

ANNUAL FINANCIAL REPORT
GRAINGER COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
GRAINGER COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2015**

***COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT
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Director***

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

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Summary of Audit Findings

Annual Financial Report
Grainger County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of Grainger County as of and for the year ended June 30, 2015.

Results

Our report on the financial statements of Grainger County is unmodified.

Our audit resulted in ten findings and recommendations, which we have reviewed with Grainger County management. The detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following is a summary of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in accounting and budget operations.
- ◆ Ambulance Authority employees received wages totaling at least \$6,181.32 for time not worked.

OFFICES OF HIGHWAY SUPERINTENDENT AND COUNTY TRUSTEE

- ◆ Cash management deficiencies were noted related to the Highway/Public Works Fund.

OFFICE OF COUNTY CLERK

- ◆ Employee leave balances did not agree with supporting payroll records.

COUNTY COMMISSION

- ◆ The county's audit committee is not a functioning committee.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not maintain an adequate program of sales verification.
 - ◆ New owners of Greenbelt properties were not required to file a new application for agricultural property.
 - ◆ The assessor did not prorate improvements or new construction.
 - ◆ The assessor did not adequately perform visual inspections and correct the visual inspection errors found by the State Division of Property Assessments.
-

OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, SHERIFF, AND THE AMBULANCE SERVICE DEPARTMENT

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Grainger County Officials

June 30, 2015

Officials

Mark Hipsher, County Mayor
Jim Renfro, Road Superintendent
Edwin Jarnagin, Director of Schools
Rena Greer, Trustee
Johnny Morgan, Assessor of Property
Angie Lamb, County Clerk
Sherry Clifton-Byrd, Circuit and General Sessions Courts Clerk
Vickie Greenlee, Clerk and Master
Rick Diamond, Register of Deeds
James Harville, Sheriff

Board of County Commissioners

Johnny Baker, Chairman
James Acuff
Andy Cameron
David Collins
Gary Wayne Dalton
Mike Holt
Larry Johnson
Rebecca Johnson

Wendy Noe
Rodney Overbay
Darell Stratton
Luke Stratton
Elizabeth White
Darrell Williams
Scott Wynn

Board of Education

Harold Frazier, Chairman
Kathy Bull
Marcus Long
Steve Hodge
Coy McDaniel

Karen McNish
Gary Staley
Norma Tate
Larry Turley
Derek Williams

Audit Committee

Wendy Noe, Chair
Darrell Williams
David Collins
Rebecca Johnson
Andy Cameron

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

Grainger County Mayor and
Board of County Commissioners
Grainger 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 Grainger County, Tennessee, as of and for the year ended June 30, 2015, 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 Grainger County Emergency Communications District, which represent 2.2 percent, 2.8 percent, and 2.2 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 Grainger 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 Grainger County, Tennessee, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Grainger County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Notes I.D.8 and VI.G. to the financial statements, which describe restatements decreasing the beginning Governmental Activities net position of the primary government by \$91,632, decreasing the beginning net position of the discretely presented Grainger County School Department by \$4,007,596, and increasing beginning net position of the discretely presented Grainger County Emergency Communications District by \$33,823. These restatements were necessary because of the transitional requirements of

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans on pages 90 - 96 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 Grainger County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grainger County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grainger County School Department (a discretely presented component unit), and 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

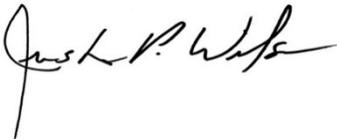
subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grainger County School Department (a discretely presented component unit), and 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 February 11, 2016, on our consideration of Grainger 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 Grainger County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 11, 2016

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Grainger County, Tennessee
Statement of Net Position
June 30, 2015

	Primary Government Governmental Activities	Component Units	
		Grainger County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 80,066	\$ 255,499	\$ 776,932
Equity in Pooled Cash and Investments	4,249,306	10,017,532	0
Accounts Receivable	508,739	39,549	0
Allowance for Uncollectible Accounts Receivable	(237,546)	0	0
Due from Other Governments	543,248	597,424	0
Due from Component Units	700,000	0	0
Property Taxes Receivable	6,600,825	2,722,375	0
Allowance for Uncollectible Property Taxes	(238,016)	(98,165)	0
Cash Shortage	5,696	0	0
Net Pension Asset - Agent Plan	719,166	911,966	45,351
Net Pension Asset - Cost-sharing Plan	0	49,296	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,739,753	841,582	0
Construction in Progress	0	3,044,097	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	7,992,851	31,088,547	3,069
Other Capital Assets	1,285,039	1,735,535	299,428
Infrastructure	1,473,921	0	0
Total Assets	\$ 25,423,048	\$ 51,205,237	\$ 1,124,780
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	\$ 1,155,074	\$ 0	\$ 0
Pension Changes in Experience	0	119,678	1,205
Pension Contributions After Measurement Date	360,236	1,421,169	5,773
Pension Other Deferrals	0	37,341	0
Total Deferred Outflows of Resources	\$ 1,515,310	\$ 1,578,188	\$ 6,978
<u>LIABILITIES</u>			
Accounts Payable	\$ 51,101	\$ 245,813	\$ 0
Accrued Payroll	82	54,185	0
Payroll Deductions Payable	1,844	989,596	0
Contracts Payable	28,356	0	0
Accrued Leave - Current	0	0	12,935
Due to Primary Government	0	700,000	0
Due to State of Tennessee	6,397	0	0
Accrued Interest Payable	87,063	0	0
Other Current Liabilities	5	254,339	1,760
Noncurrent Liabilities:			
Due Within One Year	1,679,435	38,600	0
Due in More than One Year (net of unamortized premium on debt)	25,687,320	4,752,478	0
Total Liabilities	\$ 27,541,603	\$ 7,035,011	\$ 14,695

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Grainger County School Department	Emergency Communica- tions District
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 6,167,057	\$ 2,543,476	\$ 0
Pension Changes in Experience	214,192	271,615	0
Pension Changes in Investment Earnings	564,395	4,777,362	15,655
Total Deferred Inflows of Resources	<u>\$ 6,945,644</u>	<u>\$ 7,592,453</u>	<u>\$ 15,655</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 8,564,194	\$ 36,709,761	\$ 302,497
Restricted for:			
General Government	37,361	0	0
Finance	84,697	0	0
Administration of Justice	63,169	0	0
Public Safety	83,685	0	0
Public Health and Welfare	343,009	0	0
Social, Cultural, and Recreational Services	87,604	0	0
Other	770,375	0	45,351
Highways/Public Works	525,052	0	0
Education	11,000	1,717,165	0
Capital Projects	0	16,339	0
Unrestricted	<u>(18,119,035)</u>	<u>(287,304)</u>	<u>753,560</u>
Total Net Position	<u>\$ (7,548,889)</u>	<u>\$ 38,155,961</u>	<u>\$ 1,101,408</u>

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

Exhibit B

Grainger County, Tennessee
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Units	
	Expenses	Program Revenues			Primary Governmental Activities	Grainger County School Department	Emergency Communications District	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government:								
Governmental Activities:								
General Government	\$ 1,557,805	\$ 196,100	\$ 21,542	\$ 0	\$ (1,340,163)	\$ 0	\$ 0	
Finance	635,711	441,851	0	0	(193,860)	0	0	
Administration of Justice	640,403	296,221	9,143	0	(335,039)	0	0	
Public Safety	2,995,755	305,366	48,979	0	(2,641,410)	0	0	
Public Health and Welfare	2,302,782	927,697	138,207	334,755	(902,123)	0	0	
Social, Cultural, and Recreational Services	343,856	21,753	18,631	0	(303,472)	0	0	
Agriculture and Natural Resources	150,505	0	0	0	(150,505)	0	0	
Highways	2,397,580	0	1,528,181	160,699	(708,700)	0	0	
Debt Service:								
Interest	741,101	0	0	0	(741,101)	0	0	
Total Primary Government	\$ 11,765,498	\$ 2,188,988	\$ 1,764,683	\$ 495,454	\$ (7,316,373)	\$ 0	\$ 0	
Component Units:								
Grainger County School Department	\$ 28,921,325	\$ 521,044	\$ 4,232,970	\$ 0	0	\$ (24,167,311)	\$ 0	
Emergency Communications District	660,002	266,117	47,620	0	0	0	(346,265)	
Total Component Units	\$ 29,581,327	\$ 787,161	\$ 4,280,590	\$ 0	0	\$ (24,167,311)	\$ (346,265)	

(Continued)

Exhibit B

Grainger County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units	
						Grainger County School Department	Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 4,023,155	\$ 2,470,956	\$ 0
Property Taxes Levied for Solid Waste/Sanitation					677,345	0	0
Property Taxes Levied for Sports and Recreation					101,321	0	0
Property Taxes Levied for Highway					575,887	0	0
Property Taxes Levied for Debt Service					613,074	0	0
Sales Taxes					307,218	1,088,559	0
Litigation Tax					51,339	0	0
Business Tax					55,301	22,582	0
Mineral Severance Tax					45,414	0	0
Wholesale Beer Tax					67,247	0	0
Interstate Telecommunication Tax					1,576	2,169	0
Grants and Contributions Not Restricted to Specific Programs					2,021,117	21,111,025	339,001
Pension Income					32,211	76,900	0
Unrestricted Investment Income					70,588	997	1,787
Miscellaneous					41,832	33,029	1,063
Total General Revenues					\$ 8,684,625	\$ 24,806,217	\$ 341,851
Change in Net Position					\$ 1,368,252	\$ 638,906	\$ (4,414)
Net Position, July 1, 2014					(8,825,509)	41,524,651	1,071,999
Restatement - See Notes I.D.8. and VI.G.					(91,632)	(4,007,596)	33,823
Net Position, June 30, 2015					\$ (7,548,889)	\$ 38,155,961	\$ 1,101,408

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

Exhibit C-1

Grainger County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 400	\$ 0	\$ 0	\$ 0	\$ 79,666	\$ 80,066
Equity in Pooled Cash and Investments	1,438,313	232,698	562,329	1,764,585	251,381	4,249,306
Accounts Receivable	490,621	0	10,661	921	6,536	508,739
Allowance for Uncollectibles	(237,546)	0	0	0	0	(237,546)
Due from Other Governments	179,004	11,463	284,921	66,241	1,619	543,248
Due from Other Funds	35,501	0	0	700,000	0	735,501
Due from Component Units	0	0	0	700,000	0	700,000
Property Taxes Receivable	4,437,843	745,856	633,977	671,270	111,879	6,600,825
Allowance for Uncollectible Property Taxes	(160,023)	(26,894)	(22,860)	(24,205)	(4,034)	(238,016)
Cash Shortage	5,696	0	0	0	0	5,696
Total Assets	\$ 6,189,809	\$ 963,123	\$ 1,469,028	\$ 3,878,812	\$ 447,047	\$ 12,947,819
<u>LIABILITIES</u>						
Accounts Payable	\$ 9,708	\$ 36,003	\$ 1,165	\$ 0	\$ 4,225	\$ 51,101
Accrued Payroll	0	0	0	0	82	82
Payroll Deductions Payable	111	0	1,369	0	364	1,844
Contracts Payable	28,356	0	0	0	0	28,356
Due to Other Funds	700,000	4,289	0	28,356	2,856	735,501
Due to State of Tennessee	4,748	650	999	0	0	6,397
Other Current Liabilities	5	0	0	0	0	5
Total Liabilities	\$ 742,928	\$ 40,942	\$ 3,533	\$ 28,356	\$ 7,527	\$ 823,286

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 4,146,213	\$ 696,843	\$ 592,316	\$ 627,158	\$ 104,527	\$ 6,167,057
Deferred Delinquent Property Taxes	107,162	18,011	15,309	16,209	2,702	159,393
Other Deferred/Unavailable Revenue	148,024	0	142,279	27,635	0	317,938
Total Deferred Inflows of Resources	<u>\$ 4,401,399</u>	<u>\$ 714,854</u>	<u>\$ 749,904</u>	<u>\$ 671,002</u>	<u>\$ 107,229</u>	<u>\$ 6,644,388</u>

FUND BALANCES

Restricted:

Restricted for General Government	\$ 37,361	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,361
Restricted for Finance	0	0	0	0	84,697	84,697
Restricted for Administration of Justice	46,522	0	0	0	16,647	63,169
Restricted for Public Safety	30,233	0	0	0	53,452	83,685
Restricted for Public Health and Welfare	324,998	0	0	0	0	324,998
Restricted for Social, Cultural, and Recreational Services	5,434	0	0	0	79,468	84,902
Restricted for Highways/Public Works	0	0	367,464	0	0	367,464
Restricted for Education	11,000	0	0	0	0	11,000
Restricted for Debt Service	0	0	0	34,479	0	34,479
Restricted for Other Purposes	51,209	0	0	0	0	51,209

Committed:

Committed for Public Health and Welfare	0	207,327	0	0	0	207,327
Committed for Social, Cultural, and Recreational Services	0	0	0	0	98,027	98,027
Committed for Highways/Public Works	0	0	348,127	0	0	348,127
Committed for Debt Service	0	0	0	3,144,975	0	3,144,975

Assigned:

Assigned for General Government	518,067	0	0	0	0	518,067
Assigned for Administration of Justice	326	0	0	0	0	326

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>FUND BALANCES (CONT.)</u>						
Assigned (Cont.):						
Assigned for Public Safety	\$ 19,029	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,029
Assigned for Public Health and Welfare	422	0	0	0	0	422
Assigned for Social, Cultural, and Recreational Services	599	0	0	0	0	599
Assigned for Other Purposes	282	0	0	0	0	282
Total Fund Balances	<u>\$ 1,045,482</u>	<u>\$ 207,327</u>	<u>\$ 715,591</u>	<u>\$ 3,179,454</u>	<u>\$ 332,291</u>	<u>\$ 5,480,145</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,189,809</u>	<u>\$ 963,123</u>	<u>\$ 1,469,028</u>	<u>\$ 3,878,812</u>	<u>\$ 447,047</u>	<u>\$ 12,947,819</u>

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

Exhibit C-2

Grainger County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2015

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)		\$ 5,480,145
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,739,753	
Add: infrastructure net of accumulated depreciation	1,473,921	
Add: buildings and improvements net of accumulated depreciation	7,992,851	
Add: other capital assets net of accumulated depreciation	<u>1,285,039</u>	12,491,564
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (373,750)	
Less: bonds payable	(25,300,000)	
Add: deferred amount on refunding	1,155,074	
Less: compensated absences payable	(72,522)	
Less: landfill closure/postclosure care costs	(1,215,932)	
Less: accrued interest on bonds and notes	(87,063)	
Less: unamortized premium on debt	<u>(404,551)</u>	(26,298,744)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 360,236	
Less: deferred inflows of resources related to pensions	<u>(778,587)</u>	(418,351)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		719,166
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>477,331</u>
Net position of governmental activities (Exhibit A)		<u>\$ (7,548,889)</u>

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

Exhibit C-3

Grainger County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,590,414	\$ 731,548	\$ 666,196	\$ 983,776	\$ 122,152	\$ 7,094,086
Licenses and Permits	70,162	0	0	0	0	70,162
Fines, Forfeitures, and Penalties	60,291	3,412	2,881	3,398	30,464	100,446
Charges for Current Services	953,482	0	0	0	383,187	1,336,669
Other Local Revenues	63,091	2,929	7,878	74,588	8,517	157,003
Fees Received from County Officials	349,551	0	0	0	0	349,551
State of Tennessee	1,280,105	124,389	1,722,788	81,514	2,975	3,211,771
Federal Government	102,379	0	0	0	0	102,379
Other Governments and Citizens Groups	18,530	0	0	700,000	0	718,530
Total Revenues	\$ 7,488,005	\$ 862,278	\$ 2,399,743	\$ 1,843,276	\$ 547,295	\$ 13,140,597
<u>Expenditures</u>						
Current:						
General Government	\$ 1,072,586	\$ 0	\$ 0	\$ 0	\$ 525	\$ 1,073,111
Finance	301,999	0	0	0	370,308	672,307
Administration of Justice	590,503	0	0	0	415	590,918
Public Safety	3,040,049	0	0	0	39,056	3,079,105
Public Health and Welfare	1,619,764	759,753	0	0	0	2,379,517
Social, Cultural, and Recreational Services	195,622	0	0	0	131,119	326,741
Agriculture and Natural Resources	165,752	0	0	0	0	165,752
Other Operations	527,342	0	0	0	0	527,342
Highways	44,425	0	2,434,950	0	0	2,479,375
Debt Service:						
Principal on Debt	0	0	0	1,571,250	0	1,571,250
Interest on Debt	0	0	0	574,204	0	574,204
Other Debt Service	0	0	0	26,105	0	26,105
Total Expenditures	\$ 7,558,042	\$ 759,753	\$ 2,434,950	\$ 2,171,559	\$ 541,423	\$ 13,465,727

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ (70,037)	\$ 102,525	\$ (35,207)	\$ (328,283)	\$ 5,872	\$ (325,130)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 250,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250,000
Insurance Recovery	4,774	0	0	0	0	4,774
Total Other Financing Sources (Uses)	\$ 254,774	\$ 0	\$ 0	\$ 0	\$ 0	\$ 254,774
Net Change in Fund Balances	\$ 184,737	\$ 102,525	\$ (35,207)	\$ (328,283)	\$ 5,872	\$ (70,356)
Fund Balance, July 1, 2014	860,745	104,802	750,798	3,507,737	326,419	5,550,501
Fund Balance, June 30, 2015	\$ 1,045,482	\$ 207,327	\$ 715,591	\$ 3,179,454	\$ 332,291	\$ 5,480,145

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

Exhibit C-4

Grainger County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2015

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)		\$	(70,356)
(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	\$	457,801	
Less: current-year depreciation expense		<u>(571,780)</u>	(113,979)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$	477,331	
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(516,389)</u>	(39,058)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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	\$	(250,000)	
Add: change in premium on debt		42,732	
Add: principal payments on bonds		1,490,000	
Add: principal payments on notes		81,250	
Less: change in deferred amount on refunding debt		<u>(178,548)</u>	1,185,434
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(4,976)	
Change in compensated absences payable		30,707	
Change in landfill closure/postclosure care costs		(11,967)	
Change in net pension liability/asset		810,798	
Change in deferred outflows related to pensions		360,236	
Change in deferred inflows related to pensions		<u>(778,587)</u>	406,211
Change in net position of governmental activities (Exhibit B)		\$	<u>1,368,252</u>

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

Exhibit C-5

Grainger County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,590,414	\$ 0	\$ 0	\$ 4,590,414	\$ 4,454,650	\$ 4,454,650	\$ 135,764
Licenses and Permits	70,162	0	0	70,162	65,100	65,100	5,062
Fines, Forfeitures, and Penalties	60,291	0	0	60,291	61,600	61,600	(1,309)
Charges for Current Services	953,482	0	0	953,482	791,000	798,864	154,618
Other Local Revenues	63,091	0	0	63,091	86,750	92,648	(29,557)
Fees Received from County Officials	349,551	0	0	349,551	348,000	348,000	1,551
State of Tennessee	1,280,105	0	0	1,280,105	1,113,500	1,186,673	93,432
Federal Government	102,379	0	0	102,379	335,000	349,341	(246,962)
Other Governments and Citizens Groups	18,530	0	0	18,530	0	18,530	0
Total Revenues	\$ 7,488,005	\$ 0	\$ 0	\$ 7,488,005	\$ 7,255,600	\$ 7,375,406	\$ 112,599
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 50,738	\$ 0	\$ 0	\$ 50,738	\$ 60,905	\$ 60,905	\$ 10,167
Board of Equalization	500	0	0	500	1,200	1,200	700
Beer Board	0	0	0	0	2,000	2,000	2,000
Budget and Finance Committee	1,500	0	0	1,500	4,000	4,000	2,500
County Mayor/Executive	195,161	0	0	195,161	210,907	210,907	15,746
Election Commission	193,668	0	295	193,963	208,954	208,954	14,991
Register of Deeds	177,109	(719)	0	176,390	187,804	187,804	11,414
Planning	15,300	0	0	15,300	19,250	19,250	3,950
County Buildings	126,044	(200)	865	126,709	108,375	128,675	1,966
Other Facilities	293,748	0	2,052	295,800	329,950	309,650	13,850
Preservation of Records	18,818	0	414	19,232	23,620	25,977	6,745
<u>Finance</u>							
Property Assessor's Office	159,474	0	0	159,474	179,405	179,405	19,931
County Trustee's Office	78,867	0	0	78,867	90,500	90,500	11,633
County Clerk's Office	63,658	0	1,388	65,046	74,823	74,823	9,777
<u>Administration of Justice</u>							
Circuit Court	184,785	0	0	184,785	195,840	196,840	12,055
Criminal Court	1,097	0	0	1,097	0	0	(1,097)

