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# **ANNUAL FINANCIAL REPORT CARTER COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2014**



**ANNUAL FINANCIAL REPORT**  
**CARTER COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT***  
***JAMES R. ARNETTE***  
***Director***

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

***MARK TREECE, CPA, CGFM***  
***Auditor 4***

***ROBERT ANDERSON***  
***BRAD BURKE, CPA, CIA***  
***GREG BRUSH, CISA***  
***State Auditors***

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

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## CARTER COUNTY, TENNESSEE

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## ***Summary of Audit Findings***

Annual Financial Report  
Carter County, Tennessee  
For the Year Ended June 30, 2014

### ***Scope***

We have audited the basic financial statements of Carter County as of and for the year ended June 30, 2014.

### ***Results***

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

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

### ***Findings***

The following are summaries of the audit findings:

#### **OFFICE OF COUNTY MAYOR**

- ◆ Deficiencies were noted in the operations of the Parks and Recreation Board.

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#### **SOLID WASTE DEPARTMENT**

- ◆ The Solid Waste Department reported a theft at the county Landfill Office.
- ◆ The office software did not have adequate application controls.
- ◆ The office had deficiencies in computer system backup procedures.

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#### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The School Federal Projects Fund had a deficit in unassigned fund balance at June 30, 2014.

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

- ◆ The accounting records did not adequately reflect the financial activity of the office.

- ◆ The offices' software did not have adequate application controls.
  - ◆ Usernames and passwords were shared by employees.
- 

## **OFFICE OF SHERIFF**

- ◆ The Sheriff's Department and Tennessee Business Enterprises did not follow the county's purchasing statutes.
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## **CARTER COUNTY**

- ◆ Carter County has a material recurring audit finding.

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## INTRODUCTORY SECTION

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## Carter County Officials

### June 30, 2014

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#### **Officials**

Leon Humphrey, County Mayor  
Jack Perkins, Road Superintendent  
Kevin Ward, Director of Schools  
Randal Lewis, Trustee  
Ronnie Taylor, Assessor of Property  
Mary Gouge, County Clerk  
John Paul Mathes, Circuit and General Sessions Courts Clerk  
Melissa Moreland, Clerk and Master  
Edrie Bristol, Register of Deeds  
Chris Mathes, Sheriff  
Ingrid Deloach, Finance Director

#### **Board of County Commissioners**

Thomas Bowers, Chairman	Lawrence Hodge
William Armstrong	Russell Kyte
Kenneth Arney	John Lewis
Roscoe Bayless	Steve Lowrance
Jo Ann Blankenship	Buford Peters
Nancy Brown	Scott Sams
Willie Campbell	Harry Sisk
Steve Chambers	Joel Street
Sonya Culler	Louis Tester
Robert Gobble	Ronnie Trivett
Bobbie Gouge	Charles Von Cannon
Pat Hicks	Richard Winters

#### **Board of Education**

Kelly Crain, Chairman	Craig Davis
Rusty Barnett	Donald Julian
Bobby Blevins	Ronnie McAmis
David Buck	Jerry McMahan

#### **Financial Management Committee**

Jo Ann Blankenship, Chairperson	Leon Humphrey, County Mayor
Thomas Bowers	Jack Perkins, Road Superintendent
Pat Hicks	Kevin Ward, Director of Schools
Russell Kyte	

## Carter County Officials (Cont.)

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### **Audit Committee**

Dave Wortman, Chairman  
Travis Holly

Margaret Moses  
Margaret Pate

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## FINANCIAL SECTION

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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

Carter County Mayor and  
Board of County Commissioners  
Carter 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 Carter County, Tennessee, as of and for the year ended June 30, 2014, 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 Carter County Emergency Communications District, which represent 3.7 percent, six percent, and 2.3 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 Carter 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 Carter County, Tennessee, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note V.B., Carter County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefits plan on pages 81 - 83 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 Carter 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 Carter 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.

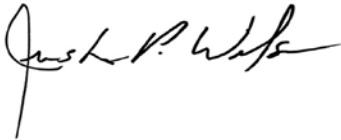
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Carter County School Department (a discretely presented component unit), and miscellaneous 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 Carter County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, on our consideration of Carter 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 Carter County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending from the bottom of the "n" in "Wilson".

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 30, 2014

JPW/yu

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## **BASIC FINANCIAL STATEMENTS**

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## Exhibit A

Carter County, Tennessee  
Statement of Net Position  
June 30, 2014

	Primary	Component Units	
	Government	Carter	Emergency
	Governmental	County	Communica-
	Activities	School	tions
		Department	District
<u>ASSETS</u>			
Cash	\$ 29,713	\$ 1,462,615	\$ 272,522
Equity in Pooled Cash and Investments	12,726,988	8,223,537	0
Accounts Receivable	134,273	13,791	22,069
Due from Other Governments	1,062,010	1,014,897	56,378
Due from Component Units	937,119	0	0
Property Taxes Receivable	11,519,990	6,315,549	0
Allowance for Uncollectible Property Taxes	(297,812)	(163,268)	0
Prepaid Items	0	0	17,876
Capital Assets:			
Assets Not Depreciated:			
Land	1,993,236	1,038,228	112,000
Construction in Progress	0	390,083	738,408
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	27,831,557	19,101,264	0
Other Capital Assets	1,389,046	2,576,528	317,730
Infrastructure	14,868,471	0	0
Total Assets	<u>\$ 72,194,591</u>	<u>\$ 39,973,224</u>	<u>\$ 1,536,983</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Charge on Refunding	\$ 381,614	\$ 0	\$ 0
Total Deferred Outflows of Resources	<u>\$ 381,614</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 190,923	\$ 164,533	\$ 34,237
Accrued Payroll	202,217	0	22,847
Accrued Interest Payable	123,290	0	0
Payroll Deductions Payable	11,564	6,426	0
Contracts Payable	0	348,248	0
Retainage Payable	0	43,201	0
Due to Primary Government	0	937,119	0
Due to State of Tennessee	13,493	0	0
Other Current Liabilities	8,142	1,456,872	0
Noncurrent Liabilities:			
Due Within One Year	2,015,062	221,916	44,176
Due in More Than One Year (net of unamortized premium on debt)	28,600,645	9,427,053	62,943
Total Liabilities	<u>\$ 31,165,336</u>	<u>\$ 12,605,368</u>	<u>\$ 164,203</u>

(Continued)

Exhibit A

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

		Component Units	
	Primary Government Governmental Activities	Carter County School Department	Emergency Communica- tions District
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 10,731,426	\$ 5,883,238	\$ 0
Total Deferred Inflows of Resources	<u>\$ 10,731,426</u>	<u>\$ 5,883,238</u>	<u>\$ 0</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 23,628,828	\$ 23,106,103	\$ 1,168,138
Restricted for:			
General Government	83,463	0	0
Finance	7,999	0	0
Administration of Justice	144,564	0	0
Public Safety	501,180	0	0
Public Health and Welfare	60,000	0	0
Highways	2,101,657	0	0
Debt Service	2,869,714	0	0
Education	0	2,521,312	0
Capital Projects	137,249	762,182	0
Unrestricted	<u>1,144,789</u>	<u>(4,904,979)</u>	<u>204,642</u>
Total Net Position	<u>\$ 30,679,443</u>	<u>\$ 21,484,618</u>	<u>\$ 1,372,780</u>

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

Exhibit B

Carter County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2014

Net (Expense) Revenue and Changes in Net Position									
Functions/Programs	Program Revenues				Primary Government		Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Carter County School Department	Emergency Communications District	
Primary Government:									
Governmental Activities:									
General Government	\$ 2,159,219	\$ 640,281	\$ 15,164	\$ 106,422	\$ (1,397,352)	\$	0	0	0
Finance	1,873,572	1,319,200	0	0	(554,372)		0	0	0
Administration of Justice	1,205,660	1,050,546	6,930	0	(148,184)		0	0	0
Public Safety	8,365,684	1,166,530	283,525	0	(6,915,629)		0	0	0
Public Health and Welfare	1,596,430	656,761	511,906	90,832	(336,931)		0	0	0
Social, Cultural, and Recreational Services	121,150	0	0	0	(121,150)		0	0	0
Agriculture and Natural Resources	103,202	0	0	0	(103,202)		0	0	0
Highways	3,759,055	237,063	1,817,356	297,017	(1,407,619)		0	0	0
Interest on Long-term Debt	900,751	0	0	0	(900,751)		0	0	0
Total Primary Government	\$ 20,084,723	\$ 5,070,381	\$ 2,634,881	\$ 494,271	\$ (11,885,190)	\$	0	0	0
Component Units:									
Carter County School Department	\$ 49,303,040	\$ 1,016,580	\$ 8,223,630	\$ 0	0	\$	(40,062,830)	\$	0
Emergency Communications District	1,079,242	681,349	470,087	0	0		0		72,194
Total Component Units	\$ 50,382,282	\$ 1,697,929	\$ 8,693,717	\$ 0	0	\$	(40,062,830)	\$	72,194

(Continued)

Exhibit B

Carter County, Tennessee  
Statement of Activities (Cont.)

Net (Expense) Revenue and Changes in Net Position						
Functions/Programs	Primary Government			Component Units		
	Expenses	Program Revenues		Carter County School Department	Emergency Communica-tions District	
		Charges for Services	Operating Grants and Contributions		Governmental Activities	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes		\$ 8,913,531		\$ 6,003,419	\$	0
Property Taxes Levied for Highway/Public Works		1,104,262		0		0
Property Taxes Levied for Debt Service		907,616		0		0
Local Option Sales Taxes		872,070		3,889,247		0
Litigation Tax - General		204,633		0		0
Litigation Tax - Jail, Workhouse, or Courthouse		97,856		0		0
Litigation Tax - Special		9,756		0		0
Litigation Tax - Courtroom Security		76,376		0		0
Hotel/Motel Tax		89,232		0		0
Business Tax		322,831		0		0
Mineral Severance Tax		92,955		0		0
Wholesale Beer Tax		195,031		0		0
Other Local Taxes		4,242		3,944		0
Grants and Contributions Not Restricted to Specific Programs		796,417		30,777,697		0
Unrestricted Investment Income		46,576		6,521		590
Miscellaneous		48,368		59,977		10,645
Total General Revenues		\$ 13,781,752		\$ 40,740,805	\$	11,235
Change in Net Position		\$ 1,896,562		\$ 677,975	\$	83,429
Net Position, July 1, 2013		28,782,881		20,806,643		1,289,351
Net Position, June 30, 2014		\$ 30,679,443		\$ 21,484,618	\$	1,372,780

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

Carter County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental	Funds	
<b>ASSETS</b>						
Cash	\$ 3,941	\$ 0	\$ 0	\$ 25,772	\$	29,713
Equity in Pooled Cash and Investments	6,566,078	2,173,095	3,549,372	438,443		12,726,988
Accounts Receivable	121,440	9,207	216	3,410		134,273
Due from Other Governments	630,097	397,946	0	33,967		1,062,010
Due from Other Funds	31,373	19,698	0	118		51,189
Property Taxes Receivable	9,064,178	1,160,929	1,294,883	0		11,519,990
Allowance for Uncollectible Property Taxes	(234,325)	(30,012)	(33,475)	0		(297,812)
Total Assets	\$ 16,182,782	\$ 3,730,863	\$ 4,810,996	\$ 501,710	\$	25,226,351
<b>LIABILITIES</b>						
Accounts Payable	\$ 164,861	\$ 4,225	\$ 0	\$ 11,631	\$	180,717
Accrued Payroll	157,949	27,855	0	16,413		202,217
Payroll Deductions Payable	7,477	1,441	0	2,646		11,564
Due to Other Funds	27,524	0	0	33,871		61,395
Due to State of Tennessee	13,493	0	0	0		13,493
Other Current Liabilities	3,816	0	0	4,326		8,142
Total Liabilities	\$ 375,120	\$ 33,521	\$ 0	\$ 68,887	\$	477,528
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Current Property Taxes	\$ 8,443,719	\$ 1,081,461	\$ 1,206,246	\$ 0	\$	10,731,426
Deferred Delinquent Property Taxes	341,235	43,705	48,748	0		433,688
Other Deferred/Unavailable Revenue	133,764	162,761	0	0		296,525
Total Deferred Inflows of Resources	\$ 8,918,718	\$ 1,287,927	\$ 1,254,994	\$ 0	\$	11,461,639

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	83,463	\$ 0	\$ 0	\$ 0	\$ 0	83,463
Restricted for General Government	7,999	0	0	0	0	7,999
Restricted for Finance	116,768	0	0	27,796	0	144,564
Restricted for Administration of Justice	347,459	0	0	153,721	0	501,180
Restricted for Public Safety	60,000	0	0	0	0	60,000
Restricted for Public Health and Welfare	0	2,001,200	0	0	0	2,001,200
Restricted for Highways/Public Works	0	0	2,944,256	0	0	2,944,256
Restricted for Debt Service	62,249	0	0	75,000	0	137,249
Restricted for Capital Projects	162,493	0	0	0	0	162,493
Committed:	0	0	0	159,640	0	159,640
Committed for Public Safety	0	0	0	0	0	408,215
Committed for Public Health and Welfare	0	408,215	0	0	0	611,746
Committed for Highways/Public Works	0	0	611,746	0	0	16,666
Committed for Debt Service	0	0	0	0	0	822,797
Committed for Capital Projects	0	0	0	0	0	42,338
Assigned:	822,797	0	0	0	0	9,569
Assigned for General Government	42,338	0	0	0	0	144,020
Assigned for Administration of Justice	9,569	0	0	0	0	5,029,789
Assigned for Public Safety	144,020	0	0	0	0	6,888,944
Assigned for Other Operations	5,029,789	0	0	0	0	2,409,415
Unassigned	6,888,944	\$ 2,409,415	\$ 3,556,002	\$ 432,823	\$ 13,287,184	
Total Fund Balances	\$ 16,182,782	\$ 3,730,863	\$ 4,810,996	\$ 501,710	\$ 25,226,351	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances						

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

Carter County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2014

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)		\$ 13,287,184
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,993,236	
Add: infrastructure net of accumulated depreciation	14,868,471	
Add: buildings and improvements net of accumulated depreciation	27,831,557	
Add: other capital assets net of accumulated depreciation	<u>1,389,046</u>	46,082,310
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (572,357)	
Less: other loans payable	(3,188,041)	
Less: bonds payable	(21,960,000)	
Add: deferred amount on refunding	381,614	
Less: capital lease payments	(937,119)	
Add: debt to be contributed by School Department	937,119	
Less: compensated absences payable	(515,479)	
Less: landfill closure/postclosure care costs	(2,945,835)	
Less: other postemployment benefits liability	(3,394)	
Less: accrued interest on bonds, notes, and other loans payable	(123,290)	
Less: unamortized premium on debt	<u>(493,482)</u>	(29,420,264)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>730,213</u>
Net position of governmental activities (Exhibit A)		<u>\$ 30,679,443</u>

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

Exhibit C-3

Carter County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<b>Revenues</b>						
Local Taxes	\$ 10,451,459	\$ 1,224,265	\$ 1,248,483	\$ 178,756	\$ 13,102,963	
Licenses and Permits	457,113	0	0	0	457,113	
Fines, Forfeitures, and Penalties	301,128	0	0	46,329	347,457	
Charges for Current Services	116,571	0	0	517,623	634,194	
Other Local Revenues	112,499	258,704	46,576	79,462	497,241	
Fees Received from County Officials	2,007,008	0	0	0	2,007,008	
State of Tennessee	1,426,549	1,868,155	49,718	300,307	3,644,729	
Federal Government	381,306	324,026	0	0	705,332	
Other Governments and Citizens Groups	344,298	8,600	357,842	0	710,740	
<b>Total Revenues</b>	<b>\$ 15,597,931</b>	<b>\$ 3,683,750</b>	<b>\$ 1,702,619</b>	<b>\$ 1,122,477</b>	<b>\$ 22,106,777</b>	
<b>Expenditures</b>						
Current:						
General Government	\$ 2,139,463	\$ 0	\$ 0	\$ 3,513	\$ 2,142,976	
Finance	1,651,211	0	0	0	1,651,211	
Administration of Justice	1,210,271	0	0	0	1,210,271	
Public Safety	7,679,118	0	0	64,337	7,743,455	
Public Health and Welfare	359,347	0	0	1,075,139	1,434,486	
Social, Cultural, and Recreational Services	106,735	0	0	14,415	121,150	
Agriculture and Natural Resources	103,202	0	0	0	103,202	
Other Operations	642,230	0	0	6,547	648,777	
Highways	41,034	3,766,323	0	0	3,807,357	
Debt Service:						
Principal on Debt	0	0	2,438,460	0	2,438,460	
Interest on Debt	0	0	839,955	0	839,955	
Other Debt Service	0	0	52,537	0	52,537	
<b>Total Expenditures</b>	<b>\$ 13,932,611</b>	<b>\$ 3,766,323</b>	<b>\$ 3,330,952</b>	<b>\$ 1,163,951</b>	<b>\$ 22,193,837</b>	

(Continued)



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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,665,320 \$	(82,573) \$	(1,628,333) \$	(41,474) \$		(87,060)
Other Financing Sources (Uses)						
Insurance Recovery	\$ 3,215 \$	34,886 \$	0 \$	8,514 \$		46,615
Transfers In	0	0	0	71,661		71,661
Transfers Out	(71,661)	0	0	0		(71,661)
Total Other Financing Sources (Uses)	\$ (68,446) \$	34,886 \$	0 \$	80,175 \$		46,615
Net Change in Fund Balances	\$ 1,596,874 \$	(47,687) \$	(1,628,333) \$	38,701 \$		(40,445)
Fund Balance, July 1, 2013	5,292,070	2,457,102	5,184,335	394,122		13,327,629
Fund Balance, June 30, 2014	\$ 6,888,944 \$	2,409,415 \$	3,556,002 \$	432,823 \$		13,287,184

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

Exhibit C-4

Carter 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, 2014

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)		\$	(40,445)
(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	\$	1,269,419	
Less: current-year depreciation expense		<u>(1,666,624)</u>	(397,205)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: book value of assets disposed			(9,000)
(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, 2014	\$	730,213	
Less: deferred delinquent property taxes and other deferred June 30, 2013		<u>(584,587)</u>	145,626
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt related items:			
Add: change in premium on debt issuances	\$	23,612	
Add: principal payments on other loans		1,245,000	
Add: principal payments on notes		167,342	
Add: principal payments on bonds		755,000	
Add: principal payments on capital leases		271,118	
Less: principal contributions on capital leases from School Department		<u>(271,118)</u>	
Less: change in deferred amount on refunding		<u>(35,224)</u>	2,155,730
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	3,353	
Change in compensated absences payable		55,644	
Change in other postemployment benefits liability		<u>(7,249)</u>	
Change in landfill closure/postclosure care costs		<u>(9,892)</u>	41,856
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,896,562</u>

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

Exhibit C-5

Carter County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 10,451,459	\$ 0	\$ 0	\$ 10,451,459	\$ 10,310,382	\$ 10,174,091	\$ 277,368
Licenses and Permits	457,113	0	0	457,113	337,500	381,025	76,088
Fines, Forfeitures, and Penalties	301,128	0	0	301,128	235,250	235,250	65,878
Charges for Current Services	116,571	0	0	116,571	62,750	71,331	45,240
Other Local Revenues	112,499	0	0	112,499	55,000	67,004	45,495
Fees Received from County Officials	2,007,008	0	0	2,007,008	1,842,000	1,842,000	165,008
State of Tennessee	1,426,549	0	0	1,426,549	597,164	739,087	687,462
Federal Government	381,306	0	0	381,306	33,499	274,584	106,722
Other Governments and Citizens Groups	344,298	0	0	344,298	279,900	293,116	51,182
<b>Total Revenues</b>	<b>\$ 15,597,931</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,597,931</b>	<b>\$ 13,753,445</b>	<b>\$ 14,077,488</b>	<b>\$ 1,520,443</b>

<b>Expenditures</b>							
<b>General Government</b>							
County Commission	\$ 75,986	\$ 0	\$ 0	\$ 75,986	\$ 76,220	\$ 76,220	\$ 234
Board of Equalization	4,497	0	0	4,497	5,629	5,629	1,132
County Mayor/Executive	201,513	0	0	201,513	179,138	211,847	10,334
County Attorney	63,167	0	0	63,167	48,201	65,201	2,034
Election Commission	372,130	0	0	372,130	277,174	382,055	9,925
Register of Deeds	232,586	0	0	232,586	248,196	248,196	15,610
Planning	232,534	0	7,850	240,384	259,793	259,793	19,409
County Buildings	957,050	(15,216)	6,608	948,442	680,797	1,067,419	118,977
Other General Administration	0	0	0	0	475	475	475
<b>Finance</b>							
Accounting and Budgeting	506,346	0	0	506,346	393,649	536,666	30,320
Property Assessor's Office	369,336	0	0	369,336	411,971	413,171	43,835
Reappraisal Program	82,740	0	0	82,740	107,766	106,566	23,826
County Trustee's Office	301,959	0	0	301,959	302,403	305,403	3,444
County Clerk's Office	390,830	0	0	390,830	435,679	435,679	44,849
<b>Administration of Justice</b>							
Circuit Court	640,914	0	0	640,914	680,153	686,187	45,273
General Sessions Court	235,061	0	0	235,061	236,776	236,776	1,715

