ANNUAL FINANCIAL REPORT
GRAINGER COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2013

ANNUAL FINANCIAL REPORT

GRAINGER COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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

GRAINGER COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Grainger County, Tennessee
For the Year Ended June 30, 2013

Scope

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

Results

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

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

Findings and Best Practices

The following is a summary of the audit findings and best practices:

OFFICES OF COUNTY MAYOR AND SHERIFF

- Payroll related deficiencies were noted.

OFFICE OF ROAD SUPERINTENDENT

- A used brush chipper was purchased without obtaining competitive bids.

OFFICE OF DIRECTOR OF SCHOOLS

- Used buses were purchased without obtaining competitive bids.

OFFICE OF COUNTY CLERK

- The office had a cash shortage of $10,095.20.

OFFICE OF SHERIFF

- A rubber signature stamp was used to affix the signature of the sheriff to various documents.
- Five Sheriff Department employees were indicted by the Grainger County Grand Jury.

OFFICE OF ASSESSOR OF PROPERTY

- Mobile home schedules were not mailed to the land owner where the mobile home was located.

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.

BEST PRACTICES

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

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

INTRODUCTORY SECTION

Grainger County Officials
June 30, 2013

Officials

Mark Hipsher, County Mayor
Jim Renfro, Road Superintendent
Edwin Jarnagin, Director of Schools
Donald Nance, Trustee
Johnny Morgan, Assessor of Property
Angie Lamb, County Clerk
Sherry Clifton, Circuit and General Sessions Courts Clerk
Vickie Greenlee, Clerk and Master
Dorothy Reagan, Register of Deeds
Scott Layel, Sheriff

Board of County Commissioners

Bill Howerton, Chairman
James Acuff
Johnny Baker
Andy Cameron
David Collins
Gary Wayne Dalton
Mike Holt
Larry Johnson
Wendy Noe
Rodney Overbay
Darell Stratton
Luke Stratton
Elizabeth White
Darrell Williams
Scott Wynn

Board of Education

Darrell Livesay, Chairman
Dwight Bull
Harold Frazier
Steve Hodge
Coy McDaniel
Karen McNish
Gary Staley
Norma Tate
Larry Turley
Derek Williams

FINANCIAL SECTION

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

Independent Auditor's Report

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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grainger County Emergency Communications District, which represent two percent, 2.1 percent, and 3.1 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, 2013, 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.

Emphasis of Matter

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

We draw attention to Note I.D.9. to the financial statements, which describes a restatement to the beginning net position of the governmental activities of the primary government for

$602,860. This restatement was necessary due to the implementation of GASB Statement No. 65. We also draw attention to Note I.D.8. to the financial statements, which describes a prior-period adjustment to the governmental activities of the discretely presented Grainger County School Department for $347,300. This adjustment was necessary to record the liability for retirement honorariums, which had not been recognized in the prior year.

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 schedules of funding progress – pension plan and other postemployment benefits plan on pages 74-76 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

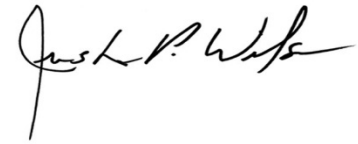
of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, 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 21, 2014, 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 21, 2014

JPW/sb

Basic Financial Statements

Exhibit A

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

	Primary Government	Component Units	
	Governmental Activities	Grainger County School Department	Emergency Communications District
ASSETS			
Cash and Cash Equivalents	$ 67,066	$ 52,378	$ 626,670
Equity in Pooled Cash and Investments	4,328,672	9,238,461	0
Accounts Receivable	553,271	6,467	14,419
Allowance for Uncollectible Accounts Receivable	(300,000)	0	0
Due from Other Governments	484,208	846,932	33,308
Due from Component Units	700,000	0	0
Property Taxes Receivable	6,558,418	2,704,884	0
Allowance for Uncollectible Property Taxes	(258,027)	(106,418)	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,829,753	841,582	0
Construction in Progress	0	54,926	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	8,276,268	31,980,930	5,444
Other Capital Assets	870,704	2,042,283	281,877
Infrastructure	1,582,956	0	0
Total Assets	$ 24,693,289	$ 47,662,425	$ 961,718
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	$ 1,290,495	$ 0	$ 0
Total Deferred Outflows of Resources	$ 1,290,495	$ 0	$ 0
LIABILITIES			
Accounts Payable	$ 13,070	$ 381,171	$ 0
Accrued Payroll	0	61,640	0
Payroll Deductions Payable	192	622,063	0
Contracts Payable	28,356	168,021	0
Retainage Payable	0	4,934	0
Accrued Leave - Current	0	0	8,375
Due to Primary Government	0	700,000	0
Due to State of Tennessee	1,722	0	0
Accrued Interest Payable	110,900	0	0
Other Current Liabilities	3,195	6,428	105,252
Noncurrent Liabilities:			
Due Within One Year	1,552,517	22,250	0
Due in More than One Year (net of unamortized premium on debt)	25,782,182	4,098,997	0
Total Liabilities	$ 27,492,134	$ 6,065,504	$ 113,627
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	$ 6,050,486	$ 2,493,600	$ 0
Total Deferred Inflows of Resources	$ 6,050,486	$ 2,493,600	$ 0

(Continued)

Exhibit A

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

	Primary Government	Component Units	
	Governmental Activities	Grainger County School Department	Emergency Communications District
NET POSITION			
Net Investment in Capital Assets	$ 8,575,981	$ 34,919,721	$ 287,321
Restricted for:			
General Government	29,616	0	0
Finance	80,542	0	0
Administration of Justice	45,052	0	0
Public Safety	75,808	0	0
Public Health and Welfare	55,572	0	0
Social, Cultural, and Recreational Services	81,713	0	0
Highways/Public Works	720,224	0	0
Education	0	533,894	0
Debt Service	1,209,772	0	0
Capital Projects	0	15,956	0
Other Purposes	32,271	0	0
Unrestricted	(18,465,387)	3,633,750	560,770
Total Net Position	$ (7,558,836)	$ 39,103,321	$ 848,091

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, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
						Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Grainger County School Department	Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	$ 988,917	$ 201,154	$ 19,014	$ 0	$ (768,749)	$ 0	$ 0
Finance	607,520	426,239	0	0	(181,281)	0	0
Administration of Justice	628,013	236,207	9,000	0	(382,806)	0	0
Public Safety	2,703,922	610,730	116,570	0	(1,976,622)	0	0
Public Health and Welfare	2,473,987	793,251	80,295	58,258	(1,542,183)	0	0
Social, Cultural, and Recreational Services	329,130	18,323	9,832	0	(300,975)	0	0
Agriculture and Natural Resources	127,267	0	0	0	(127,267)	0	0
Other Operations	465,474	0	0	0	(465,474)	0	0
Highways	2,355,089	56,091	1,458,001	97,290	(743,707)	0	0
Debt Service:							
Interest	655,938	0	0	0	(655,938)	0	0
Other Debt Service	632,958	0	0	0	(632,958)	0	0
Total Primary Government	$ 11,968,215	$ 2,341,995	$ 1,692,712	$ 155,548	$ (7,777,960)	$ 0	$ 0
Component Units:							
Grainger County School Department	$ 30,112,287	$ 592,478	$ 4,295,760	$ 9,500	$ 0	$ (25,214,549)	$ 0
Emergency Communications District	674,935	184,876	342,210	142,385	0	0	(5,464)
Total Component Units	$ 30,787,222	$ 777,354	$ 4,637,970	$ 151,885	$ 0	$ (25,214,549)	$ (5,464)

(Continued)

Exhibit B

Grainger County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Units: Grainger County School Department	Net (Expense) Revenue and Changes in Net Position: Component Units: Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					$ 3,468,189	$ 2,565,968	$ 0
Property Taxes Levied for Solid Waste/Sanitation					610,910	0	0
Property Taxes Levied for Sports and Recreation					96,414	0	0
Property Taxes Levied for Highway					597,169	0	0
Property Taxes Levied for Debt Service					965,301	0	0
Sales Taxes					332,069	981,600	0
Litigation Tax					46,501	0	0
Business Tax					52,161	23,169	0
Mineral Severance Tax					24,878	0	0
Wholesale Beer Tax					69,638	0	0
Interstate Telecommunication Tax					1,279	1,844	0
Grants and Contributions Not Restricted to Specific Programs					1,917,873	20,337,494	247,500
Unrestricted Investment Income					187,244	1,327	2,163
Miscellaneous					31,015	131,560	9,835
Total General Revenues					$ 8,400,641	$ 24,042,962	$ 259,498
Change in Net Position					$ 622,681	$ (1,171,587)	$ 254,034
Net Position, July 1, 2012					(7,578,657)	40,622,208	594,057
Prior-period Adjustment - See Note I.D.8.					0	(347,300)	0
Restatement - See Note I.D.9.					(602,860)	0	0
Net Position, June 30, 2013					$ (7,558,836)	$ 39,103,321	$ 848,091

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, 2013

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS						
Cash	$ 400	$ 0	$ 0	$ 0	$ 66,666	$ 67,066
Equity in Pooled Cash and Investments	807,678	24,394	635,171	2,638,236	223,193	4,328,672
Accounts Receivable	511,735	896	6,946	19,359	14,335	553,271
Allowance for Uncollectibles	(300,000)	0	0	0	0	(300,000)
Due from Other Governments	159,177	6,300	262,208	56,523	0	484,208
Due from Other Funds	29,018	0	0	0	0	29,018
Due from Component Units	0	0	0	700,000	0	700,000
Property Taxes Receivable	4,001,746	704,011	629,905	1,111,596	111,160	6,558,418
Allowance for Uncollectible Property Taxes	(157,440)	(27,698)	(24,782)	(43,734)	(4,373)	(258,027)
Total Assets	$ 5,052,314	$ 707,903	$ 1,509,448	$ 4,481,980	$ 410,981	$ 12,162,626
LIABILITIES						
Accounts Payable	$ 5,915	$ 7	$ 7,110	$ 0	$ 38	$ 13,070
Payroll Deductions Payable	1	0	191	0	0	192
Contracts Payable	28,356	0	0	0	0	28,356
Due to Other Funds	0	203	0	28,356	459	29,018
Due to State of Tennessee	0	0	1,722	0	0	1,722
Other Current Liabilities	0	0	0	0	3,195	3,195
Total Liabilities	$ 34,272	$ 210	$ 9,023	$ 28,356	$ 3,692	$ 75,553
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 3,693,521	$ 649,019	$ 580,702	$ 1,024,767	$ 102,477	$ 6,050,486
Deferred Delinquent Property Taxes	141,694	24,928	22,304	39,359	3,936	232,221
Other Deferred/Unavailable Revenue	161,148	0	128,651	28,262	0	318,061
Total Deferred Inflows of Resources	$ 3,996,363	$ 673,947	$ 731,657	$ 1,092,388	$ 106,413	$ 6,600,768

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES						
Restricted:						
Restricted for General Government	$ 29,616	$ 0	$ 0	$ 0	$ 0	$ 29,616
Restricted for Finance	0	0	0	0	80,542	80,542
Restricted for Administration of Justice	32,340	0	0	0	12,712	45,052
Restricted for Public Safety	20,852	0	0	0	54,956	75,808
Restricted for Public Health and Welfare	30,644	0	0	0	0	30,644
Restricted for Social, Cultural, and Recreational Services	5,434	0	0	0	72,343	77,777
Restricted for Highways/Public Works	0	0	569,269	0	0	569,269
Restricted for Debt Service	0	0	0	1,253,051	0	1,253,051
Restricted for Other Purposes	32,271	0	0	0	0	32,271
Committed:						
Committed for Public Health and Welfare	0	33,746	0	0	0	33,746
Committed for Social, Cultural, and Recreational Services	1,004	0	0	0	80,323	81,327
Committed for Highways/Public Works	0	0	199,499	0	0	199,499
Committed for Debt Service	0	0	0	2,108,185	0	2,108,185
Assigned:						
Assigned for Other Purposes	784,626	0	0	0	0	784,626
Unassigned	84,892	0	0	0	0	84,892
Total Fund Balances	$ 1,021,679	$ 33,746	$ 768,768	$ 3,361,236	$ 300,876	$ 5,486,305
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,052,314	$ 707,903	$ 1,509,448	$ 4,481,980	$ 410,981	$ 12,162,626

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, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 5,486,305
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,829,753	
Add: infrastructure net of accumulated depreciation	1,582,956	
Add: buildings and improvements net of accumulated depreciation	8,276,268	
Add: other capital assets net of accumulated depreciation	870,704	12,559,681
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	$ (50,000)	
Less: other loans payable	(103,000)	
Less: bonds payable	(25,515,000)	
Add: deferred amount on refunding	1,290,495	
Less: compensated absences payable	(99,920)	
Less: landfill closure/postclosure care costs	(1,195,332)	
Less: accrued interest on bonds and notes	(110,900)	
Less: unamortized premium on debt	(371,447)	(26,155,104)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		550,282
Net position of governmental activities (Exhibit A)		$ (7,558,836)

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, 2013

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 3,989,772	$ 665,523	$ 636,909	$ 1,418,399	$ 110,047	$ 6,820,650
Licenses and Permits	61,436	0	0	0	0	61,436
Fines, Forfeitures, and Penalties	53,186	2,794	2,390	4,434	8,487	71,291
Charges for Current Services	835,390	0	4,305	0	341,686	1,181,381
Other Local Revenues	65,953	11,510	6,471	187,244	5,026	276,204
Fees Received from County Officials	345,414	0	0	0	0	345,414
State of Tennessee	1,145,913	80,269	1,602,357	87,595	8,760	2,924,894
Federal Government	129,474	0	2,571	0	0	132,045
Other Governments and Citizens Groups	3,048	0	0	700,000	3,837	706,885
Total Revenues	$ 6,629,586	$ 760,096	$ 2,255,003	$ 2,397,672	$ 477,843	$ 12,520,200
Expenditures						
Current:						
General Government	$ 974,502	$ 0	$ 0	$ 0	$ 1,256	$ 975,758
Finance	270,675	0	0	0	335,481	606,156
Administration of Justice	550,001	0	0	0	0	550,001
Public Safety	2,666,327	0	0	0	21,277	2,687,604
Public Health and Welfare	1,574,219	813,675	0	0	0	2,387,894
Social, Cultural, and Recreational Services	163,149	0	0	0	135,654	298,803
Agriculture and Natural Resources	127,267	0	0	0	0	127,267
Other Operations	450,852	0	0	0	0	450,852
Highways	37,774	0	2,134,340	0	0	2,172,114
Debt Service:						
Principal on Debt	0	5,235	0	1,443,750	0	1,448,985
Interest on Debt	0	225	0	792,297	0	792,522
Other Debt Service	0	0	0	487,449	0	487,449
Total Expenditures	$ 6,814,766	$ 819,135	$ 2,134,340	$ 2,723,496	$ 493,668	$ 12,985,405
Excess (Deficiency) of Revenues Over Expenditures	$ (185,180)	$ (59,039)	$ 120,663	$ (325,824)	$ (15,825)	$ (465,205)

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Refunding Debt Issued	$ 0	$ 0	$ 0	$ 19,775,000	$ 0	$ 19,775,000
Premiums on Debt Issued	0	0	0	319,402	0	319,402
Insurance Recovery	21,553	0	0	0	0	21,553
Transfers In	0	0	0	102,638	0	102,638
Transfers Out	0	0	(102,638)	0	0	(102,638)
Payments to Refunded Debt Escrow Agent	0	0	0	(19,638,295)	0	(19,638,295)
Total Other Financing Sources (Uses)	$ 21,553	$ 0	$ (102,638)	$ 558,745	$ 0	$ 477,660
Net Change in Fund Balances	$ (163,627)	$ (59,039)	$ 18,025	$ 232,921	$ (15,825)	$ 12,455
Fund Balance, July 1, 2012	1,185,306	92,785	750,743	3,128,315	316,701	5,473,850
Fund Balance, June 30, 2013	$ 1,021,679	$ 33,746	$ 768,768	$ 3,361,236	$ 300,876	$ 5,486,305

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, 2013

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

Net change in fund balances - total governmental funds (Exhibit C-3)		$ 12,455
(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	$ 162,635	
Less: current-year depreciation expense	(589,140)	(426,505)
(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, 2013	$ 550,282	
Less: deferred delinquent property taxes and other deferred June 30, 2012	(479,586)	70,696
(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: refunding bond proceeds	$ (19,775,000)	
Less: change in premium on debt	(183,385)	
Add: principal payments on bonds	1,260,000	
Add: principal payments on notes	83,750	
Add: principal payments on other loans	100,000	
Add: principal payments on capital leases	5,235	
Add: bonds refunded	18,095,000	
Add: change in deferred amount on refunding debt	1,290,495	876,095
(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	$ 107,858	
Change in compensated absences payable	(3,309)	
Change in landfill closure/postclosure care costs	(14,609)	89,940
Change in net position of governmental activities (Exhibit B)		$ 622,681