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
General Sessions Court	\$ 174,338	\$ 0	\$ 0	\$ 174,338	\$ 189,074	\$ 188,074	\$ 13,736
Chancery Court	126,818	0	325	127,143	141,091	141,091	13,948
Juvenile Court	103,465	0	0	103,465	120,970	120,970	17,505
<u>Public Safety</u>							
Sheriff's Department	1,551,883	0	8,283	1,560,166	1,626,612	1,670,077	109,911
Jail	1,225,708	0	10,746	1,236,454	1,246,350	1,303,759	67,305
Fire Prevention and Control	1,500	0	0	1,500	1,500	1,500	0
Civil Defense	45,148	0	0	45,148	56,971	56,971	11,823
Other Emergency Management	212,500	0	0	212,500	212,500	212,500	0
Inspection and Regulation	3,310	0	0	3,310	3,850	3,850	540
<u>Public Health and Welfare</u>							
Local Health Center	56,138	0	423	56,561	77,380	77,380	20,819
Ambulance/Emergency Medical Services	1,531,419	(556)	0	1,530,863	1,564,465	1,576,954	46,091
Crippled Children Services	0	0	0	0	1,257	1,257	1,257
Other Local Health Services	0	0	0	0	1,950	1,950	1,950
Appropriation to State	22,207	0	0	22,207	19,000	19,000	(3,207)
General Welfare Assistance	6,000	0	0	6,000	10,000	10,000	4,000
Aid to Dependent Children	0	0	0	0	4,700	4,700	4,700
Other Local Welfare Services	4,000	0	0	4,000	4,000	4,000	0
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	48,422	0	0	48,422	58,466	58,466	10,044
Libraries	147,200	0	600	147,800	158,195	158,195	10,395
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	64,019	0	0	64,019	65,084	65,084	1,065
Soil Conservation	101,733	0	282	102,015	113,815	113,815	11,800
<u>Other Operations</u>							
Tourism	0	0	0	0	1,200	1,200	1,200
Industrial Development	64,996	0	0	64,996	67,300	67,300	2,304
Other Economic and Community Development	41,183	0	0	41,183	300,000	300,000	258,817
Veterans' Services	11,478	0	0	11,478	14,378	14,378	2,900

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Other Charges	\$ 325,488	\$ 0	\$ 0	\$ 325,488	\$ 310,700	\$ 310,700	\$ (14,788)
Contributions to Other Agencies	3,551	0	0	3,551	3,960	3,960	409
Miscellaneous	80,646	0	0	80,646	96,000	96,000	15,354
<u>Highways</u>							
Litter and Trash Collection	44,425	0	0	44,425	39,270	45,530	1,105
Total Expenditures	\$ 7,558,042	\$ (1,475)	\$ 25,673	\$ 7,582,240	\$ 8,207,571	\$ 8,329,551	\$ 747,311
Excess (Deficiency) of Revenues Over Expenditures	\$ (70,037)	\$ 1,475	\$ (25,673)	\$ (94,235)	\$ (951,971)	\$ (954,145)	\$ 859,910
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 250,000	\$ 0	\$ 0	\$ 250,000	\$ 250,000	\$ 250,000	\$ 0
Insurance Recovery	4,774	0	0	4,774	0	2,174	2,600
Total Other Financing Sources	\$ 254,774	\$ 0	\$ 0	\$ 254,774	\$ 250,000	\$ 252,174	\$ 2,600
Net Change in Fund Balance	\$ 184,737	\$ 1,475	\$ (25,673)	\$ 160,539	\$ (701,971)	\$ (701,971)	\$ 862,510
Fund Balance, July 1, 2014	860,745	(1,475)	0	859,270	716,380	716,380	142,890
Fund Balance, June 30, 2015	\$ 1,045,482	\$ 0	\$ (25,673)	\$ 1,019,809	\$ 14,409	\$ 14,409	\$ 1,005,400

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

Exhibit C-6

Grainger County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 731,548	\$ 0	\$ 731,548	\$ 714,000	\$ 714,000	\$ 17,548
Fines, Forfeitures, and Penalties	3,412	0	3,412	2,550	2,550	862
Other Local Revenues	2,929	0	2,929	8,000	8,000	(5,071)
State of Tennessee	124,389	0	124,389	60,000	60,000	64,389
Total Revenues	<u>\$ 862,278</u>	<u>\$ 0</u>	<u>\$ 862,278</u>	<u>\$ 784,550</u>	<u>\$ 784,550</u>	<u>\$ 77,728</u>
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 746,778	\$ 245	\$ 747,023	\$ 837,885	\$ 837,885	\$ 90,862
Recycling Center	6,382	0	6,382	9,600	9,600	3,218
Postclosure Care Costs	6,593	0	6,593	14,000	14,000	7,407
Total Expenditures	<u>\$ 759,753</u>	<u>\$ 245</u>	<u>\$ 759,998</u>	<u>\$ 861,485</u>	<u>\$ 861,485</u>	<u>\$ 101,487</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 102,525</u>	<u>\$ (245)</u>	<u>\$ 102,280</u>	<u>\$ (76,935)</u>	<u>\$ (76,935)</u>	<u>\$ 179,215</u>
Net Change in Fund Balance	\$ 102,525	\$ (245)	\$ 102,280	\$ (76,935)	\$ (76,935)	\$ 179,215
Fund Balance, July 1, 2014	104,802	0	104,802	93,264	93,264	11,538
Fund Balance, June 30, 2015	<u>\$ 207,327</u>	<u>\$ (245)</u>	<u>\$ 207,082</u>	<u>\$ 16,329</u>	<u>\$ 16,329</u>	<u>\$ 190,753</u>

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

Exhibit C-7

Grainger County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 666,196	\$ 630,800	\$ 615,800	\$ 50,396
Fines, Forfeitures, and Penalties	2,881	2,200	2,200	681
Other Local Revenues	7,878	0	6,900	978
State of Tennessee	1,722,788	1,893,093	1,908,093	(185,305)
Total Revenues	<u>\$ 2,399,743</u>	<u>\$ 2,526,093</u>	<u>\$ 2,532,993</u>	<u>\$ (133,250)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 148,945	\$ 172,648	\$ 172,248	\$ 23,303
Highway and Bridge Maintenance	1,458,401	1,626,197	1,613,847	155,446
Operation and Maintenance of Equipment	255,814	328,850	327,306	71,492
Other Charges	227,983	230,561	230,561	2,578
Capital Outlay	343,807	580,555	601,749	257,942
Total Expenditures	<u>\$ 2,434,950</u>	<u>\$ 2,938,811</u>	<u>\$ 2,945,711</u>	<u>\$ 510,761</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (35,207)</u>	<u>\$ (412,718)</u>	<u>\$ (412,718)</u>	<u>\$ 377,511</u>
Net Change in Fund Balance	\$ (35,207)	\$ (412,718)	\$ (412,718)	\$ 377,511
Fund Balance, July 1, 2014	<u>750,798</u>	<u>734,722</u>	<u>734,722</u>	<u>16,076</u>
Fund Balance, June 30, 2015	<u>\$ 715,591</u>	<u>\$ 322,004</u>	<u>\$ 322,004</u>	<u>\$ 393,587</u>

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

Exhibit D

Grainger County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 714,711
Accounts Receivable	10,827
Due from Other Governments	<u>133,503</u>
Total Assets	<u>\$ 859,041</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 133,503
Due to Litigants, Heirs, and Others	<u>725,538</u>
Total Liabilities	<u>\$ 859,041</u>

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

GRAINGER COUNTY, TENNESSEE

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GRAINGER COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

Administrative Office:

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

Related Organization – The Grainger County Industrial Development Board is a related organization of Grainger County. The Grainger County Commission elects the board members, but the county’s accountability does not extend beyond making the appointments.

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 Grainger County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Grainger 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.

Grainger County issues all debt for the discretely presented Grainger County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2015.

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

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

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

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

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

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

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

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

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

Grainger County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This special revenue fund is used to account for the operation of the county’s convenience centers and the material recovery facility. Local taxes are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local taxes and state gasoline 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, Grainger County reports the following fund type:

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

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

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for the receipt of debt issued by Grainger County and contributed to the School Department for building construction and renovations.

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 loans 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 Grainger 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. Most income from these pooled investments is assigned to the General Debt Service Fund. Grainger County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit 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. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. The allowance for uncollectible ambulance receivables is management's estimate based on prior collections and aging reports. The allowance for uncollectible property taxes is equal to 1.9 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 Other Current Liabilities account reflected in the discretely presented School Department's General Purpose School

Fund represents the remaining balance in the retirement and teachers' insurance clearing accounts.

3. Capital Assets

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Other Capital Assets	5 - 25
Infrastructure:	
Roads	20
Bridges	40

4. 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 has items that qualify for reporting in this category. They are pension changes in experience, pension contributions after the measurement date, pension other deferrals, and the deferred charge on refunding, which are 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 acquisition 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/or the governmental funds balance sheet. These items are from the following sources: pension changes in experience, pension changes in investment earnings, current and delinquent property taxes, and various receivables for revenues, which do not meet the availability criteria in governmental funds.

5. Compensated Absences

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

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new 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 expense 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, landfill closure/postclosure care costs, retirement incentives and honorariums, and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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

On the government-wide Statement of Net Position (Exhibit A), a portion of the Restricted for Other Purposes in the governmental activities (\$719,166) of the primary government and a portion of the Restricted for Education in the discretely presented School Department (\$961,262) is attributable to net pension assets of the agent and cost-sharing pension plans.

As of June 30, 2015, Grainger County had \$21,635,000 in outstanding debt for capital purposes for the discretely presented School Department. This debt is a liability of Grainger County, but the capital assets acquired are reported in the financial statements of the

School Department. Therefore, Grainger County has incurred a liability significantly decreasing its unrestricted net 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. The Director of Schools, by resolution, was authorized to make assignments for the School Department for the 2014-15 year. Assigned fund balance in the General Fund consists of amounts appropriated for use in the 2015-16 budget (\$513,052) and amounts assigned for encumbrances (\$25,673). Assigned fund balance in the School Department's General Purpose School Fund consists of amounts appropriated for use in the 2015-16 budget

(\$658,834), encumbrances (\$355,018), and future capital outlays (\$1,924,000).

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 has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

8. Restatement

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing Grainger County's beginning net position by \$91,632 has been recognized in the governmental activities of the primary government in the Statement of Activities. In addition, a restatement decreasing the Grainger County School Department's beginning net position by \$4,007,596 has been recognized in the Statement of Activities for liabilities of the pension agent plan (\$116,198) and the pension cost-sharing plan (\$3,891,398).

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Grainger County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Grainger County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Grainger County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by

the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

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 Grainger County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net 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 Grainger County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not

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

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

At June 30, 2015, Grainger County reported the following significant encumbrances:

Funds	Description	Amount
Discretely Presented School Department		
Major Fund:		
General Purpose School	Buses	\$ 253,664
"	Building Renovations	101,354

B. Cash Shortage

The Grainger County Ambulance Authority had a cash shortage of \$5,696 as of June 30, 2015. The cash shortage grew to \$6,181 as of July 25, 2015. This cash shortage is further discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

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

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
Criminal Court	\$ 1,097
Appropriation to State	3,207
Other Charges	14,788
General Debt Service:	
Interest on Debt - Education	593

D. Indictment of Sheriff's Department Employees

On January 8, 2014, pursuant to an investigation of the Sheriff's Department by the Tennessee Bureau of Investigation, five department employees were indicted by the Grainger County Grand Jury. The employees have since pled guilty to certain charges. One employee plead guilty to theft under \$500; a second employee plead guilty to charges of sexual contact with an inmate and official misconduct; a third employee plead guilty to charges of criminal attempt to commit official misconduct; a fourth employee plead guilty to charges of facilitating escape, possession of drug paraphernalia, and bribery of a public servant; a fifth employee plead guilty to charges of introduction of contraband into a penal facility. See Note V.D. regarding litigation brought by inmates against the county.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Grainger County and the Grainger County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net 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.

The county had no pooled and nonpooled investments as of June 30, 2015.

B. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	\$ 1,739,753	\$ 0	\$ 1,739,753
Total Capital Assets Not Depreciated	<u>\$ 1,739,753</u>	<u>\$ 0</u>	<u>\$ 1,739,753</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 11,076,362	\$ 40,272	\$ 11,116,634
Roads and Bridges	11,945,825	0	11,945,825
Other Capital Assets	4,281,532	417,529	4,699,061
Total Capital Assets Depreciated	<u>\$ 27,303,719</u>	<u>\$ 457,801</u>	<u>\$ 27,761,520</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,871,000	\$ 252,783	\$ 3,123,783
Roads and Bridges	10,417,387	54,517	10,471,904
Other Capital Assets	3,149,542	264,480	3,414,022
Total Accumulated Depreciation	<u>\$ 16,437,929</u>	<u>\$ 571,780</u>	<u>\$ 17,009,709</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,865,790</u>	<u>\$ (113,979)</u>	<u>\$ 10,751,811</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,605,543</u>	<u>\$ (113,979)</u>	<u>\$ 12,491,564</u>

There were no decreases in capital assets to report during the year ended June 30, 2015.

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

Governmental Activities:

General Government	\$ 25,220
Administration of Justice	86,206
Public Safety	247,980
Public Health and Welfare	72,918
Social, Cultural, and Recreational Services	29,576
Other Operations	14,622
Highway/Public Works	<u>95,258</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 571,780</u></u>

Discretely Presented Grainger County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 841,582	\$ 0	\$ 0	\$ 841,582
Construction in Progress	287,307	2,756,790	0	<u>3,044,097</u>
Total Capital Assets Not Depreciated	<u>\$ 1,128,889</u>	<u>\$ 2,756,790</u>	<u>\$ 0</u>	<u>\$ 3,885,679</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 43,092,632	\$ 15,185	\$ 0	\$ 43,107,817
Other Capital Assets	4,115,166	72,033	(152,710)	<u>4,034,489</u>
Total Capital Assets Depreciated	<u>\$ 47,207,798</u>	<u>\$ 87,218</u>	<u>\$ (152,710)</u>	<u>\$ 47,142,306</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$ 11,075,859	\$ 943,411	\$ 0	\$ 12,019,270
Other Capital Assets	2,113,367	338,297	(152,710)	<u>2,298,954</u>
Total Accumulated Depreciation	<u>\$ 13,189,226</u>	<u>\$ 1,281,708</u>	<u>\$ (152,710)</u>	<u>\$ 14,318,224</u>
Total Capital Assets Depreciated, Net	<u>\$ 34,018,572</u>	<u>\$ (1,194,490)</u>	<u>\$ 0</u>	<u>\$ 32,824,082</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,147,461</u>	<u>\$ 1,562,300</u>	<u>\$ 0</u>	<u>\$ 36,709,761</u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$	943,411
Support Services		<u>338,297</u>
Total Depreciation Expense - Governmental Activities	\$	<u>1,281,708</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, was as follows:

Primary Government

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 4,289
"	General Debt Service	28,356
"	Nonmajor governmental	2,856
General Debt Service	General	700,000

The amount payable to the General Debt Service Fund from the General Fund is due to a payment from the School Department being deposited to the General Fund when it should have been deposited to the General Debt Service Fund. The payment was for debt service contributions from the School Department for the 2013-14 fiscal year.

Discretely Presented Grainger County School Department

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	Nonmajor governmental	\$ 1,167

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:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component Unit:	
Primary Government:	School Department:	
General Debt Service	General Purpose School	\$ 700,000

This balance resulted from the accrual of the current-year's contributions due from the School Department for debt requirements on school related debt.

D. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

The 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 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 outstanding were issued for original terms of up to 20 years for bonds and up to four 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, 2015, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2015, for governmental activities were as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds:					
School Purposes	2 to 3.5 %		5-1-34	\$ 2,500,000	\$ 2,475,000
General Obligation Bonds - Refunding:					
Primary Government Purposes					
School Purposes	1.92		5-1-30	3,995,000	3,665,000
School Purposes	1.92 to 2		5-1-30	20,095,000	19,160,000
Capital Outlay Notes	2.75 to 2.91		6-29-19	415,000	373,750

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2015, including interest payments, are presented in the following tables.

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 1,505,000	\$ 522,375	\$ 2,027,375
2017	1,540,000	493,600	2,033,600
2018	1,565,000	464,099	2,029,099
2019	1,600,000	434,150	2,034,150
2020	1,630,000	403,499	2,033,499
2021-2025	8,265,000	1,545,074	9,810,074
2026-2030	8,255,000	720,936	8,975,936
2031-2034	940,000	84,000	1,024,000
Total	<u>\$ 25,300,000</u>	<u>\$ 4,667,733</u>	<u>\$ 29,967,733</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 103,750	\$ 7,598	\$ 111,348
2017	103,750	7,598	111,348
2018	103,750	7,598	111,348
2019	62,500	4,682	67,182
Total	<u>\$ 373,750</u>	<u>\$ 27,476</u>	<u>\$ 401,226</u>

There is \$3,179,454 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and notes, totaled \$1,133 based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2014	\$ 26,790,000	\$ 205,000
Additions	0	250,000
Reductions	(1,490,000)	(81,250)
Balance, June 30, 2015	<u>\$ 25,300,000</u>	<u>\$ 373,750</u>
Balance Due Within One Year	<u>\$ 1,505,000</u>	<u>\$ 103,750</u>

	<u>Compensated Absences</u>	<u>Landfill Postclosure Care Costs</u>
Balance, July 1, 2014	\$ 103,229	\$ 1,203,965
Additions	88,235	18,560
Reductions	(118,942)	(6,593)
Balance, June 30, 2015	<u>\$ 72,522</u>	<u>\$ 1,215,932</u>
Balance Due Within One Year	<u>\$ 14,504</u>	<u>\$ 56,181</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 26,962,204
Less: Balance Due Within One Year	(1,679,435)
Add: Unamortized Premium on Debt	<u>404,551</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 25,687,320</u>

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

Discretely Presented Grainger County School Department

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Retirement Honorarium	Retirement Incentive	Other Postemployment Benefits
Balance, July 1, 2014	\$ 357,200	\$ 10,000	\$ 4,054,061
Additions	28,500	30,000	639,177
Reductions	(20,700)	(25,000)	(282,160)
Balance, June 30, 2015	<u>\$ 365,000</u>	<u>\$ 15,000</u>	<u>\$ 4,411,078</u>
Balance Due Within One Year	<u>\$ 23,600</u>	<u>\$ 15,000</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 4,791,078
Less: Balance Due within One Year	<u>(38,600)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,752,478</u>

Retirement incentives and honorariums will be paid from the General Purpose School Fund. Other postemployment benefits will be paid from the employing funds (General Purpose School, School Federal Projects, and Central Cafeteria funds).

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Grainger County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$144,696 and \$20,862, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

F. Short-term Debt

Grainger County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the following funds. These notes were necessary because funds were not available to meet obligations coming due before revenues were available. Short-term debt activity for the year ended June 30, 2015, was as follows:

Fund	Balance 7-1-14	Issued	Paid	Balance 6-30-15
General	\$ 0	\$ 600,000	\$ (600,000)	\$ 0
Solid Waste/Sanitation	0	200,000	(200,000)	0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

The county provides commercial health insurance coverage for its active employees. Retirees are not eligible to participate in the county's health plan. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Discretely Presented Grainger County School Department

The discretely presented Grainger County School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation. The School Department participates in 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 TN-RMT provides for it to be self-sustaining through member premiums.