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Drug Court	\$ 13,493	\$ 0	\$ 0	13,493	\$ 0	11,205	\$ (2,288)
Chancery Court	271,801	0	0	271,801	314,139	314,139	42,338
Judicial Commissioners	39,059	0	0	39,059	39,512	39,512	453
Other Administration of Justice	9,943	0	0	9,943	13,300	13,300	3,357
<u>Public Safety</u>							
Sheriff's Department	3,633,467	0	9,568	3,643,035	3,437,567	3,645,505	2,470
Jail	3,233,312	0	0	3,233,312	3,543,858	3,476,124	242,812
Juvenile Services	182,379	0	0	182,379	161,022	191,022	8,643
Fire Prevention and Control	323,072	0	0	323,072	330,000	330,000	6,928
Rescue Squad	170,000	0	0	170,000	170,000	170,000	0
Other Emergency Management	123,698	0	0	123,698	87,527	135,963	12,265
Inspection and Regulation	3,742	0	0	3,742	3,960	3,960	218
County Coroner/Medical Examiner	8,047	0	0	8,047	9,280	9,280	1,233
Other Public Safety	1,401	0	0	1,401	2,500	2,500	1,099
<u>Public Health and Welfare</u>							
Local Health Center	0	0	0	0	169,000	0	0
Rabies and Animal Control	147,913	0	0	147,913	155,929	177,103	29,190
Ambulance/Emergency Medical Services	173,858	0	0	173,858	173,858	173,858	0
Crippled Children Services	20,727	0	0	20,727	20,727	20,727	0
Other Local Welfare Services	1,200	0	0	1,200	1,520	1,800	600
Other Public Health and Welfare	15,649	0	0	15,649	1,425	75,649	60,000
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	46,010	0	0	46,010	46,010	46,010	0
Libraries	36,588	0	0	36,588	36,588	36,588	0
Parks and Fair Boards	22,563	0	0	22,563	22,563	22,563	0
Other Social, Cultural, and Recreational	1,574	0	0	1,574	4,283	4,283	2,709
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	80,049	0	0	80,049	92,361	92,361	12,312
Flood Control	3,298	0	0	3,298	3,658	3,658	360
Other Agriculture and Natural Resources	19,855	0	0	19,855	19,855	19,855	0

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations</u>							
Tourism							
Industrial Development	\$ 89,063	\$ 0	\$ 0	\$ 89,063	\$ 85,500	\$ 85,500	\$ (3,563)
Other Economic and Community Development	0	0	0	0	1,000	1,000	1,000
Veterans' Services	117,777	0	0	117,777	62,729	117,777	0
Other Charges	30,220	0	0	30,220	31,136	31,136	916
Contributions to Other Agencies	375	0	0	375	1,900	1,620	1,245
Employee Benefits	49,500	0	0	49,500	49,500	49,500	0
Miscellaneous	0	0	0	0	17,793	17,793	17,793
Highways	355,295	0	0	355,295	268,111	357,890	2,595
Litter and Trash Collection	41,034	0	0	41,034	46,743	47,743	6,709
Total Expenditures	\$ 13,932,611	\$ (15,216)	\$ 24,026	\$ 13,941,421	\$ 13,768,874	\$ 14,764,207	\$ 822,786
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,665,320	\$ 15,216	\$ (24,026)	\$ 1,656,510	\$ (15,429)	\$ (686,719)	\$ 2,343,229
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 3,215	\$ 0	\$ 0	\$ 3,215	\$ 0	\$ 3,215	\$ 0
Transfers Out	(71,661)	0	0	(71,661)	0	(71,661)	0
Total Other Financing Sources	\$ (68,446)	\$ 0	\$ 0	\$ (68,446)	\$ 0	\$ (68,446)	\$ 0
Net Change in Fund Balance	\$ 1,596,874	\$ 15,216	\$ (24,026)	\$ 1,588,064	\$ (15,429)	\$ (755,165)	\$ 2,343,229
Fund Balance, July 1, 2013	5,292,070	(15,216)	0	5,276,854	3,126,001	3,126,001	2,150,853
Fund Balance, June 30, 2014	\$ 6,888,944	\$ 0	\$ (24,026)	\$ 6,864,918	\$ 3,110,572	\$ 2,370,836	\$ 4,494,082

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

Exhibit C-6

Carter County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<u>Revenues</u>						
Local Taxes	\$ 1,224,265	\$ 0	\$ 1,224,265	\$ 1,124,689	\$ 1,124,689	\$ 99,576
Other Local Revenues	258,704	0	258,704	201,000	224,000	34,704
State of Tennessee	1,868,155	0	1,868,155	1,991,500	1,991,500	(123,345)
Federal Government	324,026	0	324,026	12,500	311,419	12,607
Other Governments and Citizens Groups	8,600	0	8,600	13,000	13,000	(4,400)
Total Revenues	\$ 3,683,750	\$ 0	\$ 3,683,750	\$ 3,342,689	\$ 3,664,608	\$ 19,142
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 316,942	\$ 0	\$ 316,942	\$ 329,934	\$ 329,484	\$ 12,542
Highway and Bridge Maintenance	2,301,244	91,000	2,392,244	2,150,175	2,554,180	161,936
Operation and Maintenance of Equipment	781,382	0	781,382	1,034,066	1,038,066	256,684
Other Charges	94,953	0	94,953	103,084	103,084	8,131
Employee Benefits	60,274	0	60,274	73,163	63,163	2,889
Capital Outlay	211,528	0	211,528	355,000	355,000	143,472
Total Expenditures	\$ 3,766,323	\$ 91,000	\$ 3,857,323	\$ 4,045,422	\$ 4,442,977	\$ 585,654
Excess (Deficiency) of Revenues Over Expenditures	\$ (82,573)	\$ (91,000)	\$ (173,573)	\$ (702,733)	\$ (778,369)	\$ 604,796
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 34,886	\$ 0	\$ 34,886	\$ 0	\$ 0	\$ 34,886
Total Other Financing Sources	\$ 34,886	\$ 0	\$ 34,886	\$ 0	\$ 0	\$ 34,886

(Continued)

Exhibit C-6

Carter County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
Net Change in Fund Balance	\$ (47,687) \$	(91,000) \$	(138,687) \$	(702,733) \$	(778,369) \$	639,682
Fund Balance, July 1, 2013	2,457,102	0	2,457,102	1,749,362	1,749,362	707,740
Fund Balance, June 30, 2014	\$ 2,409,415 \$	(91,000) \$	2,318,415 \$	1,046,629 \$	970,993 \$	1,347,422

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

Exhibit D

Carter County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,454,018
Equity in Pooled Cash and Investments	241,854
Accounts Receivable	13,758
Due from Other Governments	1,115,970
Due from Other Funds	10,206
Property Taxes Receivable	2,971,886
Allowance for Uncollectible Property Taxes	<u>(76,829)</u>
Total Assets	<u>\$ 5,730,863</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,252,881
Due to Litigants, Heirs, and Others	<u>1,477,982</u>
Total Liabilities	<u>\$ 5,730,863</u>

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



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**CARTER COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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**CARTER COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Carter 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 Carter County:

**A. Reporting Entity**

Carter County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Carter 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 Carter County School Department operates the public school system in the county, and the voters of Carter 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 Carter County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Carter County, and the Carter 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 Carter 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 Carter County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Carter County Emergency Communications District  
116 Holston Avenue  
Elizabethton, TN 37644

**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 Carter 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 Carter 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.

Carter County issues all debt for the discretely presented Carter County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2014.

Separate financial statements are provided for governmental funds and fiduciary funds. 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 Carter 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. Carter 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. Carter 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.

Carter County reports the following major governmental funds:

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

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

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

Additionally, Carter County reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund accounts for financial resources to be used in the acquisition or construction of capital facilities or other capital assets.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Carter County, and the city school system’s share of educational revenues. 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 Carter County School Department reports the following major governmental funds:

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

**Central Cafeteria Fund** – This special revenue fund is used to account for cafeteria operations in each of the schools. Charges for current services and federal grants are the foundational revenues of this fund.

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

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for building construction and renovations as well as acquisition of other capital assets for the School Department.

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

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

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Carter 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. Carter 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.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.37 percent of total taxes levied.

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

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

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

Most payables are disaggregated on the face of the financial statements. Other Current Liabilities reflected in the General Fund represent contractor's deposits relating to the HOME Investment Partnerships Program Grant. Other Current Liabilities reflected in the Drug Control Fund represent asset seizures that have not been awarded to the county as of June 30, 2014.

The balance in the account Other Current Liabilities totaling \$1,456,872 on the Statement of Net Position for the School

Department represents the remaining balance in the teachers' insurance clearing account.

Retainage payable in the discretely presented Carter County School Department's General Purpose School Fund 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 in the General Purpose School Fund.

### 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 government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Other Capital Assets	5 - 10
Infrastructure	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 reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

## **5. Compensated Absences**

### **Primary Government**

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Carter County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

### **Discretely Presented School Department**

The School Department has various policies related to vacation and sick leave benefits. Certain employees of the School Department are allowed to accumulate unused vacation benefits, but are only paid for 40 days of their unused vacation leave upon termination. The School Department, in accordance with contract provisions, allows all certified personnel to accumulate an unlimited amount of earned but unused sick leave benefits, which will be paid to employees at a rate of \$15 per day upon retirement. A liability for these benefits is accrued when incurred in the government-wide financial statements, but is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Non-certified employees are allowed to accumulate earned but unused sick leave benefits. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts to these employees when they separate from service with the government.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 notes 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, postemployment benefits, and landfill closure/postclosure care costs, 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 the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2014, Carter County had \$4,697,517 in outstanding debt for capital purposes for the discretely presented Carter County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Elizabethton School System) based on an average daily attendance proration. This debt is a liability of Carter County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Elizabethton School System. Therefore, Carter County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's

highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission makes assignments for the general government and the Board of Education makes assignments for the School Department. Assigned fund balance in the General Fund includes encumbrances (\$24,026), amounts assigned for industrial purposes (\$144,020), amounts assigned for chancery court computer upgrades (\$42,338), and fund balance appropriated for use in the 2014-15 budget (\$808,340). Assigned fund balance in the School Department's General Purpose School Fund consists of amounts assigned for encumbrances (\$399,482), an energy savings program (\$320,362), the extended school program (\$27,424), and software purchases (\$29,273).

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

## **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 Carter 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 Carter County School Department**

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

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The

difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

At June 30, 2014, Carter County reported the following significant encumbrance:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Primary Government:		
Highway/Public Works	Highways and bridges	\$ 91,000

**B. Fund Deficit**

The discretely presented School Department's School Federal Projects Fund (special revenue fund) had a negative unassigned fund balance of \$7,893 at June 30, 2014. The negative unassigned fund balance was liquidated when revenues were recognized after June 30, 2014.

**C. Cash Shortage and Theft of Property**

As reported in the Findings and Questioned Costs section of this report, a theft of funds (\$1,331) and other property occurred at the county's Landfill Office during September 2013. Investigators have not determined any responsible party, and no charges have been filed. The county was reimbursed \$1,820 by its insurance company for the stolen funds and property in March 2014.

**D. Expenditures Exceeded Appropriations**

The Sports and Recreation Fund expended \$14,415 even though no appropriations were approved for this fund by the County Commission. Expenditures also exceeded appropriations by the County Commission in several major appropriation categories (the legal level of control) in the following funds:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
<u>Primary Government</u>	
General:	
Drug Court	\$ 2,288
Tourism	3,563

<u>Fund/Major Appropriation Category (Cont.)</u>	<u>Amount Overspent</u>
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Discretely Presented School Department

General Purpose School:

Special Education Program	\$ 489
Adult Education Program	6
Community Services	17,166

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances and greater than anticipated revenues.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Carter County and the Carter 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, 2014.

### **B. Capital Assets**

Capital assets activity for the year ended June 30, 2014, was as follows:

#### **Primary Government**

##### **Governmental Activities:**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 2,002,236	\$ 0	\$ (9,000)	\$ 1,993,236
Construction in Progress	14,392	359,825	(374,217)	0
Total Capital Assets				
Not Depreciated	\$ 2,016,628	\$ 359,825	\$ (383,217)	\$ 1,993,236



**Governmental Activities (Cont.):**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 32,500,283	\$ 374,217	\$ 0	\$ 32,874,500
Infrastructure	21,871,819	568,913	0	22,440,732
Other Capital Assets	4,408,049	340,681	(104,046)	4,644,684
Total Capital Assets				
Depreciated	\$ 58,780,151	\$ 1,283,811	\$ (104,046)	\$ 59,959,916
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 4,230,312	\$ 812,631	\$ 0	\$ 5,042,943
Infrastructure	7,019,957	552,304	0	7,572,261
Other Capital Assets	3,057,995	301,689	(104,046)	3,255,638
Total Accumulated				
Depreciation	\$ 14,308,264	\$ 1,666,624	\$ (104,046)	\$ 15,870,842
Total Capital Assets				
Depreciated, Net	\$ 44,471,887	\$ (382,813)	\$ 0	\$ 44,089,074
Governmental Activities				
Capital Assets, Net	\$ 46,488,515	\$ (22,988)	\$ (383,217)	\$ 46,082,310

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

**Governmental Activities:**

General Government	\$ 43,945
Public Safety	809,221
Public Health and Welfare	96,444
Highways	717,014
Total Depreciation Expense -	
Governmental Activities	<u>\$ 1,666,624</u>

## Discretely Presented Carter County School Department

### Governmental Activities:

	Balance 7-1-13		Increases		Decreases		Balance 6-30-14
Capital Assets Not Depreciated:							
Land	\$ 838,418	\$	200,000	\$	(190)	\$	1,038,228
Construction in Progress	13,296		390,083		(13,296)		390,083
Total Capital Assets Not Depreciated	<u>\$ 851,714</u>	<u>\$</u>	<u>590,083</u>	<u>\$</u>	<u>(13,486)</u>	<u>\$</u>	<u>1,428,311</u>
Capital Assets Depreciated:							
Buildings and Improvements	\$ 43,852,316	\$	431,653	\$	(580,468)	\$	43,703,501
Other Capital Assets	6,161,423		554,370		(74,135)		6,641,658
Total Capital Assets Depreciated	<u>\$ 50,013,739</u>	<u>\$</u>	<u>986,023</u>	<u>\$</u>	<u>(654,603)</u>	<u>\$</u>	<u>50,345,159</u>
Less Accumulated Depreciation For:							
Buildings and Improvements	\$ 24,278,728	\$	762,498	\$	(438,989)	\$	24,602,237
Other Capital Assets	3,622,133		496,189		(53,192)		4,065,130
Total Accumulated Depreciation	<u>\$ 27,900,861</u>	<u>\$</u>	<u>1,258,687</u>	<u>\$</u>	<u>(492,181)</u>	<u>\$</u>	<u>28,667,367</u>
Total Capital Assets Depreciated, Net	<u>\$ 22,112,878</u>	<u>\$</u>	<u>(272,664)</u>	<u>\$</u>	<u>(162,422)</u>	<u>\$</u>	<u>21,677,792</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,964,592</u>	<u>\$</u>	<u>317,419</u>	<u>\$</u>	<u>(175,908)</u>	<u>\$</u>	<u>23,106,103</u>

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

### Governmental Activities:

Instruction	\$ 791,744
Support Services	401,155
Operation of Non-instructional Services	<u>65,788</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,258,687</u></u>

**C. Construction Commitments**

At June 30, 2014, Carter County had uncompleted construction contracts of \$14,458 and \$91,000 in the General and the Highway/Public Works funds, respectively. Funding has been received for these future expenditures.

At June 30, 2014, the discretely presented Carter County School Department had uncompleted construction contracts of \$355,463 in the General Purpose School Fund. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2014, was as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 8,430
"	"	22,943
Highway/Public Works	General	17,200
"	Nonmajor governmental	2,498
Nonmajor governmental	General	118
Agency	"	10,206
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	3,495

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:**

The amount reflected as Due to the Primary Government from the discretely presented School Department on the government-wide Statement of Net Position consists of a long-term receivable of \$937,119 for debt issued by the primary government, the principal of which is being contributed by the School Department. The amount of the receivable not expected to be received within one year is \$649,851.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2014, consisted of the following amount:

## Primary Government

	<u>Transfer In</u> Nonmajor Governmental
<u>Transfer Out</u>	
General	\$ 71,661

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

### E. Capital Lease

On November 25, 2002, Carter County entered into a 15-year lease-purchase agreement for the School Department to upgrade heating and electrical systems. The terms of the agreement require total lease payments of \$3,200,000 plus interest of 5.8 percent. Title to the equipment transfers to the School Department at the end of the lease period. The lease payments are made from the General Debt Service Fund from contributions received from the School Department.

The assets acquired through the capital lease are as follows:

<u>Asset</u>	<u>Governmental</u> <u>Activities</u>
Buildings and Improvements	\$ 3,200,000
Less: Accumulated Depreciation	<u>(846,445)</u>
Total Book Value	<u><u>\$ 2,353,555</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u> <u>Funds</u>
2015	\$ 334,331
2016	334,331
2017	334,330
2018	<u>23,091</u>
Total Minimum Lease Payments	\$ 1,026,083
Less: Amount Representing Interest	<u>(88,964)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 937,119</u></u>

**F. Long-term Obligations**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

Carter County issues 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 loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 25 years for bonds, up to 12 years for notes, and up to 24 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, 2014, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and the capital lease outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds -				
Refunding	3.29%	5-1-35	\$ 24,800,000	\$ 21,960,000
Capital Outlay Notes	3.49	5-22-20	1,024,700	572,357
Other Loans	Variable	5-25-29	8,050,000	3,188,041
Capital Lease	5.8	7-15-17	3,200,000	937,119

In prior years, Carter County entered into loan agreements with the Montgomery County Public Building Authority (PBA). The loan agreements provide for the PBA to make funds available for loan to Carter County on an as-needed basis for various renovation and construction projects for the discretely presented Carter County School Department. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, administrator, and debt remarketing) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2014.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-14	Interest Type	Interest Rates as of 6-30-14	Other Fees 6-30-14
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Montgomery County Public  
Building Authority

Montgomery County					
PBA Loan Program	\$ 3,500,000	\$ 629,000	Variable	.12 %	.84 %
Montgomery County					
PBA Loan Program	4,550,000	(1) 2,559,041	Variable	.13	.76
Total		<u>\$ 3,188,041</u>			

(1) \$1,019,959 remains available for draws under this loan agreement; however, the county has determined that this balance will not be drawn.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2014, including interest payments and other loan fees, are presented in the following tables. The amount for the other loans does not include the \$1,019,959, which has not been drawn by the county.

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 800,000	\$ 726,931	\$ 1,526,931
2016	825,000	710,931	1,535,931
2017	875,000	694,432	1,569,432
2018	900,000	676,931	1,576,931
2019	1,000,000	654,431	1,654,431
2020-2024	5,375,000	2,768,657	8,143,657
2025-2029	6,185,000	1,891,343	8,076,343
2030-2034	5,000,000	800,000	5,800,000
2035	1,000,000	40,000	1,040,000
Total	<u>\$ 21,960,000</u>	<u>\$ 8,963,656</u>	<u>\$ 30,923,656</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 86,290	\$ 19,715	\$ 106,005
2016	89,741	16,704	106,445
2017	93,331	13,588	106,919
2018	97,064	10,364	107,428
2019	100,947	7,027	107,974
2020	104,984	3,574	108,558
Total	\$ 572,357	\$ 70,972	\$ 643,329

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 447,000	\$ 4,082	\$ 24,713	\$ 475,795
2016	466,000	3,531	21,059	490,590
2017	149,000	2,958	17,248	169,206
2018	153,000	2,764	16,118	171,882
2019	158,000	2,565	14,958	175,523
2020-2024	873,000	9,599	55,982	938,581
2025-2029	942,041	3,553	20,722	966,316
Total	\$ 3,188,041	\$ 29,052	\$ 170,800	\$ 3,387,893

There is \$3,556,002 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and the capital lease totaled \$464, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-2014
<u>Capital Lease</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Lighting and Control Equipment	\$ 937,119

### Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

#### Governmental Activities:

	Bonds		Notes	
Balance, July 1, 2013	\$	22,715,000	\$	739,699
Reductions		(755,000)		(167,342)
Balance, June 30, 2014	\$	21,960,000	\$	572,357
Balance Due Within One Year	\$	800,000	\$	86,290
	Other Loans		Capital Leases	
Balance, July 1, 2013	\$	4,433,041	\$	1,208,237
Reductions		(1,245,000)		(271,118)
Balance, June 30, 2014	\$	3,188,041	\$	937,119
Balance Due Within One Year	\$	447,000	\$	287,268
	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits	
Balance, July 1, 2013	\$ 571,123	\$ 2,935,943	\$ (3,855)	
Additions	717,267	43,534	130,873	
Reductions	(772,911)	(33,642)	(123,624)	
Balance, June 30, 2014	\$ 515,479	\$ 2,945,835	\$ 3,394	
Balance Due Within One Year	\$ 248,276	\$ 146,228	\$ 0	

#### Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$	30,122,225
Add: Unamortized Premium on Debt		493,482
Less: Balance Due Within One Year		<u>(2,015,062)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$	<u>28,600,645</u>

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



funds. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

### **Discretely Presented Carter County School Department**

#### **Changes in Long-term Obligations**

Long-term obligations activity for the discretely presented Carter County School Department for the year ended June 30, 2014, was as follows:

Governmental Activities:	Other	
	Compensated Absences	Postemployment Benefits
Balance, July 1, 2013	\$ 1,113,047	\$ 7,772,623
Additions	162,391	2,247,146
Reductions	(504,773)	(1,141,465)
Balance, June 30, 2014	<u>\$ 770,665</u>	<u>\$ 8,878,304</u>
Balance Due Within One Year	<u>\$ 221,916</u>	<u>\$ 0</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General Purpose School Fund.