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 and Budget
General Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 3,989,772	$ 3,915,266	$ 3,915,266	$ 74,506
Licenses and Permits	61,436	58,000	58,000	3,436
Fines, Forfeitures, and Penalties	53,186	42,700	42,700	10,486
Charges for Current Services	835,390	793,100	793,327	42,063
Other Local Revenues	65,953	80,000	132,178	(66,225)
Fees Received from County Officials	345,414	346,500	346,500	(1,086)
State of Tennessee	1,145,913	1,044,000	1,063,056	82,857
Federal Government	129,474	560,000	588,311	(458,837)
Other Governments and Citizens Groups	3,048	0	3,048	0
Total Revenues	$ 6,629,586	$ 6,839,566	$ 6,942,386	$ (312,800)
Expenditures				
General Government				
County Commission	$ 51,883	$ 64,210	$ 64,210	$ 12,327
Board of Equalization	500	1,200	1,200	700
Beer Board	425	2,000	2,000	1,575
Budget and Finance Committee	1,000	4,000	4,000	3,000
County Mayor/Executive	177,874	188,999	188,999	11,125
Election Commission	180,916	188,795	188,795	7,879
Register of Deeds	160,812	183,640	183,640	22,828
Planning	16,000	20,750	20,750	4,750
County Buildings	96,419	95,150	108,750	12,331
Other Facilities	270,025	340,788	327,188	57,163
Preservation of Records	18,648	22,451	22,451	3,803
Finance				
Property Assessor's Office	147,712	162,701	162,701	14,989
County Trustee's Office	62,575	85,275	85,275	22,700
County Clerk's Office	60,388	63,423	64,443	4,055
Administration of Justice				
Circuit Court	166,943	186,388	186,388	19,445
General Sessions Court	163,236	179,661	179,661	16,425
Chancery Court	116,667	131,444	131,444	14,777
Juvenile Court	103,155	126,142	126,142	22,987
Public Safety				
Sheriff's Department	1,278,280	1,279,135	1,311,060	32,780
Special Patrols	0	0	1,000	1,000
Jail	1,073,925	1,110,810	1,184,559	110,634
Fire Prevention and Control	1,500	1,500	1,500	0
Civil Defense	96,850	102,455	110,194	13,344
Other Emergency Management	212,500	212,500	212,500	0
Inspection and Regulation	3,272	3,370	3,370	98

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Public Health and Welfare				
Local Health Center	$ 51,461	$ 88,221	$ 88,221	$ 36,760
Ambulance/Emergency Medical Services	1,485,240	1,521,770	1,521,770	36,530
Crippled Children Services	0	1,257	1,257	1,257
Other Local Health Services	2,112	1,950	1,950	(162)
Appropriation to State	16,706	18,787	18,787	2,081
General Welfare Assistance	10,000	10,000	10,000	0
Aid to Dependent Children	4,700	4,700	4,700	0
Other Local Welfare Services	4,000	4,000	4,000	0
Social, Cultural, and Recreational Services				
Senior Citizens Assistance	31,587	12,000	42,036	10,449
Libraries	131,562	146,985	146,985	15,423
Agriculture and Natural Resources				
Agriculture Extension Service	59,826	61,432	61,432	1,606
Soil Conservation	67,441	69,435	69,435	1,994
Other Operations				
Tourism	1,000	1,200	1,200	200
Industrial Development	58,006	65,930	65,930	7,924
Other Economic and Community Development	60,345	500,000	500,000	439,655
Veterans' Services	12,794	13,248	13,248	454
Other Charges	259,009	318,900	306,900	47,891
Contributions to Other Agencies	3,551	3,798	3,798	247
Miscellaneous	56,147	67,097	67,097	10,950
Highways				
Litter and Trash Collection	37,774	39,190	39,190	1,416
Total Expenditures	$ 6,814,766	$ 7,706,687	$ 7,840,156	$ 1,025,390
Excess (Deficiency) of Revenues Over Expenditures	$ (185,180)	$ (867,121)	$ (897,770)	$ 712,590
Other Financing Sources (Uses)				
Notes Issued	$ 0	$ 100,000	$ 100,000	$ (100,000)
Insurance Recovery	21,553	0	8,664	12,889
Total Other Financing Sources	$ 21,553	$ 100,000	$ 108,664	$ (87,111)
Net Change in Fund Balance	$ (163,627)	$ (767,121)	$ (789,106)	$ 625,479
Fund Balance, July 1, 2012	1,185,306	1,292,166	1,292,166	(106,860)
Fund Balance, June 30, 2013	$ 1,021,679	$ 525,045	$ 503,060	$ 518,619

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 and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 665,523	$ 673,000	$ 673,000	$ (7,477)
Fines, Forfeitures, and Penalties	2,794	2,520	2,520	274
Other Local Revenues	11,510	15,100	15,100	(3,590)
State of Tennessee	80,269	78,000	78,000	2,269
Total Revenues	$ 760,096	$ 768,620	$ 768,620	$ (8,524)
Expenditures				
Public Health and Welfare				
Sanitation Management	$ 794,173	$ 819,981	$ 814,521	$ 20,348
Recycling Center	11,823	9,600	9,600	(2,223)
Postclosure Care Costs	7,679	14,000	14,000	6,321
Principal on Debt				
General Government	5,235	0	5,235	0
Interest on Debt				
General Government	225	0	225	0
Total Expenditures	$ 819,135	$ 843,581	$ 843,581	$ 24,446
Excess (Deficiency) of Revenues Over Expenditures	$ (59,039)	$ (74,961)	$ (74,961)	$ 15,922
Net Change in Fund Balance	$ (59,039)	$ (74,961)	$ (74,961)	$ 15,922
Fund Balance, July 1, 2012	92,785	130,537	130,537	(37,752)
Fund Balance, June 30, 2013	$ 33,746	$ 55,576	$ 55,576	$ (21,830)

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, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 636,909	$ 619,200	$ 619,200	$ 17,709
Fines, Forfeitures, and Penalties	2,390	2,050	2,050	340
Charges for Current Services	4,305	0	0	4,305
Other Local Revenues	6,471	0	6,465	6
State of Tennessee	1,602,357	1,682,584	1,682,584	(80,227)
Federal Government	2,571	0	0	2,571
Total Revenues	$ 2,255,003	$ 2,303,834	$ 2,310,299	$ (55,296)
Expenditures				
Highways				
Administration	$ 137,279	$ 163,081	$ 163,346	$ 26,067
Highway and Bridge Maintenance	1,391,545	1,537,900	1,541,095	149,550
Operation and Maintenance of Equipment	279,927	299,522	305,923	25,996
Other Charges	182,099	175,625	186,435	4,336
Capital Outlay	143,490	268,191	284,093	140,603
Total Expenditures	$ 2,134,340	$ 2,444,319	$ 2,480,892	$ 346,552
Excess (Deficiency) of Revenues Over Expenditures	$ 120,663	$ (140,485)	$ (170,593)	$ 291,256
Other Financing Sources (Uses)				
Transfers Out	$ (102,638)	$ (140,000)	$ (127,100)	$ 24,462
Total Other Financing Sources	$ (102,638)	$ (140,000)	$ (127,100)	$ 24,462
Net Change in Fund Balance	$ 18,025	$ (280,485)	$ (297,693)	$ 315,718
Fund Balance, July 1, 2012	750,743	609,244	626,452	124,291
Fund Balance, June 30, 2013	$ 768,768	$ 328,759	$ 328,759	$ 440,009

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, 2013

	Agency Funds
ASSETS	
Cash	$ 484,757
Due from Other Governments	109,805
Total Assets	$ 594,562
LIABILITIES	
Due to Other Taxing Units	$ 109,805
Due to Litigants, Heirs, and Others	484,757
Total Liabilities	$ 594,562

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

GRAINGER COUNTY, TENNESSEE
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GRAINGER COUNTY, TENNESSEE
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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, 2013.

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

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

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

Fund financial statements of 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 type:

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.

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 2.1 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.

Retainage payable represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

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:

Assets	Years
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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its 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 revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

As of June 30, 2013, Grainger County had $21,528,000 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 Board of Education makes assignments for the School Department. Assigned fund balance in the General Fund consists of amounts appropriated for use in the 2013-14 budget ($784,626). Assigned fund balance in the School Department's General Purpose School Fund consists primarily of amounts assigned for use in the 2013-14 budget ($641,834 and, future capital outlays ($2,092,806) including encumbrances ($806,766).

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. Prior-period Adjustment

Beginning net position of the discretely presented Grainger County School Department on the Statement of Activities has been decreased

by $347,300 due to the recognition of the liability for retirement honorariums that existed as of June 30, 2012.

9. Restatement

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A restatement of beginning net position totaling $602,860 has been recognized for accumulated unamortized debt issuance costs on the government-wide financial statements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

Discretely Presented 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

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

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

B. Cash Shortage

On August 7, 2013, the State Comptroller's Office issued a letter report on the Office of County Clerk for the period July 1, 2008, through March 9, 2013. This report disclosed that an employee of the office changed or deleted original data from the financial records to conceal the fact that she had removed $10,095.20 from the office resulting in a cash shortage on March 9, 2013. As of June 21, 2013, the former employee had liquidated the entire cash shortage. This letter report is available at www.comptroller.tn.gov.

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 primary government funds:

Fund/Major Appropriation Category		Amount Overspent
General:		
Other Local Health Services	$	162
Solid Waste/Sanitation:		
Recycing Center		2,223

Additionally, expenditures exceeded total appropriations in the Law Library Fund by $224. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

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, 2013.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	$ 1,829,753	$ 0	$ 0	$ 1,829,753
Construction in Progress	1,098,977	0	(1,098,977)	0
Total Capital Assets Not Depreciated	$ 2,928,730	$ 0	$ (1,098,977)	$ 1,829,753

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Buildings and Improvements	$ 10,933,922	$ 0	$ 0	$ 10,933,922
Roads and Bridges	10,846,848	1,098,977	0	11,945,825
Other Capital Assets	3,688,079	162,635	(21,315)	3,829,399
Total Capital Assets Depreciated	$ 25,468,849	$ 1,261,612	$ (21,315)	$ 26,709,146
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 2,422,455	$ 235,199	$ 0	$ 2,657,654
Roads and Bridges	10,202,774	160,095	0	10,362,869
Other Capital Assets	2,786,164	193,846	(21,315)	2,958,695
Total Accumulated Depreciation	$ 15,411,393	$ 589,140	$ (21,315)	$ 15,979,218
Total Capital Assets Depreciated, Net	$ 10,057,456	$ 672,472	$ 0	$ 10,729,928
Governmental Activities Capital Assets, Net	$ 12,986,186	$ 672,472	$ (1,098,977)	$ 12,559,681

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

Governmental Activities:

General Government	$ 26,157
Administration of Justice	77,727
Public Safety	158,176
Public Health and Welfare	83,656
Social, Cultural, and Recreational Services	30,327
Other Operations	14,622
Highway/Public Works	198,475
Total Depreciation Expense - Governmental Activities	$ 589,140

Discretely Presented Grainger County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	$ 841,582	$ 0	$ 0	$ 841,582
Construction in Progress	99,819	115,096	(159,989)	54,926
Total Capital Assets Not Depreciated	$ 941,401	$ 115,096	$ (159,989)	$ 896,508
Capital Assets Depreciated:				
Buildings and Improvements	$ 41,881,612	$ 246,981	$ 0	$ 42,128,593
Other Capital Assets	3,476,202	439,320	(114,365)	3,801,157
Total Capital Assets Depreciated	$ 45,357,814	$ 686,301	$ (114,365)	$ 45,929,750
Less Accumulated Depreciation:				
Buildings and Improvements	$ 9,234,296	$ 913,367	$ 0	$ 10,147,663
Other Capital Assets	1,510,951	356,559	(108,636)	1,758,874
Total Accumulated Depreciation	$ 10,745,247	$ 1,269,926	$ (108,636)	$ 11,906,537
Total Capital Assets Depreciated, Net	$ 34,612,567	$ (583,625)	$ (5,729)	$ 34,023,213
Governmental Activities Capital Assets, Net	$ 35,553,968	$ (468,529)	$ (165,718)	$ 34,919,721

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

Governmental Activities:

Instruction	$ 913,367
Support Services	356,559
Total Depreciation Expense - Governmental Activities	$ 1,269,926

C. Construction Commitments

At June 30, 2013, the School Department's General Purpose School Fund had uncompleted construction contracts of $806,766 for school additions and renovations. Funding has been provided for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	General Debt Service	$ 28,356
"	Solid Waste/Sanitation	203
"	Nonmajor governmental	459

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:

Receivable Fund	Payable Fund	Amount
	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.

Interfund Transfers:

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

Primary Government

	Transfer In
Transfer Out	General Debt Service Fund
Highway/Public Works Fund	$ 102,638

Discretely Presented Grainger County School Department

	Transfer In
Transfer Out	Nonmajor Governmental Fund
General Purpose School Fund	$ 100,000

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

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities 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, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 18 years for bonds, up to nine years for notes, and up to 11 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes and other loans outstanding as of June 30, 2013, for governmental activities were as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds:				
School Purposes	4.21 to 4.32 %	5-1-20	$ 24,500,000	$ 5,860,000
General Obligation Bonds - Refunding:				
Primary Government Purposes	1.92	5-1-30	3,995,000	3,987,000
School Purposes	1.92 to 1.94	5-1-30	15,780,000	15,668,000
Capital Outlay Notes	4.97	12-16-14	225,000	50,000
Other Loans	variable	5-24-14	1,000,000	103,000

During the 2002-03 year, Grainger County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned $1 million to Grainger County for paving and improving roads. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays

various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2013, the variable interest rate was .33 percent, and other fees totaled approximately .15 percent of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following tables. Estimated interest and other loan fees included in the table for the variable rate debt are computed based on the rates in effect at June 30, 2013.

Year Ending	Bonds		
June 30	Principal	Interest	Total
2014	$ 1,350,000	$ 616,450	$ 1,966,450
2015	1,385,000	572,862	1,957,862
2016	1,450,000	527,712	1,977,712
2017	1,480,000	484,637	1,964,637
2018	1,530,000	440,436	1,970,436
2019-2023	8,365,000	1,538,397	9,903,397
2024-2028	6,940,000	739,662	7,679,662
2029-2030	3,015,000	94,149	3,109,149
Total	$ 25,515,000	$ 5,014,305	$ 30,529,305

Year Ending	Notes		
June 30	Principal	Interest	Total
2014	$ 25,000	$ 2,485	$ 27,485
2015	25,000	1,243	26,243
Total	$ 50,000	$ 3,728	$ 53,728

Year Ending	Other Loans			
June 30	Principal	Interest	Other Fees	Total
2014	$ 103,000	$ 255	$ 116	$ 103,371
Total	$ 103,000	$ 255	$ 116	$ 103,371

There is $3,361,236 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes and other loans totaled $1,133, based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2012	$ 25,095,000	$ 133,750	$ 203,000
Additions	19,775,000	0	0
Reductions	(19,355,000)	(83,750)	(100,000)
Balance, June 30, 2013	$ 25,515,000	$ 50,000	$ 103,000
Balance Due Within One Year	$ 1,350,000	$ 25,000	$ 103,000

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2012	$ 5,235	$ 96,611	$ 1,180,723
Additions	0	17,037	22,288
Reductions	(5,235)	(13,728)	(7,679)
Balance, June 30, 2013	$ 0	$ 99,920	$ 1,195,332
Balance Due Within One Year	$ 0	$ 19,984	$ 54,533

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	$ 26,963,252
Less: Balance Due Within One Year	(1,552,517)
Add: Unamortized Premium on Debt	371,447
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 25,782,182

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.

As discussed below, Grainger County issued refunding bonds totaling $19,775,000 during the year. An additional $5,075,000 of refunding bonds were approved by County Commission but have not been issued. Those additional refunding bonds are expected to be issued during the 2013-14 fiscal year.

Advance Refunding

During the year, Grainger County advance refunded general obligation bond issues with two separate general obligation bond issues. The county issued $9,975,000 of general obligation refunding bonds on December 12, 2012, and $9,800,000 of general obligation refunding bonds on February 15, 2013, to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refundings, total debt service payments over the next 18 years will be reduced by $3,223,381 and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of $2,821,187 was obtained.

At June 30, 2013, the following outstanding bonds are considered defeased:

	Amount
General Obligation School Bonds, Series 2005 (callable 5-1-15)	$ 11,065,000
General Obligation School Bonds, Series 2006 (callable 5-1-15)	3,045,000

Discretely Presented Grainger County School Department

Changes in Long-term Obligations

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

	Retirement Honorarium	Retirement Incentive	Other Postemployment Benefits
Balance, July 1, 2012	$ 347,300	$ 22,500	$ 3,052,794
Additions	21,000	25,000	1,003,493
Reductions	(16,700)	(32,500)	(301,640)
Balance, June 30, 2013	$ 351,600	$ 15,000	$ 3,754,647
Balance Due Within One Year	$ 7,250	$ 15,000	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	$ 4,121,247
Less: Balance Due within One Year	(22,250)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 4,098,997

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.

F. 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, 2013, were $141,677 and $22,157, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

Grainger County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the following funds. These notes were necessary because funds were not available to meet obligations coming due before revenues were available. Short-term debt activity for the year ended June 30, 2013, was as follows:

Fund	Balance 7-1-12	Issued	Paid	Balance 6-30-13
General	$ 0	$ 386,177	$ (386,177)	$ 0
Solid Waste/Sanitation	0	155,995	(155,995)	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. 60, *Accounting and Financial Reporting for Service Concession Arrangements;* Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34);* Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Grainger County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-and amendment of GASB Statements No. 10 and No. 62,* which have an effective date of June 30, 2014.

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

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

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

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

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

and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

C. Subsequent Events

Subsequent to June 30, 2013, Grainger County utilized idle funds of the General Debt Service Fund to issue tax anticipation notes in advance of property tax collections for the General and Solid Waste/Sanitation funds totaling $600,000 and $200,000, respectively.

In January 2014, Grainger County issued highway and jail capital outlay notes totaling $15,000 and $165,000, respectively.

Subsequent to June 30, 2013, the County Commission approved the issuance of general obligation bonds of $2.5 million for the Washburn School gymnasium project.

Subsequent to June 30, 2013, three inmates of the Grainger County jail filed suit against the county. The suit included many allegations of improper treatment of the inmates during their incarceration and is seeking damages in excess of $100 million. 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 material liability to the county.

D. Contingent Liabilities

The county is involved in several pending lawsuits. Based on information from attorneys, management estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements, except for the potential effects of a suit, which was filed subsequent to June 30, 2013, and is discussed in Note V.C.