For certified employees, the School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee*

Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

The School Department provides commercial health insurance coverage for its active noncertified personnel. Retirees are not eligible to participate in the commercial health plan. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

C. Subsequent Events

Subsequent to June 30, 2015, Grainger County approved the following interfund loans in the form of revenue anticipation notes:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General Debt Service	General	\$ 400,000
"	Solid Waste/Sanitation	100,000
"	Highway/Public Works	325,000

D. Contingent Liabilities

Three inmates of the Grainger County jail filed suit against the county. The suit alleges improper treatment, including sexual assault, of the inmates during their incarceration. Currently, the county's insurance carrier is providing a defense for this matter under a reservation of rights. Therefore, if the suit is successful, there is a potential for a liability to the county.

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

E. Changes in Administration

On August 31, 2014, Donald Nance left the Office of Trustee and was succeeded by Rena Greer, Scott Layel left the Office of Sheriff and was succeeded by James Harville, and Dorothy Reagan left the Office of Register of Deeds and was succeeded by Rick Diamond.

F. Landfill Postclosure Care Costs

Grainger County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Grainger County closed its sanitary landfill in 2002. The \$1,215,932 reported as postclosure care liability at June 30, 2015, represents amounts based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Venture

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

come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Grainger County made no contributions to the DTF for the year ended June 30, 2015, and does not have any equity interest in this joint venture.

Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

H. Jointly Governed Organization

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

I. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Grainger County and non-certified employees of the discretely presented Grainger County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 44.09 percent and the non-certified employees of the discretely

presented School Department comprise 55.91 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	112
Inactive Employees Entitled to But Not Yet Receiving Benefits	292
Active Employees	<u>279</u>
 Total	 <u><u>683</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Grainger County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Grainger County were \$692,722 based on a rate of 9.76 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Grainger County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Grainger County’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income	4.61		8	
Real Estate	0.98		29	
Short-term Securities	4.73		7	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Grainger County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 18,421,707	\$ 17,472,409	\$ 949,298
Changes for the Year:			
Service Cost	\$ 627,456	\$ 0	\$ 627,456
Interest	1,398,557	0	1,398,557
Differences Between Expected and Actual Experience	(582,968)	0	(582,968)
Contributions-Employer	0	741,468	(741,468)
Contributions-Employees	0	371,474	(371,474)
Net Investment Income	0	2,921,738	(2,921,738)
Benefit Payments, Including Refunds of Employee Contributions	(803,478)	(803,478)	0
Administrative Expense	0	(11,205)	11,205
Other Changes	0	0	0
Net Changes	<u>\$ 639,567</u>	<u>\$ 3,219,997</u>	<u>\$ (2,580,430)</u>
Balance, June 30, 2014	<u>\$ 19,061,274</u>	<u>\$ 20,692,406</u>	<u>\$ (1,631,132)</u>

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	44.09%	\$ 8,404,116	\$ 9,123,282	\$ (719,166)
School Department	55.91%	10,657,158	11,569,124	(911,966)
Total		<u>\$ 19,061,274</u>	<u>\$ 20,692,406</u>	<u>\$ (1,631,132)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Grainger County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Grainger County			
Net Pension Liability	\$ 965,486	\$ (1,631,132)	\$ (3,773,986)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Income. For the year ended June 30, 2015, Grainger County recognized pension income of \$73,057.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Grainger County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 485,807
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,280,098
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>692,722</u>	<u>N/A</u>
Total	<u>\$ 692,722</u>	<u>\$ 1,765,905</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 360,236	\$ 778,587
School Department	<u>332,486</u>	<u>987,318</u>
Total	<u>\$ 692,722</u>	<u>\$ 1,765,905</u>

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (417,186)
2017	(417,186)
2018	(417,186)
2019	(417,186)
2020	(97,161)
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Grainger County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Grainger County and non-certified employees of the discretely presented Grainger County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 44.09 percent and the non-certified employees of the discretely presented School Department comprise 55.91 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Grainger County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of

state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$9,858, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs

of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Grainger County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Grainger County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 9,858	N/A

The Grainger County School Department’s employer contributions of \$9,858 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Grainger County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was

created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Grainger County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$1,078,825, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year,

the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2015, the Grainger County School Department reported an asset of \$49,296 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Grainger County School Department’s proportion of the net pension asset was based on the Grainger County School Department’s employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At June 30, 2014, the measurement date, the Grainger County School Department’s proportion was .303367 percent. The proportion measured as of June 30, 2013, was .300720 percent.

Pension Income. For the year ended June 30, 2015, the Grainger County School Department recognized a pension income of \$36,054.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Grainger County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 119,678	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	4,061,659
Changes in Proportion of Net Pension Liability (Asset)	37,341	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	1,078,825	N/A
Total	<u>\$ 1,235,844</u>	<u>\$ 4,061,659</u>

The Grainger County School Department's employer contributions of \$1,078,825 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (989,245)
2017	(989,245)
2018	(989,245)
2019	(989,245)
2020	26,170
Thereafter	26,170

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity	6.46 %	33 %
Developed Market		
International Equity	6.26	17
Emerging Market		
International Equity	6.40	5
Private Equity and		
Strategic Lending	4.61	8
U.S. Fixed Income	0.98	29
Real Estate	4.73	7
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the

TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Grainger County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Grainger County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 8,314,291	\$ (49,296)	\$ (6,973,439)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

2. Deferred Compensation

Teachers hired after July 1, 2014, by the discretely presented Grainger County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Grainger County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Grainger County School Department contributed \$12,361 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

J. Other Postemployment Benefits (OPEB)

Discretely Presented Grainger County School Department

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)* for teachers. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization 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 the 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 does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2015, the discretely presented Grainger County School Department contributed \$282,160 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 635,000
Interest on the NOPEBO	162,162
Adjustment to the ARC	<u>(157,985)</u>
Annual OPEB cost	\$ 639,177
Amount of contribution	<u>(282,160)</u>
Increase/decrease in NOPEBO	\$ 357,017
Net OPEB obligation, 7-1-14	<u>4,054,061</u>
Net OPEB obligation, 6-30-15	<u><u>\$ 4,411,078</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 1,003,493	30%	\$ 3,754,647
6-30-14	"	617,869	52	4,054,061
6-30-15	"	639,177	44	4,411,078

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 5,929,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 5,929,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 15,253,439
UAAL as a % of covered payroll	39%

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, 2013, 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 health care cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The 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.

K. Termination Benefits

The discretely presented School Department has entered into a retirement incentive bonus payment plan in accordance with contract provisions. This plan is available to all certified teachers who retire from the School Department with at least ten years of service in Grainger County and are between the ages of 55 and 60, or have a minimum of 30 years of credited service in the Tennessee Consolidated Retirement System. The plan provides teachers who have met the noted requirements, a bonus of \$5,000 paid in one lump sum. During the year, expenditures of \$25,000 were recognized for retirement incentive bonus payments. At June 30, 2015, three individuals were participating in the program and were owed \$15,000, with the entire amount being due within one year.

In addition to the previously mentioned retirement incentive, the discretely presented School Department offers an additional retirement honorarium payment. To be eligible, certified employees must retire with at least ten years of service with the School Department. Under the terms of the plan, employees with 30 or more years of experience at the end of the 2005-06 school year shall receive \$100 for each school year of service with the School Department up to a maximum of \$4,000. Employees with less than 30 years of experience at the end of the 2005-06 school year shall receive \$100 for each school year of service in the School Department up to a maximum of \$3,000.

As of June 30, 2015, 177 employees met the requirements of this benefit. The estimated cost of these cash payments reported in the government-wide Statement of Net Position is \$365,000. Of that amount, \$23,600 is due within one year. The governmental funds' financial statements reflect retirement honorarium expenditures of \$20,700 in the General Purpose School Fund.

L. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-207, *Tennessee Code Annotated (TCA)*. This act provides for purchases exceeding \$10,000 (excluding emergency purchases) to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

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

Office of Director of Schools

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

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

A. Summary of Significant Accounting Policies

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

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

- the organization is legally separate (can sue and be sued in their own name)
- the county appoints all of the organization's board
- the county is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the county
- there is fiscal dependency by the organization on the county

1. Basis of Presentation

The financial statements of the district have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The district applies all GASB pronouncements. The more significant accounting policies of the district are described below.

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

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

2. Method of Accounting

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

3. Net Position

The district classifies net position into three components – 1) net investment in capital assets, 2) restricted for debt service, and 3) unrestricted.

4. **Cash and Cash Equivalents**

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

5. **Budgetary Principles**

Prior to the beginning of the fiscal year, the Board of Directors adopts an annual budget. All revisions must be approved by the board. All annual appropriations lapse at fiscal year-end. Budgetary control is maintained at the line-item level.

The district prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a restriction of fund balance (GAAP). At June 30, 2015, the district had no encumbrances.

6. **Capital Assets**

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

7. **Use of Estimates**

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

8. **Operating and Nonoperating Revenues and Expenses**

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

9. Restricted and Unrestricted Resources

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of Grainger County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement Systems (TCRS), and additions to/deductions from Grainger County Emergency Communication District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

B. Cash and Investments

Cash consisted of the following at June 30, 2015:

Cash in bank	<u>\$ 576,932</u>
Twelve-month certificate of deposit, maturing February 27, 2017, with an interest rate of .65 percent	<u>\$ 200,000</u>

At June 30, 2015, \$250,000 of the district's deposits is insured by federal depository insurance and the remaining is collateralized. Investment policies of the district follow state law and bond requirements prohibiting investments that are not secured or issued by the U.S. Government.

C. Capital Assets

Capital assets, together with annual depreciation and amortization rates, consist of the following:

<u>Capital Assets</u>	Balance 7-1-14	Increases	Decreases	Balance 6-30-15	Depreciation Rates
Capital Assets Being Depreciated:					
Communication Equipment	\$ 444,801	\$ 6,715	\$ (89)	\$ 451,427	10 - 20%
Building and Improvements	8,315	0	0	8,315	
Furniture and Fixtures	628	3,354	0	3,982	10
Other Fixed Assets	0	0	0	0	10
Office Equipment	9,321	1,342	0	10,663	20
Vehicles	29,501	0	0	29,501	20
Total Capital Assets Being Depreciated	\$ 492,566	\$ 11,411	\$ (89)	\$ 503,888	
Less Accumulated Depreciation For:					
Communication Equipment	\$ (106,299)	\$ (76,195)	\$ 89	\$ (182,405)	
Building and Improvements	(4,059)	(1,187)	0	(5,246)	
Furniture and Fixtures	(93)	(425)	0	(518)	
Other Fixed Assets	1	(1)	0	0	
Office Equipment	0	(3,388)	0	(3,388)	
Vehicles	(3,933)	(5,901)	0	(9,834)	
Total Accumulated Depreciation	\$ (114,383)	\$ (87,097)	\$ 89	\$ (201,391)	
Total Capital Assets Being Depreciated, Net	\$ 378,183	\$ (75,686)	\$ 0	\$ 302,497	
Total Net Capital Assets	\$ 378,183	\$ (75,686)	\$ 0	\$ 302,497	

Depreciation charged to expense totaled \$87,097 for the year ended June 30, 2015.

D. Compensated Absences

The vacation year is a calendar year beginning January 1 and ending December 31. Regular full-time employees accumulate the following hours of vacation:

<u>Years of Service</u>	<u>Vacation Hours Earned</u>
1 - 2	40
3 - 10	80
11 - 15	120

Employees may accrue annual vacation leave up to a maximum of 192 hours. Unpaid vacation leave totaled \$12,935 for the year ended June 30, 2015.

Sick leave is earned by regular full-time employees at the rate of one day per month for a total of 12 days earned per year. Sick leave can be accumulated and carried forward year-to-year, without any maximum limitation. Employees shall not be paid for accumulated sick leave credit days, but shall be able to count the unused sick leave credit days toward their retirement, to the extent allowed under the rules and regulations under the Tennessee Consolidated Retirement System. It is management's belief that sick leave does not vest, and therefore, no accrual of such leave has been made.

E. Risk Management

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

F. Retirement Plan

Plan Description

Employees of Grainger County Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS was created by state statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37. The TCRS Board of Trustee is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire under an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credits. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>7</u>
	<u><u>15</u></u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Grainger County Emergency Communications District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Grainger County Emergency Communications District were \$5,773 based on a rate of 2.21 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Grainger County Emergency Communications District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Grainger County Emergency Communications District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2014, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Three percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46	% 33 %
Developed market international equity	6.26	17
Emerging market international equity	6.40	5
Private equity and strategic lending	4.61	8
U.S. fixed income	0.98	29
Real estate	4.73	7
Short-term securities	0.00	<u>1</u>
		<u><u>100</u></u> %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Grainger County Emergency Communications District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Changes for the year ended June 30, 2013:			
Increase (decrease):			
Service cost	\$ 19,188	\$ 0	\$ 19,188
Interest	15,001	0	15,001
Differences between expected and actual experience	1,356	0	1,356
Contributions - employer	0	7,737	(7,737)
Contributions - employees	0	11,537	(11,537)
Net investment income	0	35,800	(35,800)
Benefit payments, including refunds of employee contributions	(17,825)	(17,825)	0
Administrative expense	0	(264)	264
Net changes for the year ended June 30, 2014	\$ 17,720	\$ 36,985	\$ (19,265)
Balance at June 30, 2013	189,737	215,823	(26,086)
Balance at June 30, 2014	\$ 207,457	\$ 252,808	\$ (45,351)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Grainger County Emergency Communications District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability (Asset)	\$ (638)	\$ (45,351)	\$ (78,827)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

For the year ended June 30, 2015, the Grainger County Emergency Communications District recognized pension expense of \$2,922.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the Grainger County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,205	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	15,655
Contributions subsequent to the measurement date of June 30, 2014	<u>5,773</u>	<u>N/A</u>
Total	<u>\$ 6,978</u>	<u>\$ 15,655</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (expense) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Total Payments
2016	\$ (3,763)
2017	(3,763)
2018	(3,763)
2019	(3,763)
2020	151
Thereafter	453

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

G. Cumulative Effect of Change in Accounting Principle

The district restated its beginning net position by reporting a cumulative effect of change in accounting principle as of July 1, 2014, to record the net pension asset of \$26,086 and increase net position by \$26,086 and to record employer contributions made during the year ended June 30, 2014, of \$7,737 and increase net position by \$7,737 in accordance with GASB No. 68 and GASB No. 71. The cumulative effect in this change in accounting principle totaled \$33,823.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Grainger County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 627,456
Interest	1,398,557
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(582,968)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(803,478)</u>
Net Change in Total Pension Liability (Asset)	\$ 639,567
Total Pension Liability (Asset), Beginning	<u>18,421,707</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 19,061,274</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 741,468
Contributions - Employee	371,474
Net Investment Income	2,921,738
Benefit Payments, Including Refunds of Employee Contributions	(803,478)
Administrative Expense	<u>(11,205)</u>
Net Change in Plan Fiduciary Net Position	\$ 3,219,997
Plan Fiduciary Net Position, Beginning	<u>17,472,409</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 20,692,406</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (1,631,132)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.56%
Covered Employee Payroll	\$ 7,422,102
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	21.98%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit E-2

Grainger County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 741,468	\$ 692,722
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(741,468)</u>	<u>(692,722)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 7,422,102	\$ 8,429,941
Contributions as a Percentage of Covered Employee Payroll	9.99%	8.22%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit E-3

Grainger County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Grainger County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 6,161
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(9,858)</u>
Contribution Deficiency (Excess)	<u><u>\$ (3,697)</u></u>
Covered Employee Payroll	\$ 246,445
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

Grainger County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Grainger County School Department
For the Fiscal Year Ended June 30, 2015

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,057,354	\$ 1,078,825
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(1,057,354)</u>	<u>(1,078,825)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 11,907,136	\$ 12,095,723
Contributions as a Percentage of Covered Employee Payroll	8.88%	8.92%

Note: ten years of data will be presented when available.

Exhibit E-5

Grainger County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Grainger County School Department
For the Fiscal Year Ended June 30, 2015

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.303367%
School Department's Proportionate Share of the Net Pension Asset	\$ 49,296
Covered Employee Payroll	\$ 11,907,136
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

Grainger County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Grainger County School Department
June 30, 2015

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-10	\$ 0	\$ 8,095	\$ 8,095	0 %	\$ 14,358	56 %
"	7-1-11	0	9,300	9,300	0	14,705	63
"	7-1-13	0	5,929	5,929	0	15,253	39

GRAINGER COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	One Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**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 specified 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 and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

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

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

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

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

Exhibit F-1

Grainger County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitu- tional Officers - Fees	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,666	\$ 79,666
Equity in Pooled Cash and Investments	13,795	2,852	53,452	181,282	0	251,381
Accounts Receivable	0	0	0	1,000	5,536	6,536
Due from Other Governments	0	0	0	1,619	0	1,619
Property Taxes Receivable	0	0	0	111,879	0	111,879
Allowance for Uncollectible Property Taxes	0	0	0	(4,034)	0	(4,034)
Total Assets	<u>\$ 13,795</u>	<u>\$ 2,852</u>	<u>\$ 53,452</u>	<u>\$ 291,746</u>	<u>\$ 85,202</u>	<u>\$ 447,047</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 4,225	\$ 0	\$ 4,225
Accrued Payroll	0	0	0	82	0	82
Payroll Deductions Payable	0	0	0	364	0	364
Due to Other Funds	0	0	0	2,351	505	2,856
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,022</u>	<u>\$ 505</u>	<u>\$ 7,527</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 0	\$ 0	\$ 0	\$ 104,527	\$ 0	\$ 104,527
Deferred Delinquent Property Taxes	0	0	0	2,702	0	2,702
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,229</u>	<u>\$ 0</u>	<u>\$ 107,229</u>

(Continued)

Exhibit F-1

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitu- tional Officers - Fees	
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 84,697	\$ 84,697
Restricted for Administration of Justice	13,795	2,852	0	0	0	16,647
Restricted for Public Safety	0	0	53,452	0	0	53,452
Restricted for Social, Cultural, and Recreational Services	0	0	0	79,468	0	79,468
Committed:						
Committed for Social, Cultural, and Recreational Services	0	0	0	98,027	0	98,027
Total Fund Balances	<u>\$ 13,795</u>	<u>\$ 2,852</u>	<u>\$ 53,452</u>	<u>\$ 177,495</u>	<u>\$ 84,697</u>	<u>\$ 332,291</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,795</u>	<u>\$ 2,852</u>	<u>\$ 53,452</u>	<u>\$ 291,746</u>	<u>\$ 85,202</u>	<u>\$ 447,047</u>

Exhibit F-2

Grainger County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitu- tional Officers - Fees	
<u>Revenues</u>						
Local Taxes	\$ 1,209	\$ 1,068	\$ 0	\$ 119,875	\$ 0	\$ 122,152
Fines, Forfeitures, and Penalties	0	0	29,921	543	0	30,464
Charges for Current Services	0	0	0	16,336	366,851	383,187
Other Local Revenues	0	0	0	8,517	0	8,517
State of Tennessee	0	0	0	2,975	0	2,975
Total Revenues	<u>\$ 1,209</u>	<u>\$ 1,068</u>	<u>\$ 29,921</u>	<u>\$ 148,246</u>	<u>\$ 366,851</u>	<u>\$ 547,295</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 12	\$ 0	\$ 0	\$ 0	\$ 513	\$ 525
Finance	0	0	0	0	370,308	370,308
Administration of Justice	0	0	0	0	415	415
Public Safety	0	0	39,056	0	0	39,056
Social, Cultural, and Recreational Services	0	462	0	130,657	0	131,119
Total Expenditures	<u>\$ 12</u>	<u>\$ 462</u>	<u>\$ 39,056</u>	<u>\$ 130,657</u>	<u>\$ 371,236</u>	<u>\$ 541,423</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,197</u>	<u>\$ 606</u>	<u>\$ (9,135)</u>	<u>\$ 17,589</u>	<u>\$ (4,385)</u>	<u>\$ 5,872</u>
Net Change in Fund Balances	\$ 1,197	\$ 606	\$ (9,135)	\$ 17,589	\$ (4,385)	\$ 5,872
Fund Balance, July 1, 2014	12,598	2,246	62,587	159,906	89,082	326,419
Fund Balance, June 30, 2015	<u>\$ 13,795</u>	<u>\$ 2,852</u>	<u>\$ 53,452</u>	<u>\$ 177,495</u>	<u>\$ 84,697</u>	<u>\$ 332,291</u>