#### **Analysis of Noncurrent Liabilities Presented on Exhibit A:**

Total Noncurrent Liabilities, June 30, 2014	\$ 9,648,969
Less: Balance Due Within One Year	<u>(221,916)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,427,053</u>

### **G. On-Behalf Payments**

#### **Discretely Presented Carter County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Carter 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, 2014, were \$312,412 and \$53,484, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

## V. OTHER INFORMATION

### A. Risk Management

#### Primary Government

Carter County joined the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. Carter County pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The county continues to carry commercial insurance for employee health and accident. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### Discretely Presented Carter County School Department

The Carter County School Department has purchased commercial insurance for the risks of general liability, property, casualty, and workers' compensation losses. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

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 the fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

### B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

**C. Subsequent Events**

On August 31, 2014, Jack Perkins left the Office of Road Superintendent and was succeeded by Roger Colbaugh, Chris Mathes left the Office of Sheriff and was succeeded by Dexter Lunceford, and John Paul Mathes left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Johnny Blankenship.

**D. Contingent Liabilities**

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

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

Carter County has active permits on file with the state Department of Environment and Conservation for a sanitary landfill (Elizabethton Carter County Sanitary Landfill) and a demolition landfill. The county has provided financial assurances for estimated closure and 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. Carter County closed its sanitary landfill in 2000. The \$2,945,835 reported as postclosure care liability at June 30, 2014, represents amounts based on what it would cost to perform all postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Carter County bills the City of Elizabethton for one-half of the postclosure expenditures in accordance with a written agreement with the city.

**F. Joint Ventures**

The First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the First Judicial District; Carter, Johnson, Unicoi, and Washington counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Carter County contributed \$5,000 to the DTF for the year ended June 30, 2014.

The Upper East Tennessee Juvenile Detention Center was formed through cooperative agreements between Carter County and the counties of Greene, Hawkins, Johnson, Sullivan, Unicoi, and Washington for the operation of a program to divert youth from commitment to the Department of Correction's facilities. This program is governed by a Board of Directors designated by the counties. The Board of Directors has contracted with Universal Health Services, Inc., to manage this program. Operation costs to the counties are allocated according to percentages based on population. Carter County's participation is 12.3 percent. The county also pays a daily fee for each individual from the county using the facility.

Carter County Tomorrow was formed through partnership agreements between Carter County and the City of Elizabethton, Johnson City, and the Elizabethton/Carter County Chamber of Commerce. The purpose of Carter County Tomorrow is to provide oversight and promotion of economic development and tourism, as well as civic, social, cultural, and educational programs for Carter County and the cities of Elizabethton and Johnson City. Carter County Tomorrow is governed by a Board of Directors designated by the participating entities. Funds for operation come primarily from contributions by the county and participating entities. Carter County contributed \$40,000 to Carter County Tomorrow for the year ended June 30, 2014.

**Discretely Presented School Department**

The discretely presented School Department participates in the Northeast Tennessee Cooperative (NETCO). The cooperative was established through a contractual agreement between the Boards of Education of Carter County and various other counties and cities in the upper East Tennessee area. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated*, and was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to

provide this service. NETCO is governed by a representative committee, including one representative from each of the member districts and an executive council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the representative committee.

Carter County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the DTF, Upper East Tennessee Juvenile Detention Center, Carter County Tomorrow, and NETCO can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

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

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

Carter County Tomorrow  
386 Highway 81  
P.O. Box 280  
Elizabethton, TN 37644

Northeast Tennessee Cooperative  
100 East Maple Street  
P.O. Box 1517  
Johnson City, TN 37605

**G. Jointly Governed Organizations**

**Primary Government**

Carter County is a participant in the Watauga River Regional Water Authority with the City of Elizabethton, North Elizabethton Utility District, Siam Utility District, Roan Mountain Utility District, and the South Elizabethton Utility District. The authority was created by Chapter 29, Private Acts of 2001, to plan, operate, and maintain a water and wastewater system in Carter County and the City of Elizabethton. The authority is governed by a five-member board of directors consisting of the Carter County mayor or a named designee and one director to be selected by each of the governing bodies of the four individual utility districts.

Carter County is a member of the East Tennessee Regional Agribusiness Marketing Authority. The authority was established through Title 64 of

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

## **H. Retirement Commitments**

### **Tennessee Consolidated Retirement System (TCRS)**

#### **Plan Description**

Employees of Carter 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 Carter 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

Carter County has previously adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. As of January 1, 2010, the county has elected to discontinue the non-contributory provision for all future hires. This will require all new hires to contribute five percent of their earnable compensation to the plan. Employees who were employed prior to January 1, 2010, will continue to be eligible for the noncontributory provision. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 14.12 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, 2014, the county's annual pension cost of \$1,642,354 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 six 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
6-30-14	\$1,642,354	100%	\$0
6-30-13	1,624,320	100	0
6-30-12	1,581,673	100	0

## **Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 93.68 percent funded. The actuarial accrued liability for benefits was \$39.99 million, and the actuarial value of assets was \$37.46 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.53 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.21 million, and the ratio of the UAAL to the covered payroll was 22.53 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 Carter 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](http://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, 2014, 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, 2014, 2013, and 2012, were \$1,864,442, \$1,912,658, and \$1,953,231, respectively, equal to the required contributions for each year.

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

### **Primary Government**

#### **Plan Description**

Carter County participates in a commercial postemployment benefits plan administered by United Healthcare Plan of the River Valley, Inc., for medical benefits for retirees. For accounting purposes, the plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by the County Commission.

#### **Funding Policy**

The plan is purchased commercially and financed on a pay-as-you-go basis. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums. Eligibility is determined based upon the employee's hire date. For those employees hired on or prior to December 31, 2007, to be eligible for benefits, retirees must be age 55 with at least 20 years of service, or have ten years of service and be over the age of 60. For those employees hired subsequent to December 31, 2007, to be eligible for benefits, retirees must be age 55 with at least 20 years of service. Benefits are paid until the retirees reach age 65, provided they are not covered under another health insurance plan. Carter County pays 100 percent of the costs for single coverage. Family coverage is not provided under the plan, other than COBRA. During the year ended June 30, 2014, Carter County contributed \$123,624 for postemployment healthcare benefits.

### Annual OPEB Cost and Net OPEB Obligation

ARC	\$	130,813
Interest on the NOPEBO		(154)
Adjustment to the ARC		214
Annual OPEB cost	\$	130,873
Amount of contribution		(123,624)
Increase/decrease in NOPEBO	\$	7,249
Net OPEB obligation, 7-1-13		(3,855)
Net OPEB obligation, 6-30-14	\$	3,394

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Commercial Insurance	\$ 126,099	92%	\$ 825
6-30-13	"	129,882	104	(3,855)
6-30-14	"	130,873	94	3,394

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, was as follows:

Actuarial valuation date	7-1-12
Actuarial accrued liability (AAL)	\$ 1,611,150
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,611,150
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 6,807,682
UAAL as a % of covered payroll	24%

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, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a four percent investment rate of return and an annual healthcare cost trend rate of 5.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after one year. The unfunded actuarial accrued liability is being amortized over a 30-year period beginning with July 1, 2008.

### **Discretely Presented Carter 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*, for local education employees. 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>.

The School Department also provides termination benefits for retirees as well as commercial postemployment benefits for dental and life insurance. For accounting purposes, this plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by the Board of Education. Termination benefits are further discussed in Note V.J. Life and dental benefits are provided to all certified teachers who upon retirement are (a) at least 55 years of age or have at least 25 years of service and (b) have been employed with the Carter County School System for at least 15 years total with the last five years preceding retirement having been in the Carter County School System. The benefits are also provided to paraprofessionals who retire from the School Department. To be eligible for benefits, the employee must meet one of the following criteria. The employee may be of any age but have at least 30 years of service, or age 60 with at least 15 years of service, or age 55 with at least 17 years of service. Benefits are paid until the retirees reach age 65.

#### **Funding Policy**

The premium requirements of the 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 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 not provide a subsidy for local government participants; however, 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. The School Department pays the full premium for single coverage for pre-65 retirees, with retirees being responsible for the extra cost of family coverage. The School Department does not pay any portion of retirees' Medicare Supplement premiums. During the year ended June 30, 2014, the discretely presented School Department contributed \$921,373 for postemployment healthcare benefits.

The Dental, Life, and Termination Benefits Plan is financed on a pay-as-you-go basis. The School Department pays 100 percent of the costs for single coverage. Family coverage of dental insurance is not provided. Family coverage of life insurance is available, but the retiree must pay the full premium. During the year ended June 30, 2014, Carter County contributed \$220,092 for termination benefits and postemployment dental and life insurance benefits.

#### Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Dental, Life, and Termination Benefits Plan
ARC	\$ 2,008,000	\$ 236,027
Interest on the NOPEBO	299,148	11,757
Adjustment to the ARC	(291,442)	(16,344)
Annual OPEB cost	\$ 2,015,706	\$ 231,440
Amount of contribution	(921,373)	(220,092)
Increase/decrease in NOPEBO	\$ 1,094,333	\$ 11,348
Net OPEB obligation, 7-1-13	7,478,703	293,920
Net OPEB obligation, 6-30-14	\$ 8,573,036	\$ 305,268

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 2,269,469	39	% \$ 6,067,735
6-30-13	"	2,289,078	38	7,478,703
6-30-14	"	2,015,706	46	8,573,036

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Dental, Life, and Termination	\$ 235,742	65 %	\$ 234,557
6-30-13	"	231,408	74	293,920
6-30-14	"	231,440	95	305,268

#### Funded Status and Funding Progress

The funded status of the OPEB plans as of the last date of the actuarial studies was:

	Local Education Group Plan	Dental, Life, and Termination Benefits Plan
Actuarial valuation date	7-1-13	7-1-12
Actuarial accrued liability (AAL)	\$ 18,050,000	\$ 3,745,268
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 18,050,000	\$ 3,745,268
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 25,292,542	\$ 28,303,390
UAAL as a % of covered payroll	71%	12%

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education Group 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 7.5 percent for fiscal year 2014. The trend will decrease to seven percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The rate includes 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.

In the July 1, 2012, actuarial valuation for the Dental, Life, and Termination Benefits Plan, the entry age normal actuarial cost method was used. The actuarial assumptions included a four percent investment rate of return and an annual dental care cost trend rate of 5.5 percent initially, reduced to an ultimate rate of 4.5 percent after one year. The life insurance and the termination benefits are assumed to remain at current levels. The unfunded actuarial accrued liability is being amortized over a 30-year period beginning with July 1, 2008.

**J. Termination Benefits**

The discretely presented Carter County School Department has entered into a retirement bonus payment plan, in accordance with contract provisions. This plan is available to all certified teachers who are (a) at least 55 years of age or have at least 25 years of service and (b) have been employed with the Carter County School System for at least 15 years total with the last five years preceding retirement having been in the Carter County School System. The plan gives teachers who have met the above requirements and are between the ages of 62 to 65 a one-time bonus of \$5,000 when the employee retires. As discussed in Note V.I., termination benefits are included in the Carter County School Department's OPEB obligations.

**K. Office of Central Accounting, Budgeting, and Purchasing**

**Office of Director of Finance**

Carter County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director.

**L. Purchasing Law**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by the finance director to serve as the county purchasing agent. The finance director serves as the purchasing agent for

Carter County. Purchases exceeding \$10,000 are required to be competitively bid.

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

**A. General Information and Significant Accounting Policies**

Carter County Emergency Communications District (CCECD) is an emergency communications district under *Tennessee Code Annotated*, Section 7-86-120. CCECD has established the number 911 as a primary emergency telephone number to provide emergency service quickly and efficiently.

The financial statements of CCECD have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are reported using the economic resources measurement focus on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CCECD is a discretely presented component unit of Carter County, Tennessee. CCECD is a separate legal entity and is not fiscally dependent upon Carter County. However, the CCECD Board of Directors is appointed by the County Commission, and Carter County has the ability to significantly influence the programs, projects, activities, and level of services provided by CCECD.

CCECD began operations in 1991 and operates as an enterprise fund. The Board of Directors authorized the Century Link-United Telephone Company to begin charging the 911 surcharge to all customers in the service area. The surcharge is \$1.50 per residential subscriber and \$3 per line for commercial subscribers up to a maximum 100 lines. The lines actually belong to the phone company and are leased annually by 911.

Operating revenue includes service charges, alarm revenues, and operational funding and shared wireless funding. Nonoperating revenues are identified in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*. When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, CCECD considers restricted funds to have been spent first.

**Basis of Accounting**

CCECD utilizes the full accrual basis of accounting. Revenue is recognized in the period in which it is earned and measurable; likewise, expenses are recognized when incurred, if measurable. Accordingly, all of CCECD's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the

accompanying Statement of Net Position in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

### Cash and Deposits

Cash and cash equivalents on the Statement of Net Position and Statement of Cash Flows include petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. The certificates of deposit: long-term have an original maturity of greater than three months. There are no investments at June 30, 2014.

Cash and Certificates of Deposit: long-term are all covered by Federal Deposit Insurance Corporation (FDIC) insurance or by the State of Tennessee collateral pool. CCECD is exposed to concentration of credit risk by placing its deposits in financial institutions. The CCECD has mitigated the risks because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool. At certain times during the year, the total funds held by financial institutions exceeded FDIC insurance coverage.

### Compensated Absences

Each full-time employee will be granted 24 hours of personnel time each calendar year. Full-time employees also received sick leave of eight hours per month. There is no limit to the amount of accumulated sick time. At the time of retirement, any accumulated sick leave will be credited toward service time for retirement.

Compensatory time may be earned at 1.5 times the regular rate of pay for time worked over 40 hours per week.

### Accounts Receivable

Accounts receivable at June 30, 2014, consist of various surcharges totaling \$22,069 and a total of \$56,378 due from the Tennessee Emergency Communications Board. CCECD considers accounts receivable to be fully collectible; therefore, no allowance for uncollectibles has been recorded.

### 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.



**B. Budget**

In accordance with *Tennessee Code Annotated*, Section 7-86-120, an annual budget is adopted by the district. The budget is approved by the board and is also submitted to the primary government, Carter County, Tennessee. Expenses are presented at the legal level of control, which in accordance with the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts, is the line-item level.

**C. Deposits and Investments**

DEPOSITS – All deposits with financial institutions must be collateralized in an amount equal to 105 percent of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the organization. The district does not have a policy for interest rate risk or other credit risk other than pledging securities for amounts in excess of FDIC coverage.

INVESTMENTS – Investments are allowed for the district in accordance with *Tennessee Code Annotated*, Section 5-8-301, which includes the provision that counties are authorized to make direct investments in bonds, notes or treasury bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The district may make investments with longer maturities if various restrictions set out in the state law are followed. The district is 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 market value of the securities on the day of purchase.

As of June 30, 2014, the district held no investments.

**D. Capital Assets**

Capital assets are stated at cost. Depreciation is computed using the straight-line method and a life of ten years for renovations, seven years for the furniture, five to seven years for the equipment, and five years for the vehicles. The dollar threshold for capitalization is \$500.

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets, Not Being Depreciated:			
Land	\$ 112,000	\$ 0	\$ 112,000
Construction in Progress	0	738,408	738,408
Total Capital Assets Not Being Depreciated	\$ 112,000	\$ 738,408	\$ 850,408
Capital Assets, Being Depreciated:			
Buildings and Improvements	\$ 219,074	\$ 2,957	\$ 222,031
Furniture and Fixtures	22,022	12,358	34,380
Office Equipment	29,381	0	29,381
Communication Equipment	698,591	5,213	703,804
Vehicles	41,316	0	41,316
Leasehold Improvements	62,167	0	62,167
Other Capital Assets	139,034	1,980	141,014
Total Capital Assets Being Depreciated	\$ 1,211,585	\$ 22,508	\$ 1,234,093
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ (3,195)	\$ (5,588)	\$ (8,783)
Furniture and Fixtures	(18,500)	(1,037)	(19,537)
Office Equipment	(25,134)	(1,032)	(26,166)
Communication Equipment	(601,740)	(25,633)	(627,373)
Vehicles	(30,289)	(4,135)	(34,424)
Leasehold Improvements	(58,311)	(2,371)	(60,682)
Other Capital Assets	(137,084)	(2,314)	(139,398)
Total Accumulated Depreciation	\$ (874,253)	\$ (42,110)	\$ (916,363)
Total Capital Assets, Net	\$ 449,332	\$ 718,806	\$ 1,168,138

**E. Pension Plan**

**Plan Description**

Employees of the 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). 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 the system prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the 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, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS>.

### **Funding Policy**

The district has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 11.57 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, 2014, the district's annual pension cost of \$68,664 to 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 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
6-30-14	\$	68,664	100%	\$	0
6-30-13		61,763	100		0
6-30-12		53,130	100		0

As of July 1, 2013, the most recent actuarial valuation date, the plan was 84.3 percent funded. The actuarial accrued liability for benefits was \$.9 million, and the actuarial value of assets was \$.76 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.14 million, the covered payroll (annual payroll of active employees covered by the plan) was \$.51 million, and the ratio of the UAAL to the covered payroll was 27.49 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.

#### **F. Other Postemployment Benefits**

Plan Types:

The district has adopted a plan that provides postemployment medical benefits for retirees. Upon retirement, individuals are eligible to continue to receive coverage under the employer provided group medical plan. As of June 30, 2014, there are two retirees under the plan.

The district offers postemployment benefits for full-time regular employees retiring under the Tennessee Consolidated Retirement System (TCRS) guidelines. The district will pay 100 percent of the cost of single coverage. The benefit applies to those full-time employees retiring under TCRS guidelines and have 30 years of continuous service with no minimum age being required or 25 years of service and age 60. The district will pay 100 percent of the premium until the retiree reaches age 65. As of the effective date of the actuarial valuation, there were a total of 15 active

participants. During the prior fiscal year, the board voted to modify the retiree policy and an updated valuation was performed.

#### Funding Policy:

The contribution requirements of plan members are based on pay-as-you go financing requirements.

#### Annual OPEB Cost and Net OPEB Obligation:

The district's other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed 30 years. During the fiscal year ending June 30, 2011, the district voted to modify the retirement benefits and an updated calculation was obtained. The ARC and actuarially accrued liability were significantly reduced. The district had previously recorded the ARC and the related liability at \$90,799. Since the district had funded the plan for the past two years based upon the original plan and actuary study, the current Net OPEB Obligation only reflects current-year contributions for the participating employees. The following table shows the components of the district's costs for the year, the amount actually contributed to the plan, and changes in the OPEB obligation.

#### Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution (ARC)	\$	9,394
Interest on Net OPEB Obligation		3,447
Adjustment to ARC		(2,686)
Annual OPEB Cost (Expense)	\$	10,155
Contribution Made (assumed end of year)		(17,040)
Increase(Decrease) in Net OPEB Obligation	\$	(6,885)
Net OPEB obligation, Beginning of Year		69,828
Net OPEB obligation, End of Year	\$	62,943

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013, and 2012, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6-30-14	\$ 10,155	181%	\$ 62,943
6-30-13	9,089	195	69,828
6-30-12	11,328	68	78,435

#### Funding Status and Funding Progress:

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

Actuarial Valuation Date	7-1-11
Actuarial Accrued Liability (AAL)	\$ 80,984
Actuarial Value of Plan Assets	\$ 0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 80,984
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	\$ 550,000
UAAL as a % of Covered Payroll	15%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with 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 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:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

The valuation date is July 1, 2011. A discount rate of four percent was used to discount expected liabilities to the valuation dates. Future salaries are expected to increase at an annual rate of three percent. Average health care trend costs rates are assumed to increase by 9.5 percent for year two, increase nine percent (year three), 8.5 percent (years four and five), eight (years six and seven), 7.5 percent (years eight and nine), seven percent (years ten and 11), 6.5 percent (years 12 and 13), six percent (years 14 and 15), and 5.5 percent for years 16 and subsequent. The projected unit credit accrual cost method was used to allocate the value of benefits to valuation years. The ARC was calculated using the level percent of payroll amortization method, amortizing costs over 30 years on an open basis.