E. 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 $1,195,332 reported as postclosure care liability at June 30, 2013, represents amounts based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fourth Judicial District; Sevier, Cocke, Grainger, and Jefferson 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, 2013, 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

G. Jointly Governed Organization

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

H. Retirement Commitments

Plan Description

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

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

Funding Policy

Grainger County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 9.99 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Grainger County's annual pension cost of $753,489 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was three years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	$753,489	100%	$0
6-30-12	776,053	100	0
6-30-11	739,039	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 92.99 percent funded. The actuarial accrued liability for benefits was $16.45 million, and the actuarial value of assets was $15.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.15 million. The covered payroll (annual payroll of active employees covered by the plan) was $6.77 million, and the ratio of the UAAL to the covered payroll was 17.04 percent.

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

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were $1,036,085, $1,047,711, and $1,040,682, respectively, equal to the required contributions for each year.

I. 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 (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tn.gov/finance/act/cafr.html.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in 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, 2013, the discretely presented Grainger County School Department contributed $301,640 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
ARC	$ 1,011,000
Interest on the NOPEBO	122,112
Adjustment to the ARC	(129,619)
Annual OPEB cost	$ 1,003,493
Amount of contribution	(301,640)
Increase/decrease in NOPEBO	$ 701,853
Net OPEB obligation, 7-1-12	3,052,794
Net OPEB obligation, 6-30-13	$ 3,754,647

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	$ 835,690	51%	$ 2,385,999
6-30-12	"	994,132	33	3,052,794
6-30-13	"	1,003,493	30	3,754,647

Funded Status and Funding Progress

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

	Local Education Group Plan
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	$ 9,300,000
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 9,300,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 14,704,845
UAAL as a % of covered payroll	63%

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

Actuarial Methods and Assumptions

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

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

J. Termination Benefits

The discretely presented School Department has entered into a retirement incentive bonus payment plan in accordance with contract provisions. This plan is available to all certified teachers who retire from the School Department with at least ten years of service in Grainger County and are between the ages of 55 and 60, or have a minimum of 30 years of credited service in the Tennessee Consolidated Retirement System. The plan provides teachers who have met the noted requirements, a bonus of $5,000 paid in two equal installments. During the year, expenditures of $32,500 were recognized for retirement incentive bonus payments. At June 30, 2013, 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 Grainger County School Department also offers an additional retirement honorarium payment. To be eligible, certified employees must retire with at least ten years of service with the Grainger County 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 Grainger County 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 Grainger County School Department up to a maximum of $3,000. As of June 30, 2013, 175 employees met the requirements of this benefit. The estimated cost of these cash payments reported in the government-wide Statement of Net Position is $351,600. Of that amount, $7,250 is due within one year. The governmental funds' financial statements reflect retirement honorarium expenditures of $16,700 in the General Purpose School Fund.

K. Purchasing Laws

Office of County Mayor

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

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

Office of Road Superintendent

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

Office of Director of Schools

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

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

A. Summary of Significant Accounting Policies

Grainger County Emergency Communications District is a 911 service that receives telephone requests for emergency services and provide 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 reservation of fund balance (GAAP). At June 30, 2013, 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 Non-Operating 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 non-operating 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. Recently Issued and Adopted Accounting Pronouncements

Implementation of GASB Statement No. 62 – During the fiscal year ended June 30, 2013, the district implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance,

included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements.

Implementation of GASB Statement No. 63 – During the fiscal year ended June 30, 2013, the district implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which establishes guidance for reporting the balance sheets and statements of revenues, expenses and changes in net position.

Implementation of GASB Statement No. 65 – During the fiscal year ended June 30, 2013, the district implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Implementation of these new GASB Statements had no significant impact on the district's financial statements.

B. Cash and Investments

Cash consisted of the following at June 30, 2013:

Cash in bank	$ 525,768
Twelve-month certificate of deposit, maturing February 21, 2015, with an interest rate of .95 percent	$ 100,902

At June 30, 2013, $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:

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Rates
Capital Assets Being Depreciated:					
Communication Equipment	$ 378,913	$ 228,910	$ (168,833)	$ 438,990	10 - 20%
Building and Improvements	8,315	0	0	8,315	
Furniture and Fixtures	11,128	0	(5,543)	5,585	10%
Other Fixed Assets	5,045	0	0	5,045	10%
Office Equipment	1,876	0	(1,876)	0	20%
Total Capital Assets Being Depreciated	$ 405,277	$ 228,910	$ (176,252)	$ 457,935	
Less Accumulated Depreciation For:					
Communication Equipment	$ (276,340)	$ (44,090)	$ 162,663	$ (157,767)	
Building and Improvements	(1,683)	(1,188)	0	(2,871)	
Furniture and Fixtures	(7,885)	(1,315)	3,888	(5,312)	
Other Fixed Assets	(4,160)	(504)	0	(4,664)	
Office Equipment	(1,424)	(221)	1,645	0	
Total Accumulated Depreciation	$ (291,492)	$ (47,318)	$ 168,196	$ (170,614)	
Total Capital Assets Being Depreciated, Net	$ 113,785	$ 181,592	$ (8,056)	$ 287,321	
Total Net Capital Assets, Excluding Plant Acquisition Adjustments	$ 113,785	$ 181,592	$ (8,056)	$ 287,321	

Depreciation charged to expense totaled $47,318 for the year ended June 30, 2013.

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:

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

Employees may accrue annual vacation leave up to a maximum of 192 hours. Unpaid vacation leave totaled $8,375 for the year ended June 30, 2013.

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. The employee 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

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

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

Funding Policy

Grainger County Emergency Communications District requires employees to contribute five percent of their earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 3.35 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Grainger County Emergency Communications District's annual pension cost of $8,223 to the TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was ten years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	$ 8,223	100%	$ 0
6-30-12	8,026	100	0
6-30-11	8,431	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 87.24 percent funded. The actuarial accrued liability for benefits was $.2 million, and the actuarial value of assets was $.18 million, resulting in an unfunded actuarial accrued liability (UAAL) of $.03 million. The covered payroll (annual payroll of active employees covered by the plan) was $.22 million, and the ratio of the UAAL to the covered payroll was 11.82 percent.

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

G. General Litigation

Grainger County Emergency Communications District was indirectly named in litigation in the previous fiscal year. The claim was dismissed in court on March 26, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-1

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	$ 15,292	$ 16,445	$ 1,153	92.99 %	$ 6,768	17.04 %
7-1-09	11,535	12,412	876	92.94	6,467	13.55
7-1-07	9,812	10,868	1,056	90.28	6,032	17.51

Exhibit E-2

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

(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	7-1-09	$ 0	$ 8,014	$ 8,014	0 %	$ 13,927	58 %
"	7-1-10	0	8,095	8,095	0	14,358	56
"	7-1-11	0	9,300	9,300	0	14,705	63

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

BUDGETARY INFORMATION

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for 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, and sheriff.

Exhibit F-1

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

	Special Revenue Funds					
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitutional Officers - Fees	Total Nonmajor Governmental Funds
ASSETS						
Cash	$ 0	$ 0	$ 0	$ 0	$ 66,666	$ 66,666
Equity in Pooled Cash and Investments	11,263	1,449	54,956	155,525	0	223,193
Accounts Receivable	0	0	0	0	14,335	14,335
Property Taxes Receivable	0	0	0	111,160	0	111,160
Allowance for Uncollectible Property Taxes	0	0	0	(4,373)	0	(4,373)
Total Assets	$ 11,263	$ 1,449	$ 54,956	$ 262,312	$ 81,001	$ 410,981
LIABILITIES						
Accounts Payable	$ 0	$ 0	$ 0	$ 38	$ 0	$ 38
Due to Other Funds	0	0	0	0	459	459
Other Current Liabilities	0	0	0	3,195	0	3,195
Total Liabilities	$ 0	$ 0	$ 0	$ 3,233	$ 459	$ 3,692
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 0	$ 0	$ 0	$ 102,477	$ 0	$ 102,477
Deferred Delinquent Property Taxes	0	0	0	3,936	0	3,936
Total Deferred Inflows of Resources	$ 0	$ 0	$ 0	$ 106,413	$ 0	$ 106,413
FUND BALANCES						
Restricted:						
Restricted for Finance	$ 0	$ 0	$ 0	$ 0	$ 80,542	$ 80,542
Restricted for Administration of Justice	11,263	1,449	0	0	0	12,712
Restricted for Public Safety	0	0	54,956	0	0	54,956
Restricted for Social, Cultural, and Recreational Services	0	0	0	72,343	0	72,343
Committed:						
Committed for Social, Cultural, and Recreational Services	0	0	0	80,323	0	80,323
Total Fund Balances	$ 11,263	$ 1,449	$ 54,956	$ 152,666	$ 80,542	$ 300,876
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 11,263	$ 1,449	$ 54,956	$ 262,312	$ 81,001	$ 410,981

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, 2013

	Special Revenue Funds					
	Courthouse and Jail Maintenance	Law Library	Drug Control	Sports and Recreation	Constitu-tional Officers - Fees	Total Nonmajor Governmental Funds
Revenues						
Local Taxes	$ 1,030	$ 1,061	$ 0	$ 107,956	$ 0	$ 110,047
Fines, Forfeitures, and Penalties	0	0	8,068	419	0	8,487
Charges for Current Services	0	0	0	14,047	327,639	341,686
Other Local Revenues	0	0	1,437	3,589	0	5,026
State of Tennessee	0	0	0	8,760	0	8,760
Other Governments and Citizens Groups	0	0	3,837	0	0	3,837
Total Revenues	$ 1,030	$ 1,061	$ 13,342	$ 134,771	$ 327,639	$ 477,843
Expenditures						
Current:						
General Government	$ 1,256	$ 0	$ 0	$ 0	$ 0	$ 1,256
Finance	0	0	0	0	335,481	335,481
Public Safety	0	0	21,277	0	0	21,277
Social, Cultural, and Recreational Services	0	1,244	0	134,410	0	135,654
Total Expenditures	$ 1,256	$ 1,244	$ 21,277	$ 134,410	$ 335,481	$ 493,668
Excess (Deficiency) of Revenues Over Expenditures	$ (226)	$ (183)	$ (7,935)	$ 361	$ (7,842)	$ (15,825)
Net Change in Fund Balances	$ (226)	$ (183)	$ (7,935)	$ 361	$ (7,842)	$ (15,825)
Fund Balance, July 1, 2012	11,489	1,632	62,891	152,305	88,384	316,701
Fund Balance, June 30, 2013	$ 11,263	$ 1,449	$ 54,956	$ 152,666	$ 80,542	$ 300,876

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, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,030	$ 800	$ 800	$ 230
Total Revenues	$ 1,030	$ 800	$ 800	$ 230
Expenditures				
General Government				
County Buildings	$ 1,256	$ 10,000	$ 10,000	$ 8,744
Total Expenditures	$ 1,256	$ 10,000	$ 10,000	$ 8,744
Excess (Deficiency) of Revenues Over Expenditures	$ (226)	$ (9,200)	$ (9,200)	$ 8,974
Net Change in Fund Balance	$ (226)	$ (9,200)	$ (9,200)	$ 8,974
Fund Balance, July 1, 2012	11,489	11,282	11,282	207
Fund Balance, June 30, 2013	$ 11,263	$ 2,082	$ 2,082	$ 9,181

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, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,061	$ 850	$ 850	$ 211
Total Revenues	$ 1,061	$ 850	$ 850	$ 211
Expenditures				
Social, Cultural, and Recreational Services				
Libraries	$ 1,244	$ 1,020	$ 1,020	$ (224)
Total Expenditures	$ 1,244	$ 1,020	$ 1,020	$ (224)
Excess (Deficiency) of Revenues Over Expenditures	$ (183)	$ (170)	$ (170)	$ (13)
Net Change in Fund Balance	$ (183)	$ (170)	$ (170)	$ (13)
Fund Balance, July 1, 2012	1,632	1,383	1,383	249
Fund Balance, June 30, 2013	$ 1,449	$ 1,213	$ 1,213	$ 236

Exhibit F-5

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 8,068	$ 17,500	$ 17,500	$ (9,432)
Other Local Revenues	1,437	0	0	1,437
Other Governments and Citizens Groups	3,837	0	0	3,837
Total Revenues	$ 13,342	$ 17,500	$ 17,500	$ (4,158)
Expenditures				
Public Safety				
Drug Enforcement	$ 21,277	$ 43,350	$ 43,350	$ 22,073
Total Expenditures	$ 21,277	$ 43,350	$ 43,350	$ 22,073
Excess (Deficiency) of Revenues Over Expenditures	$ (7,935)	$ (25,850)	$ (25,850)	$ 17,915
Net Change in Fund Balance	$ (7,935)	$ (25,850)	$ (25,850)	$ 17,915
Fund Balance, July 1, 2012	62,891	59,979	59,979	2,912
Fund Balance, June 30, 2013	$ 54,956	$ 34,129	$ 34,129	$ 20,827

Exhibit F-6

Grainger County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Sports and Recreation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 107,956	$ 102,450	$ 102,450	$ 5,506
Fines, Forfeitures, and Penalties	419	490	490	(71)
Charges for Current Services	14,047	14,000	14,000	47
Other Local Revenues	3,589	0	2,235	1,354
State of Tennessee	8,760	8,000	8,000	760
Total Revenues	$ 134,771	$ 124,940	$ 127,175	$ 7,596
Expenditures				
Social, Cultural, and Recreational Services				
Parks and Fair Boards	$ 134,410	$ 145,555	$ 149,213	$ 14,803
Total Expenditures	$ 134,410	$ 145,555	$ 149,213	$ 14,803
Excess (Deficiency) of Revenues Over Expenditures	$ 361	$ (20,615)	$ (22,038)	$ 22,399
Net Change in Fund Balance	$ 361	$ (20,615)	$ (22,038)	$ 22,399
Fund Balance, July 1, 2012	152,305	77,493	77,493	74,812
Fund Balance, June 30, 2013	$ 152,666	$ 56,878	$ 55,455	$ 97,211

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, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,418,399	$ 1,395,000	$ 1,395,000	$ 23,399
Fines, Forfeitures, and Penalties	4,434	6,300	6,300	(1,866)
Other Local Revenues	187,244	200,000	200,000	(12,756)
State of Tennessee	87,595	105,000	105,000	(17,405)
Other Governments and Citizens Groups	700,000	0	700,000	0
Total Revenues	$ 2,397,672	$ 1,706,300	$ 2,406,300	$ (8,628)
Expenditures				
Principal on Debt				
General Government	$ 406,750	$ 398,750	$ 406,750	$ 0
Highways and Streets	100,000	133,500	133,500	33,500
Education	937,000	830,000	937,000	0
Interest on Debt				
General Government	126,725	179,139	126,725	0
Highways and Streets	598	1,011	1,011	413
Education	664,974	890,444	826,230	161,256
Other Debt Service				
General Government	106,880	38,000	117,378	10,498
Highways and Streets	2,212	3,300	3,300	1,088
Education	378,357	0	378,357	0
Total Expenditures	$ 2,723,496	$ 2,474,144	$ 2,930,251	$ 206,755
Excess (Deficiency) of Revenues Over Expenditures	$ (325,824)	$ (767,844)	$ (523,951)	$ 198,127
Other Financing Sources (Uses)				
Refunding Debt Issued	$ 19,775,000	$ 0	$ 19,775,000	$ 0
Premiums on Debt Issued	319,402	0	319,402	0
Transfers In	102,638	700,000	0	102,638
Payments to Refunded Debt Escrow Agent	(19,638,295)	0	(19,638,295)	0
Total Other Financing Sources	$ 558,745	$ 700,000	$ 456,107	$ 102,638
Net Change in Fund Balance	$ 232,921	$ (67,844)	$ (67,844)	$ 300,765
Fund Balance, July 1, 2012	3,128,315	2,976,487	2,976,487	151,828
Fund Balance, June 30, 2013	$ 3,361,236	$ 2,908,643	$ 2,908,643	$ 452,593

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, 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, 2013

	Agency Funds		
	Cities - Sales Tax	Constitutional Officers - Agency	Total
ASSETS			
Cash	$ 0	$ 484,757	$ 484,757
Due from Other Governments	109,805	0	109,805
Total Assets	$ 109,805	$ 484,757	$ 594,562
LIABILITIES			
Due to Other Taxing Units	$ 109,805	$ 0	$ 109,805
Due to Litigants, Heirs, and Others	0	484,757	484,757
Total Liabilities	$ 109,805	$ 484,757	$ 594,562

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 647,051	$ 647,051	$ 0
Due from Other Governments	107,324	109,805	107,324	109,805
Total Assets	$ 107,324	$ 756,856	$ 754,375	$ 109,805
Liabilities				
Due to Other Taxing Units	$ 107,324	$ 756,856	$ 754,375	$ 109,805
Total Liabilities	$ 107,324	$ 756,856	$ 754,375	$ 109,805
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 466,614	$ 2,489,258	$ 2,471,115	$ 484,757
Total Assets	$ 466,614	$ 2,489,258	$ 2,471,115	$ 484,757
Liabilities				
Due to Litigants, Heirs, and Others	$ 466,614	$ 2,489,258	$ 2,471,115	$ 484,757
Total Liabilities	$ 466,614	$ 2,489,258	$ 2,471,115	$ 484,757
Totals - All Agency Funds				
Assets				
Cash	$ 466,614	$ 2,489,258	$ 2,471,115	$ 484,757
Equity in Pooled Cash and Investments	0	647,051	647,051	0
Due from Other Governments	107,324	109,805	107,324	109,805
Total Assets	$ 573,938	$ 3,246,114	$ 3,225,490	$ 594,562
Liabilities				
Due to Other Taxing Units	$ 107,324	$ 756,856	$ 754,375	$ 109,805
Due to Litigants, Heirs, and Others	466,614	2,489,258	2,471,115	484,757
Total Liabilities	$ 573,938	$ 3,246,114	$ 3,225,490	$ 594,562

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 and two Special Revenue Funds.

