladder Program		1,000	
Secretary(ies)		26,985	
Social Security		5,890	
State Retirement		8,480	
Life Insurance		81	
Medical Insurance		20,092	
Employer Medicare		1,377	
Travel		5,141	
In Service/Staff Development		5,656	
Total Special Education Program			143,738

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	61,192	
Secretary(ies)		28,122	
Social Security		5,321	
State Retirement		7,794	
Life Insurance		81	
Medical Insurance		20,092	
Dental Insurance		360	
Employer Medicare		1,235	
Maintenance and Repair Services - Equipment		4,431	
Travel		1,646	
Total Vocational Education Program			\$ 130,274

Other Programs

On-Behalf Payments to OPEB	\$	112,002	
Total Other Programs			112,002

Board of Education

Secretary to Board	\$	26,985	
Other Salaries and Wages		74,833	
Board and Committee Members Fees		5,580	
Social Security		4,611	
State Retirement		2,261	
Life Insurance		40	
Medical Insurance		6,144	
Dental Insurance		120	
Unemployment Compensation		50,342	
Employer Medicare		1,078	
Audit Services		12,409	
Dues and Memberships		5,622	
Legal Services		16,005	
Travel		12,285	
Maintenance and Repair Services - Records		40,640	
Other Contracted Services		6,229	
Other Supplies and Materials		764	
Liability Insurance		33,822	
Trustee's Commission		98,133	
Workers' Compensation Insurance		102,274	
Other Charges		9,913	
Total Board of Education			510,090

Director of Schools

County Official/Administrative Officer	\$	120,443	
Assistant(s)		35,689	
Secretary(ies)		19,400	
Clerical Personnel		3,602	
Social Security		10,130	
State Retirement		13,904	
Life Insurance		120	
Medical Insurance		20,021	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Dental Insurance	\$	357	
Employer Medicare		2,409	
Other Fringe Benefits		1,606	
Communication		79,564	
Dues and Memberships		2,500	
Postal Charges		6,683	
Travel		6,260	
Other Contracted Services		9,932	
Office Supplies		4,321	
Other Charges		4,935	
Administration Equipment		3,457	
Total Director of Schools			\$ 345,333

Office of the Principal

Principals	\$	431,497	
Career Ladder Program		3,500	
Accountants/Bookkeepers		45,678	
Assistant Principals		164,092	
Secretary(ies)		150,237	
Social Security		47,233	
State Retirement		69,683	
Life Insurance		764	
Medical Insurance		136,624	
Dental Insurance		1,472	
Employer Medicare		11,046	
Total Office of the Principal			1,061,826

Fiscal Services

Accountants/Bookkeepers	\$	82,698	
Social Security		5,090	
State Retirement		6,930	
Life Insurance		81	
Medical Insurance		12,289	
Dental Insurance		240	
Employer Medicare		1,190	
Travel		991	
Other Contracted Services		8,142	
Data Processing Supplies		2,428	
Office Supplies		1,495	
Administration Equipment		3,245	
Total Fiscal Services			124,819

Operation of Plant

Supervisor/Director	\$	34,494	
Custodial Personnel		435,959	
Social Security		28,261	
State Retirement		35,332	
Life Insurance		810	
Medical Insurance		110,955	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Dental Insurance	\$	996	
Employer Medicare		6,609	
Janitorial Services		14,400	
Disposal Fees		37,101	
Other Contracted Services		19,395	
Custodial Supplies		49,442	
Electricity		503,337	
Natural Gas		94,841	
Water and Sewer		32,331	
Boiler Insurance		5,279	
Building and Contents Insurance		96,183	
Other Charges		355	
Total Operation of Plant			\$ 1,506,080