**G. Contract**

The district has a contract for telephone access lines from CenturyLink-United Telephone Southeast. The billing is reviewed annually based on the number of access lines in-service at calendar year end. The monthly base rate is influenced by various additional charges including database, switching fees, transfers, and other services.

**H. Risk Management Activities**

The district carries insurance coverage for property, auto liability, workman's compensation, general liability, and contents. There have been no significant changes from the previous year in the types of coverage. There have been no claims in the past three years, which were not covered by insurance.

**I. Donated Use of Space**

Use of facilities is provided by Carter County at a cost of \$1 per year. Fair market value of the donated space and related occupancy expenses are reflected on the Statement of Revenues, Expenses, and Changes in Net Position based upon the estimated rental value per square foot of \$2.03 and the total square feet occupied, which is 4,997 feet. The annual rental equivalent is estimated at \$10,145.

**J. Concentration**

The district depends upon financial resources flowing from, or associated with, both the State of Tennessee and local governments. Because of this dependency, the district is subject to changes in specific flows of intergovernmental revenues based on modifications to state laws and state and local appropriations.

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## REQUIRED SUPPLEMENTARY INFORMATION

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Exhibit E-1

Carter County, Tennessee

Schedule of Funding Progress – Pension Plan

Primary Government and Discretely Presented Carter County School Department

June 30, 2014

(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)
7-1-13	\$ 37,462	\$ 39,988	\$ 2,526	93.68 %	\$ 11,214	22.53 %
7-1-11	33,594	36,668	3,073	91.62	10,840	28.35
7-1-09	28,092	29,057	966	96.68	10,120	9.54

Carter County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Carter County School Department  
June 30, 2014

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Commercial	7-1-11	\$ 0	1,574 \$	1,574	0%	\$ 6,534	24%
"	7-1-12	0	1,611	1,611	0	6,808	24
"	7-1-13	0	1,606	1,606	0	8,393	19
<u>DISCRETELY PRESENTED SCHOOL DEPARTMENT</u>							
Dental, Life, and Termination	7-1-11	0	3,578	3,578	0	27,512	13
"	7-1-12	0	3,475	3,475	0	28,303	12
"	7-1-13	0	3,429	3,429	0	25,113	14
<u>DISCRETELY PRESENTED CARTER COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	\$ 0	18,822 \$	18,822	0%	\$ 25,662	73%
"	7-1-11	0	19,879	19,879	0	26,941	74
"	7-1-13	0	18,050	18,050	0	25,293	71

**CARTER COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2014**

NONE

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for 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.

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Carter County's transfer station, convenience centers, and class IV landfill operations.

Health Department Fund – The Health Department Fund is used to account for transactions of the Carter County Health Department.

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 Carter County Parks and Recreation Board. This fund was closed during the year.

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

# Capital Projects Fund

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

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

Exhibit F-1

Carter County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

Special Revenue Funds						
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitu- tional Officers - Fees	Total
\$	0 \$	5,181 \$	0 \$	0 \$	20,591 \$	25,772
	27,796	81,387	73,047	164,547	0	346,777
	0	1,058	0	0	2,352	3,410
	0	4,563	29,404	0	0	33,967
	0	118	0	0	0	118
\$	27,796 \$	92,307 \$	102,451 \$	164,547 \$	22,943 \$	410,044

ASSETS

Cash  
Equity in Pooled Cash and Investments  
Accounts Receivable  
Due from Other Governments  
Due from Other Funds

Total Assets

LIABILITIES

Accounts Payable  
Accrued Payroll  
Payroll Deductions Payable  
Due to Other Funds  
Other Current Liabilities  
Total Liabilities

FUND BALANCES

Restricted:  
Restricted for Administration of Justice  
Restricted for Public Safety  
Restricted for Capital Projects  
Committed:  
Committed for Public Health and Welfare

(Continued)

	Special Revenue Funds				Constitu- tional Officers - Fees	Total
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control		
\$	0 \$	0 \$	0 \$	0 \$	0 \$	0
\$	27,796 \$	69,776 \$	89,864 \$	153,721 \$	0 \$	341,157
\$	27,796 \$	92,307 \$	102,451 \$	164,547 \$	22,943 \$	410,044

FUND BALANCES (Cont.)

Committed (Cont.):  
Committed for Capital Projects  
Total Fund Balances  
  
Total Liabilities and Fund Balances

(Continued)



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

	Capital Projects Fund		Total Nonmajor Governmental Funds
	General Capital Projects		
Cash		0 \$	25,772
Equity in Pooled Cash and Investments	91,666		438,443
Accounts Receivable	0		3,410
Due from Other Governments	0		33,967
Due from Other Funds	0		118
Total Assets	91,666 \$		501,710
<u>ASSETS</u>			
Accounts Payable		0 \$	11,631
Accrued Payroll		0	16,413
Payroll Deductions Payable		0	2,646
Due to Other Funds		0	33,871
Other Current Liabilities		0	4,326
Total Liabilities		0 \$	68,887
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Administration of Justice		0 \$	27,796
Restricted for Public Safety		0	153,721
Restricted for Capital Projects		75,000	75,000
Committed:			
Committed for Public Health and Welfare		0	159,640
			(Continued)

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

Capital Projects Fund		Total Nonmajor Governmental Funds
General	Capital Projects	
\$ 16,666	\$ 16,666	
\$ 91,666	\$ 432,823	
\$ 91,666	\$ 501,710	

FUND BALANCES (Cont.)

Committed (Cont.):  
Committed for Capital Projects  
Total Fund Balances  
Total Liabilities and Fund Balances

Carter County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014

	Special Revenue Funds					
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Sports and Recreation	
<u>Revenues</u>						
Local Taxes	\$ 9,756	\$ 0	\$ 169,000	\$ 0	\$ 0	0
Fines, Forfeitures, and Penalties	0	0	0	46,329	0	0
Charges for Current Services	0	514,110	0	0	0	0
Other Local Revenues	0	79,362	100	0	0	0
State of Tennessee	0	0	300,307	0	0	0
Total Revenues	\$ 9,756	\$ 593,472	\$ 469,407	\$ 46,329	\$ 0	0
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Public Safety	0	0	0	64,337	0	0
Public Health and Welfare	0	626,383	448,756	0	0	0
Social, Cultural, and Recreational Services	0	0	0	0	14,415	0
Other Operations	96	5,918	1	532	0	0
Total Expenditures	\$ 96	\$ 632,301	\$ 448,757	\$ 64,869	\$ 14,415	0
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,660	\$ (38,829)	\$ 20,650	\$ (18,540)	\$ (14,415)	0
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 0	\$ 1,820	\$ 6,694	\$ 0	\$ 0	0
Transfers In	0	71,661	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 73,481	\$ 6,694	\$ 0	\$ 0	0

(Continued)

Exhibit F-2

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

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Sports and Recreation
Net Change in Fund Balances					
Fund Balance, July 1, 2013	\$ 9,660 \$ 18,136	\$ 34,652 \$ 35,124	\$ 27,344 \$ 62,520	\$ (18,540) \$ 172,261	\$ (14,415) \$ 14,415
Fund Balance, June 30, 2014	\$ 27,796	\$ 69,776	\$ 89,864	\$ 153,721	\$ 0

(Continued)

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

	Special Revenue Funds (Cont.)				Capital Projects Fund			
	Constitu- tional Officers - Fees			Total	General Capital Projects	Total Nonmajor Governmental Funds		
<u>Revenues</u>								
Local Taxes	\$	0	\$	178,756	\$	0	\$	178,756
Fines, Forfeitures, and Penalties		0		46,329		0		46,329
Charges for Current Services		3,513		517,623		0		517,623
Other Local Revenues		0		79,462		0		79,462
State of Tennessee		0		300,307		0		300,307
Total Revenues	\$	3,513	\$	1,122,477	\$	0	\$	1,122,477
<u>Expenditures</u>								
Current:								
General Government	\$	3,513	\$	3,513	\$	0	\$	3,513
Public Safety		0		64,337		0		64,337
Public Health and Welfare		0		1,075,139		0		1,075,139
Social, Cultural, and Recreational Services		0		14,415		0		14,415
Other Operations		0		6,547		0		6,547
Total Expenditures	\$	3,513	\$	1,163,951	\$	0	\$	1,163,951
<u>Excess (Deficiency) of Revenues Over Expenditures</u>								
	\$	0	\$	(41,474)	\$	0	\$	(41,474)
<u>Other Financing Sources (Uses)</u>								
Insurance Recovery	\$	0	\$	8,514	\$	0	\$	8,514
Transfers In		0		71,661		0		71,661
Total Other Financing Sources (Uses)	\$	0	\$	80,175	\$	0	\$	80,175

(Continued)

Exhibit F-2

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

	<u>Special Revenue Funds (Cont.)</u>		<u>Capital Projects Fund</u>	
	<u>Constitutional Officers - Fees</u>	<u>Total</u>	<u>General Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Net Change in Fund Balances	\$ 0 \$	38,701 \$	0 \$	38,701
Fund Balance, July 1, 2013	0	302,456	91,666	394,122
Fund Balance, June 30, 2014	\$ 0 \$	341,157 \$	91,666 \$	432,823

## Exhibit F-3

Carter 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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 9,756	\$ 10,500	\$ 10,500	\$ (744)
Total Revenues	\$ 9,756	\$ 10,500	\$ 10,500	\$ (744)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 0	\$ 5,600	\$ 5,600	\$ 5,600
<u>Administration of Justice</u>				
Other Administration of Justice	0	4,800	4,800	4,800
<u>Other Operations</u>				
Miscellaneous	96	100	100	4
Total Expenditures	\$ 96	\$ 10,500	\$ 10,500	\$ 10,404
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,660	\$ 0	\$ 0	\$ 9,660
Net Change in Fund Balance	\$ 9,660	\$ 0	\$ 0	\$ 9,660
Fund Balance, July 1, 2013	18,136	0	0	18,136
Fund Balance, June 30, 2014	\$ 27,796	\$ 0	\$ 0	\$ 27,796

## Exhibit F-4

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 514,110	\$ 707,000	\$ 707,000	\$ (192,890)
Other Local Revenues	79,362	85,000	85,000	(5,638)
Total Revenues	<u>\$ 593,472</u>	<u>\$ 792,000</u>	<u>\$ 792,000</u>	<u>\$ (198,528)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 41,386	\$ 51,857	\$ 51,857	\$ 10,471
Recycling Center	40,351	62,668	62,668	22,317
Landfill Operation and Maintenance	544,646	757,200	757,200	212,554
<u>Other Operations</u>				
Miscellaneous	5,918	10,000	10,000	4,082
Total Expenditures	<u>\$ 632,301</u>	<u>\$ 881,725</u>	<u>\$ 881,725</u>	<u>\$ 249,424</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (38,829)</u>	<u>\$ (89,725)</u>	<u>\$ (89,725)</u>	<u>\$ 50,896</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,820	\$ 0	\$ 0	\$ 1,820
Transfers In	71,661	75,261	75,261	(3,600)
Total Other Financing Sources	<u>\$ 73,481</u>	<u>\$ 75,261</u>	<u>\$ 75,261</u>	<u>\$ (1,780)</u>
Net Change in Fund Balance	\$ 34,652	\$ (14,464)	\$ (14,464)	\$ 49,116
Fund Balance, July 1, 2013	<u>35,124</u>	<u>14,464</u>	<u>14,464</u>	<u>20,660</u>
Fund Balance, June 30, 2014	<u><u>\$ 69,776</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 69,776</u></u>



## Exhibit F-5

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Health Department Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 169,000	\$ 0	\$ 169,000	\$ 0
Other Local Revenues	100	0	0	100
State of Tennessee	300,307	169,000	295,188	5,119
Total Revenues	<u>\$ 469,407</u>	<u>\$ 169,000</u>	<u>\$ 464,188</u>	<u>\$ 5,219</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 448,756	\$ 169,000	\$ 470,882	\$ 22,126
<u>Other Operations</u>				
Miscellaneous	1	0	0	(1)
Total Expenditures	<u>\$ 448,757</u>	<u>\$ 169,000</u>	<u>\$ 470,882</u>	<u>\$ 22,125</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,650</u>	<u>\$ 0</u>	<u>\$ (6,694)</u>	<u>\$ 27,344</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 6,694	\$ 0	\$ 6,694	\$ 0
Total Other Financing Sources	<u>\$ 6,694</u>	<u>\$ 0</u>	<u>\$ 6,694</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 27,344	\$ 0	\$ 0	\$ 27,344
Fund Balance, July 1, 2013	<u>62,520</u>	<u>0</u>	<u>0</u>	<u>62,520</u>
Fund Balance, June 30, 2014	<u><u>\$ 89,864</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 89,864</u></u>

## Exhibit F-6

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 46,329	\$ 55,000	\$ 74,000	\$ (27,671)
Other Local Revenues	0	19,000	0	0
State of Tennessee	0	5,000	5,000	(5,000)
Total Revenues	<u>\$ 46,329</u>	<u>\$ 79,000</u>	<u>\$ 79,000</u>	<u>\$ (32,671)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 64,337	\$ 105,000	\$ 105,000	\$ 40,663
<u>Other Operations</u>				
Miscellaneous	532	800	800	268
Total Expenditures	<u>\$ 64,869</u>	<u>\$ 105,800</u>	<u>\$ 105,800</u>	<u>\$ 40,931</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (18,540)</u>	<u>\$ (26,800)</u>	<u>\$ (26,800)</u>	<u>\$ 8,260</u>
Net Change in Fund Balance	\$ (18,540)	\$ (26,800)	\$ (26,800)	\$ 8,260
Fund Balance, July 1, 2013	172,261	26,800	26,800	145,461
Fund Balance, June 30, 2014	<u>\$ 153,721</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 153,721</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit G

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,248,483	\$ 1,278,878	\$ 1,278,878	\$ (30,395)
Other Local Revenues	46,576	60,000	60,000	(13,424)
State of Tennessee	49,718	33,208	33,208	16,510
Other Governments and Citizens Groups	357,842	0	334,331	23,511
Total Revenues	<u>\$ 1,702,619</u>	<u>\$ 1,372,086</u>	<u>\$ 1,706,417</u>	<u>\$ (3,798)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 839,371	\$ 840,425	\$ 840,425	\$ 1,054
Education	1,599,089	1,328,354	1,599,472	383
<u>Interest on Debt</u>				
General Government	743,086	743,086	743,086	0
Education	96,869	242,231	305,444	208,575
<u>Other Debt Service</u>				
General Government	25,090	66,000	66,000	40,910
Education	27,447	34,000	34,000	6,553
Total Expenditures	<u>\$ 3,330,952</u>	<u>\$ 3,254,096</u>	<u>\$ 3,588,427</u>	<u>\$ 257,475</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,628,333)</u>	<u>\$ (1,882,010)</u>	<u>\$ (1,882,010)</u>	<u>\$ 253,677</u>
Net Change in Fund Balance	\$ (1,628,333)	\$ (1,882,010)	\$ (1,882,010)	\$ 253,677
Fund Balance, July 1, 2013	<u>5,184,335</u>	<u>5,362,458</u>	<u>5,362,458</u>	<u>(178,123)</u>
Fund Balance, June 30, 2014	<u><u>\$ 3,556,002</u></u>	<u><u>\$ 3,480,448</u></u>	<u><u>\$ 3,480,448</u></u>	<u><u>\$ 75,554</u></u>

# Fiduciary Funds

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

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

City School ADA - Elizabethton Fund – The City School ADA - Elizabethton Fund is used to account for the city school system's share of education revenues collected by the county, which must be apportioned to the system on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

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

## Exhibit H-1

Carter County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2014

	Agency Funds			
	Cities -	City	Constitu-	
	Sales	School	tional	
	Tax	ADA -	Officers -	
		Elizabethton	Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,454,018	\$ 1,454,018
Equity in Pooled Cash and Investments	0	241,854	0	241,854
Accounts Receivable	0	0	13,758	13,758
Due from Other Governments	786,398	329,572	0	1,115,970
Due from Other Funds	0	0	10,206	10,206
Property Taxes Receivable	0	2,971,886	0	2,971,886
Allowance for Uncollectible Property Taxes	0	(76,829)	0	(76,829)
Total Assets	\$ 786,398	\$ 3,466,483	\$ 1,477,982	\$ 5,730,863
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 786,398	\$ 3,466,483	\$ 0	\$ 4,252,881
Due to Litigants, Heirs, and Others	0	0	1,477,982	1,477,982
Total Liabilities	\$ 786,398	\$ 3,466,483	\$ 1,477,982	\$ 5,730,863

## Exhibit H-2

Carter County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 4,479,502	\$ 4,479,502	\$ 0
Due from Other Governments	778,469	786,398	778,469	786,398
Total Assets	\$ 778,469	\$ 5,265,900	\$ 5,257,971	\$ 786,398
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 778,469	\$ 5,265,900	\$ 5,257,971	\$ 786,398
Total Liabilities	\$ 778,469	\$ 5,265,900	\$ 5,257,971	\$ 786,398
<u>City School ADA - Elizabethton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 251,091	\$ 4,715,706	\$ 4,724,943	\$ 241,854
Due from Other Governments	307,124	329,572	307,124	329,572
Property Taxes Receivable	2,810,034	2,971,886	2,810,034	2,971,886
Allowance for Uncollectible Property Taxes	(79,712)	(76,829)	(79,712)	(76,829)
Total Assets	\$ 3,288,537	\$ 7,940,335	\$ 7,762,389	\$ 3,466,483
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,288,537	\$ 7,940,335	\$ 7,762,389	\$ 3,466,483
Total Liabilities	\$ 3,288,537	\$ 7,940,335	\$ 7,762,389	\$ 3,466,483
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,210,742	\$ 8,063,010	\$ 8,819,734	\$ 1,454,018
Accounts Receivable	11,586	13,758	11,586	13,758
Due from Other Funds	10,206	0	0	10,206
Total Assets	\$ 2,232,534	\$ 8,076,768	\$ 8,831,320	\$ 1,477,982
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,232,534	\$ 8,076,768	\$ 8,831,320	\$ 1,477,982
Total Liabilities	\$ 2,232,534	\$ 8,076,768	\$ 8,831,320	\$ 1,477,982

( Continued)

## Exhibit H-2

Carter County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 2,210,742	\$ 8,063,010	\$ 8,819,734	\$ 1,454,018
Equity in Pooled Cash and Investments	251,091	9,195,208	9,204,445	241,854
Accounts Receivable	11,586	13,758	11,586	13,758
Due from Other Governments	1,085,593	1,115,970	1,085,593	1,115,970
Due from Other Funds	10,206	0	0	10,206
Property Taxes Receivable	2,810,034	2,971,886	2,810,034	2,971,886
Allowance for Uncollectible Property Taxes	(79,712)	(76,829)	(79,712)	(76,829)
Total Assets	<u>\$ 6,299,540</u>	<u>\$ 21,283,003</u>	<u>\$ 21,851,680</u>	<u>\$ 5,730,863</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 4,067,006	\$ 13,206,235	\$ 13,020,360	\$ 4,252,881
Due to Litigants, Heirs, and Others	2,232,534	8,076,768	8,831,320	1,477,982
Total Liabilities	<u>\$ 6,299,540</u>	<u>\$ 21,283,003</u>	<u>\$ 21,851,680</u>	<u>\$ 5,730,863</u>



# Carter County School Department

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

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

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

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

Other Education Special Revenue Fund – The Other Education Special Revenue Fund is used to account for the Head Start Program.

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

Exhibit I-1

Carter County, Tennessee  
Statement of Activities  
Discretely Presented Carter County School Department  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction	\$ 29,250,199	\$ 0	\$ 4,609,346	\$ (24,640,853)
Support Services	14,777,130	223,406	1,108,040	(13,445,684)
Operation of Non-instructional Services	5,275,711	793,174	2,506,244	(1,976,293)
Total Governmental Activities	\$ 49,303,040	\$ 1,016,580	\$ 8,223,630	\$ (40,062,830)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 6,003,419
Local Option Sales Taxes				3,889,247
Other Local Taxes				3,944
Grants and Contributions Not Restricted for Specific Programs				30,777,697
Unrestricted Investment Income				6,521
Miscellaneous				59,977
Total General Revenues				\$ 40,740,805
Change in Net Position				\$ 677,975
Net Position, July 1, 2013				20,806,643
Net Position, June 30, 2014				\$ 21,484,618

Carter County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Carter County School Department  
June 30, 2014

	Major Funds		Nonmajor Funds		Total Governmental Funds
	General Purpose School	Central Cafeteria	Other	Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 1,245,854	\$ 66,940	\$ 149,821	\$ 1,462,615	
Equity in Pooled Cash and Investments	5,567,828	2,460,102	195,607	8,223,537	
Accounts Receivable	13,078	0	713	13,791	
Due from Other Governments	976,782	14,689	23,426	1,014,897	
Due from Other Funds	3,495	0	0	3,495	
Property Taxes Receivable	6,315,549	0	0	6,315,549	
Allowance for Uncollectible Property Taxes	(163,268)	0	0	(163,268)	
Total Assets	\$ 13,959,318	\$ 2,541,731	\$ 369,567	\$ 16,870,616	
<u>LIABILITIES</u>					
Accounts Payable	\$ 156,595	\$ 2,559	\$ 5,379	\$ 164,533	
Payroll Deductions Payable	6,426	0	0	6,426	
Contracts Payable	348,248	0	0	348,248	
Retainage Payable	43,201	0	0	43,201	
Due to Other Funds	0	0	3,495	3,495	
Other Current Liabilities	1,245,854	61,197	149,821	1,456,872	
Total Liabilities	\$ 1,800,324	\$ 63,756	\$ 158,695	\$ 2,022,775	
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 5,883,238	\$ 0	\$ 0	\$ 5,883,238	
Deferred Delinquent Property Taxes	237,759	0	0	237,759	
Other Deferred/Unavailable Revenue	354,505	14,690	0	369,195	
Total Deferred Inflows of Resources	\$ 6,475,502	\$ 14,690	\$ 0	\$ 6,490,192	

(Continued)

Carter County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Carter County School Department (Cont.)