Exhibit F-3

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse and Jail Maintenance Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,209	\$ 1,010	\$ 1,010	\$ 199
Total Revenues	\$ 1,209	\$ 1,010	\$ 1,010	\$ 199
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 12	\$ 5,020	\$ 5,020	\$ 5,008
Total Expenditures	\$ 12	\$ 5,020	\$ 5,020	\$ 5,008
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,197	\$ (4,010)	\$ (4,010)	\$ 5,207
Net Change in Fund Balance	\$ 1,197	\$ (4,010)	\$ (4,010)	\$ 5,207
Fund Balance, July 1, 2014	12,598	12,599	12,599	(1)
Fund Balance, June 30, 2015	\$ 13,795	\$ 8,589	\$ 8,589	\$ 5,206

Exhibit F-4

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Law Library Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,068	\$ 1,010	\$ 1,010	\$ 58
Total Revenues	\$ 1,068	\$ 1,010	\$ 1,010	\$ 58
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 462	\$ 520	\$ 520	\$ 58
Total Expenditures	\$ 462	\$ 520	\$ 520	\$ 58
Excess (Deficiency) of Revenues Over Expenditures	\$ 606	\$ 490	\$ 490	\$ 116
Net Change in Fund Balance	\$ 606	\$ 490	\$ 490	\$ 116
Fund Balance, July 1, 2014	2,246	2,246	2,246	0
Fund Balance, June 30, 2015	\$ 2,852	\$ 2,736	\$ 2,736	\$ 116

Exhibit F-5

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 29,921	\$ 0	\$ 0	\$ 29,921	\$ 11,500	\$ 11,500	\$ 18,421
Total Revenues	\$ 29,921	\$ 0	\$ 0	\$ 29,921	\$ 11,500	\$ 11,500	\$ 18,421
<u>Expenditures</u>							
<u>Public Safety</u>							
Drug Enforcement	\$ 39,056	\$ (39)	\$ 2,802	\$ 41,819	\$ 57,050	\$ 57,050	\$ 15,231
Total Expenditures	\$ 39,056	\$ (39)	\$ 2,802	\$ 41,819	\$ 57,050	\$ 57,050	\$ 15,231
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,135)	\$ 39	\$ (2,802)	\$ (11,898)	\$ (45,550)	\$ (45,550)	\$ 33,652
Net Change in Fund Balance	\$ (9,135)	\$ 39	\$ (2,802)	\$ (11,898)	\$ (45,550)	\$ (45,550)	\$ 33,652
Fund Balance, July 1, 2014	62,587	(39)	0	62,548	65,862	65,862	(3,314)
Fund Balance, June 30, 2015	\$ 53,452	\$ 0	\$ (2,802)	\$ 50,650	\$ 20,312	\$ 20,312	\$ 30,338

Exhibit F-6

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Sports and Recreation Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 119,875	\$ 0	\$ 119,875	\$ 107,550	\$ 107,550	\$ 12,325
Fines, Forfeitures, and Penalties	543	0	543	490	490	53
Charges for Current Services	16,336	0	16,336	14,000	14,000	2,336
Other Local Revenues	8,517	0	8,517	0	1,582	6,935
State of Tennessee	2,975	0	2,975	8,000	8,000	(5,025)
Total Revenues	\$ 148,246	\$ 0	\$ 148,246	\$ 130,040	\$ 131,622	\$ 16,624
<u>Expenditures</u>						
<u>Social, Cultural, and Recreational Services</u>						
Parks and Fair Boards	\$ 130,657	\$ 4,711	\$ 135,368	\$ 145,996	\$ 147,578	\$ 12,210
Total Expenditures	\$ 130,657	\$ 4,711	\$ 135,368	\$ 145,996	\$ 147,578	\$ 12,210
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,589	\$ (4,711)	\$ 12,878	\$ (15,956)	\$ (15,956)	\$ 28,834
Net Change in Fund Balance	\$ 17,589	\$ (4,711)	\$ 12,878	\$ (15,956)	\$ (15,956)	\$ 28,834
Fund Balance, July 1, 2014	159,906	0	159,906	161,429	161,429	(1,523)
Fund Balance, June 30, 2015	\$ 177,495	\$ (4,711)	\$ 172,784	\$ 145,473	\$ 145,473	\$ 27,311

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

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 983,776	\$ 981,300	\$ 981,300	\$ 2,476
Fines, Forfeitures, and Penalties	3,398	4,300	4,300	(902)
Other Local Revenues	74,588	200,000	200,000	(125,412)
State of Tennessee	81,514	70,000	70,000	11,514
Other Governments and Citizens Groups	700,000	600,000	600,000	100,000
Total Revenues	<u>\$ 1,843,276</u>	<u>\$ 1,855,600</u>	<u>\$ 1,855,600</u>	<u>\$ (12,324)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 243,250	\$ 1,370,000	\$ 284,260	\$ 41,010
Education	1,328,000	0	1,328,000	0
<u>Interest on Debt</u>				
General Government	81,019	929,700	186,513	105,494
Education	493,185	0	492,592	(593)
<u>Other Debt Service</u>				
General Government	17,770	30,000	30,000	12,230
Education	8,335	0	8,335	0
Total Expenditures	<u>\$ 2,171,559</u>	<u>\$ 2,329,700</u>	<u>\$ 2,329,700</u>	<u>\$ 158,141</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (328,283)</u>	<u>\$ (474,100)</u>	<u>\$ (474,100)</u>	<u>\$ 145,817</u>
Net Change in Fund Balance	\$ (328,283)	\$ (474,100)	\$ (474,100)	\$ 145,817
Fund Balance, July 1, 2014	<u>3,507,737</u>	<u>2,763,807</u>	<u>2,763,807</u>	<u>743,930</u>
Fund Balance, June 30, 2015	<u>\$ 3,179,454</u>	<u>\$ 2,289,707</u>	<u>\$ 2,289,707</u>	<u>\$ 889,747</u>

Fiduciary Funds

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

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated 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 of deeds, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Grainger County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 714,711	\$ 714,711
Accounts Receivable	0	10,827	10,827
Due from Other Governments	133,503	0	133,503
Total Assets	<u>\$ 133,503</u>	<u>\$ 725,538</u>	<u>\$ 859,041</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 133,503	\$ 0	\$ 133,503
Due to Litigants, Heirs, and Others	0	725,538	725,538
Total Liabilities	<u>\$ 133,503</u>	<u>\$ 725,538</u>	<u>\$ 859,041</u>

Exhibit H-2

Grainger County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 748,993	\$ 748,993	\$ 0
Due from Other Governments	117,839	133,503	117,839	133,503
Total Assets	<u>\$ 117,839</u>	<u>\$ 882,496</u>	<u>\$ 866,832</u>	<u>\$ 133,503</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 117,839</u>	<u>\$ 882,496</u>	<u>\$ 866,832</u>	<u>\$ 133,503</u>
Total Liabilities	<u>\$ 117,839</u>	<u>\$ 882,496</u>	<u>\$ 866,832</u>	<u>\$ 133,503</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	<u>\$ 721,940</u>	<u>\$ 2,859,304</u>	<u>\$ 2,855,706</u>	<u>\$ 725,538</u>
Total Assets	<u>\$ 721,940</u>	<u>\$ 2,859,304</u>	<u>\$ 2,855,706</u>	<u>\$ 725,538</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 721,940</u>	<u>\$ 2,859,304</u>	<u>\$ 2,855,706</u>	<u>\$ 725,538</u>
Total Liabilities	<u>\$ 721,940</u>	<u>\$ 2,859,304</u>	<u>\$ 2,855,706</u>	<u>\$ 725,538</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 721,940	\$ 2,859,304	\$ 2,855,706	\$ 725,538
Equity in Pooled Cash and Investments	0	748,993	748,993	0
Due from Other Governments	117,839	133,503	117,839	133,503
Total Assets	<u>\$ 839,779</u>	<u>\$ 3,741,800</u>	<u>\$ 3,722,538</u>	<u>\$ 859,041</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 117,839	\$ 882,496	\$ 866,832	\$ 133,503
Due to Litigants, Heirs, and Others	721,940	2,859,304	2,855,706	725,538
Total Liabilities	<u>\$ 839,779</u>	<u>\$ 3,741,800</u>	<u>\$ 3,722,538</u>	<u>\$ 859,041</u>

Grainger County School Department

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

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

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

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

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

Exhibit I-1

Grainger County, Tennessee
Statement of Activities
Discretely Presented Grainger County School Department
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:					
Instruction	\$ 18,303,798	\$ 0	\$ 1,654,237	\$ 0	\$ (16,649,561)
Support Services	8,171,861	150	585,877	0	(7,585,834)
Operation of Non-instructional Services	2,445,666	520,894	1,992,856	0	68,084
Total Governmental Activities	<u>\$ 28,921,325</u>	<u>\$ 521,044</u>	<u>\$ 4,232,970</u>	<u>\$ 0</u>	<u>\$ (24,167,311)</u>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,470,956
Local Option Sales Taxes					1,088,559
Business Tax					22,582
Interstate Telecommunications Tax					2,169
Grants and Contributions Not Restricted for Specific Programs					21,111,025
Pension Income					76,900
Unrestricted Investment Earnings					997
Miscellaneous					33,029
Total General Revenues					<u>\$ 24,806,217</u>
Change in Net Position					\$ 638,906
Net Position, July 1, 2014					41,524,651
Restatement - See Note I.D.8.					<u>(4,007,596)</u>
Net Position, June 30, 2015					<u>\$ 38,155,961</u>

Exhibit I-2

Grainger County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Grainger County School Department
 June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 254,339	\$ 1,160	\$ 255,499
Equity in Pooled Cash and Investments	9,358,610	658,922	10,017,532
Accounts Receivable	39,549	0	39,549
Due from Other Governments	364,923	232,501	597,424
Due from Other Funds	0	1,167	1,167
Property Taxes Receivable	2,722,375	0	2,722,375
Allowance for Uncollectible Property Taxes	(98,165)	0	(98,165)
Total Assets	<u>\$ 12,641,631</u>	<u>\$ 893,750</u>	<u>\$ 13,535,381</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 201,206	\$ 44,607	\$ 245,813
Accrued Payroll	36,383	17,802	54,185
Payroll Deductions Payable	928,496	61,100	989,596
Due to Other Funds	0	1,167	1,167
Due to Primary Government	700,000	0	700,000
Other Current Liabilities	254,339	0	254,339
Total Liabilities	<u>\$ 2,120,424</u>	<u>\$ 124,676</u>	<u>\$ 2,245,100</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 2,543,476	\$ 0	\$ 2,543,476
Deferred Delinquent Property Taxes	65,738	0	65,738
Other Deferred/Unavailable Revenue	97,169	0	97,169
Total Deferred Inflows of Resources	<u>\$ 2,706,383</u>	<u>\$ 0</u>	<u>\$ 2,706,383</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 186,829	\$ 569,074	\$ 755,903
Restricted for Capital Projects	16,339	0	16,339
Committed:			
Committed for Education	502,425	200,000	702,425
Assigned:			
Assigned for Education	912,498	0	912,498
Assigned for Capital Projects	2,025,354	0	2,025,354
Unassigned	4,171,379	0	4,171,379
Total Fund Balances	<u>\$ 7,814,824</u>	<u>\$ 769,074</u>	<u>\$ 8,583,898</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,641,631</u>	<u>\$ 893,750</u>	<u>\$ 13,535,381</u>

Exhibit I-3

Grainger County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Grainger County School Department
June 30, 2015

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)		\$	8,583,898
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	841,582	
Add: construction in progress		3,044,097	
Add: buildings and improvements net of accumulated depreciation		31,088,547	
Add: other capital assets net of accumulated depreciation		<u>1,735,535</u>	36,709,761
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other postemployment benefits liability	\$	(4,411,078)	
Less: retirement incentive payable		(15,000)	
Less: retirement honorarium payable		<u>(365,000)</u>	(4,791,078)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	1,578,188	
Less: deferred inflows of resources related to pensions		<u>(5,048,977)</u>	(3,470,789)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			911,966
(5) Net pension assets of the cost-sharing plan are not current financial resources and therefore are not reported in the governmental funds.			49,296
(6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>162,907</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>38,155,961</u></u>

Exhibit I-4

Grainger County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Grainger County School Department
For the Year Ended June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 3,787,854	\$ 0	\$ 3,787,854
Licenses and Permits	674	0	674
Fines, Forfeitures, and Penalties	12,376	0	12,376
Charges for Current Services	150	520,894	521,044
Other Local Revenues	76,504	10,939	87,443
State of Tennessee	21,059,785	21,516	21,081,301
Federal Government	154,373	3,805,056	3,959,429
Other Governments and Citizens Groups	48,875	0	48,875
Total Revenues	<u>\$ 25,140,591</u>	<u>\$ 4,358,405</u>	<u>\$ 29,498,996</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 15,506,350	\$ 1,517,487	\$ 17,023,837
Support Services	7,433,200	797,845	8,231,045
Operation of Non-instructional Services	432,740	2,095,354	2,528,094
Capital Outlay	618,078	0	618,078
Debt Service:			
Other Debt Service	700,000	0	700,000
Capital Projects	0	2,459,181	2,459,181
Total Expenditures	<u>\$ 24,690,368</u>	<u>\$ 6,869,867</u>	<u>\$ 31,560,235</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 450,223</u>	<u>\$ (2,511,462)</u>	<u>\$ (2,061,239)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 25,258	\$ 0	\$ 25,258
Total Other Financing Sources (Uses)	<u>\$ 25,258</u>	<u>\$ 0</u>	<u>\$ 25,258</u>
Net Change in Fund Balances	\$ 475,481	\$ (2,511,462)	\$ (2,035,981)
Fund Balance, July 1, 2014	7,339,343	3,280,536	10,619,879
Fund Balance, June 30, 2015	<u>\$ 7,814,824</u>	<u>\$ 769,074</u>	<u>\$ 8,583,898</u>

Exhibit I-5

Grainger County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Grainger County School Department
For the Year Ended June 30, 2015

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

Net changes in fund balances - total governmental funds (Exhibit I-4)		\$ (2,035,981)
(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	\$ 2,844,008	
Less: current-year depreciation expense	<u>(1,281,708)</u>	1,562,300
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 162,907	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(178,572)</u>	(15,665)
(3) 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 other postemployment benefits liability	\$ (357,017)	
Change in retirement incentive payable	(5,000)	
Change in retirement honorarium	(7,800)	
Change in net pension liability/asset	4,968,858	
Change in deferred outflows related to pensions	1,578,188	
Change in deferred inflows related to pensions	<u>(5,048,977)</u>	<u>1,128,252</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 638,906</u>

Exhibit I-6

Grainger County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Grainger County School Department
June 30, 2015

	Special Revenue Funds		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,160	\$ 1,160
Equity in Pooled Cash and Investments	196,099	462,823	658,922
Due from Other Governments	118,965	113,536	232,501
Due from Other Funds	0	1,167	1,167
Total Assets	\$ 315,064	\$ 578,686	\$ 893,750
<u>LIABILITIES</u>			
Accounts Payable	\$ 34,995	\$ 9,612	\$ 44,607
Accrued Payroll	17,802	0	17,802
Payroll Deductions Payable	61,100	0	61,100
Due to Other Funds	1,167	0	1,167
Total Liabilities	\$ 115,064	\$ 9,612	\$ 124,676
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 569,074	\$ 569,074
Committed:			
Committed for Education	200,000	0	200,000
Total Fund Balances	\$ 200,000	\$ 569,074	\$ 769,074
Total Liabilities and Fund Balances	\$ 315,064	\$ 578,686	\$ 893,750

Exhibit I-7

Grainger County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Grainger County School Department
For the Year Ended June 30, 2015

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects Fund</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 520,894	\$ 520,894	\$ 0	\$ 520,894
Other Local Revenues	0	10,939	10,939	0	10,939
State of Tennessee	0	21,516	21,516	0	21,516
Federal Government	2,315,332	1,489,724	3,805,056	0	3,805,056
Total Revenues	\$ 2,315,332	\$ 2,043,073	\$ 4,358,405	\$ 0	\$ 4,358,405
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,517,487	\$ 0	\$ 1,517,487	\$ 0	\$ 1,517,487
Support Services	797,845	0	797,845	0	797,845
Operation of Non-instructional Services	0	2,095,354	2,095,354	0	2,095,354
Capital Projects	0	0	0	2,459,181	2,459,181
Total Expenditures	\$ 2,315,332	\$ 2,095,354	\$ 4,410,686	\$ 2,459,181	\$ 6,869,867
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 0	\$ (52,281)	\$ (52,281)	\$ (2,459,181)	\$ (2,511,462)
Net Change in Fund Balances	\$ 0	\$ (52,281)	\$ (52,281)	\$ (2,459,181)	\$ (2,511,462)
Fund Balance, July 1, 2014	200,000	621,355	821,355	2,459,181	3,280,536
Fund Balance, June 30, 2015	\$ 200,000	\$ 569,074	\$ 769,074	\$ 0	\$ 769,074

Exhibit I-8

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Grainger County School Department
General Purpose School Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 3,787,854	\$ 0	\$ 3,787,854	\$ 3,500,510	\$ 3,500,510	\$ 287,344
Licenses and Permits	674	0	674	0	0	674
Fines, Forfeitures, and Penalties	12,376	0	12,376	17,000	17,000	(4,624)
Charges for Current Services	150	0	150	7,000	7,000	(6,850)
Other Local Revenues	76,504	0	76,504	35,000	75,565	939
State of Tennessee	21,059,785	0	21,059,785	20,167,193	20,934,963	124,822
Federal Government	154,373	0	154,373	71,434	179,765	(25,392)
Other Governments and Citizens Groups	48,875	0	48,875	0	48,875	0
Total Revenues	\$ 25,140,591	\$ 0	\$ 25,140,591	\$ 23,798,137	\$ 24,763,678	\$ 376,913
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 12,287,151	\$ 0	\$ 12,287,151	\$ 12,878,295	\$ 13,222,585	\$ 935,434
Alternative Instruction Program	52,579	0	52,579	63,753	63,753	11,174
Special Education Program	2,016,618	0	2,016,618	2,031,207	2,041,283	24,665
Vocational Education Program	981,731	0	981,731	1,014,326	1,014,326	32,595
Student Body Education Program	41,617	0	41,617	38,000	54,607	12,990
Adult Education Program	126,654	0	126,654	86,731	137,581	10,927
<u>Support Services</u>						
Attendance	7,960	0	7,960	8,610	8,610	650
Health Services	414,267	0	414,267	329,048	429,048	14,781
Other Student Support	474,356	0	474,356	469,633	522,683	48,327
Regular Instruction Program	704,609	0	704,609	720,983	827,184	122,575
Special Education Program	188,784	0	188,784	192,370	197,370	8,586
Vocational Education Program	54,945	0	54,945	58,947	58,947	4,002
Adult Programs	434	0	434	0	5,319	4,885