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

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

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

Exhibit I-1

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental Activities:					
Instruction	$ 18,445,744	$ 0	$ 1,861,727	$ 0	$ (16,584,017)
Support Services	8,119,444	3,330	508,643	0	(7,607,471)
Operation of Non-Instructional Services	2,847,099	589,148	1,925,390	0	(332,561)
Debt Service	700,000	0	0	9,500	(690,500)
Total Governmental Activities	$ 30,112,287	$ 592,478	$ 4,295,760	$ 9,500	$ (25,214,549)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					$ 2,565,968
Local Option Sales Taxes					981,600
Business Tax					23,169
Interstate Telecommunications Tax					1,844
Grants and Contributions Not Restricted for Specific Programs					20,337,494
Unrestricted Investment Earnings					1,327
Miscellaneous					131,560
Total General Revenues					$ 24,042,962
Change in Net Position					$ (1,171,587)
Net Position, July 1, 2012					40,622,208
Prior-period Adjustment					(347,300)
Net Position, June 30, 2013					$ 39,103,321

Exhibit I-2

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

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern-mental Funds	Total Governmental Funds
ASSETS			
Cash	$ 6,428	$ 45,950	$ 52,378
Equity in Pooled Cash and Investments	8,899,545	338,916	9,238,461
Accounts Receivable	4,907	1,560	6,467
Due from Other Governments	444,833	402,099	846,932
Property Taxes Receivable	2,704,884	0	2,704,884
Allowance for Uncollectible Property Taxes	(106,418)	0	(106,418)
Total Assets	$ 11,954,179	$ 788,525	$ 12,742,704
LIABILITIES			
Accounts Payable	$ 328,862	$ 52,309	$ 381,171
Accrued Payroll	61,640	0	61,640
Payroll Deductions Payable	597,849	24,214	622,063
Contracts Payable	168,021	0	168,021
Retainage Payable	4,934	0	4,934
Due to Primary Government	700,000	0	700,000
Other Current Liabilities	6,428	0	6,428
Total Liabilities	$ 1,867,734	$ 76,523	$ 1,944,257
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	$ 2,493,600	$ 0	$ 2,493,600
Deferred Delinquent Property Taxes	95,775	0	95,775
Other Deferred/Unavailable Revenue	96,126	0	96,126
Total Deferred Inflows of Resources	$ 2,685,501	$ 0	$ 2,685,501
FUND BALANCES			
Restricted:			
Restricted for Education	$ 21,892	$ 512,002	$ 533,894
Restricted for Capital Projects	15,956	0	15,956
Committed:			
Committed for Education	502,425	200,000	702,425
Assigned:			
Assigned for Education	646,500	0	646,500
Assigned for Capital Projects	2,092,806	0	2,092,806
Unassigned	4,121,365	0	4,121,365
Total Fund Balances	$ 7,400,944	$ 712,002	$ 8,112,946
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 11,954,179	$ 788,525	$ 12,742,704

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, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		$ 8,112,946
(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	54,926	
Add: buildings and improvements net of accumulated depreciation	31,980,930	
Add: other capital assets net of accumulated depreciation	2,042,283	34,919,721
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		191,901
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: retirement incentive payable	$ (15,000)	
Less: retirement honorarium	(351,600)	
Less: other postemployment benefits liability	(3,754,647)	(4,121,247)
Net position of governmental activities (Exhibit A)		$ 39,103,321

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, 2013

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern-mental Funds	Total Governmental Funds
Revenues			
Local Taxes	$ 3,616,889	$ 0	$ 3,616,889
Licenses and Permits	660	0	660
Fines, Forfeitures, and Penalties	10,730	0	10,730
Charges for Current Services	3,375	589,103	592,478
Other Local Revenues	99,020	2,193	101,213
State of Tennessee	20,101,963	20,628	20,122,591
Federal Government	223,089	4,107,033	4,330,122
Other Governments and Citizens Groups	58,285	0	58,285
Total Revenues	$ 24,114,011	$ 4,718,957	$ 28,832,968
Expenditures			
Current:			
Instruction	$ 15,000,426	$ 1,888,878	$ 16,889,304
Support Services	7,371,322	748,122	8,119,444
Operation of Non-Instructional Services	432,773	2,052,038	2,484,811
Capital Outlay	576,328	0	576,328
Debt Service:			
Other Debt Service	700,000	0	700,000
Total Expenditures	$ 24,080,849	$ 4,689,038	$ 28,769,887
Excess (Deficiency) of Revenues Over Expenditures	$ 33,162	$ 29,919	$ 63,081
Other Financing Sources (Uses)			
Insurance Recovery	$ 76,666	$ 0	$ 76,666
Transfers In	0	100,000	100,000
Transfers Out	(100,000)	0	(100,000)
Total Other Financing Sources (Uses)	$ (23,334)	$ 100,000	$ 76,666
Net Change in Fund Balances	$ 9,828	$ 129,919	$ 139,747
Fund Balance, July 1, 2012	7,391,116	582,083	7,973,199
Fund Balance, June 30, 2013	$ 7,400,944	$ 712,002	$ 8,112,946

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, 2013

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)		$ 139,747
(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	$ 631,908	
Less: current-year depreciation expense	(1,269,926)	(638,018)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase or decrease net position.		
Add: assets donated and capitalized	$ 9,500	
Less: book value of assets disposed	(5,729)	3,771
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	$ 191,901	
Less: deferred delinquent property taxes and other deferred June 30, 2012	(170,335)	21,566
(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 other postemployment benefits liability	$ (701,853)	
Change in retirement incentive payable	7,500	
Change in retirement honorarium	(4,300)	(698,653)
Change in net position of governmental activities (Exhibit B)		$ (1,171,587)

Exhibit I-6

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

	Special Revenue Funds		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
ASSETS			
Cash	$ 0	$ 45,950	$ 45,950
Equity in Pooled Cash and Investments	127,504	211,412	338,916
Accounts Receivable	0	1,560	1,560
Due from Other Governments	145,356	256,743	402,099
Total Assets	$ 272,860	$ 515,665	$ 788,525
LIABILITIES			
Accounts Payable	$ 46,808	$ 5,501	$ 52,309
Payroll Deductions Payable	24,214	0	24,214
Total Liabilities	$ 71,022	$ 5,501	$ 76,523
FUND BALANCES			
Restricted:			
Restricted for Education	$ 1,838	$ 510,164	$ 512,002
Committed:			
Committed for Education	200,000	0	200,000
Total Fund Balances	$ 201,838	$ 510,164	$ 712,002
Total Liabilities and Fund Balances	$ 272,860	$ 515,665	$ 788,525

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, 2013

	Special Revenue Funds		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
Revenues			
Charges for Current Services	$ 0	$ 589,103	$ 589,103
Other Local Revenues	0	2,193	2,193
State of Tennessee	0	20,628	20,628
Federal Government	2,635,122	1,471,911	4,107,033
Total Revenues	$ 2,635,122	$ 2,083,835	$ 4,718,957
Expenditures			
Current:			
Instruction	$ 1,888,878	$ 0	$ 1,888,878
Support Services	748,122	0	748,122
Operation of Non-Instructional Services	0	2,052,038	2,052,038
Total Expenditures	$ 2,637,000	$ 2,052,038	$ 4,689,038
Excess (Deficiency) of Revenues Over Expenditures	$ (1,878)	$ 31,797	$ 29,919
Other Financing Sources (Uses)			
Transfers In	$ 100,000	$ 0	$ 100,000
Total Other Financing Sources (Uses)	$ 100,000	$ 0	$ 100,000
Net Change in Fund Balances	$ 98,122	$ 31,797	$ 129,919
Fund Balance, July 1, 2012	103,716	478,367	582,083
Fund Balance, June 30, 2013	$ 201,838	$ 510,164	$ 712,002

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 3,616,889	$ 0	$ 0	$ 3,616,889	$ 3,324,510	$ 3,324,510	$ 292,379
Licenses and Permits	660	0	0	660	0	0	660
Fines, Forfeitures, and Penalties	10,730	0	0	10,730	17,000	17,000	(6,270)
Charges for Current Services	3,375	0	0	3,375	7,000	7,000	(3,625)
Other Local Revenues	99,020	0	0	99,020	35,000	89,691	9,329
State of Tennessee	20,101,963	0	0	20,101,963	19,108,117	19,881,525	220,438
Federal Government	223,089	0	0	223,089	75,000	245,270	(22,181)
Other Governments and Citizens Groups	58,285	0	0	58,285	0	81,137	(22,852)
Total Revenues	$ 24,114,011	$ 0	$ 0	$ 24,114,011	$ 22,566,627	$ 23,646,133	$ 467,878
Expenditures							
Instruction							
Regular Instruction Program	$ 11,927,830	$ 0	$ 0	$ 11,927,830	$ 12,193,581	$ 12,527,489	$ 599,659
Alternative Instruction Program	73,997	0	0	73,997	73,457	74,163	166
Special Education Program	1,811,765	0	0	1,811,765	1,930,428	2,033,278	221,513
Vocational Education Program	907,385	0	0	907,385	945,985	945,985	38,600
Student Body Education Program	40,589	0	0	40,589	38,000	55,330	14,741
Adult Education Program	238,860	0	0	238,860	109,803	253,761	14,901
Support Services							
Attendance	7,825	0	0	7,825	8,192	8,192	367
Health Services	393,497	0	0	393,497	289,319	401,369	7,872
Other Student Support	411,826	0	0	411,826	402,375	430,605	18,779
Regular Instruction Program	651,790	0	0	651,790	715,682	774,634	122,844
Special Education Program	143,208	0	0	143,208	150,125	203,220	60,012
Vocational Education Program	51,948	0	0	51,948	55,944	56,539	4,591
Adult Programs	15,125	0	0	15,125	0	17,832	2,707
Other Programs	163,834	0	0	163,834	0	163,834	0
Board of Education	304,428	0	0	304,428	360,706	361,701	57,273

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Support Services (Cont.)							
Director of Schools	$ 214,786	$ 0	$ 0	$ 214,786	$ 220,921	$ 224,650	$ 9,864
Office of the Principal	1,172,778	0	0	1,172,778	1,194,647	1,223,127	50,349
Operation of Plant	1,656,965	0	0	1,656,965	1,771,545	1,788,670	131,705
Maintenance of Plant	533,966	0	0	533,966	441,495	744,087	210,121
Transportation	1,649,346	0	0	1,649,346	1,346,193	1,810,418	161,072
Operation of Non-Instructional Services							
Community Services	29,612	0	0	29,612	29,612	29,612	0
Early Childhood Education	403,161	0	0	403,161	0	426,338	23,177
Capital Outlay							
Regular Capital Outlay	576,328	(56,922)	806,766	1,326,172	113,500	1,515,099	188,927
Other Debt Service							
Education	700,000	0	0	700,000	700,000	700,000	0
Total Expenditures	$ 24,080,849	$ (56,922)	$ 806,766	$ 24,830,693	$ 23,091,510	$ 26,769,933	$ 1,939,240
Excess (Deficiency) of Revenues Over Expenditures	$ 33,162	$ 56,922	$ (806,766)	$ (716,682)	$ (524,883)	$ (3,123,800)	$ 2,407,118
Other Financing Sources (Uses)							
Insurance Recovery	$ 76,666	$ 0	$ 0	$ 76,666	$ 0	$ 76,666	$ 0
Transfers Out	(100,000)	0	0	(100,000)	0	(100,000)	0
Total Other Financing Sources	$ (23,334)	$ 0	$ 0	$ (23,334)	$ 0	$ (23,334)	$ 0
Net Change in Fund Balance	$ 9,828	$ 56,922	$ (806,766)	$ (740,016)	$ (524,883)	$ (3,147,134)	$ 2,407,118
Fund Balance, July 1, 2012	7,391,116	(56,922)	0	7,334,194	524,883	3,147,134	4,187,060
Fund Balance, June 30, 2013	$ 7,400,944	$ 0	$ (806,766)	$ 6,594,178	$ 0	$ 0	$ 6,594,178

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, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Federal Government	$ 2,635,122	$ 2,365,932	$ 3,317,321	$ (682,199)
Total Revenues	$ 2,635,122	$ 2,365,932	$ 3,317,321	$ (682,199)
Expenditures				
Instruction				
Regular Instruction Program	$ 1,090,965	$ 1,053,764	$ 1,353,163	$ 262,198
Special Education Program	671,939	604,452	749,530	77,591
Vocational Education Program	125,974	45,621	125,978	4
Support Services				
Health Services	39,319	49,832	48,832	9,513
Other Student Support	81,667	109,507	114,507	32,840
Regular Instruction Program	420,725	342,010	687,210	266,485
Special Education Program	147,717	94,291	173,361	25,644
Transportation	58,694	66,455	68,455	9,761
Total Expenditures	$ 2,637,000	$ 2,365,932	$ 3,321,036	$ 684,036
Excess (Deficiency) of Revenues Over Expenditures	$ (1,878)	$ 0	$ (3,715)	$ 1,837
Other Financing Sources (Uses)				
Transfers In	$ 100,000	$ 0	$ 0	$ 100,000
Total Other Financing Sources	$ 100,000	$ 0	$ 0	$ 100,000
Net Change in Fund Balance	$ 98,122	$ 0	$ (3,715)	$ 101,837
Fund Balance, July 1, 2012	103,716	0	3,715	100,001
Fund Balance, June 30, 2013	$ 201,838	$ 0	$ 0	$ 201,838

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, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 589,103	$ 715,500	$ 715,500	$ (126,397)
Other Local Revenues	2,193	4,000	4,000	(1,807)
State of Tennessee	20,628	20,000	20,000	628
Federal Government	1,471,911	1,341,500	1,445,603	26,308
Total Revenues	$ 2,083,835	$ 2,081,000	$ 2,185,103	$ (101,268)
Expenditures				
Operation of Non-Instructional Services				
Food Service	$ 2,052,038	$ 2,055,000	$ 2,159,103	$ 107,065
Total Expenditures	$ 2,052,038	$ 2,055,000	$ 2,159,103	$ 107,065
Excess (Deficiency) of Revenues Over Expenditures	$ 31,797	$ 26,000	$ 26,000	$ 5,797
Other Financing Sources (Uses)				
Transfers Out	$ 0	$ (26,000)	$ (26,000)	$ 26,000
Total Other Financing Sources	$ 0	$ (26,000)	$ (26,000)	$ 26,000
Net Change in Fund Balance	$ 31,797	$ 0	$ 0	$ 31,797
Fund Balance, July 1, 2012	478,367	0	0	478,367
Fund Balance, June 30, 2013	$ 510,164	$ 0	$ 0	$ 510,164

MISCELLANEOUS SCHEDULES

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-13
BONDS PAYABLE									
Payable through General Debt Service Fund									
Justice Center	$ 6,500,000	3.87 %	12-23-03	12-12-12	$ 4,300,000	$ 0	$ 315,000	$ 3,985,000	$ 0
General Obligation School Bonds - Series 2005	20,500,000	4.21	7-14-05	5-1-20	17,345,000	0	695,000	11,065,000	5,585,000
General Obligation School Bonds - Series 2006	4,000,000	4.32	8-10-06	5-1-15	3,450,000	0	130,000	3,045,000	275,000
General Obligation Refunding Bonds - Series 2012 - Justice Center	3,995,000	1.92	12-12-12	5-1-30	0	3,995,000	8,000	0	3,987,000
General Obligation Refunding Bonds - Series 2012 - Schools	5,980,000	1.92	12-12-12	5-1-30	0	5,980,000	12,000		5,968,000
General Obligation Refunding Bonds - Series 2013 - Schools	9,800,000	1.94	2-15-13	5-1-30	0	9,800,000	100,000	0	9,700,000
Total Bonds Payable					$ 25,095,000	$ 19,775,000	$ 1,260,000	$ 18,095,000	$ 25,515,000
NOTES PAYABLE									
Payable through General Debt Service Fund									
Justice Center Equipment	225,000	4.97	12-16-05	12-16-14	$ 75,000	$ 0	$ 25,000	$ 0	$ 50,000
Ambulance and Sheriff Vehicles	135,000	4.07	6-19-09	6-19-13	33,750	0	33,750	0	0
Ambulance	75,000	4.07	2-1-10	2-1-13	25,000	0	25,000	0	0
Total Notes Payable					$ 133,750	$ 0	$ 83,750	$ 0	$ 50,000
CAPITAL LEASES PAYABLE									
Payable through Solid Waste/Sanitation Fund									
Bobcat	20,145	6	7-28-09	7-28-12	$ 5,235	$ 0	$ 5,235	$ 0	$ 0
Total Capital Leases Payable					$ 5,235	$ 0	$ 5,235	$ 0	$ 0
OTHER LOANS PAYABLE									
Payable through General Debt Service Fund									
Montgomery County Public Building Authority	1,000,000	Variable	3-5-03	5-24-14	$ 203,000	$ 0	$ 100,000	$ 0	$ 103,000
Total Other Loans Payable					$ 203,000	$ 0	$ 100,000	$ 0	$ 103,000

Exhibit J-2

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

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2014	$ 1,350,000	$ 616,450	$ 1,966,450
2015	1,385,000	572,862	1,957,862
2016	1,450,000	527,712	1,977,712
2017	1,480,000	484,637	1,964,637
2018	1,530,000	440,436	1,970,436
2019	1,580,000	394,687	1,974,687
2020	1,630,000	347,336	1,977,336
2021	1,680,000	296,250	1,976,250
2022	1,715,000	265,674	1,980,674
2023	1,760,000	234,450	1,994,450
2024	1,330,000	202,400	1,532,400
2025	1,360,000	175,800	1,535,800
2026	1,385,000	148,600	1,533,600
2027	1,420,000	120,900	1,540,900
2028	1,445,000	91,962	1,536,962
2029	1,490,000	62,524	1,552,524
2030	1,525,000	31,625	1,556,625
Total	$ 25,515,000	$ 5,014,305	$ 30,529,305

Year Ending June 30	Notes Principal	Notes Interest	Notes Total
2014	$ 25,000	$ 2,485	$ 27,485
2015	25,000	1,243	26,243
Total	$ 50,000	$ 3,728	$ 53,728

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Other Fees	Other Loans Total
2014	$ 103,000	$ 255	$ 116	$ 103,371
Total	$ 103,000	$ 255	$ 116	$ 103,371

Exhibit J-3

Grainger County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Grainger County School Department
For the Year Ended June 30, 2013

From Fund	To Fund	Purpose	Amount
PRIMARY GOVERNMENT			
Highway/Public Works	General Debt Service	Debt retirement	$ 102,638
Total Transfers Primary Government			$ 102,638
DISCRETELY PRESENTED GRAINGER COUNTY SCHOOL DEPARTMENT			
General Purpose School	School Federal Projects	Cash flow	$ 100,000
Total Transfers Discretely Presented Grainger County School Department			$ 100,000

Exhibit J-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, *TCA*	$ 71,237	$ 50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, *TCA*	67,844	100,000	"
Director of Schools	State Board of Education and County Board of Education	89,012 (1)	(2)	
Trustee	Section 8-24-102, *TCA*	58,739	885,700	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, *TCA*	58,739	10,000	Western Surety Company
County Clerk	Section 8-24-102, *TCA*	58,739	50,000	RLI Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, *TCA*	58,739	50,000	"
Clerk and Master	Section 8-24-102, *TCA*	58,739	50,000	"
Register of Deeds	Section 8-24-102, *TCA*	58,739	25,000	"
Sheriff	Section 8-24-102, *TCA,* and County Commission	68,444 (3)	25,000	"
Employee Blanket Bonds:				
County Employees			25,000	"
School Department Employees			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer training supplement of $1,000.
(2) Covered by employee blanket bond.
(3) Includes $3,231 for serving as workhouse superintendent and $600 for a law enforcement training supplement.