	Major Funds		Nonmajor Funds		Total Governmental Funds
	General Purpose School	Central Cafeteria	Other	Governmental Funds	
\$	39,261	\$ 2,463,285	\$ 18,766	\$ 0	2,521,312
	762,182	0	0	0	762,182
	1,225,274	0	199,999		1,425,273
	421,078	0	0	0	421,078
	355,463	0	0	0	355,463
	2,880,234	0	(7,893)		2,872,341
\$	5,683,492	\$ 2,463,285	\$ 210,872	\$	8,357,649
\$	13,959,318	\$ 2,541,731	\$ 369,567	\$	16,870,616

FUND BALANCES

Restricted:  
 Restricted for Education  
 Restricted for Capital Projects  
 Committed:  
 Committed for Education  
 Assigned:  
 Assigned for Education  
 Assigned for Capital Projects  
 Unassigned  
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Exhibit I-3

Carter County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Position  
Discretely Presented Carter County School Department  
June 30, 2014

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)		\$	8,357,649
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,038,228	
Add: construction in progress		390,083	
Add: building and improvements net of accumulated depreciation		19,101,264	
Add: other capital assets net of accumulated depreciation		<u>2,576,528</u>	23,106,103
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: principal on lease to be contributed to primary government	\$	(937,119)	
Less: compensated absences payable		(770,665)	
Less: other postemployment benefits liability		<u>(8,878,304)</u>	(10,586,088)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>606,954</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>21,484,618</u></u>

Carter County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Carter County School Department  
For the Year Ended June 30, 2014

	Major Funds		Nonmajor Funds	
	General Purpose School	Central Cafeteria	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 10,045,260	\$ 0	\$ 0	\$ 10,045,260
Licenses and Permits	1,284	0	0	1,284
Charges for Current Services	255,904	762,176	0	1,018,080
Other Local Revenues	173,550	5,032	0	178,582
State of Tennessee	30,623,580	28,884	0	30,652,464
Federal Government	755,000	2,302,880	4,192,768	7,250,648
Other Governments and Citizens Groups	324	0	902,626	902,950
Total Revenues	\$ 41,854,902	\$ 3,098,972	\$ 5,095,394	\$ 50,049,268
<u>Expenditures</u>				
Current:				
Instruction	\$ 24,607,499	\$ 0	\$ 2,876,312	\$ 27,483,811
Support Services	13,511,310	0	1,161,444	14,672,754
Operation of Non-instructional Services	1,237,663	2,968,413	990,368	5,196,444
Capital Outlay	1,313,773	0	0	1,313,773
Debt Service:				
Other Debt Service	334,331	0	23,511	357,842
Total Expenditures	\$ 41,004,576	\$ 2,968,413	\$ 5,051,635	\$ 49,024,624
Excess (Deficiency) of Revenues Over Expenditures	\$ 850,326	\$ 130,559	\$ 43,759	\$ 1,024,644
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 21,629	\$ 0	\$ 0	\$ 21,629
Total Other Financing Sources (Uses)	\$ 21,629	\$ 0	\$ 0	\$ 21,629
Net Change in Fund Balances	\$ 871,955	\$ 130,559	\$ 43,759	\$ 1,046,273
Fund Balance, July 1, 2013	4,811,537	2,332,726	167,113	7,311,376
Fund Balance, June 30, 2014	\$ 5,683,492	\$ 2,463,285	\$ 210,872	\$ 8,357,649

Exhibit I-5

Carter County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Carter County School Department  
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 1,046,273
(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	\$ 1,562,810	
Less: current-year depreciation expense	<u>(1,258,687)</u>	304,123
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: loss on disposal of capital assets	\$ (50,625)	
Less: proceeds from the sale of capital assets	<u>(111,987)</u>	(162,612)
(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, 2014	\$ 606,954	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(624,582)</u>	(17,628)
(4) The issuance of long-term debt (e.g., capital leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal contribution on lease for primary government		271,118
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences payable	\$ 342,382	
Change in other postemployment benefits liability	<u>(1,105,681)</u>	(763,299)
Change in net position of governmental activities (Exhibit B)		<u>\$ 677,975</u>

## Exhibit I-6

Carter County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Carter County School Department  
June 30, 2014

	<u>Special Revenue Funds</u>		
	School	Other	Total
	Federal	Education	Nonmajor
	Projects	Special	Governmental
		Revenue	Funds
<u>ASSETS</u>			
Cash	\$ 120,317	\$ 29,504	\$ 149,821
Equity in Pooled Cash and Investments	176,159	19,448	195,607
Accounts Receivable	713	0	713
Due from Other Governments	23,426	0	23,426
Total Assets	<u>\$ 320,615</u>	<u>\$ 48,952</u>	<u>\$ 369,567</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 4,697	\$ 682	\$ 5,379
Due to Other Funds	3,495	0	3,495
Other Current Liabilities	120,317	29,504	149,821
Total Liabilities	<u>\$ 128,509</u>	<u>\$ 30,186</u>	<u>\$ 158,695</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 18,766	\$ 18,766
Committed:			
Committed for Education	199,999	0	199,999
Unassigned	(7,893)	0	(7,893)
Total Fund Balances	<u>\$ 192,106</u>	<u>\$ 18,766</u>	<u>\$ 210,872</u>
Total Liabilities and Fund Balances	<u>\$ 320,615</u>	<u>\$ 48,952</u>	<u>\$ 369,567</u>



Exhibit I-7

Carter County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Carter County School Department  
For the Year Ended June 30, 2014

	Special Revenue Funds			Capital Projects Fund	
	School Federal Projects	Other Education Special Revenue	Total	Education Capital Projects	Total Nonmajor Governmental Funds
<u>Revenues</u>					
Federal Government	\$ 4,091,513	\$ 101,255	\$ 4,192,768	\$ 0	\$ 4,192,768
Other Governments and Citizens Groups	0	902,626	902,626	0	902,626
Total Revenues	\$ 4,091,513	\$ 1,003,881	\$ 5,095,394	\$ 0	\$ 5,095,394
<u>Expenditures</u>					
Current:					
Instruction	\$ 2,876,312	0	\$ 2,876,312	\$ 0	\$ 2,876,312
Support Services	1,160,209	1,235	1,161,444	0	1,161,444
Operation of Non-instructional Services	0	990,368	990,368	0	990,368
Debt Service:					
Other Debt Service	0	0	0	23,511	23,511
Total Expenditures	\$ 4,036,521	\$ 991,603	\$ 5,028,124	\$ 23,511	\$ 5,051,635
Excess (Deficiency) of Revenues Over Expenditures	\$ 54,992	\$ 12,278	\$ 67,270	\$ (23,511)	\$ 43,759
Net Change in Fund Balances	\$ 54,992	\$ 12,278	\$ 67,270	\$ (23,511)	\$ 43,759
Fund Balance, July 1, 2013	137,114	6,488	143,602	23,511	167,113
Fund Balance, June 30, 2014	\$ 192,106	\$ 18,766	\$ 210,872	\$ 0	\$ 210,872

Exhibit I-8

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Carter County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 10,045,260	\$ 0	\$ 0	\$ 10,045,260	\$ 9,580,972	\$ 9,580,972	\$ 464,288
Licenses and Permits	1,284	0	0	1,284	1,500	1,500	(216)
Charges for Current Services	255,904	0	0	255,904	225,000	225,000	30,904
Other Local Revenues	173,550	0	0	173,550	85,200	225,266	(51,716)
State of Tennessee	30,623,580	0	0	30,623,580	29,007,700	30,494,098	129,482
Federal Government	755,000	0	0	755,000	95,000	645,088	109,912
Other Governments and Citizens Groups	324	0	0	324	0	0	324
<b>Total Revenues</b>	<b>\$ 41,854,902</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 41,854,902</b>	<b>\$ 38,995,372</b>	<b>\$ 41,171,924</b>	<b>\$ 682,978</b>
<b>Expenditures</b>							
<u>Instruction</u>							
Regular Instruction Program	\$ 19,910,732	\$ 0	\$ 0	\$ 19,910,732	\$ 19,992,607	\$ 20,397,087	\$ 486,355
Alternative Instruction Program	155,736	0	0	155,736	127,245	160,370	4,634
Special Education Program	3,159,471	0	0	3,159,471	3,115,782	3,158,982	(489)
Vocational Education Program	1,381,554	0	0	1,381,554	1,428,823	1,423,958	42,404
Adult Education Program	6	0	0	6	0	0	(6)
<u>Support Services</u>							
Health Services	415,327	0	0	415,327	333,779	441,004	25,677
Other Student Support	865,476	0	0	865,476	1,166,119	1,198,519	333,043
Regular Instruction Program	1,410,364	0	0	1,410,364	1,492,565	1,525,478	115,114
Alternative Instruction Program	114,128	0	0	114,128	121,740	121,740	7,612
Special Education Program	384,646	0	0	384,646	367,716	389,796	5,150
Vocational Education Program	158,824	0	0	158,824	156,031	160,894	2,070
Other Programs	365,896	0	0	365,896	0	365,896	0
Board of Education	718,396	0	0	718,396	719,515	724,665	6,269
Director of Schools	477,770	0	0	477,770	444,160	516,985	39,215
Office of the Principal	2,373,011	0	0	2,373,011	2,372,461	2,407,961	34,950
Fiscal Services	153,594	0	0	153,594	158,000	158,000	4,406
Operation of Plant	2,852,558	0	0	2,852,558	2,874,083	2,875,063	22,505
Maintenance of Plant	710,283	(5,482)	0	704,801	761,357	761,357	56,556

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 2,258,995	\$ (392,395)	0	\$ 1,866,600	\$ 2,237,387	\$ 2,253,894	\$ 387,294
Central and Other	252,042	0	0	252,042	261,114	261,114	9,072
<u>Operation of Non-instructional Services</u>							
Community Services	937,158	0	0	937,158	194,588	919,992	(17,166)
Early Childhood Education	300,505	0	0	300,505	0	300,526	21
<u>Capital Outlay</u>							
Regular Capital Outlay	1,313,773	(529,518)	399,482	1,183,737	335,300	1,275,693	91,956
Principal on Debt	0	0	0	0	230,000	0	0
Education	0	0	0	0	105,000	0	0
Interest on Debt	0	0	0	0	0	0	0
Education	0	0	0	0	0	0	0
Other Debt Service	0	0	0	0	0	0	0
Education	334,331	0	0	334,331	0	335,000	669
Total Expenditures	\$ 41,004,576	\$ (927,395)	\$ 399,482	\$ 40,476,663	\$ 38,995,372	\$ 42,133,974	\$ 1,657,311
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 850,326	\$ 927,395	\$ (399,482)	\$ 1,378,239	\$ 0	\$ (962,050)	\$ 2,340,289
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 21,629	\$ 0	\$ 0	\$ 21,629	\$ 0	\$ 16,507	\$ 5,122
Total Other Financing Sources	\$ 21,629	\$ 0	\$ 0	\$ 21,629	\$ 0	\$ 16,507	\$ 5,122
<u>Net Change in Fund Balance</u>	\$ 871,955	\$ 927,395	\$ (399,482)	\$ 1,399,868	\$ 0	\$ (945,543)	\$ 2,345,411
Fund Balance, July 1, 2013	4,811,537	(927,395)	0	3,884,142	945,543	945,543	2,938,599
Fund Balance, June 30, 2014	\$ 5,683,492	\$ 0	\$ (399,482)	\$ 5,284,010	\$ 945,543	\$ 0	\$ 5,284,010

## Exhibit I-9

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Carter County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 4,091,513	\$ 4,556,290	\$ 4,804,680	\$ (713,167)
Total Revenues	\$ 4,091,513	\$ 4,556,290	\$ 4,804,680	\$ (713,167)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,765,804	\$ 2,080,931	\$ 2,158,801	\$ 392,997
Special Education Program	1,038,953	1,135,446	1,199,156	160,203
Vocational Education Program	71,555	71,555	71,555	0
<u>Support Services</u>				
Attendance	730	4,000	4,000	3,270
Other Student Support	249,754	291,550	293,731	43,977
Regular Instruction Program	518,156	557,657	579,172	61,016
Special Education Program	324,935	336,008	420,122	95,187
Vocational Education Program	0	1,000	0	0
Office of the Principal	3,496	7,089	7,089	3,593
Transportation	63,138	71,054	71,054	7,916
Total Expenditures	\$ 4,036,521	\$ 4,556,290	\$ 4,804,680	\$ 768,159
Excess (Deficiency) of Revenues Over Expenditures	\$ 54,992	\$ 0	\$ 0	\$ 54,992
Net Change in Fund Balance	\$ 54,992	\$ 0	\$ 0	\$ 54,992
Fund Balance, July 1, 2013	137,114	0	0	137,114
Fund Balance, June 30, 2014	\$ 192,106	\$ 0	\$ 0	\$ 192,106

## Exhibit I-10

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Carter County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 762,176	\$ 892,500	\$ 892,500	\$ (130,324)
Other Local Revenues	5,032	8,000	8,000	(2,968)
State of Tennessee	28,884	25,000	25,000	3,884
Federal Government	2,302,880	1,845,000	2,050,240	252,640
Total Revenues	<u>\$ 3,098,972</u>	<u>\$ 2,770,500</u>	<u>\$ 2,975,740</u>	<u>\$ 123,232</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 2,968,413	\$ 2,995,813	\$ 3,201,053	\$ 232,640
Total Expenditures	<u>\$ 2,968,413</u>	<u>\$ 2,995,813</u>	<u>\$ 3,201,053</u>	<u>\$ 232,640</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 130,559</u>	<u>\$ (225,313)</u>	<u>\$ (225,313)</u>	<u>\$ 355,872</u>
Net Change in Fund Balance	\$ 130,559	\$ (225,313)	\$ (225,313)	\$ 355,872
Fund Balance, July 1, 2013	2,332,726	225,313	225,313	2,107,413
Fund Balance, June 30, 2014	<u>\$ 2,463,285</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,463,285</u>

## Exhibit I-11

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Carter County School Department  
Other Education Special Revenue Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 101,255	\$ 1,022,226	\$ 110,200	\$ (8,945)
Other Governments and Citizens Groups	902,626	0	912,026	(9,400)
Total Revenues	<u>\$ 1,003,881</u>	<u>\$ 1,022,226</u>	<u>\$ 1,022,226</u>	<u>\$ (18,345)</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Operation of Plant	\$ 1,235	\$ 1,481	\$ 1,481	\$ 246
<u>Operation of Non-instructional Services</u>				
Early Childhood Education	990,368	1,020,745	1,020,745	30,377
Total Expenditures	<u>\$ 991,603</u>	<u>\$ 1,022,226</u>	<u>\$ 1,022,226</u>	<u>\$ 30,623</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,278</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,278</u>
Net Change in Fund Balance	\$ 12,278	\$ 0	\$ 0	\$ 12,278
Fund Balance, July 1, 2013	<u>6,488</u>	<u>0</u>	<u>0</u>	<u>6,488</u>
Fund Balance, June 30, 2014	<u><u>\$ 18,766</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 18,766</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Carter County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Bonds, and Capital Lease  
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Paid and/or Matured During Period	Outstanding 6-30-14
<u>NOTES PAYABLE</u>							
Payable through General Debt Service Fund							
School Renovations	\$ 1,024,700	3.49 %	5-22-08	5-22-20	\$ 655,328	\$ 82,971	\$ 572,357
Animal Shelter	250,000	1.25	12-20-10	12-20-13	84,371	84,371	0
Total Notes Payable					\$ 739,699	\$ 167,342	\$ 572,357
<u>OTHER LOANS PAYABLE</u>							
Public Building Authority Loan Agreements							
Payable through General Debt Service Fund							
County and School Renovation and Construction	9,000,000	Variable	7-20-1999	5-25-14	\$ 818,000	\$ 818,000	\$ 0
County and School Renovation and Construction	3,500,000	Variable	6-14-01	5-25-16	921,000	292,000	629,000
County and School Renovation and Construction (1)	3,530,041	Variable	11-21-05	5-25-29	2,694,041	135,000	2,559,041
Total Other Loans Payable					\$ 4,433,041	\$ 1,245,000	\$ 3,188,041
<u>BONDS PAYABLE</u>							
Payable through General Debt Service Fund							
General Obligation Refunding Bonds, Series 2010	24,800,000	3.2898	10-7-10	5-1-35	\$ 22,715,000	\$ 755,000	\$ 21,960,000
Total Bonds Payable					\$ 22,715,000	\$ 755,000	\$ 21,960,000
<u>CAPITAL LEASE PAYABLE</u>							
Contributed by School Department through General Purpose School Fund to the General Debt Service Fund							
Energy Lighting and Control Equipment	3,200,000	5.8	11-25-02	7-15-17	\$ 1,208,237	\$ 271,118	\$ 937,119
Total Capital Lease Payable					\$ 1,208,237	\$ 271,118	\$ 937,119

(1) The total amount approved was \$4,550,000, of which \$1,019,959 remains available for draws as of June 30, 2014. However, the county does not intend to draw down any of the remaining balance.



## Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 86,290	\$ 19,715	\$ 106,005
2016	89,741	16,704	106,445
2017	93,331	13,588	106,919
2018	97,064	10,364	107,428
2019	100,947	7,027	107,974
2020	104,984	3,574	108,558
Total	\$ 572,357	\$ 70,972	\$ 643,329

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 447,000	\$ 4,082	\$ 24,713	\$ 475,795
2016	466,000	3,531	21,059	490,590
2017	149,000	2,958	17,248	169,206
2018	153,000	2,764	16,118	171,882
2019	158,000	2,565	14,958	175,523
2020	164,000	2,360	13,760	180,120
2021	169,000	2,146	12,517	183,663
2022	174,000	1,927	11,236	187,163
2023	180,000	1,700	9,917	191,617
2024	186,000	1,466	8,552	196,018
2025	191,000	1,225	7,142	199,367
2026	198,000	976	5,694	204,670
2027	204,000	719	4,193	208,912
2028	211,000	454	2,646	214,100
2029	138,041	179	1,047	139,267
Total	\$ 3,188,041	\$ 29,052	\$ 170,800	\$ 3,387,893

(Continued)

## Exhibit J-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 800,000	\$ 726,931	\$ 1,526,931
2016	825,000	710,931	1,535,931
2017	875,000	694,432	1,569,432
2018	900,000	676,931	1,576,931
2019	1,000,000	654,431	1,654,431
2020	1,000,000	624,431	1,624,431
2021	1,050,000	584,432	1,634,432
2022	1,075,000	552,931	1,627,931
2023	1,150,000	520,681	1,670,681
2024	1,100,000	486,182	1,586,182
2025	1,150,000	453,181	1,603,181
2026	1,200,000	418,681	1,618,681
2027	1,225,000	382,681	1,607,681
2028	1,300,000	344,400	1,644,400
2029	1,310,000	292,400	1,602,400
2030	1,000,000	240,000	1,240,000
2031	1,000,000	200,000	1,200,000
2032	1,000,000	160,000	1,160,000
2033	1,000,000	120,000	1,120,000
2034	1,000,000	80,000	1,080,000
2035	1,000,000	40,000	1,040,000
Total	\$ 21,960,000	\$ 8,963,656	\$ 30,923,656

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2015	\$ 287,268	\$ 47,063	\$ 334,331
2016	304,382	29,949	334,331
2017	322,510	11,820	334,330
2018	22,959	132	23,091
Total	\$ 937,119	\$ 88,964	\$ 1,026,083

Exhibit J-3

Carter County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2014

From Fund	To Fund	Purpose	Amount
General	Solid Waste/Sanitation	Operations	\$ 71,661
Total Transfers			<u>\$ 71,661</u>

Exhibit J-4

Carter County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Carter County School Department  
For the Year Ended June 30, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 91,568	\$ 50,000	RLI Insurance Company
Director of Schools	State Board of Education and County Board of Education	92,493	50,000	Western Surety Company
Road Superintendent	Section 8-24-102, TCA	81,208	100,000	RLI Insurance Company
Trustee	Section 8-24-102, TCA	73,825	1,656,300	"
Assessor of Property	Section 8-24-102, TCA	73,825	50,000	"
Finance Director	County Commission	60,386	100,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	73,825	50,000	RLI Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	73,825	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	73,825 (1)	100,000	"
Register of Deeds	Section 8-24-102, TCA	73,825	25,000	"
Sheriff	Section 8-24-102, TCA, and County Commission	87,208 (2)	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - School Department			150,000	"

(1) Does not include special commissioner fees of \$3,020.