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Other Programs	\$ 165,558	\$ 0	\$ 165,558	\$ 0	\$ 165,558	\$ 0
Board of Education	344,785	0	344,785	437,011	437,361	92,576
Director of Schools	230,404	0	230,404	232,926	232,926	2,522
Office of the Principal	1,344,989	0	1,344,989	1,343,508	1,437,158	92,169
Operation of Plant	1,701,953	0	1,701,953	1,877,455	1,877,455	175,502
Maintenance of Plant	522,871	0	522,871	525,607	867,565	344,694
Transportation	1,277,285	253,664	1,530,949	1,318,449	1,747,349	216,400
<u>Operation of Non-instructional Services</u>						
Community Services	29,611	0	29,611	29,612	29,612	1
Early Childhood Education	403,129	0	403,129	0	426,338	23,209
<u>Capital Outlay</u>						
Regular Capital Outlay	618,078	101,354	719,432	83,500	1,178,500	459,068
<u>Principal on Debt</u>						
Education	0	0	0	700,000	0	0
<u>Other Debt Service</u>						
Education	700,000	0	700,000	0	700,000	0
Total Expenditures	\$ 24,690,368	\$ 355,018	\$ 25,045,386	\$ 24,439,971	\$ 27,683,118	\$ 2,637,732
Excess (Deficiency) of Revenues Over Expenditures						
	\$ 450,223	\$ (355,018)	\$ 95,205	\$ (641,834)	\$ (2,919,440)	\$ 3,014,645
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 25,258	\$ 0	\$ 25,258	\$ 0	\$ 25,258	\$ 0
Total Other Financing Sources	\$ 25,258	\$ 0	\$ 25,258	\$ 0	\$ 25,258	\$ 0
Net Change in Fund Balance						
	\$ 475,481	\$ (355,018)	\$ 120,463	\$ (641,834)	\$ (2,894,182)	\$ 3,014,645
Fund Balance, July 1, 2014	7,339,343	0	7,339,343	4,843,308	4,843,308	2,496,035
Fund Balance, June 30, 2015	\$ 7,814,824	\$ (355,018)	\$ 7,459,806	\$ 4,201,474	\$ 1,949,126	\$ 5,510,680

Exhibit I-9

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Grainger County School Department
School Federal Projects Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,315,332	\$ 2,056,914	\$ 2,979,016	\$ (663,684)
Total Revenues	\$ 2,315,332	\$ 2,056,914	\$ 2,979,016	\$ (663,684)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 979,520	\$ 909,092	\$ 1,169,347	\$ 189,827
Special Education Program	497,055	567,747	693,276	196,221
Vocational Education Program	40,912	36,587	40,912	0
<u>Support Services</u>				
Health Services	20,504	24,679	24,679	4,175
Other Student Support	84,695	80,222	92,734	8,039
Regular Instruction Program	427,784	209,539	594,453	166,669
Special Education Program	193,245	146,229	271,110	77,865
Vocational Education Program	538	2,906	538	0
Transportation	71,079	79,913	91,967	20,888
Total Expenditures	\$ 2,315,332	\$ 2,056,914	\$ 2,979,016	\$ 663,684
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2014	200,000	200,000	200,000	0
Fund Balance, June 30, 2015	\$ 200,000	\$ 200,000	\$ 200,000	\$ 0

Exhibit I-10

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Grainger County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 520,894	\$ 733,000	\$ 733,000	\$ (212,106)
Other Local Revenues	10,939	4,000	10,000	939
State of Tennessee	21,516	20,000	20,000	1,516
Federal Government	1,489,724	1,360,000	1,495,060	(5,336)
Total Revenues	<u>\$ 2,043,073</u>	<u>\$ 2,117,000</u>	<u>\$ 2,258,060</u>	<u>\$ (214,987)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 2,095,354	\$ 2,136,000	\$ 2,277,060	\$ 181,706
Total Expenditures	<u>\$ 2,095,354</u>	<u>\$ 2,136,000</u>	<u>\$ 2,277,060</u>	<u>\$ 181,706</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (52,281)</u>	<u>\$ (19,000)</u>	<u>\$ (19,000)</u>	<u>\$ (33,281)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (26,000)	\$ (26,000)	\$ 26,000
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ (26,000)</u>	<u>\$ (26,000)</u>	<u>\$ 26,000</u>
Net Change in Fund Balance	\$ (52,281)	\$ (45,000)	\$ (45,000)	\$ (7,281)
Fund Balance, July 1, 2014	<u>621,355</u>	<u>484,457</u>	<u>484,457</u>	<u>136,898</u>
Fund Balance, June 30, 2015	<u>\$ 569,074</u>	<u>\$ 439,457</u>	<u>\$ 439,457</u>	<u>\$ 129,617</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Grainger County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Paid and/or		Outstanding 6-30-15
						Issued During Period	Matured During Period	
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation School Bonds - Series 2005	\$ 20,500,000	4.21	% 7-14-05	5-1-15	\$ 740,000	\$ 0	\$ 740,000	\$ 0
General Obligation School Bonds - Series 2006	4,000,000	4.32	8-10-06	5-1-15	140,000	0	140,000	0
General Obligation Refunding Bonds - Series 2012 - Justice Center	3,995,000	1.92	12-12-12	5-1-30	3,827,000	0	162,000	3,665,000
General Obligation Refunding Bonds - Series 2012 - Schools	5,980,000	1.92	12-12-12	5-1-30	5,728,000	0	243,000	5,485,000
General Obligation Refunding Bonds - Series 2013 - Schools	9,800,000	1.94	2-15-13	5-1-30	9,600,000	0	100,000	9,500,000
General Obligation Refunding Bonds - Series 2014 - Schools	4,315,000	2	3-27-14	5-1-20	4,255,000	0	80,000	4,175,000
General Obligation School Bonds - Series 2014	2,500,000	2 to 3.5	3-27-14	5-1-34	2,500,000	0	25,000	2,475,000
Total Bonds Payable					<u>\$ 26,790,000</u>	<u>\$ 0</u>	<u>\$ 1,490,000</u>	<u>\$ 25,300,000</u>
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Justice Center Equipment	225,000	4.97	12-16-05	12-16-14	\$ 25,000	\$ 0	\$ 25,000	\$ 0
Bridge Repairs	15,000	2.75	1-16-14	1-16-15	15,000	0	15,000	0
Jail Improvements	165,000	2.75	1-16-14	1-16-18	165,000	0	41,250	123,750
Sheriff's Vehicles and Ambulance	250,000	2.91	6-29-15	6-29-19	0	250,000	0	250,000
Total Notes Payable					<u>\$ 205,000</u>	<u>\$ 250,000</u>	<u>\$ 81,250</u>	<u>\$ 373,750</u>

Exhibit J-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 1,505,000	\$ 522,375	\$ 2,027,375
2017	1,540,000	493,600	2,033,600
2018	1,565,000	464,099	2,029,099
2019	1,600,000	434,150	2,034,150
2020	1,630,000	403,499	2,033,499
2021	1,705,000	372,325	2,077,325
2022	1,740,000	341,124	2,081,124
2023	1,785,000	309,275	2,094,275
2024	1,500,000	276,600	1,776,600
2025	1,535,000	245,750	1,780,750
2026	1,570,000	213,300	1,783,300
2027	1,610,000	180,050	1,790,050
2028	1,640,000	145,412	1,785,412
2029	1,695,000	110,124	1,805,124
2030	1,740,000	72,050	1,812,050
2031	220,000	32,900	252,900
2022	230,000	25,200	255,200
2023	240,000	17,150	257,150
2034	250,000	8,750	258,750
Total	\$ 25,300,000	\$ 4,667,733	\$ 29,967,733

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 103,750	\$ 7,598	\$ 111,348
2017	103,750	7,598	111,348
2018	103,750	7,598	111,348
2019	62,500	4,682	67,182
Total	\$ 373,750	\$ 27,476	\$ 401,226

Exhibit J-3

Grainger County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Grainger County School Department
For the Year Ended June 30, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 77,427	\$ 100,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <i>TCA</i>	70,228	100,000	"
Director of Schools	State Board of Education and County Board of Education	95,830 (1)	(2)	
Trustee	Section 8-24-102, <i>TCA</i>			
Donald Nance (7-1-14 through 8-31-14)		10,640	885,700	Ohio Casualty Insurance Company
Rena Greer (9-1-14 through 6-30-15)		53,203	902,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	63,843	10,000	Western Surety Company
County Clerk	Section 8-24-102, <i>TCA</i>	65,043 (3)	100,000	RLI Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	63,843	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	63,843	50,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>			
Dorothy Reagan (7-1-14 through 8-31-14)		11,050	25,000	"
Rick Diamond 9-1-14 through 6-30-15)		52,793	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i> ,			
Scott Layel (7-1-14 through 8-31-14)	and County Commission	12,763 (4)	25,000	"
James Harville (9-1-14 through 6-30-15)		61,577 (5)	100,000	"
Employee Blanket Bonds:				
County Employees			25,000	"
School Department Employees			150,000	Tennessee Risk Management Trust

(1) Includes a salary equity bonus of \$775, test administration payments of \$660, career ladder payment of \$1,000, perfect attendance payment of \$300, and chief executive officer training supplement of \$1,000.

(2) Covered by employee blanket bond.

(3) Includes a certified public administrator incentive supplement of \$1,200.

(4) Includes \$585 for serving as workhouse superintendent.

(5) Includes \$2,927 for serving as workhouse superintendent and \$600 for a law enforcement training supplement.

Exhibit J-4

Grainger County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2015

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 3,747,239	\$ 0	\$ 0	\$ 629,313	\$ 0	\$ 94,435
Trustee's Collections - Prior Year	158,809	0	0	30,045	0	4,293
Circuit/Clerk and Master Collections - Prior Years	118,291	0	0	20,645	0	2,835
Interest and Penalty	26,921	0	0	4,922	0	712
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	0	10,611
Payments in-Lieu-of Taxes - Local Utilities	303,238	0	0	40,168	0	6,025
Payments in-Lieu-of Taxes - Other	421	0	0	71	0	11
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	0
Litigation Tax - General	6,676	156	167	0	0	0
Litigation Tax - Special Purpose	28,736	1,053	901	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	13,650	0	0	0	0	0
Business Tax	36,738	0	0	6,384	0	953
Mineral Severance Tax	0	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	80,872	0	0	0	0	0
Wholesale Beer Tax	67,247	0	0	0	0	0
Interstate Telecommunications Tax	1,576	0	0	0	0	0
Total Local Taxes	\$ 4,590,414	\$ 1,209	\$ 1,068	\$ 731,548	\$ 0	\$ 119,875
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 831	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	68,731	0	0	0	0	0

(Continued)

Exhibit J-4

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation
<u>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Beer Permits	\$ 600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	<u>\$ 70,162</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 2,297	\$ 0	\$ 0	\$ 388	\$ 0	\$ 59
Officers Costs	1,722	0	0	300	0	45
Drug Control Fines	2,699	0	0	0	6,299	0
Jail Fees	892	0	0	0	0	0
DUI Treatment Fines	475	0	0	0	0	0
Data Entry Fee - Circuit Court	711	0	0	0	0	0
<u>Criminal Court</u>						
DUI Treatment Fines	538	0	0	92	0	13
Victims Assistance Assessments	345	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	6,695	0	0	1,168	0	189
Officers Costs	8,136	0	0	1,414	0	230
Game and Fish Fines	36	0	0	6	0	1
Drug Control Fines	4,546	0	0	0	4,027	0
Jail Fees	13,475	0	0	0	0	0
DUI Treatment Fines	5,450	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,872	0	0	0	0	0
Courtroom Security Fee	6	0	0	0	0	0
Victims Assistance Assessments	2,536	0	0	0	0	0

(Continued)

Exhibit J-4

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Fines	\$ 250	\$ 0	\$ 0	\$ 44	\$ 0	\$ 6
Officers Costs	847	0	0	0	0	0
Data Entry Fee - Juvenile Court	274	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	581	0	0	0	0	0
Data Entry Fee - Chancery Court	2,702	0	0	0	0	0
<u>Other Courts - In-county</u>						
Jail Fees	206	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	19,595	0
Total Fines, Forfeitures, and Penalties	\$ 60,291	\$ 0	\$ 0	\$ 3,412	\$ 29,921	\$ 543
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Other Employee Benefit Charges/Contributions	\$ 528	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	898,537	0	0	0	0	0
Other General Service Charges	0	0	0	0	0	210
Service Charges	15,850	0	0	0	0	0
<u>Fees</u>						
Recreation Fees	0	0	0	0	0	16,126
Copy Fees	2,786	0	0	0	0	0
Library Fees	5,627	0	0	0	0	0
Telephone Commissions	18,651	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0
Data Processing Fee - Register	5,600	0	0	0	0	0

(Continued)

Exhibit J-4

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Data Processing Fee - Sheriff	\$ 3,353	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sexual Offender Registration Fee - Sheriff	2,550	0	0	0	0	0
Total Charges for Current Services	\$ 953,482	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,336
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	26,441	0	0	0	0	0
Sale of Materials and Supplies	186	0	0	0	0	0
Commissary Sales	9,806	0	0	0	0	0
Sale of Recycled Materials	759	0	0	2,829	0	0
Miscellaneous Refunds	21,829	0	0	100	0	17
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	0	0	0	0
Contributions and Gifts	3,723	0	0	0	0	8,500
<u>Other Local Revenues</u>						
Other Local Revenues	347	0	0	0	0	0
Total Other Local Revenues	\$ 63,091	\$ 0	\$ 0	\$ 2,929	\$ 0	\$ 8,517
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Trustee	\$ 75,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees in-Lieu-of Salary</u>						
Circuit Court Clerk	40,832	0	0	0	0	0
General Sessions Court Clerk	76,854	0	0	0	0	0

(Continued)

Exhibit J-4

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
Clerk and Master	\$ 68,175	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Juvenile Court Clerk	9,914	0	0	0	0	0
Register	73,578	0	0	0	0	0
Sheriff	5,198	0	0	0	0	0
Total Fees Received from County Officials	\$ 349,551	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	6,546	0	0	0	0	0
Solid Waste Grants	0	0	0	33,818	0	0
<u>Health and Welfare Grants</u>						
Public Health Nurses	18,536	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	0
Litter Program	34,500	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	31,852	0	0	0	0	0
Alcoholic Beverage Tax	59,906	0	0	0	0	0
State Revenue Sharing - T.V.A.	474,657	0	0	90,571	0	2,975
Emergency Hospital - Prisoners	25,049	0	0	0	0	0
Contracted Prisoner Boarding	265,808	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0
Registrar's Salary Supplement	15,164	0	0	0	0	0

(Continued)

Exhibit J-4

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Other State Grants	\$ 326,076	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other State Revenues	13,011	0	0	0	0	0
Total State of Tennessee	<u>\$ 1,280,105</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 124,389</u>	<u>\$ 0</u>	<u>\$ 2,975</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 34,755	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	6,810	0	0	0	0	0
Other Federal through State	34,640	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	26,174	0	0	0	0	0
Total Federal Government	<u>\$ 102,379</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 18,530	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	<u>\$ 18,530</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 7,488,005</u>	<u>\$ 1,209</u>	<u>\$ 1,068</u>	<u>\$ 862,278</u>	<u>\$ 29,921</u>	<u>\$ 148,246</u>

(Continued)

Exhibit J-4

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

	Special Revenue Funds (Cont.)		Debt Service Fund	Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 0	\$ 535,108	\$ 565,149	\$ 5,571,244
Trustee's Collections - Prior Year	0	24,378	35,768	253,293
Circuit/Clerk and Master Collections - Prior Years	0	17,655	20,568	179,994
Interest and Penalty	0	4,154	5,845	42,554
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	10,611
Payments in-Lieu-of Taxes - Local Utilities	0	34,142	36,151	419,724
Payments in-Lieu-of Taxes - Other	0	60	64	627
<u>County Local Option Taxes</u>				
Local Option Sales Tax	0	0	314,290	314,290
Litigation Tax - General	0	0	0	6,999
Litigation Tax - Special Purpose	0	0	0	30,690
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	13,650
Business Tax	0	5,285	5,941	55,301
Mineral Severance Tax	0	45,414	0	45,414
<u>Statutory Local Taxes</u>				
Bank Excise Tax	0	0	0	80,872
Wholesale Beer Tax	0	0	0	67,247
Interstate Telecommunications Tax	0	0	0	1,576
Total Local Taxes	\$ 0	\$ 666,196	\$ 983,776	\$ 7,094,086
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 831
Cable TV Franchise	0	0	0	68,731

(Continued)

Exhibit J-4

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Licenses and Permits (Cont.)</u>					
<u>Permits</u>					
Beer Permits	\$ 0	\$ 0	\$ 0	\$	600
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$	70,162
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 335	\$ 367	\$	3,446
Officers Costs	0	254	338		2,659
Drug Control Fines	0	0	0		8,998
Jail Fees	0	0	0		892
DUI Treatment Fines	0	0	0		475
Data Entry Fee - Circuit Court	0	0	0		711
<u>Criminal Court</u>					
DUI Treatment Fines	0	75	87		805
Victims Assistance Assessments	0	0	0		345
<u>General Sessions Court</u>					
Fines	0	954	1,161		10,167
Officers Costs	0	1,221	1,393		12,394
Game and Fish Fines	0	5	6		54
Drug Control Fines	0	0	0		8,573
Jail Fees	0	0	0		13,475
DUI Treatment Fines	0	0	0		5,450
Data Entry Fee - General Sessions Court	0	0	0		4,872
Courtroom Security Fee	0	0	0		6
Victims Assistance Assessments	0	0	0		2,536

(Continued)

Exhibit J-4

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court</u>					
Fines	\$ 0	\$ 37	\$ 46	\$	383
Officers Costs	0	0	0		847
Data Entry Fee - Juvenile Court	0	0	0		274
<u>Chancery Court</u>					
Officers Costs	0	0	0		581
Data Entry Fee - Chancery Court	0	0	0		2,702
<u>Other Courts - In-county</u>					
Jail Fees	0	0	0		206
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0		19,595
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 2,881	\$ 3,398	\$	100,446
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Other Employee Benefit Charges/Contributions	\$ 0	\$ 0	\$ 0	\$	528
Patient Charges	0	0	0		898,537
Other General Service Charges	0	0	0		210
Service Charges	0	0	0		15,850
<u>Fees</u>					
Recreation Fees	0	0	0		16,126
Copy Fees	0	0	0		2,786
Library Fees	0	0	0		5,627
Telephone Commissions	0	0	0		18,651
Constitutional Officers' Fees and Commissions	366,851	0	0		366,851
Data Processing Fee - Register	0	0	0		5,600

(Continued)

Exhibit J-4

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Data Processing Fee - Sheriff	\$ 0	\$ 0	\$ 0	\$	3,353
Sexual Offender Registration Fee - Sheriff	0	0	0		2,550
Total Charges for Current Services	\$ 366,851	\$ 0	\$ 0	\$	1,336,669
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 70,588	\$	70,588
Lease/Rentals	0	0	0		26,441
Sale of Materials and Supplies	0	0	0		186
Commissary Sales	0	0	0		9,806
Sale of Recycled Materials	0	0	0		3,588
Miscellaneous Refunds	0	978	4,000		26,924
<u>Nonrecurring Items</u>					
Sale of Equipment	0	6,900	0		6,900
Contributions and Gifts	0	0	0		12,223
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0		347
Total Other Local Revenues	\$ 0	\$ 7,878	\$ 74,588	\$	157,003
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Trustee	\$ 0	\$ 0	\$ 0	\$	75,000
<u>Fees in-Lieu-of Salary</u>					
Circuit Court Clerk	0	0	0		40,832
General Sessions Court Clerk	0	0	0		76,854

(Continued)

Exhibit J-4

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees in-Lieu-of Salary (Cont.)</u>					
Clerk and Master	\$ 0	\$ 0	\$ 0	\$ 0	68,175
Juvenile Court Clerk	0	0	0	0	9,914
Register	0	0	0	0	73,578
Sheriff	0	0	0	0	5,198
Total Fees Received from County Officials	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>349,551</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Aging Programs	0	0	0	0	6,546
Solid Waste Grants	0	0	0	0	33,818
<u>Health and Welfare Grants</u>					
Public Health Nurses	0	0	0	0	18,536
<u>Public Works Grants</u>					
State Aid Program	0	160,699	0	0	160,699
Litter Program	0	0	0	0	34,500
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	31,852
Alcoholic Beverage Tax	0	0	0	0	59,906
State Revenue Sharing - T.V.A.	0	67,808	81,514	0	717,525
Emergency Hospital - Prisoners	0	0	0	0	25,049
Contracted Prisoner Boarding	0	0	0	0	265,808
Gasoline and Motor Fuel Tax	0	1,477,933	0	0	1,477,933
Petroleum Special Tax	0	16,348	0	0	16,348
Registrar's Salary Supplement	0	0	0	0	15,164