Maintenance of Plant

Supervisor/Director	\$	53,962	
Maintenance Personnel		123,365	
Social Security		11,902	
State Retirement		15,281	
Life Insurance		255	
Medical Insurance		39,918	
Dental Insurance		252	
Employer Medicare		2,783	
Laundry Service		8,989	
Maintenance and Repair Services - Buildings		161,560	
Maintenance and Repair Services - Equipment		23,969	
Maintenance and Repair Services - Vehicles		5,234	
Other Contracted Services		24,988	
Equipment and Machinery Parts		8,573	
General Construction Materials		1,218	
Other Supplies and Materials		20,000	
Other Charges		5,065	
Total Maintenance of Plant			507,314

Transportation

Supervisor/Director	\$	42,908	
Mechanic(s)		35,705	
Bus Drivers		180,568	
Social Security		17,903	
State Retirement		16,444	
Life Insurance		81	
Medical Insurance		12,290	
Dental Insurance		240	
Employer Medicare		4,203	
Medical and Dental Services		1,108	
Other Contracted Services		5,729	
Diesel Fuel		124,469	
Garage Supplies		671	
Gasoline		28,942	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Tires and Tubes	\$	12,227	
Vehicle Parts		23,605	
Other Supplies and Materials		1,379	
Vehicle and Equipment Insurance		29,696	
Other Charges		430	
Total Transportation			\$ 538,598

Central and Other

Supervisor/Director	\$	57,158	
Computer Programmer(s)		30,823	
Data Processing Personnel		20,755	
Other Salaries and Wages		48,130	
Social Security		9,670	
State Retirement		11,986	
Life Insurance		162	
Medical Insurance		29,211	
Dental Insurance		528	
Employer Medicare		2,262	
Travel		1,356	
Other Contracted Services		30,620	
Data Processing Supplies		40,144	
Other Supplies and Materials		43,902	
Total Central and Other			326,707

Operation of Non-Instructional Services

Community Services

Other Contracted Services	\$	2,612	
Total Community Services			2,612

Early Childhood Education

Supervisor/Director	\$	56,919	
Teachers		263,410	
Educational Assistants		102,778	
Certified Substitute Teachers		6,904	
Social Security		25,541	
State Retirement		34,976	
Life Insurance		661	
Medical Insurance		90,835	
Dental Insurance		1,194	
Employer Medicare		5,973	
Maintenance and Repair Services - Equipment		19	
Postal Charges		8	
Instructional Supplies and Materials		5,841	
Office Supplies		80	
Other Supplies and Materials		30,094	
In Service/Staff Development		4,781	
Other Charges		800	
Other Equipment		1,581	
Total Early Childhood Education			632,395

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$ 29,645	
Total Regular Capital Outlay		\$ 29,645

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 69,273	
Total Education		69,273

Total General Purpose School Fund		\$ 17,466,523
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 114,469	
Educational Assistants	190,059	
Certified Substitute Teachers	1,232	
Non-certified Substitute Teachers	6,171	
Social Security	18,324	
State Retirement	23,714	
Life Insurance	660	
Medical Insurance	71,758	
Dental Insurance	552	
Employer Medicare	4,285	
Other Fringe Benefits	59	
Maintenance and Repair Services - Equipment	11,542	
Other Contracted Services	5,682	
Instructional Supplies and Materials	66,083	
Regular Instruction Equipment	113,960	
Total Regular Instruction Program		\$ 628,550

Special Education Program

Teachers	\$ 34,984	
Educational Assistants	388,896	
Social Security	25,086	
State Retirement	31,480	
Life Insurance	1,179	
Medical Insurance	134,999	
Dental Insurance	1,906	
Employer Medicare	5,867	
Other Fringe Benefits	2,991	
Other Contracted Services	9,940	
Instructional Supplies and Materials	1,454	
Other Supplies and Materials	3,842	
Special Education Equipment	3,574	
Total Special Education Program		646,198

Vocational Education Program

Instructional Supplies and Materials	\$ 2,500	
Vocational Instruction Equipment	23,089	
Total Vocational Education Program		25,589