(2) Includes a county workhouse supplement of \$6,000.

Carter County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2014

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	
	General				
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 8,052,220	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	263,260	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	79,099	0	0	0	0
Interest and Penalty	78,968	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	13,423	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	237,694	0	0	0	0
Payments in-Lieu-of Taxes - Other	3,642	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	691,292	0	0	169,000	0
Hotel/Motel Tax	89,232	0	0	0	0
Litigation Tax - General	204,633	0	0	0	0
Litigation Tax - Special Purpose	0	9,756	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	97,856	0	0	0	0
Litigation Tax - Courthouse Security	76,376	0	0	0	0
Business Tax	322,831	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	41,660	0	0	0	0
Wholesale Beer Tax	195,031	0	0	0	0
Interstate Telecommunications Tax	4,242	0	0	0	0
Total Local Taxes	\$ 10,451,459	\$ 9,756	\$ 0	\$ 169,000	\$ 0

Licenses and Permits  
Licenses  
Marriage Licenses

\$ 1,881 \$ 0 \$ 0 \$ 0 \$ 0

(Continued)

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

	Special Revenue Funds				
	Courthouse and Jail	Solid Waste /	Health Department	Drug Control	
	General	Maintenance	Sanitation		
<u>Licenses and Permits (Cont.)</u>					
<u>Licenses (Cont.)</u>					
Animal Registration					
Cable TV Franchise					
Permits					
Beer Permits					
Building Permits					
Electrical Permits					
Other Permits					
Total Licenses and Permits					
	\$ 14,370	\$ 0	\$ 0	\$ 0	\$ 0
	348,805	0	0	0	0
	1,750	0	0	0	0
	6,720	0	0	0	0
	30,699	0	0	0	0
	52,888	0	0	0	0
	\$ 457,113	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines					
Drug Control Fines	\$ 3,531	\$ 0	\$ 0	\$ 0	\$ 0
Drug Court Fees	0	0	0	0	3,582
Jail Fees	3,230	0	0	0	0
Judicial Commissioner Fees	3,086	0	0	0	0
DUI Treatment Fines	2,327	0	0	0	0
Data Entry Fee - Circuit Court	1,805	0	0	0	0
Courtroom Security Fee	1,692	0	0	0	0
Criminal Court	3,610	0	0	0	0
Fines	72,096	0	0	0	0
<u>General Sessions Court</u>					
Fines	67,827	0	0	0	0
Officers Costs	54,526	0	0	0	0
Drug Control Fines	0	0	0	0	14,967

(Continued)

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

	General	Courthouse and Jail Maintenance	Special Revenue Funds			
			Sanitation	Health Department	Drug Control	
	\$	7,733 \$	0 \$	0 \$	0 \$	0
Drug Court Fees		12,682	0	0	0	0
Jail Fees		2,113	0	0	0	0
Judicial Commissioner Fees		15,020	0	0	0	0
DUI Treatment Fines		16,060	0	0	0	0
Data Entry Fee - General Sessions Court		5,107	0	0	0	0
Courtroom Security Fee						
<u>Juvenile Court</u>						
Fines		12,531	0	0	0	0
Officers Costs		1,442	0	0	0	0
Drug Court Fees		2,530	0	0	0	0
Jail Fees		5,490	0	0	0	0
Data Entry Fee - Juvenile Court		1,472	0	0	0	0
<u>Chancery Court</u>						
Officers Costs		1,232	0	0	0	0
Data Entry Fee - Chancery Court		2,316	0	0	0	0
Courtroom Security Fee		27	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures		0	0	0	0	21,385
Other Fines, Forfeitures, and Penalties						
Proceeds from Confiscated Property		0	0	0	0	6,395
Other Fines, Forfeitures, and Penalties		1,643	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$	301,128 \$	0 \$	0 \$	0 \$	46,329

(Continued)

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

	General	Courthouse and Jail Maintenance	Special Revenue Funds			
			Sanitation	Health Department	Drug Control	
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Transfer Waste Stations Collection Charge	\$ 0	\$ 0	\$ 452,333	\$ 0	\$ 0	0
Tipping Fees	0	0	61,777	0	0	0
Work Release Charges for Board Fees	19,929	0	0	0	0	0
Copy Fees	1,824	0	0	0	0	0
Telephone Commissions	69,216	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0
Data Processing Fee - Register	14,688	0	0	0	0	0
Data Processing Fee - Sheriff	5,868	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	4,850	0	0	0	0	0
Data Processing Fee - County Clerk	196	0	0	0	0	0
Total Charges for Current Services	\$ 116,571	\$ 0	\$ 514,110	\$ 0	\$ 0	0

<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	15,300	0	0	100	0	0
Sale of Materials and Supplies	616	0	0	0	0	0
Sale of Gasoline	0	0	0	0	0	0
Sale of Maps	1,000	0	0	0	0	0
Sale of Recycled Materials	684	0	60,648	0	0	0
Sale of Animals/Livestock	7,370	0	0	0	0	0
Miscellaneous Refunds	30,816	0	17,272	0	0	0

(Continued)



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

	General	Courthouse and Jail Maintenance	Special Revenue Funds			
			Sanitation	Health Department	Drug Control	
<u>Other Local Revenues (Cont.)</u>						
Nonrecurring Items						
Sale of Equipment	\$ 25,328	\$ 0	\$ 1,442	\$ 0	\$ 0	0
Sale of Property	31,385	0	0	0	0	0
Total Other Local Revenues	\$ 112,499	\$ 0	\$ 79,362	\$ 100	\$ 0	0
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 463,354	\$ 0	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	150,210	0	0	0	0	0
General Sessions Court Clerk	399,524	0	0	0	0	0
Clerk and Master	141,551	0	0	0	0	0
Register	181,891	0	0	0	0	0
Sheriff	11,621	0	0	0	0	0
Trustee	658,857	0	0	0	0	0
Total Fees Received from County Officials	\$ 2,007,008	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 6,930	\$ 0	\$ 0	\$ 0	\$ 0	0
Public Safety Grants						
Law Enforcement Training Programs	27,000	0	0	0	0	0
Other Public Safety Grants	1,253	0	0	0	0	0
Health and Welfare Grants						
Health Department Programs	0	0	0	300,307	0	0
Other Health and Welfare Grants	60,000	0	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
State of Tennessee (Cont.)					
Public Works Grants					
Litter Program					
Other State Revenues					
Income Tax	\$ 41,668	\$ 0	\$ 0	\$ 0	\$ 0
Beer Tax	50,940	0	0	0	0
Alcoholic Beverage Tax	26,107	0	0	0	0
Mixed Drink Tax	74,140	0	0	0	0
State Revenue Sharing - T.V.A.	3,668	0	0	0	0
Contracted Prisoner Boarding	0	0	0	0	0
Gasoline and Motor Fuel Tax	1,035,470	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	15,164	0	0	0	0
State Shared Sales Tax - Cities	9,049	0	0	0	0
Other State Grants	39,376	0	0	0	0
Other State Revenues	35,784	0	0	0	0
Total State of Tennessee	\$ 1,426,549	\$ 0	\$ 0	\$ 300,307	\$ 0
Federal Government					
Federal Through State					
Homeland Security Grants	\$ 47,817	\$ 0	\$ 0	\$ 0	\$ 0
Law Enforcement Grants	5,948	0	0	0	0
Other Federal through State	203,781	0	0	0	0
Direct Federal Revenue					
Police Service (Lake Area)	13,088	0	0	0	0
Forest Service	91,472	0	0	0	0
Other Direct Federal Revenue	19,200	0	0	0	0
Total Federal Government	\$ 381,306	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

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

	General	Courthouse and Jail Maintenance	Special Revenue Funds			
			Sanitation	Health Department	Drug Control	
Other Governments and Citizens Groups						
<u>Other Governments</u>						
Contributions	\$ 17,825	\$ 0	\$ 0	\$ 0	\$ 0	0
Contracted Services	252,228	0	0	0	0	0
<u>Citizens Groups</u>						
Donations	74,245	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 344,298	\$ 0	\$ 0	\$ 0	\$ 0	0
Total	\$ 15,597,931	\$ 9,756	\$ 593,472	\$ 469,407	\$ 46,329	

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Fund	
					Total
<u>Local Taxes</u>					
County Property Taxes					
Current Property Tax	\$ 0	\$ 1,030,599	\$ 1,150,644	\$ 10,233,463	
Trustee's Collections - Prior Year	0	39,528	34,965	337,753	
Circuit/Clerk & Master Collections - Prior Years	0	11,803	10,251	101,153	
Interest and Penalty	0	11,625	10,512	101,105	
Payments in-Lieu-of Taxes - T.V.A.	0	1,719	1,918	17,060	
Payments in-Lieu-of Taxes - Local Utilities	0	30,444	33,956	302,094	
Payments in-Lieu-of Taxes - Other	0	256	286	4,184	
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	860,292	
Hotel/Motel Tax	0	0	0	89,232	
Litigation Tax - General	0	0	0	204,633	
Litigation Tax - Special Purpose	0	0	0	9,756	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	97,856	
Litigation Tax - Courthouse Security	0	0	0	76,376	
Business Tax	0	0	0	322,831	
Mineral Severance Tax	0	92,955	0	92,955	
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	5,336	5,951	52,947	
Wholesale Beer Tax	0	0	0	195,031	
Interstate Telecommunications Tax	0	0	0	4,242	
Total Local Taxes	\$ 0	\$ 1,224,265	\$ 1,248,483	\$ 13,102,963	
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 1,881	

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Total	
<u>Licenses and Permits (Cont.)</u>					
<u>Licenses (Cont.)</u>					
Animal Registration	0 \$	0 \$	0 \$	0 \$	14,370
Cable TV Franchise	0	0	0	0	348,805
<u>Permits</u>					
Beer Permits	0	0	0	0	1,750
Building Permits	0	0	0	0	6,720
Electrical Permits	0	0	0	0	30,699
Other Permits	0	0	0	0	52,888
Total Licenses and Permits	0 \$	0 \$	0 \$	0 \$	457,113
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	0 \$	0 \$	0 \$	0 \$	3,531
Drug Control Fines	0	0	0	0	3,582
Drug Court Fees	0	0	0	0	3,230
Jail Fees	0	0	0	0	3,086
Judicial Commissioner Fees	0	0	0	0	2,327
DUI Treatment Fines	0	0	0	0	1,805
Data Entry Fee - Circuit Court	0	0	0	0	1,692
Courtroom Security Fee	0	0	0	0	3,610
<u>Criminal Court</u>					
Fines	0	0	0	0	72,096
<u>General Sessions Court</u>					
Fines	0	0	0	0	67,827
Officers Costs	0	0	0	0	54,526
Drug Control Fines	0	0	0	0	14,967

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Total	
\$	0 \$	0 \$	0 \$		
Drug Court Fees	0	0	0	7,733	
Jail Fees	0	0	0	12,682	
Judicial Commissioner Fees	0	0	0	2,113	
DUI Treatment Fines	0	0	0	15,020	
Data Entry Fee - General Sessions Court	0	0	0	16,060	
Courtroom Security Fee	0	0	0	5,107	
Juvenile Court					
Fines	0	0	0	12,531	
Officers Costs	0	0	0	1,442	
Drug Court Fees	0	0	0	2,530	
Jail Fees	0	0	0	5,490	
Data Entry Fee - Juvenile Court	0	0	0	1,472	
Chancery Court					
Officers Costs	0	0	0	1,232	
Data Entry Fee - Chancery Court	0	0	0	2,316	
Courtroom Security Fee	0	0	0	27	
Judicial District Drug Program					
Drug Task Force Forfeitures and Seizures	0	0	0	21,385	
Other Fines, Forfeitures, and Penalties					
Proceeds from Confiscated Property	0	0	0	6,395	
Other Fines, Forfeitures, and Penalties	0	0	0	1,643	
Total Fines, Forfeitures, and Penalties	0 \$	0 \$	0 \$	347,457	

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Total	
Charges for Current Services					
General Service Charges					
Transfer Waste Stations Collection Charge	\$ 0	\$ 0	\$ 0	\$ 452,333	
Tipping Fees	0	0	0	61,777	
Work Release Charges for Board	0	0	0	19,929	
Fees					
Copy Fees	0	0	0	1,824	
Telephone Commissions	0	0	0	69,216	
Constitutional Officers' Fees and Commissions	493	0	0	493	
Special Commissioner Fees/Special Master Fees	3,020	0	0	3,020	
Data Processing Fee - Register	0	0	0	14,688	
Data Processing Fee - Sheriff	0	0	0	5,868	
Sexual Offender Registration Fees - Sheriff	0	0	0	4,850	
Data Processing Fee - County Clerk	0	0	0	196	
Total Charges for Current Services	\$ 3,513	\$ 0	\$ 0	\$ 634,194	

Other Local Revenues

Recurring Items				
Investment Income	\$ 0	\$ 0	\$ 46,576	\$ 46,576
Lease/Rentals	0	0	0	15,400
Sale of Materials and Supplies	0	0	0	616
Sale of Gasoline	0	228,463	0	228,463
Sale of Maps	0	0	0	1,000
Sale of Recycled Materials	0	1,042	0	62,374
Sale of Animals/Livestock	0	0	0	7,370
Miscellaneous Refunds	0	280	0	48,368

(Continued)

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

	<u>Special Revenue Funds (Cont.)</u>			<u>Debt Service</u>	
	<u>Constitutional Officers - Fees</u>	<u>Highway / Public Works</u>		<u>Fund</u>	
					<u>Total</u>
<u>Other Local Revenues (Cont.)</u>					
<u>Nonrecurring Items</u>					
Sale of Equipment	\$ 0 \$	28,919 \$	0 \$	0 \$	55,689
Sale of Property	0	0	0	0	31,385
Total Other Local Revenues	\$ 0 \$	28,919 \$	0 \$	0 \$	87,074
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 0 \$	0 \$	0 \$	0 \$	463,354
Circuit Court Clerk	0	0	0	0	150,210
General Sessions Court Clerk	0	0	0	0	399,524
Clerk and Master	0	0	0	0	141,551
Register	0	0	0	0	181,891
Sheriff	0	0	0	0	11,621
Trustee	0	0	0	0	658,857
Total Fees Received from County Officials	\$ 0 \$	0 \$	0 \$	0 \$	2,007,008
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0 \$	0 \$	0 \$	0 \$	6,930
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	27,000
Other Public Safety Grants	0	0	0	0	1,253
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	300,307
Other Health and Welfare Grants	0	0	0	0	60,000

(Continued)



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

	Special Revenue Funds (Cont.)			Debt Service	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Fund	Total
\$	0 \$	0 \$	0 \$		41,668
	0	0	0		50,940
	0	0	0		26,107
	0	0	0		74,140
	0	0	0		3,668
	0	44,575	49,718		94,293
	0	0	0		1,035,470
	0	1,782,146	0		1,782,146
	0	41,434	0		41,434
	0	0	0		15,164
	0	0	0		9,049
	0	0	0		39,376
	0	0	0		35,784
\$	0 \$	1,868,155 \$	49,718 \$		3,644,729
\$	0 \$	0 \$	0 \$		47,817
	0	0	0		5,948
	0	0	0		203,781
	0	0	0		13,088
	0	29,009	0		120,481
	0	295,017	0		314,217
\$	0 \$	324,026 \$	0 \$		705,332

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Total	
Other Governments and Citizens Groups					
Other Governments					
Contributions	\$ 0 \$	0 \$	357,842 \$	375,667	
Contracted Services	0	8,600	0	260,828	
Citizens Groups					
Donations	0	0	0	74,245	
Total Other Governments and Citizens Groups	\$ 0 \$	8,600 \$	357,842 \$	710,740	
Total	\$ 3,513 \$	3,683,750 \$	1,702,619 \$	22,106,777	

Carter County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Carter County School Department  
For the Year Ended June 30, 2014

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria	Education Special Revenue	Other	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 5,606,012	\$ 0	\$ 0	\$ 0	\$ 0	5,606,012
Trustee's Collections - Prior Year	214,961	0	0	0	0	214,961
Circuit/Clerk & Master Collections - Prior Years	63,970	0	0	0	0	63,970
Interest and Penalty	63,157	0	0	0	0	63,157
Payments in-Lieu-of Taxes - T. V.A.	13,754	0	0	0	0	13,754
Payments in-Lieu-of Taxes - Local Utilities	165,613	0	0	0	0	165,613
Payments in-Lieu-of Taxes - Other	1,393	0	0	0	0	1,393
<u>County Local Option Taxes</u>						
Local Option Sales Tax	3,883,430	0	0	0	0	3,883,430
<u>Statutory Local Taxes</u>						
Bank Excise Tax	29,026	0	0	0	0	29,026
Interstate Telecommunications Tax	3,944	0	0	0	0	3,944
Total Local Taxes	\$ 10,045,260	\$ 0	\$ 0	\$ 0	\$ 0	10,045,260
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,284	\$ 0	\$ 0	\$ 0	\$ 0	1,284
Total Licenses and Permits	\$ 1,284	\$ 0	\$ 0	\$ 0	\$ 0	1,284
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	\$ 0	\$ 0	\$ 319,566	\$ 0	\$ 0	319,566
Lunch Payments - Adults	0	0	70,062	0	0	70,062
Income from Breakfast	0	0	174,721	0	0	174,721

(Continued)

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

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria	Education Special Revenue	Other	
<u>Charges for Current Services (Cont.)</u>						
<u>Education Charges (Cont.)</u>						
Special Milk Sales	\$ 0 \$	0 \$	916 \$	0 \$	0 \$	916
A la carte Sales	0	0	82,367	0	0	82,367
Contract for Instructional Services with Other LEAs	34,461	0	0	0	0	34,461
Receipts from Individual Schools	75,901	0	0	0	0	75,901
Community Service Fees - Children	145,542	0	0	0	0	145,542
<u>Other Charges for Services</u>						
Other Charges for Services	0	0	114,544	0	0	114,544
Total Charges for Current Services	\$ 255,904 \$	0 \$	762,176 \$	0 \$	0 \$	1,018,080
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 1,491 \$	0 \$	5,030 \$	0 \$	0 \$	6,521
Lease/Rentals	1,200	0	0	0	0	1,200
Miscellaneous Refunds	13,436	0	0	0	0	13,436
<u>Nonrecurring Items</u>						
Sale of Equipment	464	0	2	0	0	466
Sale of Property	93,980	0	0	0	0	93,980
Damages Recovered from Individuals	20	0	0	0	0	20
Contributions and Gifts	62,959	0	0	0	0	62,959
Total Other Local Revenues	\$ 173,550 \$	0 \$	5,032 \$	0 \$	0 \$	178,582
<u>State of Tennessee</u>						
General Government Grants						
On-behalf Contributions for OPEB	\$ 365,896 \$	0 \$	0 \$	0 \$	0 \$	365,896

(Continued)

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

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria	Education Special Revenue	Other	
<u>State of Tennessee (Cont.)</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 27,974,999	\$ 0	\$ 0	\$ 0	\$ 0	27,974,999
Early Childhood Education	360,257	0	0	0	0	360,257
School Food Service	0	0	28,884	0	0	28,884
Energy Efficient School Initiative	28,879	0	0	0	0	28,879
Driver Education	14,325	0	0	0	0	14,325
Other State Education Funds	716,857	0	0	0	0	716,857
Coordinated School Health	98,058	0	0	0	0	98,058
Internet Connectivity	15,869	0	0	0	0	15,869
Family Resource Centers	31,911	0	0	0	0	31,911
Statewide Student Management System (SSMS)	14,481	0	0	0	0	14,481
Career Ladder Program	213,843	0	0	0	0	213,843
Career Ladder - Extended Contract	81,070	0	0	0	0	81,070
<u>Other State Revenues</u>						
Mixed Drink Tax	2,512	0	0	0	0	2,512
State Revenue Sharing - T.V.A.	704,623	0	0	0	0	704,623
Total State of Tennessee	\$ 30,623,580	\$ 0	\$ 28,884	\$ 0	\$ 0	\$ 30,652,464
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,577,864	\$ 0	\$ 0	1,577,864
USDA - Commodities	0	0	205,240	0	0	205,240
Breakfast	0	0	519,776	0	0	519,776
USDA - Other	58,535	0	0	101,255	0	159,790
Vocational Education - Basic Grants to States	0	92,755	0	0	0	92,755

(Continued)

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

	Special Revenue Funds				
	General Purpose School	School Federal Projects	Central Cafeteria	Education Special Revenue	Total
<u>Federal Government (Cont.)</u>					
<u>Federal Through State (Cont.)</u>					
Other Vocational	\$ 0 \$	75,105 \$	0 \$	0 \$	75,105
Title I Grants to Local Education Agencies	0	1,930,849	0	0	1,930,849
Special Education - Grants to States	56,078	1,274,236	0	0	1,330,314
Special Education Preschool Grants	0	84,740	0	0	84,740
Eisenhower Professional Development State Grants	0	247,022	0	0	247,022
Race-to-the-Top - ARRA	0	386,806	0	0	386,806
Other Federal through State	553,361	0	0	0	553,361
<u>Direct Federal Revenue</u>					
Forest Service	87,026	0	0	0	87,026
Total Federal Government	\$ 755,000 \$	4,091,513 \$	2,302,880 \$	101,255 \$	7,250,648
<u>Other Governments and Citizens Groups</u>					
Other Governments					
Contracted Services	\$ 0 \$	0 \$	0 \$	902,626 \$	902,626
<u>Citizens Groups</u>					
Donations	324	0	0	0	324
Total Other Governments and Citizens Groups	\$ 324 \$	0 \$	0 \$	902,626 \$	902,950
Total	\$ 41,854,902 \$	4,091,513 \$	3,098,972 \$	1,003,881 \$	50,049,268

## Exhibit J-7

Carter County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2014

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	46,153	
Social Security		2,589	
State Retirement		1,363	
Employer Medicare		669	
Audit Services		17,227	
Dues and Memberships		4,252	
Evaluation and Testing		151	
Legal Notices, Recording, and Court Costs		2,757	
Postal Charges		277	
Printing, Stationery, and Forms		52	
Other Supplies and Materials		200	
Other Charges		296	
Total County Commission			\$ 75,986

Board of Equalization

Board and Committee Members Fees	\$	4,100	
Social Security		254	
Employer Medicare		59	
Other Supplies and Materials		84	
Total Board of Equalization			4,497

County Mayor/Executive

County Official/Administrative Officer	\$	91,568	
Secretary(ies)		30,624	
Part-time Personnel		3,432	
Social Security		7,639	
State Retirement		17,296	
Life Insurance		72	
Medical Insurance		12,135	
Dental Insurance		470	
Unemployment Compensation		210	
Employer Medicare		1,787	
Dues and Memberships		346	
Postal Charges		171	
Rentals		1,170	
Travel		1,170	
Library Books/Media		519	
Office Supplies		560	
Premiums on Corporate Surety Bonds		98	
Tax Relief Program		31,520	
Other Charges		637	
Office Equipment		89	
Total County Mayor/Executive			201,513

County Attorney

Other Salaries and Wages	\$	600	
Social Security		37	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)County Attorney (Cont.)