(Continued)

Exhibit J-4

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Other State Grants	\$ 0	\$ 0	\$ 0	\$	326,076
Other State Revenues	0	0	0		13,011
Total State of Tennessee	\$ 0	\$ 1,722,788	\$ 81,514	\$	3,211,771
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$	34,755
Homeland Security Grants	0	0	0		6,810
Other Federal through State	0	0	0		34,640
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0	0	0		26,174
Total Federal Government	\$ 0	\$ 0	\$ 0	\$	102,379
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 700,000	\$	718,530
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 700,000	\$	718,530
Total	\$ 366,851	\$ 2,399,743	\$ 1,843,276	\$	13,140,597

Exhibit J-5

Grainger County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Grainger County School Department
For the Year Ended June 30, 2015

	General Purpose School	Special Revenue Funds		Total
		School Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,312,742	\$ 0	\$ 0	\$ 2,312,742
Trustee's Collections - Prior Year	89,446	0	0	89,446
Circuit/Clerk and Master Collections - Prior Years	74,164	0	0	74,164
Interest and Penalty	17,825	0	0	17,825
Payments in-Lieu-of Taxes - T.V.A.	1,644	0	0	1,644
Payments in-Lieu-of Taxes - Local Utilities	146,612	0	0	146,612
Payments in-Lieu-of Taxes - Other	39,667	0	0	39,667
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,081,003	0	0	1,081,003
Business Tax	22,582	0	0	22,582
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	2,169	0	0	2,169
Total Local Taxes	\$ 3,787,854	\$ 0	\$ 0	\$ 3,787,854
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 674	\$ 0	\$ 0	\$ 674
Total Licenses and Permits	\$ 674	\$ 0	\$ 0	\$ 674
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$ 1,440	\$ 0	\$ 0	\$ 1,440
Officers Costs	1,092	0	0	1,092
<u>Criminal Court</u>				
DUI Treatment Fines	323	0	0	323
<u>General Sessions Court</u>				
Fines	4,098	0	0	4,098
Officers Costs	5,243	0	0	5,243
Game and Fish Fines	22	0	0	22
<u>Juvenile Court</u>				
Fines	158	0	0	158
Total Fines, Forfeitures, and Penalties	\$ 12,376	\$ 0	\$ 0	\$ 12,376
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 273,120	\$ 273,120
Lunch Payments - Adults	0	0	71,598	71,598
Income from Breakfast	0	0	38,283	38,283
A la carte Sales	0	0	112,276	112,276
Receipts from Individual Schools	0	0	5,904	5,904
TBI Criminal Background Fee	150	0	0	150
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	19,713	19,713
Total Charges for Current Services	\$ 150	\$ 0	\$ 520,894	\$ 521,044

(Continued)

Exhibit J-5

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

	General Purpose School	Special Revenue Funds		Total
		School Projects	Central Cafeteria	
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 997	\$ 997
E-Rate Funding	44,143	0	0	44,143
Miscellaneous Refunds	22,105	0	3,942	26,047
<u>Nonrecurring Items</u>				
Sale of Equipment	6,982	0	0	6,982
Contributions and Gifts	3,150	0	0	3,150
<u>Other Local Revenues</u>				
Other Local Revenues	124	0	6,000	6,124
Total Other Local Revenues	\$ 76,504	\$ 0	\$ 10,939	\$ 87,443
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 165,558	\$ 0	\$ 0	\$ 165,558
<u>State Education Funds</u>				
Basic Education Program	19,633,999	0	0	19,633,999
Early Childhood Education	403,130	0	0	403,130
School Food Service	0	0	21,516	21,516
Driver Education	17,014	0	0	17,014
Other State Education Funds	360,276	0	0	360,276
Career Ladder Program	119,949	0	0	119,949
Career Ladder - Extended Contract	19,270	0	0	19,270
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	289,532	0	0	289,532
Other State Grants	3,650	0	0	3,650
Other State Revenues	47,407	0	0	47,407
Total State of Tennessee	\$ 21,059,785	\$ 0	\$ 21,516	\$ 21,081,301
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 981,378	\$ 981,378
USDA - Commodities	0	0	115,060	115,060
Breakfast	0	0	357,434	357,434
USDA - Other	0	0	15,852	15,852
USDA Food Service Equipment Grant	0	0	20,000	20,000
Vocational Education - Basic Grants to States	0	59,585	0	59,585
Title I Grants to Local Education Agencies	0	977,247	0	977,247
Special Education - Grants to States	67,180	746,218	0	813,398
Special Education Preschool Grants	0	35,663	0	35,663
English Language Acquisition Grants	0	35,680	0	35,680
Rural Education	0	52,643	0	52,643
Eisenhower Professional Development State Grants	0	161,257	0	161,257
Race-to-the-Top - ARRA	0	130,975	0	130,975
Other Federal through State	16,900	116,064	0	132,964

(Continued)

Exhibit J-5

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Federal Government (Cont.)</u>				
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	\$ 70,293	\$ 0	\$ 0	\$ 70,293
Total Federal Government	\$ 154,373	\$ 2,315,332	\$ 1,489,724	\$ 3,959,429
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contracted Services	\$ 48,875	\$ 0	\$ 0	\$ 48,875
Total Other Governments and Citizens Groups	\$ 48,875	\$ 0	\$ 0	\$ 48,875
Total	\$ 25,140,591	\$ 2,315,332	\$ 2,043,073	\$ 29,498,996

Exhibit J-6

Grainger County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	43,254	
Social Security		3,309	
Pensions		2,587	
Unemployment Compensation		38	
Dues and Memberships		1,450	
Travel		100	
Total County Commission			\$ 50,738

Board of Equalization

Board and Committee Members Fees	\$	500	
Total Board of Equalization			500

Budget and Finance Committee

Board and Committee Members Fees	\$	1,500	
Total Budget and Finance Committee			1,500

County Mayor/Executive

County Official/Administrative Officer	\$	77,427	
Longevity Pay		1,900	
Other Salaries and Wages		58,765	
Social Security		9,972	
Pensions		11,029	
Medical Insurance		6,750	
Unemployment Compensation		330	
Communication		3,017	
Data Processing Services		7,927	
Dues and Memberships		1,450	
Maintenance Agreements		1,415	
Postal Charges		1,488	
Travel		1,574	
Office Supplies		1,579	
Other Supplies and Materials		120	
Office Equipment		10,418	
Total County Mayor/Executive			195,161

Election Commission

County Official/Administrative Officer	\$	57,459	
Assistant(s)		23,870	
Salary Supplements		600	
Longevity Pay		300	
Election Commission		28,750	
Election Workers		20,305	
In-service Training		2,325	
Social Security		5,704	
Pensions		7,938	
Medical Insurance		2,700	
Unemployment Compensation		270	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Communication	\$	2,012	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		6,355	
Maintenance Agreements		9,894	
Maintenance and Repair Services - Equipment		1,256	
Maintenance and Repair Services - Office Equipment		737	
Postal Charges		492	
Printing, Stationery, and Forms		2,786	
Rentals		9,600	
Travel		5,143	
Electricity		1,381	
Office Supplies		983	
Propane Gas		1,934	
Water and Sewer		499	
Other Charges		150	
Total Election Commission			\$ 193,668

Register of Deeds

County Official/Administrative Officer	\$	63,843	
Salary Supplements		1,200	
Clerical Personnel		47,724	
Part-time Personnel		4,368	
Longevity Pay		1,550	
Other Salaries and Wages		2,177	
Social Security		8,668	
Pensions		8,373	
Medical Insurance		7,017	
Unemployment Compensation		638	
Communication		2,599	
Data Processing Services		8,652	
Dues and Memberships		1,082	
Maintenance Agreements		9,670	
Maintenance and Repair Services - Office Equipment		132	
Postal Charges		347	
Printing, Stationery, and Forms		302	
Travel		4,174	
Office Supplies		2,768	
Office Equipment		1,825	
Total Register of Deeds			177,109

Planning

Board and Committee Members Fees	\$	5,125	
Other Contracted Services		10,175	
Total Planning			15,300

County Buildings

Salary Supplements	\$	600	
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(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Custodial Personnel	\$	26,502	
Longevity Pay		150	
Social Security		2,085	
Pensions		2,586	
Unemployment Compensation		135	
Maintenance and Repair Services - Buildings		53,259	
Other Contracted Services		105	
Coal		15,279	
Custodial Supplies		484	
Electricity		22,843	
Water and Sewer		2,016	
Total County Buildings			\$ 126,044

Other Facilities

Salary Supplements	\$	600	
Maintenance Personnel		26,022	
Social Security		2,037	
Pensions		2,540	
Unemployment Compensation		135	
Communication		382	
Maintenance and Repair Services - Buildings		75,486	
Custodial Supplies		4,220	
Diesel Fuel		2,678	
Electricity		95,625	
Propane Gas		44,398	
Water and Sewer		39,625	
Total Other Facilities			293,748

Preservation of Records

Salary Supplements	\$	250	
Part-time Personnel		11,900	
Social Security		929	
Unemployment Compensation		135	
Communication		1,476	
Maintenance and Repair Services - Office Equipment		682	
Postal Charges		99	
Office Supplies		1,567	
Other Supplies and Materials		202	
Other Charges		325	
Other Equipment		1,253	
Total Preservation of Records			18,818

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	63,843
Assistant(s)		21,171
Deputy(ies)		28,327

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Salary Supplements	\$	600	
Part-time Personnel		2,636	
Longevity Pay		950	
Social Security		7,656	
Pensions		8,996	
Medical Insurance		4,887	
Unemployment Compensation		189	
Communication		1,170	
Contracts with Private Agencies		3,175	
Data Processing Services		12,110	
Maintenance Agreements		680	
Maintenance and Repair Services - Vehicles		465	
Postal Charges		292	
Travel		279	
Gasoline		1,043	
Office Supplies		988	
Premiums on Corporate Surety Bonds		17	
Total Property Assessor's Office			\$ 159,474

County Trustee's Office

Social Security	\$	13,416	
Pensions		15,127	
Unemployment Compensation		636	
Communication		2,040	
Data Processing Services		18,979	
Dues and Memberships		1,117	
Legal Notices, Recording, and Court Costs		183	
Maintenance Agreements		1,139	
Maintenance and Repair Services - Office Equipment		115	
Postal Charges		8,606	
Printing, Stationery, and Forms		774	
Travel		4,402	
Office Supplies		3,866	
Data Processing Equipment		7,467	
Office Equipment		1,000	
Total County Trustee's Office			78,867

County Clerk's Office

Social Security	\$	12,406	
Pensions		14,031	
Medical Insurance		5,850	
Unemployment Compensation		749	
Communication		5,024	
Data Processing Services		2,358	
Dues and Memberships		976	
Maintenance Agreements		956	
Postal Charges		6,368	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Printing, Stationery, and Forms	\$	3,732	
Travel		2,978	
Office Supplies		7,812	
Other Charges		418	
Total County Clerk's Office			\$ 63,658

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		26,780	
Salary Supplements		1,800	
Secretary(ies)		25,730	
Longevity Pay		950	
Jury and Witness Expense		16,840	
Social Security		8,921	
Pensions		11,356	
Medical Insurance		2,925	
Unemployment Compensation		270	
Communication		2,258	
Dues and Memberships		467	
Maintenance Agreements		14,825	
Postal Charges		2,723	
Printing, Stationery, and Forms		602	
Travel		807	
Office Supplies		3,688	
Total Circuit Court			184,785

Criminal Court

Probation Officer(s)	\$	83	
Salary Supplements		250	
Social Security		682	
Unemployment Compensation		82	
Total Criminal Court			1,097

General Sessions Court

Judge(s)	\$	94,748	
Salary Supplements		500	
Secretary(ies)		47,540	
Longevity Pay		200	
Social Security		10,725	
Pensions		12,210	
Medical Insurance		3,336	
Unemployment Compensation		656	
Maintenance Agreements		122	
Travel		2,388	
Library Books/Media		543	
Office Supplies		1,370	
Total General Sessions Court			174,338

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		26,035	
Salary Supplements		600	
Longevity Pay		750	
Social Security		6,256	
Pensions		8,772	
Medical Insurance		8,632	
Unemployment Compensation		135	
Communication		1,785	
Dues and Memberships		682	
Maintenance Agreements		796	
Postal Charges		1,155	
Printing, Stationery, and Forms		1,822	
Travel		646	
Library Books/Media		617	
Office Supplies		542	
Office Equipment		3,750	
Total Chancery Court			\$ 126,818

Juvenile Court

Assistant(s)	\$	23,007	
Supervisor/Director		37,200	
Probation Officer(s)		8,580	
Salary Supplements		1,450	
Longevity Pay		450	
Social Security		5,407	
Pensions		5,876	
Unemployment Compensation		352	
Communication		2,876	
Contracts with Other Public Agencies		7,625	
Dues and Memberships		460	
Legal Services		257	
Postal Charges		110	
Printing, Stationery, and Forms		480	
Travel		2,296	
Food Preparation Supplies		440	
Office Supplies		1,766	
Uniforms		472	
Other Supplies and Materials		105	
Other Charges		2,121	
Office Equipment		2,135	
Total Juvenile Court			103,465

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	73,740	
Deputy(ies)		526,521	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Investigator(s)	\$	34,455	
Sergeant(s)		146,071	
Medical Personnel		28,451	
Salary Supplements		20,450	
Secretary(ies)		50,002	
School Resource Officer		19,892	
Longevity Pay		3,750	
In-service Training		11,243	
Social Security		65,017	
Pensions		67,811	
Medical Insurance		29,165	
Unemployment Compensation		4,311	
Communication		13,029	
Data Processing Services		1,337	
Dues and Memberships		1,630	
Operating Lease Payments		10,450	
Legal Notices, Recording, and Court Costs		110	
Maintenance Agreements		3,993	
Maintenance and Repair Services - Vehicles		51,222	
Postal Charges		1,181	
Printing, Stationery, and Forms		2,489	
Travel		8,046	
Gasoline		108,086	
Law Enforcement Supplies		22,778	
Office Supplies		6,714	
Tires and Tubes		9,854	
Uniforms		13,003	
Other Supplies and Materials		7,851	
Other Charges		3,240	
Communication Equipment		5,730	
Motor Vehicles		200,261	
Total Sheriff's Department			\$ 1,551,883

Jail

Medical Personnel	\$	47,875
Salary Supplements		17,350
Guards		577,802
Cafeteria Personnel		62,046
Longevity Pay		1,850
Social Security		52,504
Pensions		47,349
Medical Insurance		22,443
Unemployment Compensation		5,390
Medical and Dental Services		167,010
Other Contracted Services		11,237
Drugs and Medical Supplies		32,616
Food Preparation Supplies		110,057

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Uniforms	\$	6,767	
Other Supplies and Materials		59,863	
Other Charges		3,549	
Total Jail			\$ 1,225,708

Fire Prevention and Control

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

Civil Defense

Supervisor/Director	\$	9,136	
Salary Supplements		250	
In-service Training		2,834	
Social Security		718	
Unemployment Compensation		135	
Communication		4,448	
Maintenance Agreements		2,827	
Maintenance and Repair Services - Equipment		1,415	
Maintenance and Repair Services - Office Equipment		1,000	
Maintenance and Repair Services - Vehicles		2,789	
Printing, Stationery, and Forms		267	
Rentals		3,070	
Travel		117	
Diesel Fuel		1,233	
Gasoline		2,107	
Office Supplies		60	
Uniforms		617	
Communication Equipment		2,653	
Data Processing Equipment		651	
Surplus Equipment		2,021	
Other Equipment		6,800	
Total Civil Defense			45,148

Other Emergency Management

Contributions	\$	212,500	
Total Other Emergency Management			212,500

Inspection and Regulation

Supervisor/Director	\$	3,067	
Social Security		235	
Unemployment Compensation		8	
Total Inspection and Regulation			3,310

Public Health and Welfare

Local Health Center

Salary Supplements	\$	500	
Custodial Personnel		13,470	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Salaries and Wages	\$	12,812	
Social Security		2,049	
Unemployment Compensation		284	
Communication		2,668	
Dues and Memberships		200	
Maintenance Agreements		1,109	
Maintenance and Repair Services - Buildings		1,192	
Postal Charges		54	
Travel		2,230	
Custodial Supplies		299	
Drugs and Medical Supplies		142	
Office Supplies		177	
Utilities		10,547	
Other Charges		8,405	
Total Local Health Center			\$ 56,138

Ambulance/Emergency Medical Services

Supervisor/Director	\$	40,341	
Medical Personnel		892,551	
Paraprofessionals		4,000	
Salary Supplements		17,000	
Longevity Pay		1,650	
Other Salaries and Wages		26,889	
Board and Committee Members Fees		600	
In-service Training		170	
Social Security		73,953	
Pensions		59,976	
Medical Insurance		29,025	
Unemployment Compensation		5,723	
Communication		11,388	
Debt Collection Services		53,338	
Licenses		2,820	
Maintenance Agreements		1,717	
Maintenance and Repair Services - Vehicles		61,392	
Postal Charges		352	
Rentals		11,154	
Travel		1,294	
Diesel Fuel		55,892	
Drugs and Medical Supplies		50,943	
Electricity		9,154	
Office Supplies		2,562	
Tires and Tubes		3,814	
Uniforms		5,556	
Water and Sewer		1,379	
Other Supplies and Materials		9,714	
Building Improvements		919	
Communication Equipment		4,414	
Motor Vehicles		91,739	
Total Ambulance/Emergency Medical Services			1,531,419

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Appropriation to State

Contracts with Government Agencies	\$ 22,207	
Total Appropriation to State		\$ 22,207

General Welfare Assistance

Contributions	\$ 6,000	
Total General Welfare Assistance		6,000

Other Local Welfare Services

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

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 23,566	
Salary Supplements	600	
Social Security	1,693	
Pensions	2,300	
Medical Insurance	2,700	
Unemployment Compensation	135	
Communication	1,699	
Contracts with Other Public Agencies	1,000	
Contributions	12,000	
Maintenance and Repair Services - Office Equipment	130	
Travel	2,252	
Office Supplies	247	
Office Equipment	100	
Total Senior Citizens Assistance		48,422

Libraries

Assistant(s)	\$ 5,937	
Librarians	62,804	
Salary Supplements	2,400	
Part-time Personnel	4,656	
Longevity Pay	1,150	
Social Security	4,915	
Pensions	5,471	
Medical Insurance	10,800	
Unemployment Compensation	677	
Communication	5,449	
Data Processing Services	7,422	
Maintenance and Repair Services - Buildings	880	
Maintenance and Repair Services - Office Equipment	1,728	
Postal Charges	350	
Travel	958	
Other Contracted Services	1,080	
Electricity	8,017	
Library Books/Media	14,402	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Office Supplies	\$	1,091	
Periodicals		768	
Water and Sewer		279	
Other Supplies and Materials		391	
Other Charges		5,575	
Total Libraries			\$ 147,200

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	49,204	
Communication		2,001	
Contributions		7,179	
Travel		5,635	
Total Agricultural Extension Service			64,019

Soil Conservation

Supervisor/Director	\$	25,235	
Salary Supplements		1,800	
Secretary(ies)		20,600	
Longevity Pay		950	
Other Salaries and Wages		24,960	
Social Security		5,401	
Pensions		6,910	
Medical Insurance		2,700	
Unemployment Compensation		405	
Communication		2,039	
Contributions		4,196	
Rentals		4,200	
Other Supplies and Materials		998	
Office Equipment		1,339	
Total Soil Conservation			101,733