Exhibit J-5

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

		Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation	Constitu-tional Officers - Fees	Highway / Public Works
Local Taxes								
County Property Taxes								
Current Property Tax	$ 3,267,341	$ 0	$ 0	$ 574,747	$ 0	$ 90,757	$ 0	$ 564,798
Trustee's Collections - Prior Year	129,887	0	0	24,018	0	3,772	0	21,490
Circuit/Clerk & Master Collections - Prior Years	35,414	0	0	6,247	0	986	0	5,589
Interest and Penalty	17,526	0	0	3,137	0	463	0	2,822
Payments in-Lieu-of Taxes - T.V.A.	107,546	0	0	428	0	2,987	0	383
Payments in-Lieu-of Taxes - Local Utilities	216,016	0	0	38,003	0	6,000	0	0
Payments in-Lieu-of Taxes - Other	53,169	0	0	9,354	0	1,477	0	8,369
County Local Option Taxes								
Local Option Sales Tax	0	0	0	0	0	0	0	0
Litigation Tax - General	6,754	163	163	0	0	0	0	0
Litigation Tax - Special Purpose	25,977	867	898	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	11,679	0	0	0	0	0	0	0
Business Tax	31,802	0	0	5,599	0	884	0	5,010
Mineral Severance Tax	0	0	0	0	0	0	0	24,878
Statutory Local Taxes								
Bank Excise Tax	22,680	0	0	3,990	0	630	0	3,570
Wholesale Beer Tax	62,702	0	0	0	0	0	0	0
Interstate Telecommunications Tax	1,279	0	0	0	0	0	0	0
Total Local Taxes	$ 3,989,772	$ 1,030	$ 1,061	$ 665,523	$ 0	$ 107,956	$ 0	$ 636,909
Licenses and Permits								
Licenses								
Marriage Licenses	$ 603	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Cable TV Franchise	60,233	0	0	0	0	0	0	0
Permits								
Beer Permits	600	0	0	0	0	0	0	0
Total Licenses and Permits	$ 61,436	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	$ 3,083	$ 0	$ 0	$ 543	$ 0	$ 78	$ 0	$ 464
Officers Costs	1,857	0	0	327	0	49	0	280
Drug Control Fines	2,073	0	0	0	3,819	0	0	0
Jail Fees	928	0	0	0	0	0	0	0
Data Entry Fee - Circuit Court	500	0	0	0	0	0	0	0

(Continued)

Exhibit J-5

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

		Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation	Constitu-tional Officers - Fees	Highway / Public Works
Fines, Forfeitures, and Penalties (Cont.)								
Criminal Court								
DUI Treatment Fines	$ 103	$ 0	$ 0	$ 17	$ 0	$ 3	$ 0	$ 15
Victims Assistance Assessments	542	0	0	0	0	0	0	0
General Sessions Court								
Fines	3,724	0	0	698	0	110	0	543
Officers Costs	6,655	0	0	1,172	0	173	0	1,053
Game and Fish Fines	59	0	0	10	0	2	0	9
Drug Control Fines	2,185	0	0	0	2,471	0	0	0
Jail Fees	13,792	0	0	0	0	0	0	0
DUI Treatment Fines	4,986	0	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,138	0	0	0	0	0	0	0
Courtroom Security Fee	11	0	0	0	0	0	0	0
Victims Assistance Assessments	3,898	0	0	0	0	0	0	0
Juvenile Court								
Fines	154	0	0	27	0	4	0	26
Officers Costs	696	0	0	0	0	0	0	0
Data Entry Fee - Juvenile Court	245	0	0	0	0	0	0	0
Chancery Court								
Officers Costs	686	0	0	0	0	0	0	0
Data Entry Fee - Chancery Court	1,062	0	0	0	0	0	0	0
Other Courts - In-county								
Jail Fees	1,809	0	0	0	0	0	0	0
Other Fines, Forfeitures, and Penalties								
Proceeds from Confiscated Property	0	0	0	0	1,778	0	0	0
Total Fines, Forfeitures, and Penalties	$ 53,186	$ 0	$ 0	$ 2,794	$ 8,068	$ 419	$ 0	$ 2,390
Charges for Current Services								
General Service Charges								
Other Employee Benefit Charges/Contributions	$ 4,425	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,305
Patient Charges	781,741	0	0	0	0	0	0	0
Other General Service Charges	0	0	0	0	0	130	0	0
Service Charges	13,721	0	0	0	0	0	0	0
Fees								
Recreation Fees	0	0	0	0	0	13,917	0	0
Copy Fees	11,703	0	0	0	0	0	0	0
Library Fees	4,406	0	0	0	0	0	0	0
Telephone Commissions	9,096	0	0	0	0	0	0	0

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds						
		Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation	Constitu-tional Officers - Fees	Highway / Public Works
Charges for Current Services (Cont.)								
Fees (Cont.)								
Constitutional Officers' Fees and Commissions	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 327,639	$ 0
Data Processing Fee - Register	6,584	0	0	0	0	0	0	0
Data Processing Fee - Sheriff	2,008	0	0	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,706	0	0	0	0	0	0	0
Total Charges for Current Services	$ 835,390	$ 0	$ 0	$ 0	$ 0	$ 14,047	$ 327,639	$ 4,305
Other Local Revenues								
Recurring Items								
Investment Income	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Lease/Rentals	28,322	0	0	0	0	0	0	0
Sale of Materials and Supplies	18	0	0	0	0	0	0	0
Commissary Sales	6,926	0	0	0	0	0	0	0
Sale of Maps	132	0	0	0	0	0	0	0
Sale of Recycled Materials	1,011	0	0	11,510	0	0	0	5,847
Miscellaneous Refunds	28,741	0	0	0	1,437	213	0	624
Nonrecurring Items								
Contributions and Gifts	569	0	0	0	0	3,376	0	0
Other Local Revenues								
Other Local Revenues	234	0	0	0	0	0	0	0
Total Other Local Revenues	$ 65,953	$ 0	$ 0	$ 11,510	$ 1,437	$ 3,589	$ 0	$ 6,471
Fees Received from County Officials								
Excess Fees								
Trustee	$ 98,600	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Fees in-Lieu-of Salary								
Circuit Court Clerk	38,380	0	0	0	0	0	0	0
General Sessions Court Clerk	69,394	0	0	0	0	0	0	0
Clerk and Master	46,936	0	0	0	0	0	0	0
Juvenile Court Clerk	10,206	0	0	0	0	0	0	0
Register	78,097	0	0	0	0	0	0	0
Sheriff	3,801	0	0	0	0	0	0	0
Total Fees Received from County Officials	$ 345,414	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
State of Tennessee								
General Government Grants								
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

(Continued)

Exhibit J-5

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

		Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Law Library	Solid Waste / Sanitation	Drug Control	Sports and Recreation	Constitu-tional Officers - Fees	Highway / Public Works
State of Tennessee (Cont.)								
General Government Grants (Cont.)								
Aging Programs	$ 6,456	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Solid Waste Grants	0	0	0	6,300	0	0	0	0
Public Safety Grants								
Law Enforcement Training Programs	12,600	0	0	0	0	0	0	0
Health and Welfare Grants								
Public Health Nurses	17,418	0	0	0	0	0	0	0
Public Works Grants								
State Aid Program	0	0	0	0	0	0	0	94,719
Litter Program	41,828	0	0	0	0	0	0	0
Other State Revenues								
Income Tax	33,291	0	0	0	0	0	0	0
Beer Tax	18,586	0	0	0	0	0	0	0
Alcoholic Beverage Tax	38,259	0	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	315,342	0	0	73,969	0	8,760	0	49,637
Emergency Hospital - Prisoners	45,947	0	0	0	0	0	0	0
Contracted Prisoner Boarding	587,193	0	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	0	1,441,653
Petroleum Special Tax	0	0	0	0	0	0	0	16,348
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0
Other State Grants	1,556	0	0	0	0	0	0	0
Other State Revenues	3,273	0	0	0	0	0	0	0
Total State of Tennessee	$ 1,145,913	$ 0	$ 0	$ 80,269	$ 0	$ 8,760	$ 0	$ 1,602,357
Federal Government								
Federal Through State								
Community Development	$ 56,702	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Disaster Relief	0	0	0	0	0	0	0	2,571
Homeland Security Grants	48,393	0	0	0	0	0	0	0
Other Federal through State	24,379	0	0	0	0	0	0	0
Total Federal Government	$ 129,474	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,571
Other Governments and Citizens Groups								
Other Governments								
Contributions	$ 3,048	$ 0	$ 0	$ 0	$ 3,837	$ 0	$ 0	$ 0
Total Other Governments and Citizens Groups	$ 3,048	$ 0	$ 0	$ 0	$ 3,837	$ 0	$ 0	$ 0
Total	$ 6,629,586	$ 1,030	$ 1,061	$ 760,096	$ 13,342	$ 134,771	$ 327,639	$ 2,255,003

(Continued)

Exhibit J-5

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

	Debt Service Fund	
	General Debt Service	Total
Local Taxes		
County Property Taxes		
Current Property Tax	$ 907,215	$ 5,404,858
Trustee's Collections - Prior Year	40,203	219,370
Circuit/Clerk & Master Collections - Prior Years	10,601	58,837
Interest and Penalty	5,258	29,206
Payments in-Lieu-of Taxes - T.V.A.	29,874	141,218
Payments in-Lieu-of Taxes - Local Utilities	60,004	320,023
Payments in-Lieu-of Taxes - Other	14,769	87,138
County Local Option Taxes		
Local Option Sales Tax	335,309	335,309
Litigation Tax - General	0	7,080
Litigation Tax - Special Purpose	0	27,742
Litigation Tax - Jail, Workhouse, or Courthouse	0	11,679
Business Tax	8,866	52,161
Mineral Severance Tax	0	24,878
Statutory Local Taxes		
Bank Excise Tax	6,300	37,170
Wholesale Beer Tax	0	62,702
Interstate Telecommunications Tax	0	1,279
Total Local Taxes	$ 1,418,399	$ 6,820,650
Licenses and Permits		
Licenses		
Marriage Licenses	$ 0	$ 603
Cable TV Franchise	0	60,233
Permits		
Beer Permits	0	600
Total Licenses and Permits	$ 0	$ 61,436
Fines, Forfeitures, and Penalties		
Circuit Court		
Fines	$ 863	$ 5,031
Officers Costs	521	3,034
Drug Control Fines	0	5,892
Jail Fees	0	928
Data Entry Fee - Circuit Court	0	500

(Continued)

Exhibit J-5

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

	Debt Service Fund	
	General Debt Service	Total
Fines, Forfeitures, and Penalties (Cont.)		
Criminal Court		
DUI Treatment Fines	$ 27	$ 165
Victims Assistance Assessments	0	542
General Sessions Court		
Fines	1,104	6,179
Officers Costs	1,859	10,912
Game and Fish Fines	17	97
Drug Control Fines	0	4,656
Jail Fees	0	13,792
DUI Treatment Fines	0	4,986
Data Entry Fee - General Sessions Court	0	4,138
Courtroom Security Fee	0	11
Victims Assistance Assessments	0	3,898
Juvenile Court		
Fines	43	254
Officers Costs	0	696
Data Entry Fee - Juvenile Court	0	245
Chancery Court		
Officers Costs	0	686
Data Entry Fee - Chancery Court	0	1,062
Other Courts - In-county		
Jail Fees	0	1,809
Other Fines, Forfeitures, and Penalties		
Proceeds from Confiscated Property	0	1,778
Total Fines, Forfeitures, and Penalties	$ 4,434	$ 71,291
Charges for Current Services		
General Service Charges		
Other Employee Benefit Charges/Contributions	$ 0	$ 8,730
Patient Charges	0	781,741
Other General Service Charges	0	130
Service Charges	0	13,721
Fees		
Recreation Fees	0	13,917
Copy Fees	0	11,703
Library Fees	0	4,406
Telephone Commissions	0	9,096

(Continued)

Exhibit J-5

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

	Debt Service Fund	
	General Debt Service	Total
Charges for Current Services (Cont.)		
Fees (Cont.)		
Constitutional Officers' Fees and Commissions	$ 0	$ 327,639
Data Processing Fee - Register	0	6,584
Data Processing Fee - Sheriff	0	2,008
Sexual Offender Registration Fees - Sheriff	0	1,706
Total Charges for Current Services	$ 0	$ 1,181,381
Other Local Revenues		
Recurring Items		
Investment Income	$ 187,244	$ 187,244
Lease/Rentals	0	28,322
Sale of Materials and Supplies	0	18
Commissary Sales	0	6,926
Sale of Maps	0	132
Sale of Recycled Materials	0	18,368
Miscellaneous Refunds	0	31,015
Nonrecurring Items		
Contributions and Gifts	0	3,945
Other Local Revenues		
Other Local Revenues	0	234
Total Other Local Revenues	$ 187,244	$ 276,204
Fees Received from County Officials		
Excess Fees		
Trustee	$ 0	$ 98,600
Fees in-Lieu-of Salary		
Circuit Court Clerk	0	38,380
General Sessions Court Clerk	0	69,394
Clerk and Master	0	46,936
Juvenile Court Clerk	0	10,206
Register	0	78,097
Sheriff	0	3,801
Total Fees Received from County Officials	$ 0	$ 345,414
State of Tennessee		
General Government Grants		
Juvenile Services Program	$ 0	$ 9,000

(Continued)

Exhibit J-5

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

	Debt Service Fund	
	General Debt Service	Total
State of Tennessee (Cont.)		
General Government Grants (Cont.)		
Aging Programs	$ 0	$ 6,456
Solid Waste Grants	0	6,300
Public Safety Grants		
Law Enforcement Training Programs	0	12,600
Health and Welfare Grants		
Public Health Nurses	0	17,418
Public Works Grants		
State Aid Program	0	94,719
Litter Program	0	41,828
Other State Revenues		
Income Tax	0	33,291
Beer Tax	0	18,586
Alcoholic Beverage Tax	0	38,259
State Revenue Sharing - T.V.A.	87,595	535,303
Emergency Hospital - Prisoners	0	45,947
Contracted Prisoner Boarding	0	587,193
Gasoline and Motor Fuel Tax	0	1,441,653
Petroleum Special Tax	0	16,348
Registrar's Salary Supplement	0	15,164
Other State Grants	0	1,556
Other State Revenues	0	3,273
Total State of Tennessee	$ 87,595	$ 2,924,894
Federal Government		
Federal Through State		
Community Development	$ 0	$ 56,702
Disaster Relief	0	2,571
Homeland Security Grants	0	48,393
Other Federal through State	0	24,379
Total Federal Government	$ 0	$ 132,045
Other Governments and Citizens Groups		
Other Governments		
Contributions	$ 700,000	$ 706,885
Total Other Governments and Citizens Groups	$ 700,000	$ 706,885
Total	$ 2,397,672	$ 12,520,200