State Retirement	\$	85	
Employer Medicare		9	
Legal Services		62,436	
Total County Attorney			\$ 63,167

Election Commission

Supervisor/Director	\$	66,443	
Deputy(ies)		27,487	
Data Processing Personnel		22,827	
Other Salaries and Wages		4,744	
Board and Committee Members Fees		11,157	
Election Workers		29,213	
Social Security		7,856	
State Retirement		16,486	
Life Insurance		108	
Medical Insurance		19,596	
Dental Insurance		706	
Unemployment Compensation		270	
Employer Medicare		1,837	
Legal Notices, Recording, and Court Costs		4,278	
Maintenance Agreements		12,400	
Postal Charges		6,071	
Rentals		4,639	
Travel		9,883	
Office Supplies		1,487	
Other Supplies and Materials		18,407	
Data Processing Equipment		1,353	
Voting Machines		104,882	
Total Election Commission			372,130

Register of Deeds

County Official/Administrative Officer	\$	73,825	
Deputy(ies)		74,070	
Social Security		9,109	
State Retirement		20,883	
Life Insurance		144	
Medical Insurance		26,967	
Dental Insurance		941	
Unemployment Compensation		270	
Employer Medicare		2,131	
Data Processing Services		10,116	
Dues and Memberships		687	
Rentals		1,094	
Travel		510	
Data Processing Supplies		985	
Office Supplies		5,968	
Other Supplies and Materials		4,000	

(Continued)



## Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)Register of Deeds (Cont.)

Premiums on Corporate Surety Bonds	\$	50	
Data Processing Equipment		836	
Total Register of Deeds			\$ 232,586

Planning

Supervisor/Director	\$	37,868	
Data Processing Personnel		20,445	
Foremen		27,257	
Clerical Personnel		7,816	
Other Salaries and Wages		13,908	
Board and Committee Members Fees		5,000	
Social Security		6,833	
State Retirement		12,082	
Life Insurance		72	
Medical Insurance		20,225	
Dental Insurance		706	
Unemployment Compensation		445	
Employer Medicare		1,605	
Communication		482	
Contracts with Government Agencies		12,250	
Maintenance and Repair Services - Vehicles		1,331	
Postal Charges		483	
Rentals		1,872	
Travel		851	
Gasoline		2,212	
Office Supplies		1,351	
Premiums on Corporate Surety Bonds		100	
Other Charges		57,320	
Office Equipment		20	
Total Planning			232,534

County Buildings

Custodial Personnel	\$	57,895	
Social Security		3,531	
State Retirement		7,393	
Life Insurance		102	
Medical Insurance		18,191	
Dental Insurance		666	
Unemployment Compensation		301	
Employer Medicare		826	
Architects		8,905	
Communication		50,257	
Maintenance and Repair Services - Buildings		48,815	
Maintenance and Repair Services - Equipment		12,853	
Maintenance and Repair Services - Vehicles		2,072	
Pest Control		4,949	
Travel		36	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)County Buildings (Cont.)

Other Contracted Services	\$	7,800	
Custodial Supplies		10,998	
Electricity		205,445	
Gasoline		447	
Utilities		53,950	
Water and Sewer		17,977	
Building and Contents Insurance		25,572	
Workers' Compensation Insurance		37,194	
Other Charges		1,180	
Building Improvements		350,920	
Plant Operation Equipment		25,675	
Health Equipment		3,100	
Total County Buildings			\$ 957,050

FinanceAccounting and Budgeting

Supervisor/Director	\$	60,386	
Deputy(ies)		40,933	
Accountants/Bookkeepers		137,995	
In-Service Training		415	
Social Security		14,174	
State Retirement		33,791	
Life Insurance		216	
Medical Insurance		41,564	
Dental Insurance		1,411	
Unemployment Compensation		551	
Employer Medicare		3,315	
Dues and Memberships		50	
Legal Notices, Recording, and Court Costs		3,066	
Maintenance Agreements		144,978	
Postal Charges		4,500	
Travel		534	
Data Processing Supplies		2,347	
Office Supplies		4,418	
Premiums on Corporate Surety Bonds		767	
Other Charges		7,675	
Office Equipment		3,260	
Total Accounting and Budgeting			506,346

Property Assessor's Office

County Official/Administrative Officer	\$	73,825	
Deputy(ies)		156,261	
Social Security		13,509	
State Retirement		31,790	
Life Insurance		240	
Medical Insurance		55,540	
Dental Insurance		1,568	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Finance (Cont.)Property Assessor's Office (Cont.)

Unemployment Compensation	\$	609	
Employer Medicare		3,160	
Communication		2,526	
Contracts with Government Agencies		10,616	
Dues and Memberships		1,850	
Maintenance Agreements		3,000	
Maintenance and Repair Services - Vehicles		1,002	
Postal Charges		1,689	
Printing, Stationery, and Forms		462	
Rentals		205	
Gasoline		2,062	
Office Supplies		1,579	
Premiums on Corporate Surety Bonds		155	
Other Charges		6,740	
Office Equipment		948	
Total Property Assessor's Office			\$ 369,336

Reappraisal Program

Deputy(ies)	\$	48,854	
Social Security		2,975	
State Retirement		6,898	
Life Insurance		66	
Medical Insurance		12,360	
Dental Insurance		431	
Unemployment Compensation		151	
Employer Medicare		696	
Communication		625	
Data Processing Services		6,073	
Gasoline		2,062	
Office Supplies		1,549	
Total Reappraisal Program			82,740

County Trustee's Office

County Official/Administrative Officer	\$	73,825	
Deputy(ies)		102,212	
Clerical Personnel		12,506	
Social Security		11,557	
State Retirement		24,857	
Life Insurance		180	
Medical Insurance		33,709	
Dental Insurance		1,176	
Unemployment Compensation		484	
Employer Medicare		2,703	
Contracts with Government Agencies		7,900	
Dues and Memberships		537	
Legal Notices, Recording, and Court Costs		271	
Maintenance Agreements		8,084	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Finance (Cont.)County Trustee's Office (Cont.)

Postal Charges	\$	12,599	
Rentals		598	
Travel		16	
Office Supplies		2,406	
Premiums on Corporate Surety Bonds		4,799	
Office Equipment		1,540	
Total County Trustee's Office			\$ 301,959

County Clerk's Office

County Official/Administrative Officer	\$	73,825	
Deputy(ies)		164,633	
Accountants/Bookkeepers		2,231	
Social Security		14,561	
State Retirement		32,974	
Life Insurance		261	
Medical Insurance		55,394	
Dental Insurance		1,725	
Unemployment Compensation		706	
Employer Medicare		3,412	
Dues and Memberships		727	
Maintenance Agreements		17,615	
Postal Charges		10,932	
Printing, Stationery, and Forms		437	
Rentals		3,080	
Travel		20	
Office Supplies		5,584	
Other Supplies and Materials		1,278	
Premiums on Corporate Surety Bonds		98	
Office Equipment		1,337	
Total County Clerk's Office			390,830

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	73,825	
Clerical Personnel		339,792	
Social Security		25,366	
State Retirement		53,004	
Life Insurance		483	
Medical Insurance		79,766	
Dental Insurance		2,862	
Unemployment Compensation		1,530	
Employer Medicare		5,933	
Dues and Memberships		609	
Legal Notices, Recording, and Court Costs		311	
Maintenance Agreements		14,400	
Postal Charges		7,180	
Rentals		6,139	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Administration of Justice (Cont.)Circuit Court (Cont.)

Travel	\$	898	
Other Contracted Services		15,000	
Office Supplies		7,522	
Premiums on Corporate Surety Bonds		260	
Office Equipment		6,034	
Total Circuit Court			\$ 640,914

General Sessions Court

Judge(s)	\$	156,443	
Secretary(ies)		24,790	
Social Security		8,686	
State Retirement		25,590	
Life Insurance		72	
Medical Insurance		13,483	
Dental Insurance		470	
Unemployment Compensation		90	
Employer Medicare		2,592	
Dues and Memberships		100	
Travel		1,867	
Library Books/Media		619	
Office Supplies		259	
Total General Sessions Court			235,061

Drug Court

Remittance of Revenue Collected	\$	13,493	
Total Drug Court			13,493

Chancery Court

County Official/Administrative Officer	\$	73,825	
Clerical Personnel		100,499	
Social Security		10,605	
State Retirement		24,466	
Life Insurance		174	
Medical Insurance		44,327	
Dental Insurance		1,137	
Unemployment Compensation		404	
Employer Medicare		2,480	
Dues and Memberships		747	
Maintenance Agreements		1,058	
Postal Charges		6,404	
Rentals		1,834	
Travel		98	
Office Supplies		3,552	
Premiums on Corporate Surety Bonds		164	
Office Equipment		27	
Total Chancery Court			271,801

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Administration of Justice (Cont.)Judicial Commissioners

Other Salaries and Wages	\$	35,931	
Social Security		2,228	
Unemployment Compensation		4	
Employer Medicare		521	
Travel		375	
Total Judicial Commissioners			\$ 39,059

Other Administration of Justice

Jury and Witness Expense	\$	7,221	
Postal Charges		488	
Other Charges		2,234	
Total Other Administration of Justice			9,943

Public SafetySheriff's Department

County Official/Administrative Officer	\$	87,208	
Deputy(ies)		1,260,990	
Investigator(s)		183,571	
Salary Supplements		27,000	
Dispatchers/Radio Operators		104,311	
Clerical Personnel		53,655	
Part-time Personnel		93,998	
School Resource Officer		189,757	
In-Service Training		17,446	
Social Security		121,654	
State Retirement		258,156	
Life Insurance		1,489	
Medical Insurance		358,528	
Dental Insurance		12,318	
Unemployment Compensation		6,137	
Employer Medicare		28,518	
Communication		8,790	
Dues and Memberships		2,850	
Maintenance and Repair Services - Buildings		20,565	
Maintenance and Repair Services - Equipment		1,147	
Maintenance and Repair Services - Vehicles		77,422	
Medical and Dental Services		16,342	
Postal Charges		4,406	
Rentals		9,372	
Towing Services		3,925	
Transportation - Other than Students		3,339	
Travel		15,999	
Other Contracted Services		43,271	
Animal Food and Supplies		204	
Gasoline		190,490	
Office Supplies		14,683	
Tires and Tubes		13,031	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Public Safety (Cont.)Sheriff's Department (Cont.)

Uniforms	\$	25,732	
Other Supplies and Materials		136	
Premiums on Corporate Surety Bonds		152	
Vehicle and Equipment Insurance		147,741	
Workers' Compensation Insurance		60,642	
Other Charges		2,521	
Law Enforcement Equipment		41,255	
Motor Vehicles		110,160	
Office Equipment		14,556	
Total Sheriff's Department			\$ 3,633,467

Jail

Guards	\$	1,555,084	
Cafeteria Personnel		37,801	
Maintenance Personnel		24,639	
In-Service Training		17,079	
Social Security		97,872	
State Retirement		218,742	
Life Insurance		1,977	
Medical Insurance		312,935	
Dental Insurance		12,074	
Unemployment Compensation		8,570	
Employer Medicare		22,893	
Maintenance and Repair Services - Buildings		50,603	
Maintenance and Repair Services - Equipment		6,527	
Medical and Dental Services		423,495	
Other Contracted Services		525	
Custodial Supplies		43,320	
Drugs and Medical Supplies		7,586	
Food Preparation Supplies		6,788	
Food Supplies		257,417	
Prisoners Clothing		10,993	
Uniforms		21,455	
Workers' Compensation Insurance		83,031	
Other Charges		5,008	
Law Enforcement Equipment		6,898	
Total Jail			3,233,312

Juvenile Services

Youth Service Officer(s)	\$	57,763	
Social Security		3,518	
State Retirement		8,156	
Life Insurance		72	
Medical Insurance		12,809	
Dental Insurance		470	
Unemployment Compensation		180	
Employer Medicare		823	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Public Safety (Cont.)Juvenile Services (Cont.)

Contracts with Government Agencies	\$	97,271	
Dues and Memberships		55	
Evaluation and Testing		141	
Postal Charges		9	
Travel		578	
Office Supplies		499	
Other Charges		35	
Total Juvenile Services			\$ 182,379

Fire Prevention and Control

Contributions	\$	314,672	
Other Charges		8,400	
Total Fire Prevention and Control			323,072

Rescue Squad

Other Charges	\$	170,000	
Total Rescue Squad			170,000

Other Emergency Management

Supervisor/Director	\$	30,624	
Secretary(ies)		22,727	
Social Security		3,308	
State Retirement		7,184	
Life Insurance		27	
Dental Insurance		176	
Unemployment Compensation		193	
Employer Medicare		774	
Communication		1,669	
Dues and Memberships		50	
Maintenance and Repair Services - Vehicles		283	
Postal Charges		9	
Printing, Stationery, and Forms		151	
Rentals		97	
Travel		136	
Other Contracted Services		380	
Gasoline		2,065	
Instructional Supplies and Materials		381	
Office Supplies		399	
Uniforms		500	
Other Supplies and Materials		23,926	
Other Charges		4,500	
Communication Equipment		5,637	
Office Equipment		8,083	
Other Capital Outlay		10,419	
Total Other Emergency Management			123,698

(Continued)



## Exhibit J-7

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

General Fund (Cont.)Public Safety (Cont.)Inspection and Regulation

Supervisor/Director	\$	3,000	
Social Security		186	
State Retirement		424	
Unemployment Compensation		8	
Employer Medicare		43	
Office Equipment		81	
Total Inspection and Regulation			\$ 3,742

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	5,822	
Communication		248	
Travel		1,162	
Other Supplies and Materials		515	
Premiums on Corporate Surety Bonds		300	
Total County Coroner/Medical Examiner			8,047

Other Public Safety

Board and Committee Members Fees	\$	1,050	
Social Security		22	
State Retirement		49	
Employer Medicare		6	
Evaluation and Testing		250	
Office Supplies		24	
Total Other Public Safety			1,401

Public Health and WelfareRabies and Animal Control

Supervisor/Director	\$	30,115	
Part-time Personnel		10,523	
Other Salaries and Wages		17,915	
Social Security		3,571	
State Retirement		6,782	
Life Insurance		72	
Medical Insurance		12,809	
Dental Insurance		470	
Unemployment Compensation		255	
Employer Medicare		835	
Communication		2,590	
Maintenance and Repair Services - Buildings		1,384	
Maintenance and Repair Services - Vehicles		1,585	
Medical and Dental Services		25	
Rentals		699	
Disposal Fees		834	
Other Contracted Services		16,360	
Animal Food and Supplies		959	
Custodial Supplies		4,233	
Drugs and Medical Supplies		9,974	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Public Health and Welfare (Cont.)Rabies and Animal Control (Cont.)

Electricity	\$	7,302	
Equipment and Machinery Parts		683	
Gasoline		1,397	
Natural Gas		5,781	
Office Supplies		1,196	
Uniforms		104	
Water and Sewer		793	
Other Supplies and Materials		1,412	
Other Charges		1,255	
Motor Vehicles		6,000	
Total Rabies and Animal Control			\$ 147,913

Ambulance/Emergency Medical Services

Contributions	\$	173,858	
Total Ambulance/Emergency Medical Services			173,858

Crippled Children Services

Contributions	\$	20,727	
Total Crippled Children Services			20,727

Other Local Welfare Services

Pauper Burials	\$	1,200	
Total Other Local Welfare Services			1,200

Other Public Health and Welfare

Contributions	\$	1,425	
Other Contracted Services		14,224	
Total Other Public Health and Welfare			15,649

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

Contributions	\$	46,010	
Total Senior Citizens Assistance			46,010

Libraries

Contributions	\$	36,588	
Total Libraries			36,588

Parks and Fair Boards

Contributions	\$	22,563	
Total Parks and Fair Boards			22,563

Other Social, Cultural, and Recreational

Contributions	\$	1,574	
Total Other Social, Cultural, and Recreational			1,574

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Agriculture and Natural ResourcesAgriculture Extension Service

Other Salaries and Wages	\$	65,186	
Social Security		439	
Unemployment Compensation		71	
Employer Medicare		103	
Other Fringe Benefits		6,612	
Communication		1,261	
Contributions		1,399	
Travel		716	
Electricity		1,413	
Utilities		1,498	
Water and Sewer		351	
Office Equipment		1,000	
Total Agriculture Extension Service			\$ 80,049

Flood Control

Office Supplies	\$	298	
Other Supplies and Materials		3,000	
Total Flood Control			3,298

Other Agriculture and Natural Resources

Contracts with Government Agencies	\$	18,952	
Contributions		903	
Total Other Agriculture and Natural Resources			19,855

Other OperationsTourism

Contributions	\$	89,063	
Total Tourism			89,063

Other Economic and Community Development

Contributions	\$	62,729	
Other Contracted Services		55,048	
Total Other Economic and Community Development			117,777

Veterans' Services

Supervisor/Director	\$	22,248	
Social Security		1,379	
State Retirement		3,141	
Life Insurance		36	
Unemployment Compensation		90	
Employer Medicare		323	
Postal Charges		112	
Rentals		711	
Travel		1,649	
Other Contracted Services		399	
Office Supplies		132	
Total Veterans' Services			30,220

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Other Operations (Cont.)Other Charges

Judgments	\$	375	
Total Other Charges			\$ 375

Contributions to Other Agencies

Contributions	\$	49,500	
Total Contributions to Other Agencies			49,500

Miscellaneous

Postal Charges	\$	1,607	
Permits		32,780	
Other Contracted Services		35,784	
Trustee's Commission		223,339	
Workers' Compensation Insurance		12,565	
Solid Waste Equipment		49,220	
Total Miscellaneous			355,295

HighwaysLitter and Trash Collection

Guards	\$	20,312	
In-Service Training		150	
Social Security		1,259	
Unemployment Compensation		189	
Employer Medicare		294	
Maintenance and Repair Services - Equipment		1,159	
Travel		1,789	
Instructional Supplies and Materials		10,520	
Other Supplies and Materials		432	
Other Charges		4,930	
Total Litter and Trash Collection			41,034

Total General Fund			\$ 13,932,611
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Courthouse and Jail Maintenance FundOther OperationsMiscellaneous

Trustee's Commission	\$	96	
Total Miscellaneous			\$ 96

Total Courthouse and Jail Maintenance Fund			96
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Solid Waste/Sanitation FundPublic Health and WelfareConvenience Centers

Laborers	\$	26,568	
Social Security		1,635	
State Retirement		2,477	
Medical Insurance		6,742	

(Continued)

## Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)Public Health and Welfare (Cont.)Convenience Centers (Cont.)