Other Operations

Industrial Development

Salary Supplements	\$	500	
Longevity Pay		1,100	
Other Salaries and Wages		38,192	
Social Security		3,021	
Pensions		1,864	
Unemployment Compensation		270	
Maintenance and Repair Services - Equipment		1,995	
Electricity		9,803	
Water and Sewer		1,416	
Other Supplies and Materials		990	
Other Charges		1,420	
Other Construction		4,425	
Total Industrial Development			64,996

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Other Construction	\$ 41,183	
Total Other Economic and Community Development		\$ 41,183

Veterans' Services

Supervisor/Director	\$ 9,108	
Salary Supplements	250	
Social Security	716	
Unemployment Compensation	135	
Communication	1,115	
Postal Charges	50	
Travel	27	
Other Supplies and Materials	77	
Total Veterans' Services		11,478

Other Charges

Medical Insurance	\$ 20,204	
Building and Contents Insurance	21,102	
Liability Insurance	38,368	
Trustee's Commission	98,613	
Vehicle and Equipment Insurance	37,449	
Workers' Compensation Insurance	109,752	
Total Other Charges		325,488

Contributions to Other Agencies

Contributions	\$ 3,551	
Total Contributions to Other Agencies		3,551

Miscellaneous

Audit Services	\$ 7,747	
Contributions	28,000	
Legal Services	15,955	
Maintenance Agreements	3,000	
Premiums on Corporate Surety Bonds	6,993	
Other Charges	18,951	
Total Miscellaneous		80,646

Highways

Litter and Trash Collection

Guards	\$ 29,451	
Social Security	2,337	
Pensions	2,803	
Unemployment Compensation	143	
Instructional Supplies and Materials	7,998	
Other Supplies and Materials	1,693	
Total Litter and Trash Collection		44,425

Total General Fund \$ 7,558,042

(Continued)

Exhibit J-6

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

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Trustee's Commission	\$ 12	
Total County Buildings		\$ 12

Total Courthouse and Jail Maintenance Fund \$ 12

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Library Books/Media	\$ 451	
Trustee's Commission	11	
Total Libraries		\$ 462

Total Law Library Fund 462

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Accountants/Bookkeepers	\$ 10,742	
Salary Supplements	5,900	
Attendants	168,234	
Longevity Pay	1,400	
Social Security	14,223	
Pensions	11,424	
Medical Insurance	5,531	
Unemployment Compensation	1,519	
Communication	484	
Maintenance and Repair Services - Vehicles	4,907	
Travel	59	
Disposal Fees	439,945	
Asphalt - Hot Mix	3,887	
Diesel Fuel	4,982	
Utilities	12,897	
Other Supplies and Materials	1,146	
Liability Insurance	8,792	
Trustee's Commission	15,463	
Vehicle and Equipment Insurance	11,191	
Workers' Compensation Insurance	18,053	
Solid Waste Equipment	5,999	
Total Sanitation Management		\$ 746,778

Recycling Center

Other Contracted Services	\$ 6,382	
Total Recycling Center		6,382

Postclosure Care Costs

Other Contracted Services	\$ 1,000	
Testing	5,593	
Total Postclosure Care Costs		6,593

Total Solid Waste/Sanitation Fund 759,753

(Continued)

Exhibit J-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Data Processing Services	\$	2,010	
Food Supplies		128	
Law Enforcement Supplies		35,488	
Other Supplies and Materials		1,271	
Trustee's Commission		159	
Total Drug Enforcement			\$ 39,056

Total Drug Control Fund \$ 39,056

Sports and Recreation Fund

Social, Cultural, and Recreational Services

Parks and Fair Boards

Supervisor/Director	\$	33,500	
Salary Supplements		1,200	
Clerical Personnel		25,750	
Longevity Pay		600	
Social Security		4,464	
Pensions		5,775	
Medical Insurance		3,059	
Unemployment Compensation		270	
Communication		2,412	
Contributions		832	
Postal Charges		348	
Printing, Stationery, and Forms		270	
Other Contracted Services		4,958	
Electricity		5,133	
Gasoline		2,982	
Office Supplies		812	
Other Supplies and Materials		2,163	
Premiums on Corporate Surety Bonds		312	
Trustee's Commission		2,311	
Vehicle and Equipment Insurance		3,997	
Other Charges		18,603	
Maintenance Equipment		1,767	
Other Equipment		2,095	
Other Construction		7,044	
Total Parks and Fair Boards			\$ 130,657

Total Sports and Recreation Fund 130,657

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	513	
Total Register of Deeds			\$ 513

(Continued)

Exhibit J-6

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

Constitutional Officers - Fees Fund (Cont.)

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 173,902	
Total County Trustee's Office		\$ 173,902

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 196,406	
Total County Clerk's Office		196,406

Administration of Justice

General Sessions Court

Constitutional Officers' Operating Expenses	\$ 415	
Total General Sessions Court		<u>415</u>

Total Constitutional Officers - Fees Fund		\$ 371,236
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 70,228	
Accountants/Bookkeepers	33,842	
Salary Supplements	200	
Secretary(ies)	10,236	
Social Security	8,549	
Pensions	10,177	
Medical Insurance	2,700	
Unemployment Compensation	505	
Data Processing Services	4,686	
Legal Notices, Recording, and Court Costs	524	
Postal Charges	196	
Travel	180	
Office Supplies	1,433	
Other Charges	<u>5,489</u>	
Total Administration		\$ 148,945

Highway and Bridge Maintenance

Salary Supplements	\$ 12,900
Foremen	91,896
Equipment Operators	208,924
Truck Drivers	123,691
Laborers	205,323
Social Security	46,671
Pensions	59,525
Medical Insurance	40,560
Unemployment Compensation	5,786
Rentals	3,649
Asphalt - Cold Mix	13,454
Asphalt - Hot Mix	593,380
Crushed Stone	27,400

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Pipe - Metal	\$	14,306	
Road Signs		6,484	
Other Supplies and Materials		2,873	
Other Charges		1,579	
Total Highway and Bridge Maintenance			\$ 1,458,401

Operation and Maintenance of Equipment

Salary Supplements	\$	850	
Mechanic(s)		33,341	
Nightwatchmen		32,252	
Social Security		4,458	
Pensions		5,082	
Medical Insurance		7,017	
Unemployment Compensation		811	
Maintenance and Repair Services - Equipment		11,951	
Diesel Fuel		54,507	
Electricity		2,593	
Equipment and Machinery Parts		45,613	
Gasoline		35,244	
Lubricants		6,392	
Small Tools		1,205	
Tires and Tubes		13,778	
Other Supplies and Materials		720	
Total Operation and Maintenance of Equipment			255,814

Other Charges

Communication	\$	5,862	
Custodial Supplies		305	
Electricity		2,661	
Water and Sewer		675	
Premiums on Corporate Surety Bonds		699	
Trustee's Commission		28,520	
Vehicle and Equipment Insurance		79,933	
Workers' Compensation Insurance		108,328	
Other Self-insured Claims		1,000	
Total Other Charges			227,983

Capital Outlay

Communication	\$	2,543	
Building Improvements		18,018	
Highway Equipment		110,499	
State Aid Projects		212,747	
Total Capital Outlay			343,807

Total Highway/Public Works Fund \$ 2,434,950

(Continued)

Exhibit J-6

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 162,000	
Principal on Notes	<u>81,250</u>	
Total General Government		\$ 243,250
<u>Education</u>		
Principal on Bonds	<u>\$ 1,328,000</u>	
Total Education		1,328,000
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 76,440	
Interest on Notes	<u>4,579</u>	
Total General Government		81,019
<u>Education</u>		
Interest on Bonds	<u>\$ 493,185</u>	
Total Education		493,185
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	<u>\$ 17,770</u>	
Total General Government		17,770
<u>Education</u>		
Other Debt Service	<u>\$ 8,335</u>	
Total Education		<u>8,335</u>
Total General Debt Service Fund		<u>\$ 2,171,559</u>
Total Governmental Funds - Primary Government		<u>\$ 13,465,727</u>

Exhibit J-7

Grainger County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Grainger County School Department
For the Year Ended June 30, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,770,153	
Career Ladder Program	67,512	
Career Ladder Extended Contracts	16,518	
Homebound Teachers	63,422	
Educational Assistants	264,394	
Other Salaries and Wages	270,930	
Certified Substitute Teachers	3,344	
Non-certified Substitute Teachers	9,857	
Social Security	487,320	
Pensions	755,471	
Life Insurance	5,072	
Medical Insurance	1,622,686	
Unemployment Compensation	3,990	
Employer Medicare	114,782	
Maintenance and Repair Services - Equipment	10,720	
Contracts for Substitute Teachers - Certified	40,594	
Contracts for Substitute Teachers - Non-certified	209,962	
Instructional Supplies and Materials	87,031	
Textbooks	235,439	
Other Charges	136,802	
Regular Instruction Equipment	111,152	
Total Regular Instruction Program		\$ 12,287,151

Alternative Instruction Program

Teachers	\$ 41,757	
Social Security	2,589	
Pensions	3,775	
Life Insurance	29	
Medical Insurance	3,300	
Employer Medicare	605	
Other Supplies and Materials	524	
Total Alternative Instruction Program		52,579

Special Education Program

Teachers	\$ 709,566
Career Ladder Program	10,000
Homebound Teachers	4,793
Educational Assistants	187,639
Speech Pathologist	195,960
Bonus Payments	3,080
Other Salaries and Wages	8,663
Non-certified Substitute Teachers	13,612
Social Security	64,424
Pensions	103,380
Life Insurance	583
Medical Insurance	165,572

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	1,102	
Employer Medicare		15,108	
Contracts for Substitute Teachers - Certified		4,371	
Contracts for Substitute Teachers - Non-certified		252,119	
Other Contracted Services		247,079	
Instructional Supplies and Materials		23,822	
Other Supplies and Materials		4,355	
Other Charges		798	
Special Education Equipment		592	
Total Special Education Program			\$ 2,016,618

Vocational Education Program

Teachers	\$	654,883	
Career Ladder Program		6,000	
Other Salaries and Wages		29,246	
Certified Substitute Teachers		325	
Non-certified Substitute Teachers		255	
Social Security		39,344	
Pensions		61,770	
Life Insurance		432	
Medical Insurance		145,412	
Unemployment Compensation		525	
Employer Medicare		9,201	
Contracts for Substitute Teachers - Certified		7,162	
Contracts for Substitute Teachers - Non-certified		11,918	
Instructional Supplies and Materials		9,334	
T&I Construction Materials		5,924	
Total Vocational Education Program			981,731

Student Body Education Program

Other Salaries and Wages	\$	712	
Social Security		17	
Employer Medicare		4	
Other Fringe Benefits		3,910	
Instructional Supplies and Materials		34,820	
Other Charges		2,154	
Total Student Body Education Program			41,617

Adult Education Program

Teachers	\$	72,177	
Other Salaries and Wages		21,589	
Social Security		5,262	
Pensions		8,714	
Life Insurance		45	
Medical Insurance		16,278	
Employer Medicare		1,231	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Instructional Supplies and Materials	\$	160	
Other Supplies and Materials		1,198	
Total Adult Education Program			\$ 126,654

Support Services

Attendance

Supervisor/Director	\$	6,751	
Social Security		418	
Pensions		608	
Life Insurance		50	
Unemployment Compensation		35	
Employer Medicare		98	
Total Attendance			7,960

Health Services

Medical Personnel	\$	219,569	
Other Salaries and Wages		68,620	
Social Security		15,453	
Pensions		27,798	
Life Insurance		230	
Medical Insurance		63,793	
Unemployment Compensation		210	
Employer Medicare		3,614	
Communication		300	
Travel		2,040	
Drugs and Medical Supplies		3,387	
Other Supplies and Materials		7,071	
In Service/Staff Development		2,182	
Total Health Services			414,267

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		250,072	
School Resource Officer		50,906	
Other Salaries and Wages		27,746	
Social Security		15,854	
Pensions		25,452	
Life Insurance		144	
Medical Insurance		47,701	
Unemployment Compensation		175	
Employer Medicare		3,708	
Contracts with Government Agencies		23,050	
Evaluation and Testing		25,804	
Travel		469	
Other Supplies and Materials		275	
Total Other Student Support			474,356

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	105,593	
Career Ladder Program		5,980	
Librarians		237,208	
Instructional Computer Personnel		67,503	
Other Salaries and Wages		92,191	
Social Security		30,165	
Pensions		44,285	
Life Insurance		153	
Medical Insurance		41,194	
Unemployment Compensation		175	
Employer Medicare		7,054	
Communication		30,859	
Travel		17,588	
Library Books/Media		2,993	
In Service/Staff Development		7,314	
Other Charges		14,354	
Total Regular Instruction Program			\$ 704,609

Special Education Program

Supervisor/Director	\$	34,023	
Career Ladder Program		500	
Clerical Personnel		18,891	
Other Salaries and Wages		60,635	
Social Security		6,727	
Pensions		10,446	
Life Insurance		47	
Medical Insurance		10,611	
Unemployment Compensation		70	
Employer Medicare		1,573	
Maintenance and Repair Services - Equipment		742	
Travel		10,243	
Other Contracted Services		21,287	
In Service/Staff Development		9,810	
Other Charges		3,179	
Total Special Education Program			188,784

Vocational Education Program

Supervisor/Director	\$	23,530	
Career Ladder Program		500	
Clerical Personnel		18,891	
Social Security		2,441	
Pensions		4,016	
Life Insurance		9	
Medical Insurance		2,083	
Unemployment Compensation		52	
Employer Medicare		571	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Travel	\$	2,782	
In Service/Staff Development		70	
Total Vocational Education Program			\$ 54,945

Adult Programs

Travel	\$	361	
Other Charges		73	
Total Adult Programs			434

Other Programs

On-behalf Payments to OPEB	\$	165,558	
Total Other Programs			165,558

Board of Education

Other Salaries and Wages	\$	18,485	
Board and Committee Members Fees		27,500	
Social Security		2,809	
Pensions		3,927	
Employer Medicare		657	
Audit Services		9,950	
Dues and Memberships		11,785	
Legal Services		15,651	
Travel		13,526	
Liability Insurance		61,506	
Premiums on Corporate Surety Bonds		1,500	
Trustee's Commission		94,809	
Workers' Compensation Insurance		79,226	
Criminal Investigation of Applicants - TBI		150	
Other Charges		3,304	
Total Board of Education			344,785

Director of Schools

County Official/Administrative Officer	\$	92,095	
Career Ladder Program		1,000	
Secretary(ies)		23,120	
Other Salaries and Wages		37,782	
Social Security		9,217	
Pensions		14,360	
Life Insurance		29	
Medical Insurance		10,005	
Unemployment Compensation		105	
Employer Medicare		2,156	
Communication		12,799	
Postal Charges		4,095	
Travel		6,695	
Other Contracted Services		6,369	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Office Supplies	\$	8,101	
Other Charges		2,476	
Total Director of Schools			\$ 230,404

Office of the Principal

Principals	\$	442,346	
Career Ladder Program		5,000	
Assistant Principals		338,805	
Secretary(ies)		193,414	
Other Salaries and Wages		35,338	
Social Security		59,196	
Pensions		93,140	
Life Insurance		405	
Medical Insurance		138,104	
Unemployment Compensation		788	
Employer Medicare		13,844	
Communication		12,019	
Other Charges		12,590	
Total Office of the Principal			1,344,989

Operation of Plant

Custodial Personnel	\$	486,736	
Other Salaries and Wages		34,728	
Social Security		28,415	
Pensions		47,043	
Unemployment Compensation		735	
Employer Medicare		6,780	
Other Contracted Services		2,750	
Custodial Supplies		49,198	
Electricity		828,870	
Natural Gas		35,456	
Water and Sewer		58,430	
Other Supplies and Materials		25,812	
Building and Contents Insurance		97,000	
Total Operation of Plant			1,701,953

Maintenance of Plant

Supervisor/Director	\$	43,594	
Other Salaries and Wages		206,248	
Social Security		14,358	
Pensions		23,826	
Life Insurance		29	
Medical Insurance		14,096	
Employer Medicare		3,394	
Maintenance and Repair Services - Buildings		116,377	
Travel		470	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Supplies and Materials	\$	10,153	
Other Charges		90,326	
Total Maintenance of Plant			\$ 522,871

Transportation

Bus Drivers	\$	112,621	
Other Salaries and Wages		36,903	
Social Security		8,248	
Pensions		7,443	
Employer Medicare		1,929	
Contracts with Parents		48,012	
Contracts with Vehicle Owners		774,468	
Maintenance and Repair Services - Vehicles		48,827	
Medical and Dental Services		3,377	
Travel		34,185	
Diesel Fuel		80,269	
Gasoline		41,798	
Lubricants		4,279	
Tires and Tubes		9,784	
Vehicle and Equipment Insurance		31,879	
Transportation Equipment		33,263	
Total Transportation			1,277,285

Operation of Non-instructional Services

Community Services

Other Salaries and Wages	\$	24,488	
Social Security		1,511	
Pensions		2,524	
Unemployment Compensation		35	
Employer Medicare		353	
Travel		200	
Instructional Supplies and Materials		500	
Total Community Services			29,611

Early Childhood Education

Teachers	\$	181,977	
Educational Assistants		81,338	
Other Salaries and Wages		18,613	
Certified Substitute Teachers		3,865	
Non-certified Substitute Teachers		5,180	
Social Security		15,724	
Pensions		24,334	
Life Insurance		86	
Medical Insurance		28,115	
Unemployment Compensation		315	
Employer Medicare		3,677	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education (Cont.)

Travel	\$	704	
Food Supplies		2,544	
Instructional Supplies and Materials		19,888	
Other Supplies and Materials		7,825	
In Service/Staff Development		1,500	
Other Charges		7,444	
Total Early Childhood Education			\$ 403,129

Capital Outlay

Regular Capital Outlay

Architects	\$	45,800	
Building Improvements		550,027	
Other Capital Outlay		22,251	
Total Regular Capital Outlay			618,078

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	700,000	
Total Education			<u>700,000</u>

Total General Purpose School Fund \$ 24,690,368

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	355,773	
Educational Assistants		251,072	
Other Salaries and Wages		4,245	
Social Security		35,114	
Pensions		54,804	
Life Insurance		230	
Medical Insurance		41,677	
Unemployment Compensation		753	
Employer Medicare		8,511	
Contracts for Substitute Teachers - Certified		918	
Contracts for Substitute Teachers - Non-certified		21,290	
Instructional Supplies and Materials		204,625	
Other Supplies and Materials		508	
Total Regular Instruction Program			\$ 979,520

Special Education Program

Educational Assistants	\$	305,030	
Speech Pathologist		52,710	
Bonus Payments		4,500	
Other Salaries and Wages		48	
Non-certified Substitute Teachers		4,771	

(Continued)

Exhibit J-7

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	21,192	
Pensions		34,941	
Life Insurance		29	
Medical Insurance		6,220	
Unemployment Compensation		770	
Employer Medicare		4,956	
Contracts with Private Agencies		4,035	
Contracts for Substitute Teachers - Non-certified		41,122	
Instructional Supplies and Materials		7,092	
Other Supplies and Materials		2,214	
Special Education Equipment		7,425	
Total Special Education Program	\$		497,055

Vocational Education Program

Instructional Supplies and Materials	\$	3,587	
Vocational Instruction Equipment		37,325	
Total Vocational Education Program			40,912

Support Services

Health Services

Medical Personnel	\$	17,752	
Social Security		826	
Pensions		1,733	
Employer Medicare		193	
Total Health Services			20,504

Other Student Support

Social Workers	\$	18,497	
Other Salaries and Wages		20,635	
Social Security		2,223	
Pensions		3,819	
Unemployment Compensation		35	
Employer Medicare		520	
Travel		13,185	
Other Contracted Services		4,950	
In Service/Staff Development		6,511	
Other Charges		14,320	
Total Other Student Support			84,695

Regular Instruction Program

Supervisor/Director	\$	122,232	
Clerical Personnel		21,075	
Educational Assistants		19,043	
Other Salaries and Wages		25,232	
Social Security		10,770	
Pensions		15,321	

(Continued)

Exhibit J-7

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Life Insurance	\$	58	
Medical Insurance		17,813	
Unemployment Compensation		70	
Employer Medicare		2,607	
Travel		3,328	
Contracts for Substitute Teachers - Non-certified		421	
Library Books/Media		7,554	
Other Supplies and Materials		84,219	
In Service/Staff Development		65,300	
Other Charges		32,741	
Total Regular Instruction Program	\$		427,784

Special Education Program

Clerical Personnel	\$	8,982	
In-service Training		13,125	
Social Security		1,366	
Pensions		814	
Employer Medicare		319	
Travel		7,284	
Other Contracted Services		78,674	
Other Supplies and Materials		2,446	
In Service/Staff Development		80,235	
Total Special Education Program			193,245

Vocational Education Program

Travel	\$	538	
Total Vocational Education Program			538

Transportation

Bus Drivers	\$	39,905	
Other Salaries and Wages		23,480	
Social Security		3,086	
Pensions		3,704	
Employer Medicare		904	
Total Transportation			71,079

Total School Federal Projects Fund \$ 2,315,332

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Clerical Personnel	\$	38,145	
Cafeteria Personnel		569,523	
Social Security		34,116	
Pensions		56,406	
Unemployment Compensation		1,470	

(Continued)

Exhibit J-7

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

Central Cafeteria Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Food Service (Cont.)