Exhibit J-6

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

	General Purpose School	Special Revenue Funds School Federal Projects	Special Revenue Funds Central Cafeteria	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 2,444,802	$ 0	$ 0	$ 2,444,802
Trustee's Collections - Prior Year	72,875	0	0	72,875
Circuit/Clerk & Master Collections - Prior Years	25,571	0	0	25,571
Interest and Penalty	12,116	0	0	12,116
Payments in-Lieu-of Taxes - T.V.A.	1,644	0	0	1,644
Payments in-Lieu-of Taxes - Other	35,938	0	0	35,938
County Local Option Taxes				
Local Option Sales Tax	983,600	0	0	983,600
Business Tax	23,169	0	0	23,169
Statutory Local Taxes				
Bank Excise Tax	15,330	0	0	15,330
Interstate Telecommunications Tax	1,844	0	0	1,844
Total Local Taxes	$ 3,616,889	$ 0	$ 0	$ 3,616,889
Licenses and Permits				
Licenses				
Marriage Licenses	$ 660	$ 0	$ 0	$ 660
Total Licenses and Permits	$ 660	$ 0	$ 0	$ 660
Fines, Forfeitures, and Penalties				
Circuit Court				
Fines	$ 2,166	$ 0	$ 0	$ 2,166
Officers Costs	1,261	0	0	1,261
Criminal Court				
DUI Treatment Fines	65	0	0	65
General Sessions Court				
Fines	2,566	0	0	2,566
Officers Costs	4,522	0	0	4,522
Game and Fish Fines	40	0	0	40
Juvenile Court				
Fines	110	0	0	110
Total Fines, Forfeitures, and Penalties	$ 10,730	$ 0	$ 0	$ 10,730
Charges for Current Services				
Education Charges				
Lunch Payments - Children	$ 0	$ 0	$ 304,421	$ 304,421
Lunch Payments - Adults	0	0	86,503	86,503
Income from Breakfast	0	0	57,864	57,864
A la carte Sales	0	0	122,249	122,249
Receipts from Individual Schools	0	0	3,074	3,074
Community Service Fees - Adults	45	0	0	45
TBI Criminal Background Fees	3,330	0	0	3,330
Other Charges for Services				
Other Charges for Services	0	0	14,992	14,992
Total Charges for Current Services	$ 3,375	$ 0	$ 589,103	$ 592,478
Other Local Revenues				
Recurring Items				
Investment Income	$ 0	$ 0	$ 1,327	$ 1,327
Miscellaneous Refunds	43,297	0	866	44,163

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds: School Federal Projects	Special Revenue Funds: Central Cafeteria	Total
Other Local Revenues (Cont.)				
Nonrecurring Items				
Sale of Property	$ 1	$ 0	$ 0	$ 1
Contributions and Gifts	4,500	0	0	4,500
Other Local Revenues				
Other Local Revenues	51,222	0	0	51,222
Total Other Local Revenues	$ 99,020	$ 0	$ 2,193	$ 101,213
State of Tennessee				
General Government Grants				
On-Behalf Contributions for OPEB	$ 163,834	$ 0	$ 0	$ 163,834
State Education Funds				
Basic Education Program	18,961,454	0	0	18,961,454
Early Childhood Education	403,163	0	0	403,163
School Food Service	0	0	20,628	20,628
Driver Education	14,166	0	0	14,166
Other State Education Funds	187,607	0	0	187,607
Career Ladder Program	125,797	0	0	125,797
Career Ladder - Extended Contract	24,400	0	0	24,400
Other Vocational	4,494	0	0	4,494
Other State Revenues				
State Revenue Sharing - T.V.A.	213,148	0	0	213,148
Other State Grants	3,900	0	0	3,900
Total State of Tennessee	$ 20,101,963	$ 0	$ 20,628	$ 20,122,591
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 0	$ 0	$ 989,158	$ 989,158
USDA - Commodities	0	0	104,103	104,103
Breakfast	0	0	375,936	375,936
USDA - Other	0	0	2,714	2,714
Adult Education State Grant Program	55,424	0	0	55,424
Vocational Education - Basic Grants to States	0	59,978	0	59,978
Other Vocational	0	79,996	0	79,996
Title I Grants to Local Education Agencies	0	1,053,598	0	1,053,598
Special Education - Grants to States	107,500	878,770	0	986,270
Special Education Preschool Grants	0	40,554	0	40,554
English Language Acquisition Grants	0	29,163	0	29,163
Rural Education	0	75,038	0	75,038
Eisenhower Professional Development State Grants	0	182,699	0	182,699
Race-to-the-Top - ARRA	0	187,941	0	187,941
Other Federal through State	0	47,385	0	47,385
Direct Federal Revenue				
ROTC Reimbursement	60,165	0	0	60,165
Total Federal Government	$ 223,089	$ 2,635,122	$ 1,471,911	$ 4,330,122
Other Governments and Citizens Groups				
Other Governments				
Contracted Services	$ 58,285	$ 0	$ 0	$ 58,285
Total Other Governments and Citizens Groups	$ 58,285	$ 0	$ 0	$ 58,285
Total	$ 24,114,011	$ 2,635,122	$ 2,083,835	$ 28,832,968

Exhibit J-7

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

General Fund				
General Government				
County Commission				
Board and Committee Members Fees	$	44,000		
Social Security		3,366		
State Retirement		3,048		
Unemployment Compensation		19		
Dues and Memberships		1,450		
Total County Commission			$	51,883
Board of Equalization				
Board and Committee Members Fees	$	500		
Total Board of Equalization				500
Beer Board				
Board and Committee Members Fees	$	425		
Total Beer Board				425
Budget and Finance Committee				
Board and Committee Members Fees	$	1,000		
Total Budget and Finance Committee				1,000
County Mayor/Executive				
County Official/Administrative Officer	$	71,237		
Purchasing Personnel		5,000		
Longevity Pay		1,700		
Other Salaries and Wages		50,950		
Social Security		9,377		
State Retirement		12,052		
Medical Insurance		8,100		
Unemployment Compensation		451		
Communication		2,869		
Data Processing Services		7,099		
Dues and Memberships		1,450		
Maintenance Agreements		1,452		
Postal Charges		1,773		
Printing, Stationery, and Forms		70		
Travel		713		
Office Supplies		2,027		
Other Supplies and Materials		100		
Office Equipment		1,454		
Total County Mayor/Executive				177,874
Election Commission				
County Official/Administrative Officer	$	52,865		
Assistant(s)		23,175		
Longevity Pay		200		
Election Commission		25,500		
Election Workers		20,401		
In-Service Training		2,340		
Social Security		5,832		
State Retirement		7,617		
Unemployment Compensation		360		

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
General Government (Cont.)				
Election Commission (Cont.)				
Communication	$	2,412		
Dues and Memberships		225		
Legal Notices, Recording, and Court Costs		3,170		
Maintenance Agreements		9,270		
Maintenance and Repair Services - Equipment		1,640		
Maintenance and Repair Services - Office Equipment		2,092		
Postal Charges		600		
Printing, Stationery, and Forms		2,694		
Rentals		9,600		
Travel		6,116		
Electricity		1,358		
Office Supplies		594		
Propane Gas		2,368		
Water and Sewer		475		
Other Charges		12		
Total Election Commission			$	180,916
Register of Deeds				
County Official/Administrative Officer	$	58,739		
Clerical Personnel		46,089		
Part-time Personnel		4,503		
Longevity Pay		1,350		
Social Security		7,632		
State Retirement		10,607		
Medical Insurance		10,695		
Unemployment Compensation		444		
Communication		2,607		
Data Processing Services		5,631		
Dues and Memberships		432		
Maintenance Agreements		6,514		
Maintenance and Repair Services - Office Equipment		1,368		
Postal Charges		416		
Travel		718		
Office Supplies		3,035		
Office Equipment		32		
Total Register of Deeds				160,812
Planning				
Board and Committee Members Fees	$	6,750		
Other Contracted Services		9,250		
Total Planning				16,000
County Buildings				
Custodial Personnel	$	25,813		
Social Security		1,975		
State Retirement		2,579		
Unemployment Compensation		180		
Maintenance and Repair Services - Buildings		28,944		
Other Contracted Services		150		
Coal		5,780		

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
General Government (Cont.)				
County Buildings (Cont.)				
Custodial Supplies	$	1,215		
Electricity		22,545		
Water and Sewer		2,338		
Building Improvements		4,900		
Total County Buildings			$	96,419
Other Facilities				
Maintenance Personnel	$	26,213		
Social Security		1,851		
State Retirement		2,619		
Medical Insurance		900		
Unemployment Compensation		265		
Communication		577		
Maintenance and Repair Services - Buildings		61,971		
Other Contracted Services		1,313		
Custodial Supplies		3,427		
Diesel Fuel		1,942		
Electricity		103,429		
Propane Gas		37,074		
Water and Sewer		28,444		
Total Other Facilities				270,025
Preservation of Records				
Part-time Personnel	$	11,036		
Social Security		844		
Unemployment Compensation		137		
Communication		1,612		
Postal Charges		46		
Travel		94		
Office Supplies		2,065		
Other Supplies and Materials		1,654		
Other Charges		1,160		
Total Preservation of Records				18,648
Finance				
Property Assessor's Office				
County Official/Administrative Officer	$	58,739		
Assistant(s)		18,074		
Deputy(ies)		26,368		
Part-time Personnel		2,500		
Longevity Pay		850		
Social Security		7,560		
State Retirement		8,587		
Medical Insurance		5,034		
Unemployment Compensation		360		
Communication		1,368		
Contracts with Private Agencies		1,575		
Data Processing Services		12,063		
Maintenance Agreements		671		
Maintenance and Repair Services - Vehicles		562		

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
Finance (Cont.)				
Property Assessor's Office (Cont.)				
Postal Charges	$	476		
Gasoline		1,814		
Office Supplies		1,111		
Total Property Assessor's Office			$	147,712
County Trustee's Office				
Social Security	$	11,853		
State Retirement		15,245		
Unemployment Compensation		611		
Communication		2,398		
Data Processing Services		14,207		
Dues and Memberships		517		
Legal Notices, Recording, and Court Costs		62		
Maintenance Agreements		1,557		
Postal Charges		7,276		
Printing, Stationery, and Forms		758		
Travel		1,471		
Office Supplies		3,582		
Data Processing Equipment		2,164		
Office Equipment		874		
Total County Trustee's Office				62,575
County Clerk's Office				
Social Security	$	13,134		
State Retirement		13,823		
Medical Insurance		4,500		
Unemployment Compensation		782		
Communication		2,499		
Data Processing Services		1,497		
Dues and Memberships		577		
Maintenance Agreements		1,452		
Maintenance and Repair Services - Office Equipment		9		
Postal Charges		6,621		
Printing, Stationery, and Forms		2,979		
Travel		2,579		
Office Supplies		9,691		
Other Charges		171		
Data Processing Equipment		74		
Total County Clerk's Office				60,388
Administration of Justice				
Circuit Court				
County Official/Administrative Officer	$	58,739		
Deputy(ies)		26,001		
Secretary(ies)		24,982		
Longevity Pay		350		
Jury and Witness Expense		7,440		
Social Security		7,621		
State Retirement		12,484		
Medical Insurance		5,441		

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
Administration of Justice (Cont.)				
Circuit Court (Cont.)				
Unemployment Compensation	$	540		
Communication		3,301		
Dues and Memberships		467		
Maintenance Agreements		12,896		
Postal Charges		1,689		
Printing, Stationery, and Forms		1,141		
Travel		626		
Office Supplies		3,225		
Total Circuit Court			$	166,943
General Sessions Court				
Judge(s)	$	91,428		
Secretary(ies)		43,406		
Longevity Pay		400		
Social Security		10,060		
State Retirement		11,711		
Medical Insurance		2,700		
Unemployment Compensation		294		
Maintenance Agreements		278		
Postal Charges		1,221		
Printing, Stationery, and Forms		446		
Library Books/Media		281		
Office Supplies		1,011		
Total General Sessions Court				163,236
Chancery Court				
County Official/Administrative Officer	$	58,739		
Deputy(ies)		25,277		
Longevity Pay		650		
Social Security		5,672		
State Retirement		6,938		
Medical Insurance		9,356		
Unemployment Compensation		180		
Communication		1,839		
Dues and Memberships		682		
Maintenance Agreements		134		
Postal Charges		811		
Printing, Stationery, and Forms		251		
Travel		379		
Office Supplies		2,507		
Office Equipment		3,252		
Total Chancery Court				116,667
Juvenile Court				
Assistant(s)	$	18,507		
Supervisor/Director		34,000		
Probation Officer(s)		6,540		
Longevity Pay		200		
Social Security		4,404		
State Retirement		5,265		

(Continued)

Exhibit J-7

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
Juvenile Court (Cont.)		
Medical Insurance	$ 2,700	
Unemployment Compensation	484	
Communication	2,697	
Contracts with Other Public Agencies	17,955	
Dues and Memberships	300	
Legal Services	350	
Maintenance and Repair Services - Office Equipment	200	
Medical and Dental Services	126	
Postal Charges	108	
Printing, Stationery, and Forms	259	
Travel	2,425	
Food Preparation Supplies	159	
Office Supplies	1,404	
Uniforms	251	
Other Charges	2,155	
Office Equipment	2,666	
Total Juvenile Court		$ 103,155
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 67,844	
Deputy(ies)	439,946	
Investigator(s)	38,833	
Sergeant(s)	158,682	
Medical Personnel	16,425	
Salary Supplements	4,800	
Secretary(ies)	53,491	
Longevity Pay	1,639	
Other Salaries and Wages	108	
In-Service Training	2,325	
Social Security	56,597	
State Retirement	66,488	
Medical Insurance	21,522	
Unemployment Compensation	5,217	
Communication	14,936	
Dues and Memberships	1,500	
Operating Lease Payments	948	
Maintenance Agreements	4,879	
Maintenance and Repair Services - Vehicles	61,439	
Postal Charges	1,101	
Printing, Stationery, and Forms	1,667	
Travel	6,012	
Gasoline	138,548	
Law Enforcement Supplies	14,576	
Office Supplies	5,496	
Tires and Tubes	16,758	
Uniforms	4,996	
Other Supplies and Materials	8,532	
Other Charges	3,905	
Communication Equipment	11,240	
Motor Vehicles	47,830	
Total Sheriff's Department		1,278,280

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
Public Safety (Cont.)				
Jail				
Medical Personnel	$	48,216		
Guards		506,070		
Cafeteria Personnel		56,462		
Longevity Pay		750		
Social Security		44,357		
State Retirement		53,332		
Medical Insurance		35,442		
Unemployment Compensation		5,200		
Medical and Dental Services		141,658		
Drugs and Medical Supplies		24,654		
Food Preparation Supplies		122,345		
Other Supplies and Materials		33,856		
Other Charges		1,583		
Total Jail			$	1,073,925
Fire Prevention and Control				
Contracts with Government Agencies	$	1,500		
Total Fire Prevention and Control				1,500
Civil Defense				
Supervisor/Director	$	8,865		
In-Service Training		2,800		
Social Security		678		
Unemployment Compensation		134		
Communication		3,615		
Maintenance and Repair Services - Equipment		2,937		
Maintenance and Repair Services - Vehicles		4,560		
Rentals		898		
Travel		250		
Diesel Fuel		816		
Gasoline		2,761		
Office Supplies		537		
Communication Equipment		1,963		
Data Processing Equipment		938		
Surplus Equipment		14,750		
Other Equipment		48,393		
Other Capital Outlay		1,955		
Total Civil Defense				96,850
Other Emergency Management				
Contributions	$	212,500		
Total Other Emergency Management				212,500
Inspection and Regulation				
Supervisor/Director	$	3,030		
Social Security		232		
Unemployment Compensation		10		
Total Inspection and Regulation				3,272

(Continued)

Exhibit J-7

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

General Fund (Cont.)			
Public Health and Welfare			
Local Health Center			
Custodial Personnel	$ 13,074		
Other Salaries and Wages	15,090		
Social Security	2,156		
Unemployment Compensation	333		
Communication	3,016		
Dues and Memberships	200		
Maintenance Agreements	1,128		
Maintenance and Repair Services - Buildings	1,728		
Postal Charges	46		
Travel	2,046		
Custodial Supplies	319		
Drugs and Medical Supplies	295		
Office Supplies	936		
Utilities	11,094		
Total Local Health Center		$	51,461
Ambulance/Emergency Medical Services			
Supervisor/Director	$ 39,100		
Medical Personnel	842,853		
Paraprofessionals	5,500		
Longevity Pay	3,000		
Other Salaries and Wages	25,630		
In-Service Training	924		
Social Security	67,167		
State Retirement	71,324		
Medical Insurance	30,337		
Unemployment Compensation	6,281		
Communication	12,324		
Debt Collection Services	47,532		
Licenses	3,356		
Maintenance Agreements	1,196		
Maintenance and Repair Services - Vehicles	35,283		
Postal Charges	457		
Rentals	10,575		
Travel	826		
Diesel Fuel	62,523		
Drugs and Medical Supplies	68,155		
Electricity	9,551		
Office Supplies	2,104		
Tires and Tubes	8,240		
Uniforms	4,165		
Water and Sewer	1,755		
Other Supplies and Materials	12,541		
Building Improvements	6,265		
Communication Equipment	1,939		
Motor Vehicles	104,337		
Total Ambulance/Emergency Medical Services			1,485,240
Other Local Health Services			
Contracts with Other Public Agencies	$ 2,112		
Total Other Local Health Services			2,112

(Continued)

Exhibit J-7

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	$	16,706		
Total Appropriation to State			$	16,706
General Welfare Assistance				
Contributions	$	10,000		
Total General Welfare Assistance				10,000
Aid to Dependent Children				
Contracts with Other Public Agencies	$	4,700		
Total Aid to Dependent Children				4,700
Other Local Welfare Services				
Contributions	$	4,000		
Total Other Local Welfare Services				4,000
Social, Cultural, and Recreational Services				
Senior Citizens Assistance				
Supervisor/Director	$	2,376		
Other Salaries and Wages		12,411		
Social Security		1,131		
State Retirement		1,477		
Unemployment Compensation		268		
Communication		2,205		
Contracts with Other Public Agencies		1,000		
Contributions		7,500		
Maintenance and Repair Services - Office Equipment		200		
Travel		1,618		
Electricity		900		
Office Supplies		49		
Water and Sewer		300		
Office Equipment		152		
Total Senior Citizens Assistance				31,587
Libraries				
Assistant(s)	$	2,964		
Librarians		58,504		
Part-time Personnel		5,564		
Longevity Pay		550		
Social Security		4,626		
State Retirement		4,702		
Medical Insurance		8,662		
Unemployment Compensation		755		
Communication		5,988		
Data Processing Services		8,107		
Maintenance and Repair Services - Buildings		259		
Maintenance and Repair Services - Office Equipment		1,678		
Postal Charges		312		
Travel		334		
Other Contracted Services		1,080		
Electricity		8,302		