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Other Salaries and Wages	\$	12,431	
Social Security		771	
State Retirement		1,042	
Life Insurance		40	
Medical Insurance		5,837	
Employer Medicare		180	
Travel		13,796	
Other Supplies and Materials		5,829	
In Service/Staff Development		121	
Other Charges		3,105	
Total Other Student Support			\$ 43,152

Regular Instruction Program

Supervisor/Director	\$	61,575	
Secretary(ies)		35,338	
In-Service Training		18,895	
Social Security		6,002	
State Retirement		8,452	
Life Insurance		81	
Medical Insurance		7,681	
Dental Insurance		24	
Employer Medicare		1,404	
Other Fringe Benefits		80	
Maintenance and Repair Services - Equipment		4,516	
Travel		25,024	
Library Books/Media		32,347	
Other Supplies and Materials		6,082	
In Service/Staff Development		17,607	
Other Charges		80	
Other Equipment		3,878	
Total Regular Instruction Program			229,066

Special Education Program

Travel	\$	328	
Other Contracted Services		3,778	
Other Supplies and Materials		432	
In Service/Staff Development		3,088	
Total Special Education Program			7,626

Vocational Education Program

Travel	\$	1,200	
Total Vocational Education Program			1,200

Total School Federal Projects Fund \$ 1,581,381

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	55,173	
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(Continued)

Exhibit J-8

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
Clerical Personnel	\$	25,933
Cafeteria Personnel		323,934
Other Salaries and Wages		12,100
Social Security		25,497
State Retirement		18,776
Life Insurance		385
Medical Insurance		42,937
Dental Insurance		420
Employer Medicare		5,963
Licenses		560
Maintenance and Repair Services - Equipment		8,401
Travel		5,040
Other Contracted Services		23,152
Food Preparation Supplies		56,948
Food Supplies		471,844
Office Supplies		2,577
Uniforms		1,600
USDA - Commodities		73,591
In Service/Staff Development		970
Other Charges		2,611
Total Food Service		<u>\$ 1,158,412</u>
Total Central Cafeteria Fund		<u>\$ 1,158,412</u>
Total Governmental Funds - Unicoi County School Department		<u><u>\$ 20,206,316</u></u>

Exhibit J-9

Unicoi County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balance - City Agency Fund
For the Year Ended June 30, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,486,571
Total Cash Receipts	<u>\$ 1,486,571</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,471,705
Trustee's Commissions	14,866
Total Cash Disbursements	<u>\$ 1,486,571</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
 Cash Balance, June 30, 2013	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Unicoi County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Unicoi County's basic financial statements, and have issued our report thereon dated October 3, 2013. Our report includes a reference to other auditors who audited the financial statements of the Unicoi County Emergency Communications District, as described in our report on Unicoi County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Unicoi County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Unicoi County's internal control. Accordingly, we do not express an opinion on the effectiveness of Unicoi County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or

a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2013-003 and 2013-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unicoi County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-001, 2013-002, 2013-005, and 2013-006.

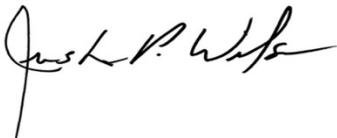
Unicoi County's Response to Findings

Unicoi County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Unicoi County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Unicoi County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 3, 2013

JPW/kp



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Unicoi County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Unicoi County's major federal programs for the year ended June 30, 2013. Unicoi County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Unicoi County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and*

Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unicoi County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Unicoi County's compliance.