Employer Medicare	\$	8,080	
Communication		4,368	
Maintenance and Repair Services - Equipment		26,812	
Travel		3,944	
Other Contracted Services		51,260	
Food Preparation Supplies		85,803	
Food Supplies		977,244	
USDA - Commodities		115,060	
Workers' Compensation Insurance		23,239	
In Service/Staff Development		2,229	
Other Charges		43,352	
Food Service Equipment		54,303	
Total Food Service			\$ 2,095,354

Total Central Cafeteria Fund \$ 2,095,354

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Construction	\$	2,459,181	
Total Education Capital Projects			\$ 2,459,181

Total Education Capital Projects Fund 2,459,181

Total Governmental Funds - Grainger County School Department \$ 31,560,235

Exhibit J-8

Grainger County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2015

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 748,993
Total Cash Receipts	<u>\$ 748,993</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 741,512
Trustee's Commission	7,481
Total Cash Disbursements	<u>\$ 748,993</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2014	<u>0</u>
 Cash Balance, June 30, 2015	 <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

Grainger County Mayor and
Board of County Commissioners
Grainger 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 Grainger County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Grainger County's basic financial statements, and have issued our report thereon dated February 11, 2016. Our report includes a reference to other auditors who audited the financial statements of the Grainger County Emergency Communications District, as described in our report on Grainger County's financial statements. This report does not include the results of the other 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 Grainger 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 Grainger County's internal control. Accordingly, we do not express an opinion on the effectiveness of Grainger County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2015-001.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2015-003(A), 2015-004, and 2015-010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grainger 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: 2015-002, 2015-003(B), 2015-005, 2015-006, 2015-007, 2015-008, and 2015-009.

Grainger County's Response to Findings

Grainger County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Grainger County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Grainger County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 11, 2016

JPW/sb



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 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

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Grainger County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Grainger County's major federal programs for the year ended June 30, 2015. Grainger County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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 Grainger 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 Grainger County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Grainger 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, 2015.

Report on Internal Control Over Compliance

Management of Grainger 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 Grainger 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 Grainger 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

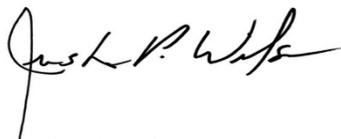
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Grainger County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Grainger County's basic financial statements. We issued our report thereon dated February 11, 2016, 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 basic 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 basic financial statements. The 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 11, 2016

JPW/sb

Grainger County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 357,434
National School Lunch Program	10.555	N/A	992,426 (3)
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	20,000
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	115,060 (3)
National School Lunch Program (Commodities - Cash Assistance)	10.555	N/A	4,804 (3)
Community Facilities Loans and Grants	10.766	N/A	16,900
Total U.S. Department of Agriculture			<u>\$ 1,506,624</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	(2)	\$ 32,183
Total U.S. Department of Housing and Urban Development			<u>\$ 32,183</u>
U.S. Department of Highway Administration:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 16,504
Total U.S. Department of Highway Administration			<u>\$ 16,504</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee State Library and Archives:			
Grants to States	45.310	(2)	\$ 604
Total Institute of Museum and Library Services			<u>\$ 604</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 977,247
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	813,398
Special Education - Preschool Grants	84.173	N/A	35,663
Career and Technical Education - Basic Grants to States	84.048	N/A	59,585
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	116,064
Rural Education	84.358	N/A	52,643
English Language Acquisition Grants	84.365	N/A	35,680
Improving Teacher Quality State Grants	84.367	N/A	161,257
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	130,975
Total U.S. Department of Education			<u>\$ 2,382,512</u>
U.S. Department of Health and Human Services:			
Passed-through East Tennessee Human Resource Agency:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 18,136
Total U.S. Department of Health and Human Services			<u>\$ 18,136</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 6,810
Total U.S. Department of Homeland Security			<u>\$ 6,810</u>
Total Expenditures of Federal Awards			<u>\$ 3,963,373</u>

(Continued)

Grainger 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>			
Public Health Nurses - State Department of Health	N/A	(2)	\$ 18,536
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	9,000
Litter Program - State Department of Transportation	N/A	(2)	34,500
Used Oil Grant - State Department of Transportation	N/A	(2)	24,768
Waste Tire Grant - State Department of Transportation	N/A	(2)	9,050
State Aid Program - State Department of Transportation	N/A	(2)	160,699
Special Programs for the Aging - East Tennessee Human Resource Agency	N/A	(2)	6,546
Driver Education - State Department of Education	N/A	(2)	17,014
Coordinated School Health - State Department of Education	N/A	(2)	98,525
Family Resource Center Grant - State Department of Education	N/A	(2)	29,611
Connect TN - State Department of Education	N/A	(2)	10,292
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	403,130
Safe Schools Act Grant - State Department of Education	N/A	(2)	23,050
Student Ticket Subsidy - Tennessee Arts Commission through the Arts and Culture Alliance of Greater Knoxville	N/A	(2)	<u>3,650</u>
Total State Grants			<u>\$ 848,371</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 \$1,112,290.

Grainger County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Grainger County, Tennessee, for the year ended June 30, 2014, which have not been corrected.

OFFICE OF ASSESSOR OF PROPERTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-006	171	The Assessor did not maintain an adequate program of sales verification

**OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS
CLERK, CLERK AND MASTER, REGISTER OF DEEDS, SHERIFF, AND THE
AMBULANCE SERVICE DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-007	172	Duties were not segregated adequately

GRAINGER COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Grainger County is unmodified.
2. The audit of the financial statements of Grainger County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Grainger County.
4. The audit reported 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 Title I Grants to Local Educational Agencies (CFDA No. 84.010) and State Fiscal Stabilization Funds – 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. Grainger County qualified 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 written responses of the county clerk, trustee, and assessor of property are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 2015-001

THE OFFICE HAD DEFICIENCIES IN ACCOUNTING AND BUDGET OPERATIONS

(Internal Control – Material Weakness Under *Government Auditing Standards*)

The General Fund's actual fund balance of \$1,045,482 at June 30, 2015, was \$600,389 less than the estimated July 1, 2015, fund balance of \$1,645,871 presented to the County Commission during the budget process for the 2015-16 year. Officials appropriated to use \$1,462,644 of the estimated July 1 fund balance in the 2016 budget; however, the actual fund balance totaled only \$1,045,482. Therefore, the County Commission appropriated \$417,162 in excess of what was available for the 2016 budget year. The erroneous estimated fund balance calculation was the result of numerous accounting errors caused by a lack of management oversight and the improper maintenance of the accounting records, which allowed the errors to go undetected resulting in a materially inaccurate estimate of the fund balance. Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. Appropriating and expending more of the beginning fund balance than is actually available could leave the county with a fund deficit.

RECOMMENDATION

Management should ensure proper maintenance of the accounting records, and any errors discovered should be corrected currently. Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount.

FINDING 2015-002

AMBULANCE AUTHORITY EMPLOYEES RECEIVED WAGES TOTALING AT LEAST \$6,181.32 FOR TIME NOT WORKED

(Noncompliance Under *Government Auditing Standards*)

On January 19, 2016, an investigative report by the Comptroller's Division of Investigations, Financial and Compliance Investigations section revealed that deficiencies at the Grainger County Ambulance Authority resulted in a cash shortage totaling at least \$6,181.32. The period of this investigation was from January 1, 2015, through July 25, 2015. The amount of the cash shortage that existed at June 30, 2015, totaled \$5,696 and is reflected in the financial statements of this report. This investigative report is available at www.comptroller.tn.gov.

OFFICES OF HIGHWAY SUPERINTENDENT AND COUNTY TRUSTEE

FINDING 2015-003

CASH MANAGEMENT DEFICIENCIES WERE NOTED RELATED TO THE HIGHWAY/PUBLIC WORKS FUND

(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in cash management, which resulted from a lack of management oversight.

- A. Highway Department personnel issued warrants on the Highway/Public Works Fund that exceeded cash on deposit with the county trustee by \$76,509 at October 6, 2015. Sound business practices dictate that expenditures be held within available funds.
- B. The trustee paid warrants issued on the Highway/Public Works Fund that exceeded the available cash on deposit by \$53,098. Section 8-11-104(5), *Tennessee Code Annotated*, prohibits the trustee from paying a warrant if sufficient funds are not available.

A revenue anticipation note totaling \$325,000 was issued on October 8, 2015, to liquidate the cash overdraft. Sound business practices dictate that cash flow should be monitored to ensure that funds are sufficient to meet current obligations.

RECOMMENDATION

Highway Department personnel should not issue warrants exceeding cash on deposit with the county trustee, and the trustee should not pay warrants that exceed available cash as required by state statute.

MANAGEMENT'S RESPONSE – TRUSTEE

I feel I did the best I could in the given situation. Payroll warrants had been distributed to all the highway employees when the deficiencies were detected. At that point I made the only decision I felt I could. The employees had worked for their pay and I felt they deserved to be paid on time. At this point I rejected payment on all non-essential warrants. This caused a hardship on several companies and our bank as they only have a 24-hour window to return warrants that have payment rejected by the trustee. I also felt I must pay the payroll taxes for the Highway Department to avoid strict fines to Grainger County by the IRS as well as the employee health insurance to avoid cancellation of the employees insurance. I believe these were necessary payments in the best interest of Grainger County and the Highway Department employees. The Highway Superintendent and office staff were notified of the cash deficiency and that warrants would have to be rejected. They contacted the State of Tennessee Comptroller's Office and obtained a revenue anticipation note to correct the overdraft as quickly as possible. It is my opinion that the best interest of Grainger County was upheld and quickly corrected.

OFFICE OF COUNTY CLERK

FINDING 2015-004

EMPLOYEE LEAVE BALANCES DID NOT AGREE WITH SUPPORTING PAYROLL RECORDS

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

Our examination of payroll operations in the County Clerk's Office revealed instances where employee leave records did not agree with supporting documentation. Sound business practices dictate that employee time records should be an accurate reflection of time actually worked. For two of the five employees examined, annual summaries of leave earned and used reflected more vacation and sick leave used than was actually reflected on the supporting time sheets. The failure to maintain adequate documentation of employee time weakens internal controls over the payroll process and increases the risks of improper payments. This deficiency exists because management failed to ensure that time sheets were an accurate reflection of the time worked and leave used.

RECOMMENDATION

Employee time sheets should accurately reflect actual time worked and leave used.

MANAGEMENT'S RESPONSE – COUNTY CLERK

In light of recent findings by the county's auditors, we were made aware of unintentional record discrepancies between employee time sheets and annual vacation/sick leave summaries. Although there were discrepancies within the record, no improper payments were made to employees. New policies and procedures were immediately put in place as well as all time sheets recalculated to ensure the correct amount is recorded. One such

procedure is creating a spreadsheet to maintain accurate documentation of vacation/sick leave accrued by employees. We have created new time sheets to correspond with the spreadsheets that will have a running balance of employee vacation/sick leave. Also, employees are now required to document the hours worked daily, instead of semi-monthly. Vacation/sick leave must be documented immediately upon the return to work. This will ensure that time worked and leave used is managed accurately, which will be reflected on the spreadsheets. Furthermore, the Chief Deputy Clerk will be added to sign off on time sheets along with the employee and Clerk. The time sheets will now be kept in a designated location in the vault where employees will record their time. These new procedures will create sound business practices that strengthen the internal controls for payroll records and correct the unintentional discrepancies in this finding.

COUNTY COMMISSION

FINDING 2015-005

THE COUNTY'S AUDIT COMMITTEE IS NOT A FUNCTIONING COMMITTEE

(Noncompliance Under *Government Auditing Standards*)

Grainger County participates in the ThreeStar Program through the Tennessee Department of Economic and Community Development to assist the county's community development efforts in competing for jobs and attracting industry. One of the requirements of the ThreeStar Program is that the county must create and maintain an Audit Committee. Grainger County created an Audit Committee in April 2014, as provided by Section 9-3-405, *Tennessee Code Annotated*; however, there are no minutes to document that this Audit Committee has ever met or conducted any business. Without a functioning Audit Committee, the County Commission does not have independent and objective reviews of the financial reporting process, internal controls, the audit function, and monitoring management's plans to address various risks.

RECOMMENDATION

The county's Audit Committee should be a functioning committee, maintain minutes of its meetings, and annually present a written committee report detailing how it discharged its duties and any committee recommendations to the full County Commission.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2015-006

THE ASSESSOR DID NOT MAINTAIN AN ADEQUATE PROGRAM OF SALES VERIFICATION

(Noncompliance Under *Government Auditing Standards*)

The assessor did not maintain an adequate program of sales verification. Section 67-5-1601, *Tennessee Code Annotated*, requires the assessor to maintain an adequate program of real property sales verifications in accordance with procedures and rules established by the state Board of Equalization. This deficiency can be attributed to the failure of management to maintain adequate records of sales and rejections in analyzing reappraisals, sales ratio studies, current value update programs, and other reporting services. This resulted in a lack of sufficient documentation to verify sales during reappraisals, sales ratio studies, and current value update programs.

RECOMMENDATION

The assessor should maintain an adequate program of sales verifications as required by state statute.

MANAGEMENT'S RESPONSE – ASSESSOR OF PROPERTY

Sales sheets are completed and are on file in the office.

REBUTTAL – STATE DIVISION OF PROPERTY ASSESSMENTS

As reported through our monitoring efforts, sales questionnaires are routinely filled out by the assessor and not mailed to the buyer/seller for proper completion (including a signature). A phone interview would also be acceptable with proper documentation.

FINDING 2015-007

NEW OWNERS OF GREENBELT PROPERTIES WERE NOT REQUIRED TO FILE A NEW APPLICATION FOR AGRICULTURAL PROPERTY

(Noncompliance Under *Government Auditing Standards*)

The assessor did not require new owners of property that had been previously qualified as agricultural at the date of sale to file a new application in a timely manner to continue the Greenbelt classification as required by Section 67-5-1005(a)(1), *Tennessee Code Annotated*. The statute further provides for the assessor to notify the new owners that the property is disqualified from receiving Greenbelt classification unless the new owners file an application within 30 days of such notification together with a late fee of \$50. This deficiency is the result of management's failure to properly comply with state statutes and could result in the loss of county revenue if property that no longer qualifies for Greenbelt classification is assessed at the lower Greenbelt rate rather than at market value.

RECOMMENDATION

New owners of properties that qualified for Greenbelt the previous year as agricultural should be required to file a new application in a timely manner. The failure to timely apply should result in disqualification and the assessment of rollback taxes as required by statute.

MANAGEMENT'S RESPONSE – ASSESSOR OF PROPERTY

Our office had 30 Greenbelt applications filed since July 1, 2014; however, in checking the errors noted by the Division of Property Assessments, I found that some should have reapplied and noted some that were several years old. Our office will try to ensure that this does not continue to happen. In addition, the Division of Property Assessments feels that when property is purchased adjoining an existing Greenbelt parcel, a new Greenbelt application should be filed if the properties are combined for Greenbelt purposes. I have not required this to be done and have asked for statutory clarification of this matter. As for roll backs, most are added by an Official Tax Adjustment Form in the Trustee's Office.

REBUTTAL – STATE DIVISION OF PROPERTY ASSESSMENTS

As reported through our monitoring efforts, there were properties allowed to remain with Greenbelt classification when they did not meet the qualifications to remain in the program as provided by Section 67-5-1005(a)(1), *Tennessee Code Annotated*.

FINDING 2015-008

THE ASSESSOR DID NOT PRORATE IMPROVEMENTS OR NEW CONSTRUCTION

(Noncompliance Under *Government Auditing Standards*)

The assessor did not properly prorate improvements or 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.

MANAGEMENT'S RESPONSE – ASSESSOR OF PROPERTY

Our office had 20 notices of completions filed since July 1, 2014. The 22 that are reported on the monitoring sheet are incorrect and are simply a guess on the monitoring team's part based on the actual year built.

REBUTTAL – STATE DIVISION OF PROPERTY ASSESSMENTS

As reported through our monitoring efforts, there were 22 properties not properly prorated when completed prior to September 1 (of the tax year). The reporting period is through December 31, 2014.

FINDING 2015-009

THE ASSESSOR DID NOT ADEQUATELY PERFORM VISUAL INSPECTIONS AND CORRECT THE VISUAL INSPECTION ERRORS FOUND BY THE STATE DIVISION OF PROPERTY ASSESSMENTS

(Noncompliance Under *Government Auditing Standards*)

The assessor did not adequately perform visual inspections required to maintain accurate property record cards. In addition, the state Division of Property Assessments performed certain visual inspections of property and reported to the assessor changes that needed to be made to property records; however, the assessor failed to make the necessary changes to the property records. Section 67-5-1601, *Tennessee Code Annotated*, requires the assessor to complete an on-site review of each parcel of real property over a five-year cycle. The review of property is reported to the state Division of Property Assessments. This deficiency can be attributed to the failure of management to maintain an adequate system of internal controls to ensure accurate reporting of on-site reviews. This deficiency resulted in inaccurate property records and could affect the assessment of some properties.

RECOMMENDATION

The assessor should properly perform on-site visual inspections and should correct all errors noted during visual inspections.

MANAGEMENT'S RESPONSE – ASSESSOR OF PROPERTY

I have reviewed the third quarter error report provided to me by the state Division of Property Assessments. Some of the changes were for 2015, and others were to be added for 2016, which is our reappraisal year. We could not begin to key the 2016 changes until the rollover late in the year. We are also adding 911 physical addresses at this time that require the majority of the data to be manually keyed. In addition, we were also prevented from keying changes for three weeks by a computer conversion. If not for this, we would have been closer to the completion of the 2016 clean-up files and the address changes. Furthermore, some of the errors noted were for small porches, wood decks, and stoops. I am waiting to add these to the 2016 year because it is a reappraisal year, and all property owners will receive a change of value notice.

**OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS
CLERK, CLERK AND MASTER, REGISTER OF DEEDS, SHERIFF, AND THE
AMBULANCE SERVICE DEPARTMENT**

FINDING 2015-010

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register of Deeds, Sheriff, and the Ambulance Service Department. Officials and employees responsible for maintaining accounting records of these offices were also involved in receipting, depositing, and/or disbursing funds. This lack of segregation of duties is considered a significant deficiency in internal controls and increases the risk of unauthorized transactions. Management is responsible for designing and implementing internal controls to provide reasonable assurance of the reliability of financial reporting, the effectiveness and efficiency of office operations. This deficiency was the result of management's decision based on the availability of financial resources. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below is a best practice 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 Grainger County.

GRAINGER COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

Grainger 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 processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Grainger County. Therefore, 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.

**GRAINGER COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2015**

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