(Continued)

Exhibit J-7

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

General Fund (Cont.)				
Social, Cultural, and Recreational Services (Cont.)				
Libraries (Cont.)				
Library Books/Media	$	11,160		
Office Supplies		1,513		
Periodicals		564		
Water and Sewer		266		
Other Supplies and Materials		331		
Other Charges		5,341		
Total Libraries			$	131,562
Agriculture and Natural Resources				
Agriculture Extension Service				
Salary Supplements	$	45,552		
Communication		2,075		
Contributions		6,802		
Travel		5,397		
Total Agriculture Extension Service				59,826
Soil Conservation				
Secretary(ies)	$	24,500		
Longevity Pay		750		
Other Salaries and Wages		20,000		
Social Security		3,253		
State Retirement		4,521		
Medical Insurance		2,700		
Unemployment Compensation		360		
Communication		1,706		
Contributions		4,000		
Rentals		4,200		
Other Supplies and Materials		527		
Office Equipment		924		
Total Soil Conservation				67,441
Other Operations				
Tourism				
Contributions	$	1,000		
Total Tourism				1,000
Industrial Development				
Longevity Pay	$	1,000		
Other Salaries and Wages		37,080		
Social Security		2,889		
State Retirement		1,952		
Unemployment Compensation		360		
Maintenance Agreements		58		
Maintenance and Repair Services - Equipment		403		
Other Contracted Services		768		
Electricity		8,686		
Water and Sewer		948		
Other Supplies and Materials		1,051		
Other Charges		1,731		
Other Construction		1,080		
Total Industrial Development				58,006

(Continued)

Exhibit J-7

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	$ 60,345		
Total Other Economic and Community Development		$ 60,345	
Veterans' Services			
Supervisor/Director	$ 8,843		
Social Security	676		
Unemployment Compensation	134		
Communication	1,572		
Postal Charges	44		
Travel	499		
Other Supplies and Materials	65		
Office Equipment	961		
Total Veterans' Services		12,794	
Other Charges			
Medical Insurance	$ 18,883		
Building and Contents Insurance	15,846		
Liability Insurance	30,936		
Trustee's Commission	85,325		
Vehicle and Equipment Insurance	31,456		
Workers' Compensation Insurance	76,563		
Total Other Charges		259,009	
Contributions to Other Agencies			
Contributions	$ 3,551		
Total Contributions to Other Agencies		3,551	
Miscellaneous			
Audit Services	$ 7,276		
Contributions	24,000		
Legal Services	2,186		
Maintenance Agreements	3,426		
Premiums on Corporate Surety Bonds	340		
Other Charges	18,919		
Total Miscellaneous		56,147	
Highways			
Litter and Trash Collection			
Guards	$ 24,883		
Social Security	1,521		
State Retirement	2,358		
Unemployment Compensation	243		
Instructional Supplies and Materials	7,999		
Other Supplies and Materials	770		
Total Litter and Trash Collection		37,774	
Total General Fund			$ 6,814,766

(Continued)

Exhibit J-7

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

Courthouse and Jail Maintenance Fund			
General Government			
County Buildings			
Maintenance and Repair Services - Buildings	$ 1,246		
Trustee's Commission	10		
Total County Buildings		$ 1,256	
Total Courthouse and Jail Maintenance Fund			$ 1,256
Law Library Fund			
Social, Cultural, and Recreational Services			
Libraries			
Library Books/Media	$ 1,232		
Trustee's Commission	12		
Total Libraries		$ 1,244	
Total Law Library Fund			1,244
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Sanitation Management			
Accountants/Bookkeepers	$ 10,834		
Equipment Operators - Light	116		
Attendants	214,001		
Longevity Pay	3,450		
Social Security	17,209		
State Retirement	17,419		
Medical Insurance	5,807		
Unemployment Compensation	1,763		
Communication	777		
Engineering Services	600		
Maintenance and Repair Services - Vehicles	7,833		
Disposal Fees	432,071		
Other Contracted Services	3,031		
Asphalt - Hot Mix	5,300		
Diesel Fuel	12,318		
Tires and Tubes	239		
Utilities	12,832		
Other Supplies and Materials	3,651		
Liability Insurance	6,920		
Trustee's Commission	13,994		
Vehicle and Equipment Insurance	10,738		
Workers' Compensation Insurance	13,270		
Total Sanitation Management		$ 794,173	
Recycling Center			
Other Contracted Services	$ 11,823		
Total Recycling Center		11,823	
Postclosure Care Costs			
Other Contracted Services	$ 1,000		
Testing	6,679		
Total Postclosure Care Costs		7,679	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)			
Principal on Debt			
General Government			
Principal on Capital Leases	$ 5,235		
Total General Government		$ 5,235	
Interest on Debt			
General Government			
Interest on Capital Leases	$ 225		
Total General Government		225	
Total Solid Waste/Sanitation Fund			$ 819,135
Drug Control Fund			
Public Safety			
Drug Enforcement			
Data Processing Services	$ 3,094		
Food Supplies	794		
Instructional Supplies and Materials	1,800		
Law Enforcement Supplies	8,109		
Other Supplies and Materials	4,173		
Trustee's Commission	77		
Motor Vehicles	3,230		
Total Drug Enforcement		$ 21,277	
Total Drug Control Fund			21,277
Sports and Recreation Fund			
Social, Cultural, and Recreational Services			
Parks and Fair Boards			
Supervisor/Director	$ 32,545		
Clerical Personnel	25,000		
Longevity Pay	300		
Social Security	4,259		
State Retirement	5,779		
Medical Insurance	2,700		
Unemployment Compensation	360		
Communication	2,306		
Contributions	3,657		
Postal Charges	255		
Printing, Stationery, and Forms	210		
Other Contracted Services	6,312		
Electricity	4,580		
Gasoline	3,438		
Office Supplies	796		
Other Supplies and Materials	8,633		
Trustee's Commission	2,208		
Vehicle and Equipment Insurance	6,924		
Other Charges	16,576		
Maintenance Equipment	200		
Office Equipment	1,448		
Other Equipment	1,523		
Other Construction	4,401		
Total Parks and Fair Boards		$ 134,410	
Total Sports and Recreation Fund			134,410

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund			
Finance			
County Trustee's Office			
Constitutional Officers' Operating Expenses	$ 155,248		
Total County Trustee's Office		$ 155,248	
County Clerk's Office			
Constitutional Officers' Operating Expenses	$ 180,233		
Total County Clerk's Office		180,233	
Total Constitutional Officers - Fees Fund			$ 335,481
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 67,844		
Accountants/Bookkeepers	30,900		
Salary Supplements	100		
Secretary(ies)	5,564		
Social Security	7,770		
State Retirement	10,418		
Medical Insurance	2,700		
Unemployment Compensation	437		
Data Processing Services	4,231		
Legal Notices, Recording, and Court Costs	240		
Postal Charges	364		
Travel	27		
Office Supplies	2,041		
Other Charges	4,643		
Total Administration		$ 137,279	
Highway and Bridge Maintenance			
Salary Supplements	$ 15,275		
Foremen	92,699		
Equipment Operators	170,980		
Truck Drivers	135,640		
Laborers	281,608		
Social Security	49,311		
State Retirement	66,536		
Medical Insurance	51,141		
Unemployment Compensation	6,915		
Rentals	4,676		
Asphalt - Cold Mix	11,460		
Asphalt - Hot Mix	445,432		
Crushed Stone	39,773		
Pipe - Metal	11,957		
Road Signs	3,564		
Small Tools	131		
Wood Products	349		
Other Supplies and Materials	2,883		
Other Charges	1,215		
Total Highway and Bridge Maintenance		1,391,545	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Operation and Maintenance of Equipment			
Salary Supplements	$ 100		
Mechanic(s)	30,898		
Nightwatchmen	29,547		
Social Security	4,004		
State Retirement	4,754		
Medical Insurance	7,734		
Unemployment Compensation	839		
Maintenance and Repair Services - Equipment	5,420		
Diesel Fuel	81,924		
Electricity	2,504		
Equipment and Machinery Parts	40,516		
Gasoline	44,224		
Lubricants	6,997		
Small Tools	375		
Tires and Tubes	18,495		
Other Supplies and Materials	1,596		
Total Operation and Maintenance of Equipment		$ 279,927	
Other Charges			
Communication	$ 5,899		
Custodial Supplies	552		
Electricity	2,142		
Water and Sewer	436		
Trustee's Commission	27,373		
Vehicle and Equipment Insurance	62,903		
Workers' Compensation Insurance	81,719		
Other Self-Insured Claims	1,075		
Total Other Charges		182,099	
Capital Outlay			
Communication	$ 12,022		
Building Improvements	458		
Communication Equipment	636		
Highway Equipment	18,880		
State Aid Projects	111,494		
Total Capital Outlay		143,490	
Total Highway/Public Works Fund			$ 2,134,340
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Bonds	$ 323,000		
Principal on Notes	83,750		
Total General Government		$ 406,750	
Highways and Streets			
Principal on Other Loans	$ 100,000		
Total Highways and Streets		100,000	

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)			
Principal on Debt (Cont.)			
Education			
Principal on Bonds	$ 937,000		
Total Education		$ 937,000	
Interest on Debt			
General Government			
Interest on Bonds	$ 120,634		
Interest on Notes	6,091		
Total General Government		126,725	
Highways and Streets			
Interest on Other Loans	$ 598		
Total Highways and Streets		598	
Education			
Interest on Bonds	$ 664,974		
Total Education		664,974	
Other Debt Service			
General Government			
Trustee's Commission	$ 27,502		
Underwriter's Discount	41,124		
Other Debt Issuance Charges	38,254		
Total General Government		106,880	
Highways and Streets			
Other Debt Service	$ 2,212		
Total Highways and Streets		2,212	
Education			
Underwriter's Discount	$ 214,476		
Other Debt Issuance Charges	162,253		
Other Debt Service	1,628		
Total Education		378,357	
Total General Debt Service Fund			$ 2,723,496
Total Governmental Funds - Primary Government			$ 12,985,405

Exhibit J-8

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

General Purpose School Fund				
Instruction				
Regular Instruction Program				
Teachers	$	7,564,234		
Career Ladder Program		72,445		
Career Ladder Extended Contracts		21,092		
Homebound Teachers		82,239		
Educational Assistants		299,712		
Bonus Payments		16,750		
Other Salaries and Wages		72,841		
Certified Substitute Teachers		57,690		
Non-certified Substitute Teachers		160,818		
Social Security		480,827		
State Retirement		713,140		
Life Insurance		5,079		
Medical Insurance		1,511,303		
Unemployment Compensation		3,913		
Employer Medicare		114,065		
Maintenance and Repair Services - Equipment		9,108		
Instructional Supplies and Materials		77,924		
Textbooks		236,251		
Other Charges		98,647		
Regular Instruction Equipment		329,752		
Total Regular Instruction Program			$	11,927,830
Alternative Instruction Program				
Teachers	$	40,238		
Educational Assistants		20,034		
Social Security		3,693		
State Retirement		5,574		
Life Insurance		29		
Medical Insurance		3,285		
Unemployment Compensation		70		
Employer Medicare		864		
Other Supplies and Materials		210		
Total Alternative Instruction Program				73,997
Special Education Program				
Teachers	$	618,832		
Career Ladder Program		10,248		
Homebound Teachers		11,354		
Educational Assistants		220,532		
Speech Pathologist		194,610		
Other Salaries and Wages		137,997		
Certified Substitute Teachers		4,995		
Non-certified Substitute Teachers		37,005		
Social Security		71,874		
State Retirement		96,989		
Life Insurance		519		
Medical Insurance		145,465		
Unemployment Compensation		1,190		
Employer Medicare		17,055		

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)				
Instruction (Cont.)				
Special Education Program (Cont.)				
Maintenance and Repair Services - Equipment	$	579		
Other Contracted Services		225,060		
Instructional Supplies and Materials		7,012		
Other Supplies and Materials		6,937		
Other Charges		1,938		
Special Education Equipment		1,574		
Total Special Education Program			$	1,811,765
Vocational Education Program				
Teachers	$	617,172		
Career Ladder Program		6,000		
Other Salaries and Wages		20,322		
Certified Substitute Teachers		8,055		
Non-certified Substitute Teachers		8,662		
Social Security		37,849		
State Retirement		57,142		
Life Insurance		427		
Medical Insurance		127,318		
Unemployment Compensation		525		
Employer Medicare		8,909		
Instructional Supplies and Materials		9,007		
T&I Construction Materials		5,997		
Total Vocational Education Program				907,385
Student Body Education Program				
Other Fringe Benefits	$	2,659		
Instructional Supplies and Materials		35,370		
Other Charges		2,560		
Total Student Body Education Program				40,589
Adult Education Program				
Teachers	$	128,001		
Clerical Personnel		4,500		
Educational Assistants		32,684		
Other Salaries and Wages		24,445		
Social Security		10,134		
State Retirement		14,665		
Life Insurance		56		
Medical Insurance		20,631		
Unemployment Compensation		245		
Employer Medicare		2,609		
Instructional Supplies and Materials		574		
Other Supplies and Materials		316		
Total Adult Education Program				238,860
Support Services				
Attendance				
Supervisor/Director	$	6,751		
State Retirement		608		

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Attendance (Cont.)				
Life Insurance	$	25		
Unemployment Compensation		18		
Employer Medicare		98		
Travel		325		
Total Attendance			$	7,825
Health Services				
Medical Personnel	$	249,655		
Educational Assistants		18,234		
Other Salaries and Wages		5,029		
Social Security		14,837		
State Retirement		26,759		
Life Insurance		225		
Medical Insurance		51,412		
Unemployment Compensation		210		
Employer Medicare		3,470		
Travel		3,571		
Drugs and Medical Supplies		2,783		
Instructional Supplies and Materials		14,200		
Other Charges		3,112		
Total Health Services				393,497
Other Student Support				
Career Ladder Program	$	3,000		
Guidance Personnel		243,877		
School Resource Officer		21,400		
Other Salaries and Wages		27,325		
Social Security		15,669		
State Retirement		24,548		
Life Insurance		144		
Medical Insurance		44,309		
Unemployment Compensation		210		
Employer Medicare		3,666		
Evaluation and Testing		27,033		
Travel		598		
Other Supplies and Materials		47		
Total Other Student Support				411,826
Regular Instruction Program				
Supervisor/Director	$	94,177		
Career Ladder Program		6,000		
Librarians		233,982		
Instructional Computer Personnel		66,507		
Other Salaries and Wages		52,764		
In-Service Training		6,510		
Social Security		27,712		
State Retirement		40,842		
Life Insurance		185		
Medical Insurance		47,413		

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Regular Instruction Program (Cont.)				
Unemployment Compensation	$	303		
Employer Medicare		6,383		
Communication		2,485		
Travel		21,539		
Other Contracted Services		21,779		
In Service/Staff Development		9,116		
Other Charges		14,093		
Total Regular Instruction Program			$	651,790
Special Education Program				
Supervisor/Director	$	59,706		
Career Ladder Program		1,000		
Clerical Personnel		17,195		
Other Salaries and Wages		1,275		
Social Security		4,775		
State Retirement		7,236		
Life Insurance		28		
Medical Insurance		6,117		
Unemployment Compensation		52		
Employer Medicare		1,117		
Maintenance and Repair Services - Equipment		32		
Travel		7,161		
Other Contracted Services		27,646		
In Service/Staff Development		7,270		
Other Charges		2,598		
Total Special Education Program				143,208
Vocational Education Program				
Supervisor/Director	$	23,147		
Career Ladder Program		712		
Clerical Personnel		17,195		
Social Security		2,451		
State Retirement		3,837		
Life Insurance		8		
Medical Insurance		3,174		
Unemployment Compensation		30		
Employer Medicare		573		
Travel		821		
Total Vocational Education Program				51,948
Adult Programs				
Travel	$	426		
Other Supplies and Materials		1,504		
In Service/Staff Development		13,105		
Other Charges		90		
Total Adult Programs				15,125
Other Programs				
On-Behalf Payments to OPEB	$	163,834		
Total Other Programs				163,834

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Board of Education				
Other Salaries and Wages	$	16,640		
Board and Committee Members Fees		27,000		
Social Security		2,674		
State Retirement		3,811		
Employer Medicare		625		
Audit Services		10,389		
Dues and Memberships		16,194		
Legal Services		12,994		
Travel		11,416		
Liability Insurance		14,757		
Premiums on Corporate Surety Bonds		1,500		
Trustee's Commission		92,283		
Workers' Compensation Insurance		90,713		
Criminal Investigation of Applicants - TBI		3,270		
Other Charges		162		
Total Board of Education			$	304,428
Director of Schools				
County Official/Administrative Officer	$	88,012		
Career Ladder Program		1,000		
Secretary(ies)		16,640		
Other Salaries and Wages		37,112		
Social Security		8,464		
State Retirement		13,244		
Life Insurance		28		
Medical Insurance		10,957		
Unemployment Compensation		105		
Employer Medicare		1,980		
Communication		10,486		
Dues and Memberships		150		
Postal Charges		2,480		
Travel		6,625		
Other Contracted Services		6,447		
Office Supplies		7,584		
Other Charges		3,472		
Total Director of Schools				214,786
Office of the Principal				
Principals	$	432,185		
Career Ladder Program		5,712		
Assistant Principals		287,768		
Secretary(ies)		172,542		
Social Security		52,077		
State Retirement		81,963		
Life Insurance		356		
Medical Insurance		101,140		
Unemployment Compensation		735		
Employer Medicare		12,179		
Communication		12,361		
Other Charges		13,760		
Total Office of the Principal				1,172,778