Opinion on Each Major Federal Program

In our opinion, Unicoi County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Unicoi County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Unicoi county's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Unicoi County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

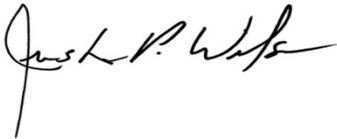
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Unicoi County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Unicoi county's basic financial statements. We issued our report thereon dated October 3, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 3, 2013

JPW/kp

Unicoi County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Schools and Roads - Grants to States	10.665	N/A	\$ 59,238
Passed-through State Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	73,591 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	217,680
National School Lunch Program	10.555	N/A	625,523 (3)
Total U.S. Department of Agriculture			<u>\$ 976,032</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 64,792
Total U.S. Department of the Interior			<u>\$ 64,792</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-13-GHS399	\$ 5,000
Total U.S. Department of Transportation			<u>\$ 5,000</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 621,495
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	610,347
Special Education - Preschool Grants	84.173	N/A	57,485
Impact Aid	84.041	N/A	634,646
Career and Technical Education - Basic Grants to States	84.048	N/A	39,927
English Language Acquisition Grants	84.365	N/A	13,596
Improving Teacher Quality State Grants	84.367	N/A	92,145
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	160,395
Total U.S. Department of Education			<u>\$ 2,230,036</u>
National Archives and Records Administration:			
Passed-through State Historical Records Advisory Board:			
National Historical Publications and Records Grants	89.003	(2)	\$ 2,345
Total National Archives and Records Administration			<u>\$ 2,345</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022500-02	\$ 0
Buffer Zone Protection Program (BZPP)	97.078	GG-07-26025-00	0
Emergency Management Performance Grants	97.042	(2)	\$ 22,500
Homeland Security Grant Program	97.067	(2)	92,335
Total U.S. Department of Homeland Security			<u>\$ 114,835</u>
Total Expenditures of Federal Awards			<u>\$ 3,393,040</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	\$ 9,000
Health Department Program - State Department of Health	N/A	(2)	159,265
Litter Program - State Department of Transportation	N/A	(2)	38,209
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	<u>582,076</u>
Total State Grants			<u>\$ 788,550</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$699,114.

Unicoi County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Unicoi County, Tennessee, for the year ended June 30, 2012, which have not been corrected.

OFFICES OF COUNTY MAYOR AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	144	Bids were not solicited for perishable food commodities

OFFICE OF ASSESSOR OF PROPERTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.05	146	The assessor did not prorate new construction

UNICOI COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Unicoi County is unmodified.
2. The audit of the financial statements of Unicoi County disclosed significant deficiencies in internal control. None of these significant deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Unicoi County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified 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: School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Impact Aid (CFDA No. 84.041), and the State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Unicoi County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination and the annual monitoring by the state Division of Property Assessments on assessors of property, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The sheriff provided a written response, which is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICES OF COUNTY MAYOR AND SHERIFF

FINDING 2013-001 **THE OFFICES HAD DEFICIENCIES IN PURCHASING PROCEDURES** (Noncompliance Under *Government Auditing Standards*)

Purchasing procedures for the Offices of County Mayor and Sheriff are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 (excluding emergency purchases) to be made after public advertisement and solicitation of competitive bids. As part of our audit procedures to obtain reasonable assurance that bids were properly solicited, we selected six purchases that were just below or exceeded the \$10,000 bid limit. Our examination revealed the following deficiencies, which were the result of a lack of compliance and management's failure to correct Part A., which was noted in the prior-year audit report.

- A. Perishable food commodities purchased for the county jail and workhouse were not bid. Therefore, we were unable to determine if the county received the most competitive price for food at the jail. The failure to solicit competitive bids could result in the county paying more than the most competitive price. Section 5-14-204, *TCA*, provides that the governing body may exempt perishable commodities from bid requirements. However, the County Commission has not formally approved the exemption of perishable commodities from bid requirements.

- B. The Sheriff's Department purchased two used vehicles for \$9,995 each without obtaining formal bids. Two separate checks were written for payments in September 2012 to the same dealership, apparently in an attempt to circumvent the county's competitive bid requirements. One of the invoices included the following notation: "Original invoice dated 8/29/2012 included two vehicles with equipment. Per customer request, vehicles are to be billed on separate invoices, and discount has been applied." Section 12-3-1003, *TCA*, permits the purchase of used equipment without competitive bidding if certain documentation is obtained and conditions met. However, the required documentation was not obtained. As a result, the best and lowest price may not have been obtained for the purchase of these used vehicles.

It should be further noted that purchase orders were not obtained for the purchase of the two used vehicles. In addition, a portion (\$2,290) of one of the payments was charged to Maintenance and Repair Services-Vehicles because the total amount of \$17,700 budgeted in Motor Vehicles was not sufficient to cover the total purchase price of the two vehicles.

RECOMMENDATION

Perishable food commodities should be competitively bid unless the County Commission formally approves an exemption as required by statute. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statutes. Vendors should not be requested to split invoices. Purchase orders should be obtained for all applicable purchases, and all purchases should be properly classified in the accounting records.

MANAGEMENT’S RESPONSE – SHERIFF

My office has since submitted purchase requests to multiple vendors in the region requesting bids on perishable food commodities as well as dry goods. Currently, Performance Foods of Morristown has submitted the low bid and is currently providing these commodities.

My office will follow Section 12-3-1003, *TCA*, for the purchase of secondhand articles or equipment by municipalities or counties. We are currently using the RFP, bid process, or value assessment standard provided by Kelly, as well NADA Blue Book Standards, for purchases of used vehicles. We adopted this practice after being notified of the finding.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-002 **AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**
(Noncompliance Under *Government Auditing Standards*)

The School Department had a contract totaling \$736,300 for site-work to place portable classrooms for the students displaced at Loves Chapel Elementary School; however, the department did not deposit amounts withheld from contractor payments into an escrow account. Section 66-34-104, *Tennessee Code Annotated*, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. This deficiency could result in the loss of interest earnings for the contractor. This deficiency is the result of a lack of management oversight.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

OFFICE OF TRUSTEE

FINDING 2013-003

THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur. This deficiency was corrected on January 17, 2013, after being brought to the attention of management.

FINDING 2013-004

USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Although each employee had been assigned a unique username for accessing the office's accounting software, employees also used a shared username and password when processing transactions. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because of the shared username. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was corrected on January 17, 2013, after being brought to the attention of management.

OFFICE OF SHERIFF

FINDING 2013-005

A CASH SHORTAGE OF \$4,845.75 EXISTED IN THE OFFICE AS OF JUNE 30, 2013

(Noncompliance Under *Government Auditing Standards*)

On July 9, 2013, our office issued a special report on the Unicoi County Sheriff's Department for the period July 28, 2012, through September 21, 2012, which disclosed a cash shortage of \$4,845.75. This report disclosed that county funds were disbursed to a part-time employee of the Sheriff's Department for sick leave benefits that he was not entitled to as provided by the department's personnel policy. The report also disclosed internal control and compliance deficiencies related to the employee's time sheets. This report is available at www.comptroller.tn.gov. As of September 1, 2013, \$1,500 of the \$4,845.75 cash shortage has been reimbursed leaving an unpaid balance of \$3,345.75.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2013-006

THE ASSESSOR DID NOT PRORATE NEW CONSTRUCTION

(Noncompliance Under *Government Auditing Standards*)

The assessor did not properly prorate new construction. Assessors are required to pick up new construction or improvements and to prorate their values for the portion of the year following their date of completion. Section 67-5-603(b)(1), *Tennessee Code Annotated (TCA)*, provides that for the year in which an improvement or building is completed, the assessment, or increase in assessment, shall be prorated for the portion of the year following the date of its completion. This deficiency can be attributed to management's failure to properly comply with this statute and resulted in an incorrect assessed value to the affected properties.

RECOMMENDATION

The assessor should prorate new construction and improvements as required by state statute.

BEST PRACTICES

The Division of Local Government Audit strongly believes that the items noted below are best practices that should be considered by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens in Unicoi County.

ITEM 1. **UNICOI COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

Unicoi County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing process. 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. We recommend the adoption of 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.

ITEM 2. **UNICOI COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Unicoi County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

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

There were no findings and questioned costs for federal programs.

**UNICOI COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013**

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