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Operation of Plant				
Custodial Personnel	$	459,060		
Other Salaries and Wages		45,007		
Social Security		29,434		
State Retirement		43,200		
Unemployment Compensation		805		
Employer Medicare		6,967		
Other Contracted Services		3,060		
Custodial Supplies		48,774		
Electricity		808,072		
Natural Gas		30,093		
Water and Sewer		55,175		
Other Supplies and Materials		27,313		
Building and Contents Insurance		100,005		
Total Operation of Plant			$	1,656,965
Maintenance of Plant				
Supervisor/Director	$	47,066		
Other Salaries and Wages		194,562		
Social Security		13,929		
State Retirement		22,529		
Life Insurance		21		
Medical Insurance		13,347		
Unemployment Compensation		280		
Employer Medicare		3,356		
Maintenance and Repair Services - Buildings		149,453		
Travel		3,323		
Other Supplies and Materials		6,812		
Other Charges		79,288		
Total Maintenance of Plant				533,966
Transportation				
Bus Drivers	$	113,684		
Other Salaries and Wages		5,522		
Social Security		9,643		
State Retirement		4,119		
Unemployment Compensation		245		
Employer Medicare		2,291		
Contracts with Parents		35,838		
Contracts with Vehicle Owners		755,452		
Maintenance and Repair Services - Vehicles		36,211		
Medical and Dental Services		4,488		
Travel		25,243		
Other Contracted Services		39,800		
Diesel Fuel		104,595		
Gasoline		37,053		
Lubricants		3,809		
Tires and Tubes		6,653		
Vehicle and Equipment Insurance		46,000		
Transportation Equipment		418,700		
Total Transportation				1,649,346

(Continued)

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

General Purpose School Fund (Cont.)			
Operation of Non-Instructional Services			
Community Services			
Other Salaries and Wages	$ 24,487		
Social Security	1,493		
State Retirement	2,551		
Unemployment Compensation	35		
Employer Medicare	348		
Travel	197		
Other Supplies and Materials	501		
Total Community Services		$ 29,612	
Early Childhood Education			
Teachers	$ 175,490		
Educational Assistants	73,802		
Other Salaries and Wages	18,207		
Non-certified Substitute Teachers	7,463		
Social Security	16,497		
State Retirement	22,956		
Life Insurance	86		
Medical Insurance	21,986		
Employer Medicare	3,858		
Travel	2,100		
Instructional Supplies and Materials	29,498		
Other Supplies and Materials	19,218		
Other Charges	12,000		
Total Early Childhood Education		403,161	
Capital Outlay			
Regular Capital Outlay			
Architects	$ 66,850		
Building Improvements	185,511		
Other Capital Outlay	323,967		
Total Regular Capital Outlay		576,328	
Other Debt Service			
Education			
Debt Service Contribution to Primary Government	$ 700,000		
Total Education		700,000	
Total General Purpose School Fund			$ 24,080,849
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 352,730		
Educational Assistants	259,070		
Bonus Payments	10,000		
Other Salaries and Wages	3,272		
Certified Substitute Teachers	4,872		
Non-certified Substitute Teachers	10,548		
Social Security	36,948		

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)				
Instruction (Cont.)				
Regular Instruction Program (Cont.)				
State Retirement	$	56,151		
Life Insurance		230		
Medical Insurance		38,399		
Unemployment Compensation		700		
Employer Medicare		9,014		
Contracts with Other School Systems		20,643		
Maintenance and Repair Services - Equipment		5,150		
Instructional Supplies and Materials		283,238		
Total Regular Instruction Program			$	1,090,965
Special Education Program				
Teachers	$	55,604		
Homebound Teachers		14,472		
Educational Assistants		321,223		
Speech Pathologist		52,158		
Other Salaries and Wages		38,105		
Non-certified Substitute Teachers		26,824		
Social Security		29,694		
State Retirement		42,187		
Life Insurance		29		
Medical Insurance		11,657		
Unemployment Compensation		634		
Employer Medicare		7,013		
Other Contracted Services		30,100		
Instructional Supplies and Materials		24,945		
Other Supplies and Materials		6,661		
Special Education Equipment		10,633		
Total Special Education Program				671,939
Vocational Education Program				
Instructional Supplies and Materials	$	71,237		
T&I Construction Materials		5,999		
Vocational Instruction Equipment		48,738		
Total Vocational Education Program				125,974
Support Services				
Health Services				
Medical Personnel	$	33,639		
Other Salaries and Wages		105		
Social Security		1,738		
State Retirement		3,360		
Unemployment Compensation		70		
Employer Medicare		407		
Total Health Services				39,319
Other Student Support				
Social Workers	$	18,227		
Other Salaries and Wages		17,877		
Social Security		2,172		

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)				
Support Services (Cont.)				
Other Student Support (Cont.)				
State Retirement	$	3,607		
Unemployment Compensation		30		
Employer Medicare		508		
Evaluation and Testing		3,458		
Travel		14,000		
Other Charges		21,788		
Total Other Student Support			$	81,667
Regular Instruction Program				
Supervisor/Director	$	90,659		
Clerical Personnel		19,809		
Educational Assistants		18,540		
Other Salaries and Wages		38,531		
Certified Substitute Teachers		2,959		
In-Service Training		9,356		
Non-certified Substitute Teachers		6,635		
Social Security		10,325		
State Retirement		14,471		
Life Insurance		48		
Medical Insurance		16,252		
Unemployment Compensation		65		
Employer Medicare		2,510		
Postal Charges		500		
Travel		32,163		
Library Books/Media		7,692		
Other Supplies and Materials		72,587		
In Service/Staff Development		56,616		
Other Charges		21,007		
Total Regular Instruction Program				420,725
Special Education Program				
Clerical Personnel	$	8,902		
In-Service Training		1,100		
Social Security		625		
Employer Medicare		146		
Consultants		3,983		
Postal Charges		6		
Travel		15,123		
Contracts for Substitute Teachers - Certified		285		
Other Contracted Services		67,054		
Other Supplies and Materials		3,423		
In Service/Staff Development		44,016		
Other Equipment		3,054		
Total Special Education Program				147,717
Transportation				
Bus Drivers	$	38,610		
Other Salaries and Wages		11,258		
Social Security		2,983		

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)			
Support Services (Cont.)			
Transportation (Cont.)			
State Retirement	$ 4,388		
Employer Medicare	698		
Gasoline	757		
Total Transportation		$ 58,694	
Total School Federal Projects Fund			$ 2,637,000
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 28,005		
Clerical Personnel	31,618		
Cafeteria Personnel	535,658		
Part-time Personnel	51		
Other Salaries and Wages	38,200		
Social Security	35,880		
State Retirement	56,326		
Life Insurance	11		
Medical Insurance	2,178		
Unemployment Compensation	1,750		
Employer Medicare	8,483		
Communication	3,989		
Maintenance and Repair Services - Equipment	23,039		
Travel	4,053		
Other Contracted Services	8,842		
Food Preparation Supplies	104,366		
Food Supplies	997,049		
USDA - Commodities	104,103		
Workers' Compensation Insurance	16,948		
In Service/Staff Development	2,235		
Other Charges	43,880		
Food Service Equipment	5,374		
Total Food Service		$ 2,052,038	
Total Central Cafeteria Fund			2,052,038
Total Governmental Funds - Grainger County School Department			$ 28,769,887

Exhibit J-9

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

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 647,051
Total Cash Receipts	$ 647,051
Cash Disbursements	
Remittance of Revenues Collected	$ 640,580
Trustee's Commission	6,471
Total Cash Disbursements	$ 647,051
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2012	0
Cash Balance, June 30, 2013	$ 0

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, 2013, 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 21, 2014. 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.

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

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2013-001, 2013-005, and 2013-008.

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: 2013-002, 2013-003, 2013-004, 2013-006, and 2013-007.

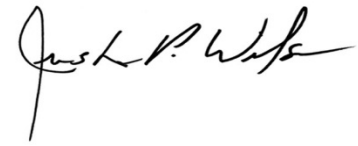
Grainger County's Response to Findings

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

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 21, 2014

JPW/sb

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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 Circular A-133 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, 2013. 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, 2013.

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.

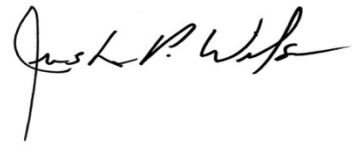
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2013, and the related notes to the financial statements, which collectively comprise Grainger County's basic financial statements. We issued our report thereon dated February 21, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 21, 2014

JPW/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	$ 375,936
National School Lunch Program	10.555	N/A	991,872 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	104,103 (3)
Total U.S. Department of Agriculture			$ 1,471,911
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	GG-10314004	$ 56,702
Total U.S. Department of Housing and Urban Development			$ 56,702
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	$ 1,053,598
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	984,615
Special Education - Preschool Grants	84.173	N/A	40,554
Career and Technical Education - Basic Grants to States	84.048	N/A	139,975
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	47,385
Rural Education	84.358	N/A	75,038
English Language Acquisition Grants	84.365	N/A	29,163
Improving Teacher Quality State Grants	84.367	N/A	186,233
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	187,941
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	61,686
Total U.S. Department of Education			$ 2,806,188
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)	$ 9,630
Passed-through State Department of Human Services:			
Child Support Enforcement	93.563	GG-0925379	14,749
Total U.S. Department of Health and Human Services			$ 24,379
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance	97.036	(2)	$ 48,393
Homeland Security Grant Program	97.067	(2)	2,571
Total U.S. Department of Homeland Security			$ 50,964
Total Expenditures of Federal Awards			$ 4,410,144

(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
State Grants			
Public Health Nurses - State Department of Health	N/A	(2)	$ 17,418
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	9,000
Litter Program - State Department of Transportation	N/A	(2)	41,828
State Aid Program - State Department of Transportation	N/A	(2)	94,719
Special Programs for the Aging - East Tennessee Human Resource Agency	N/A	(2)	5,366
High Schools That Work - State Department of Education	N/A	(2)	4,494
Adult Education - State Grant Program - State Department of Education	N/A	(2)	18,475
Driver Education - State Department of Education	N/A	(2)	14,166
Coordinated School Health - State Department of Education	N/A	(2)	97,145
Family Resource Center Grant - State Department of Education	N/A	(2)	29,688
Connect TN - State Department of Education	N/A	(2)	11,661
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	403,163
Safe Schools Act Grant - State Department of Education	N/A	(2)	21,400
Statewide System Management - State Department of Education	N/A	(2)	9,237
Student Ticket Subsidy - Tennessee Arts Commission through The Arts and Culture Alliance of Greater Knoxville	N/A	(2)	3,900
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	6,300
Total State Grants			$ 787,960

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 $1,095,975.

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

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

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

Finding Number	Page Number	Subject
12.04	154	Duties were not segregated adequately

GRAINGER COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

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

2. The audit of the financial statements of Grainger County disclosed significant deficiencies in internal control. None of those deficiencies was considered to be a material weakness.

3. The audit disclosed one instance of noncompliance that is material to the financial statements of Grainger County.

4. The audit disclosed no significant deficiencies in internal control over major programs.

5. An unmodified opinion was issued on compliance for major programs.

6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.

7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553, and 10.555), Title I Grants to Local Education 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 did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the director of schools is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICES OF COUNTY MAYOR AND SHERIFF

FINDING 2013-001 **PAYROLL RELATED DEFICIENCIES WERE NOTED**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

At the request of the district attorney general and based on concerns related to internal controls at the Sheriff's Department, we reviewed various payroll records of the Sheriff's Department for the period May 12, 2012, through November 16, 2013. Our examination revealed the following deficiencies in the maintenance of payroll records. These deficiencies can be attributed to a lack of management oversight.

A. Time sheets utilized by the Sheriff's Department provide for the employee, a supervisor, and the sheriff to sign and date the time sheet as evidence of its accuracy and of supervisory review and approval. We noted several time sheets that were not signed by the employee, the supervisor, or the sheriff. Sound business practices dictate that time sheets should be signed as documentation that the time reported is accurate and has been reviewed by a supervisor. If time sheets are not reviewed for accuracy, risks increase that time will be reported and paid incorrectly.

B. The County Mayor's Office generates the payroll from a summary time sheet provided by the Sheriff's Department and later receives the individual time sheets to support the summary sheet. Our examination disclosed that approximately seven time sheets were not on file in the County Mayor's Office to support payments made to one employee for the period noted above. However, we were able to obtain copies of the time sheet from the Sheriff's Department.

RECOMMENDATION

All required signatures should be reflected on the time sheets as documentation that the time reported is accurate and has been reviewed properly. The County Mayor's Office should develop procedures and controls to ensure that all individual time sheets are obtained to support amounts reflected on the summary sheets.

OFFICE OF ROAD SUPERINTENDENT

FINDING 2013-002 **A USED BRUSH CHIPPER WAS PURCHASED WITHOUT OBTAINING COMPETITIVE BIDS**
(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures to obtain reasonable assurance that bids were properly solicited, we reviewed certain purchases that were just below or above the $10,000 bid limit. Our examination revealed that the Highway Department purchased a used brush chipper for $15,500 less a trade-in allowance of $4,000 for a net cost $11,500. The department did not solicit bids for the purchase and trade-in of the equipment. Instead, the superintendent obtained one quote for the purchase and researched the internet to determine prices for similar chippers for sale. Purchasing procedures for the Highway Department are governed by Chapter 232, Private Acts of 1980, and provisions of the Uniform Road Law, Section 54-7-113, *Tennessee Code Annotated (TCA)*. These statutes provide for purchases exceeding $10,000 to be made after public advertisement and the solicitation of competitive bids. Since the equipment was used, Section 12-3-1003, *TCA*, permits the purchase of used equipment without competitive bidding if certain documentation is obtained and conditions met. However, the required documentation was not obtained. As a result, the best and lowest price may not have been obtained for the purchase of the equipment.

RECOMMENDATION

All purchases should be made in compliance with the applicable state statutes.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-003 **USED BUSES WERE PURCHASED WITHOUT OBTAINING COMPETITIVE BIDS**
(Material Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures to obtain reasonable assurance that bids were properly solicited, we reviewed certain purchases that were just below or above the $10,000 bid limit. Our examination revealed that competitive bids were not solicited for five used buses totaling $220,000 during the year. Additionally, we noted that competitive bids were not solicited for an additional four used buses totaling $183,700 that were ordered during the year and recognized as liabilities at June 30, 2013. Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *Tennessee Code Annotated (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. Since the buses were used, Section 12-3-1003, *TCA*, permits the purchase of used equipment without competitive bidding if certain documentation is obtained and conditions met. However, the

required documentation was not obtained. As a result, the best and lowest price may not have been obtained for the purchase of these used buses.

RECOMMENDATION

All purchases should be made in compliance with the applicable state statutes.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We do not dispute that a procedural error occurred. With only a few weeks before the start of school, one of our bus contractors made a decision that left the school system short a number of buses. The director of schools quickly informed the School Board of this dilemma and received permission to find enough buses in time for the start of school. In an attempt to save money, the school system purchased quality used buses from Taylor Bus Sales. We obtained favorable pricing on vehicles that will service Grainger County students for a number of years. In hindsight; however, we now understand that those buses should have been obtained through a competitive bidding process. The school system has taken steps to ensure that such an error will not occur again.

OFFICE OF COUNTY CLERK

FINDING 2013-004 **THE OFFICE HAD A CASH SHORTAGE OF $10,095.20**
(Noncompliance Under *Government Auditing Standards*)

On August 7, 2013, our office issued a special report on the County Clerk's Office for the period July 1, 2008, through March 9, 2013, which disclosed a cash shortage of $10,095.20. The county clerk discovered improprieties involving motor vehicle sales tax and registration renewal transactions and reported them to us. An employee had processed these transactions to conceal the fact that she had removed $10,095.20 from the office. This report is available at www.comptroller.tn.gov.

As of June 30, 2013, the cash shortage has been reimbursed by the employee. Additionally, this employee reimbursed the county the cost of the special audit ($7,398) on August 9, 2013, and pled guilty to a charge of theft over $10,000 on October 15, 2013.

OFFICE OF SHERIFF

FINDING 2013-005 **A RUBBER SIGNATURE STAMP WAS USED TO AFFIX THE SIGNATURE OF THE SHERIFF TO VARIOUS DOCUMENTS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination of various records in the Sheriff's Department disclosed that a rubber signature stamp was used to affix the signature of the sheriff to various documents.

Tennessee Code Annotated does not provide authority for the use of a signature stamp. Also, internal controls over the use of a signature stamp are inherently weak. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

The Sheriff's Department should immediately discontinue the use of any signature stamp.

FINDING 2013-006 **FIVE SHERIFF DEPARTMENT EMPLOYEES WERE INDICTED BY THE GRAINGER COUNTY GRAND JURY**
(Noncompliance Under *Government Auditing Standards*)

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 were indicted for a total of 24 counts, including one count of theft under $500, multiple counts of raping female inmates, letting prisoners out to buy pizzas, selling cell phones and other contraband, etc. Trial dates relating to these charges are pending.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2013-007 **MOBILE HOME SCHEDULES WERE NOT MAILED TO THE LAND OWNER WHERE THE MOBILE HOME WAS LOCATED**
(Noncompliance Under *Government Auditing Standards*)

Mobile home schedules were not mailed to the owner of the land where the mobile homes were located. Section 67-5-802, *Tennessee Code Annotated* (*TCA*), requires the assessor to furnish a schedule to each land owner of a mobile home park by March 1 of each year. It is the land owner's responsibility to complete the schedule to report the number of mobile homes, make, serial number, size, original cost, and any other information necessary for proper assessment of the mobile homes. This deficiency occurred because the assessor failed to follow the state statute, which could result in the inaccurate assessment of the property.

RECOMMENDATION

The assessor should provide a schedule of assessed values of each mobile home before March 1 of each tax year to land owners where mobile homes are located and should review them for accuracy.

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

FINDING 2013-008 **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. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, the deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

BEST PRACTICES

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

ITEM 1. **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. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

ITEM 2. GRAINGER COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

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

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

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

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