Dental Insurance	\$	235	
Unemployment Compensation		180	
Employer Medicare		382	
Communication		664	
Rentals		600	
Utilities		1,903	
Total Convenience Centers			\$ 41,386

Recycling Center

Laborers	\$	20,847	
Social Security		1,293	
State Retirement		2,951	
Life Insurance		36	
Medical Insurance		6,742	
Dental Insurance		235	
Unemployment Compensation		90	
Employer Medicare		302	
Communication		877	
Maintenance and Repair Services - Equipment		1,035	
Gasoline		306	
Utilities		5,396	
Other Charges		241	
Total Recycling Center			40,351

Landfill Operation and Maintenance

Supervisor/Director	\$	42,684	
Laborers		125,527	
Social Security		10,128	
State Retirement		23,804	
Life Insurance		246	
Medical Insurance		46,214	
Dental Insurance		1,372	
Unemployment Compensation		727	
Employer Medicare		2,375	
Communication		1,981	
Evaluation and Testing		14,375	
Maintenance and Repair Services - Buildings		2,233	
Maintenance and Repair Services - Equipment		55,197	
Postal Charges		280	
Rentals		3,513	
Travel		881	
Disposal Fees		129,061	
Crushed Stone		1,416	
Diesel Fuel		33,516	
Gasoline		6,599	
Lubricants		3,079	
Office Supplies		2,007	

(Continued)

## Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)Public Health and Welfare (Cont.)Landfill Operation and Maintenance (Cont.)

Uniforms	\$	1,194	
Utilities		4,790	
Other Supplies and Materials		39	
Liability Insurance		162	
Premiums on Corporate Surety Bonds		111	
Workers' Compensation Insurance		20,884	
Other Charges		10,035	
Solid Waste Equipment		216	
Total Landfill Operation and Maintenance			\$ 544,646

Other OperationsMiscellaneous

Trustee's Commission	\$	5,918	
Total Miscellaneous			5,918

Total Solid Waste/Sanitation Fund \$ 632,301

Health Department FundPublic Health and WelfareLocal Health Center

Supervisor/Director	\$	8,489	
Secretary(ies)		665	
Other Salaries and Wages		221,336	
Social Security		15,624	
State Retirement		26,226	
Life Insurance		279	
Medical Insurance		47,642	
Dental Insurance		1,744	
Unemployment Compensation		941	
Employer Medicare		3,169	
Communication		6,091	
Contracts with Government Agencies		53,550	
Maintenance and Repair Services - Buildings		15,492	
Pest Control		390	
Postal Charges		1,702	
Travel		4,076	
Utilities		28,534	
Other Supplies and Materials		5,507	
Workers' Compensation Insurance		4,733	
Other Charges		2,566	
Total Local Health Center			\$ 448,756

Other OperationsMiscellaneous

Trustee's Commission	\$	1	
Total Miscellaneous			1

Total Health Department Fund 448,757

(Continued)

## Exhibit J-7

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

Drug Control FundPublic SafetySheriff's Department

Other Salaries and Wages	\$	2,927	
In-Service Training		650	
Confidential Drug Enforcement Payments		20,000	
Travel		1,725	
Drug Treatment		5,315	
Other Supplies and Materials		11,535	
Motor Vehicles		22,185	
Total Sheriff's Department			\$ 64,337

Other OperationsMiscellaneous

Trustee's Commission	\$	532	
Total Miscellaneous			532

Total Drug Control Fund \$ 64,869

Sports and Recreation FundSocial, Cultural, and Recreational ServicesParks and Fair Boards

Contributions	\$	14,415	
Total Parks and Fair Boards			\$ 14,415

Total Sports and Recreation Fund 14,415

Constitutional Officers - Fees FundGeneral GovernmentOther General Administration

Special Commissioner Fees/Special Master Fees	\$	3,020	
Other Charges		493	
Total Other General Administration			\$ 3,513

Total Constitutional Officers - Fees Fund 3,513

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$	81,208	
Assistant(s)		42,251	
Supervisor/Director		32,757	
Secretary(ies)		34,692	
Social Security		11,714	
State Retirement		26,386	
Life Insurance		144	
Medical Insurance		26,967	
Dental Insurance		941	
Unemployment Compensation		270	
Employer Medicare		2,740	

(Continued)

## Exhibit J-7

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Administration (Cont.)

Dues and Memberships	\$	3,236	
Legal Notices, Recording, and Court Costs		122	
Maintenance and Repair Services - Office Equipment		397	
Postal Charges		46	
Printing, Stationery, and Forms		62	
Other Contracted Services		35,852	
Office Supplies		4,290	
Other Charges		7,240	
Building Improvements		2,255	
Communication Equipment		2,807	
Office Equipment		565	
Total Administration			\$ 316,942

Highway and Bridge Maintenance

Foremen	\$	77,359	
Equipment Operators		116,975	
Truck Drivers		148,931	
Laborers		446,833	
Social Security		47,487	
State Retirement		109,426	
Life Insurance		1,080	
Medical Insurance		232,727	
Dental Insurance		7,056	
Unemployment Compensation		3,203	
Employer Medicare		11,107	
Rentals		940	
Other Contracted Services		310,267	
Asphalt - Hot Mix		584,260	
Asphalt - Liquid		8,356	
Concrete		1,568	
Crushed Stone		78,224	
Fertilizer, Lime, and Seed		30	
General Construction Materials		6,360	
Other Road Supplies		725	
Pipe		16,085	
Road Signs		6,999	
Salt		46,467	
Small Tools		654	
Uniforms		37,001	
Other Supplies and Materials		1,124	
Total Highway and Bridge Maintenance			2,301,244

Operation and Maintenance of Equipment

Mechanic(s)	\$	74,373	
Social Security		4,572	
State Retirement		10,503	
Life Insurance		108	

(Continued)



## Exhibit J-7

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Operation and Maintenance of Equipment (Cont.)

Medical Insurance	\$	20,225	
Dental Insurance		706	
Unemployment Compensation		270	
Employer Medicare		1,069	
Freight Expenses		2,654	
Maintenance and Repair Services - Equipment		31,400	
Towing Services		1,240	
Other Contracted Services		4,677	
Diesel Fuel		162,709	
Equipment and Machinery Parts		178,984	
Garage Supplies		6,663	
Gasoline		218,937	
Lubricants		8,336	
Small Tools		708	
Tires and Tubes		36,031	
Other Supplies and Materials		17,217	
Total Operation and Maintenance of Equipment			\$ 781,382

Other Charges

Communication	\$	8,210	
Electricity		10,266	
Natural Gas		6,370	
Water and Sewer		2,494	
Judgments		470	
Premiums on Corporate Surety Bonds		197	
Trustee's Commission		44,464	
Vehicle and Equipment Insurance		21,534	
Other Charges		948	
Total Other Charges			94,953

Employee Benefits

Other Fringe Benefits	\$	1,111	
Workers' Compensation Insurance		59,163	
Total Employee Benefits			60,274

Capital Outlay

Engineering Services	\$	12,143	
Highway Equipment		117,027	
Motor Vehicles		78,283	
Other Capital Outlay		4,075	
Total Capital Outlay			211,528

Total Highway/Public Works Fund \$ 3,766,323

(Continued)

## Exhibit J-7

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

<u>General Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>General Government</u>			
Principal on Bonds	\$	755,000	
Principal on Notes		<u>84,371</u>	
Total General Government			\$ 839,371
<u>Education</u>			
Principal on Notes	\$	82,971	
Principal on Capital Leases		271,118	
Principal on Other Loans		<u>1,245,000</u>	
Total Education			1,599,089
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Bonds	\$	742,031	
Interest on Notes		<u>1,055</u>	
Total General Government			743,086
<u>Education</u>			
Interest on Notes	\$	22,871	
Interest on Capital Leases		63,213	
Interest on Other Loans		<u>10,785</u>	
Total Education			96,869
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	24,940	
Other Debt Service		<u>150</u>	
Total General Government			25,090
<u>Education</u>			
Other Debt Service	\$	<u>27,447</u>	
Total Education			<u>27,447</u>
Total General Debt Service Fund			<u>\$ 3,330,952</u>
Total Governmental Funds - Primary Government			<u><u>\$ 22,193,837</u></u>

## Exhibit J-8

Carter County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Carter County School Department  
For the Year Ended June 30, 2014

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$ 12,397,970	
Career Ladder Program	123,500	
Career Ladder Extended Contracts	72,050	
Homebound Teachers	54,496	
Educational Assistants	271,335	
Other Salaries and Wages	8,393	
Certified Substitute Teachers	69,213	
Non-certified Substitute Teachers	260,708	
Social Security	796,496	
State Retirement	1,160,154	
Life Insurance	8,172	
Medical Insurance	2,379,446	
Dental Insurance	78,998	
Unemployment Compensation	21,658	
Employer Medicare	189,956	
Other Fringe Benefits	746,310	
Maintenance and Repair Services - Equipment	1,539	
Other Contracted Services	11,072	
Instructional Supplies and Materials	336,943	
Textbooks	359,640	
Other Supplies and Materials	62,111	
Other Charges	20,046	
Regular Instruction Equipment	480,526	
Total Regular Instruction Program		\$ 19,910,732

Alternative Instruction Program

Teachers	\$ 115,475	
Career Ladder Program	1,000	
Social Security	7,108	
State Retirement	10,343	
Life Insurance	76	
Medical Insurance	18,795	
Dental Insurance	746	
Unemployment Compensation	65	
Employer Medicare	1,662	
Other Supplies and Materials	466	
Total Alternative Instruction Program		155,736

Special Education Program

Teachers	\$ 1,702,288	
Career Ladder Program	15,000	
Homebound Teachers	48,970	
Educational Assistants	280,994	
Speech Pathologist	129,152	
Social Security	131,678	
State Retirement	205,584	

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Instruction (Cont.)Special Education Program (Cont.)

Life Insurance	\$	1,721	
Medical Insurance		466,902	
Dental Insurance		16,476	
Unemployment Compensation		1,601	
Employer Medicare		30,799	
Maintenance and Repair Services - Equipment		1,000	
Other Contracted Services		74,656	
Instructional Supplies and Materials		29,435	
Other Supplies and Materials		3,346	
Other Charges		5,880	
Special Education Equipment		13,989	
Total Special Education Program			\$ 3,159,471

Vocational Education Program

Teachers	\$	905,776	
Career Ladder Program		6,000	
Educational Assistants		22,010	
Social Security		57,675	
State Retirement		84,315	
Life Insurance		623	
Medical Insurance		158,688	
Dental Insurance		6,142	
Unemployment Compensation		594	
Employer Medicare		13,489	
Other Contracted Services		2,994	
Instructional Supplies and Materials		67,183	
Textbooks		22,082	
Other Supplies and Materials		686	
Vocational Instruction Equipment		33,297	
Total Vocational Education Program			1,381,554

Adult Education Program

Other Charges	\$	6	
Total Adult Education Program			6

Support ServicesHealth Services

Medical Personnel	\$	256,808	
Social Security		15,871	
State Retirement		34,337	
Life Insurance		280	
Medical Insurance		70,615	
Dental Insurance		2,758	
Unemployment Compensation		253	
Employer Medicare		3,712	
Travel		7,748	

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Health Services (Cont.)

Drugs and Medical Supplies	\$	14,625	
Other Supplies and Materials		5,549	
In Service/Staff Development		275	
Other Charges		1,298	
Office Equipment		1,198	
Total Health Services			\$ 415,327

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		566,773	
Guards		25,509	
Attendants		30,902	
Social Security		37,933	
State Retirement		54,198	
Life Insurance		328	
Medical Insurance		92,020	
Dental Insurance		3,230	
Unemployment Compensation		478	
Employer Medicare		8,924	
Evaluation and Testing		26,322	
Communication Equipment		12,259	
Other Equipment		3,600	
Total Other Student Support			865,476

Regular Instruction Program

Supervisor/Director	\$	244,935	
Career Ladder Program		11,000	
Librarians		558,202	
Other Salaries and Wages		89,572	
Social Security		49,445	
State Retirement		74,453	
Life Insurance		419	
Medical Insurance		117,961	
Dental Insurance		4,131	
Unemployment Compensation		317	
Employer Medicare		11,563	
Maintenance and Repair Services - Equipment		91,345	
Travel		8,872	
Penalties		173	
Other Contracted Services		17,777	
Library Books/Media		78,227	
Other Supplies and Materials		30,226	
In Service/Staff Development		19,157	
Other Charges		2,589	
Total Regular Instruction Program			1,410,364

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Alternative Instruction Program

Supervisor/Director	\$	53,581	
Career Ladder Program		1,000	
Secretary(ies)		12,906	
Other Salaries and Wages		19,524	
Social Security		5,395	
State Retirement		6,669	
Life Insurance		50	
Medical Insurance		12,771	
Dental Insurance		497	
Unemployment Compensation		74	
Employer Medicare		1,261	
Other Contracted Services		400	
Total Alternative Instruction Program			\$ 114,128

Special Education Program

Supervisor/Director	\$	70,173	
Career Ladder Program		4,000	
Psychological Personnel		43,752	
Assessment Personnel		44,691	
Clerical Personnel		27,560	
Social Security		11,580	
State Retirement		18,074	
Life Insurance		100	
Medical Insurance		27,258	
Dental Insurance		982	
Unemployment Compensation		82	
Employer Medicare		2,708	
Maintenance and Repair Services - Equipment		4,443	
Travel		35,478	
Penalties		34	
Other Contracted Services		8,500	
Other Supplies and Materials		17,030	
In Service/Staff Development		10,335	
Other Charges		55,461	
Other Equipment		2,405	
Total Special Education Program			384,646

Vocational Education Program

Supervisor/Director	\$	62,326	
Career Ladder Program		1,000	
Secretary(ies)		27,236	
Social Security		5,489	
State Retirement		9,469	
Life Insurance		50	
Medical Insurance		14,568	
Dental Insurance		497	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Unemployment Compensation	\$	43	
Employer Medicare		1,283	
Maintenance and Repair Services - Equipment		3,111	
Travel		18,155	
Other Supplies and Materials		3,063	
Other Charges		12,534	
Total Vocational Education Program			\$ 158,824

Other Programs

On-behalf Payments to OPEB	\$	365,896	
Total Other Programs			365,896

Board of Education

Board and Committee Members Fees	\$	9,900	
Social Security		465	
State Retirement		551	
Employer Medicare		144	
Audit Services		26,000	
Dues and Memberships		7,129	
Legal Services		16,021	
Travel		6,907	
Liability Insurance		246,635	
Trustee's Commission		240,127	
Workers' Compensation Insurance		158,214	
In Service/Staff Development		2,895	
Other Charges		3,408	
Total Board of Education			718,396

Director of Schools

County Official/Administrative Officer	\$	92,493	
Secretary(ies)		97,936	
Clerical Personnel		36,942	
Social Security		13,398	
State Retirement		27,214	
Life Insurance		179	
Medical Insurance		37,697	
Dental Insurance		1,491	
Unemployment Compensation		130	
Employer Medicare		3,133	
Communication		74,240	
Dues and Memberships		9,862	
Maintenance and Repair Services - Equipment		1,016	
Postal Charges		3,715	
Travel		6,907	
Other Contracted Services		62,533	
Office Supplies		3,938	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

In Service/Staff Development	\$	560	
Other Charges		3,524	
Administration Equipment		862	
Total Director of Schools			\$ 477,770

Office of the Principal

Principals	\$	824,329	
Career Ladder Program		15,500	
Assistant Principals		100,927	
Secretary(ies)		224,990	
Clerical Personnel		75,098	
Other Salaries and Wages		477,428	
Social Security		103,244	
State Retirement		166,154	
Life Insurance		1,184	
Medical Insurance		340,384	
Dental Insurance		11,672	
Unemployment Compensation		1,043	
Employer Medicare		24,144	
Other Contracted Services		5,858	
Office Supplies		1,056	
Total Office of the Principal			2,373,011

Fiscal Services

Other Contracted Services	\$	152,578	
Administration Equipment		1,016	
Total Fiscal Services			153,594

Operation of Plant

Custodial Personnel	\$	755,293	
Social Security		46,341	
State Retirement		71,542	
Life Insurance		794	
Medical Insurance		201,085	
Dental Insurance		7,828	
Unemployment Compensation		1,410	
Employer Medicare		10,930	
Rentals		14,500	
Disposal Fees		16,276	
Other Contracted Services		96,237	
Custodial Supplies		88,513	
Electricity		1,111,242	
Natural Gas		367,410	
Water and Sewer		63,157	
Total Operation of Plant			2,852,558

(Continued)



## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Maintenance of Plant

Supervisor/Director	\$	47,380	
Secretary(ies)		25,180	
Maintenance Personnel		229,419	
Social Security		18,536	
State Retirement		41,821	
Life Insurance		267	
Medical Insurance		67,608	
Dental Insurance		2,659	
Unemployment Compensation		291	
Employer Medicare		4,380	
Laundry Service		8,819	
Maintenance and Repair Services - Buildings		69,091	
Maintenance and Repair Services - Equipment		63,597	
Travel		75	
Disposal Fees		581	
Other Contracted Services		105,341	
General Construction Materials		3,332	
Other Supplies and Materials		14,621	
Other Charges		7,285	
Total Maintenance of Plant			\$ 710,283

Transportation

Supervisor/Director	\$	42,380	
Mechanic(s)		137,529	
Bus Drivers		561,057	
Clerical Personnel		25,695	
Social Security		46,726	
State Retirement		104,639	
Life Insurance		1,532	
Medical Insurance		390,000	
Dental Insurance		15,109	
Unemployment Compensation		1,460	
Employer Medicare		11,090	
Contracts with Parents		6,930	
Laundry Service		10,041	
Penalties		390	
Other Contracted Services		10,759	
Diesel Fuel		210,609	
Gasoline		131,028	
Lubricants		5,990	
Tires and Tubes		32,678	
Vehicle Parts		92,508	
Other Supplies and Materials		11,768	
Other Charges		16,594	
Transportation Equipment		392,483	
Total Transportation			2,258,995

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Central and Other

Data Processing Personnel	\$	174,368	
Social Security		10,524	
State Retirement		24,621	
Life Insurance		101	
Medical Insurance		25,541	
Dental Insurance		994	
Unemployment Compensation		87	
Employer Medicare		2,461	
Maintenance and Repair Services - Equipment		5,514	
Travel		6,013	
Other Supplies and Materials		218	
Other Charges		1,600	
Total Central and Other			\$ 252,042

Operation of Non-instructional ServicesCommunity Services

Supervisor/Director	\$	50,918	
Part-time Personnel		559,798	
Other Salaries and Wages		82,982	
Social Security		41,714	
State Retirement		34,283	
Life Insurance		48	
Medical Insurance		16,953	
Dental Insurance		476	
Unemployment Compensation		1,157	
Employer Medicare		9,948	
Rentals		3,500	
Travel		9,524	
Penalties		9	
Food Supplies		65,694	
Instructional Supplies and Materials		5,574	
Other Supplies and Materials		978	
In Service/Staff Development		5,861	
Other Charges		45,298	
Other Equipment		2,443	
Total Community Services			937,158

Early Childhood Education

Supervisor/Director	\$	35,875	
Teachers		110,485	
Clerical Personnel		8,241	
Educational Assistants		37,531	
Other Salaries and Wages		730	
Social Security		9,565	
State Retirement		15,211	
Life Insurance		154	

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Operation of Non-instructional Services (Cont.)Early Childhood Education (Cont.)

Medical Insurance	\$	39,909	
Dental Insurance		1,516	
Unemployment Compensation		166	
Employer Medicare		2,757	
Communication		1,470	
Travel		1,425	
Other Contracted Services		3,000	
Instructional Supplies and Materials		18,358	
In Service/Staff Development		2,657	
Other Charges		11,455	
Total Early Childhood Education			\$ 300,505

Capital OutlayRegular Capital Outlay

Architects	\$	29,906	
Building Improvements		845,126	
Communication Equipment		161,975	
Land		200,000	
Site Development		7,850	
Other Capital Outlay		68,916	
Total Regular Capital Outlay			1,313,773

Other Debt ServiceEducation

Debt Service Contribution to Primary Government	\$	334,331	
Total Education			334,331

Total General Purpose School Fund \$ 41,004,576

School Federal Projects FundInstructionRegular Instruction Program

Teachers	\$	944,768	
Educational Assistants		96,920	
Other Salaries and Wages		86,842	
Certified Substitute Teachers		13,000	
Non-certified Substitute Teachers		18,000	
Social Security		65,595	
State Retirement		82,110	
Life Insurance		552	
Medical Insurance		154,709	
Dental Insurance		5,293	
Unemployment Compensation		2,967	
Employer Medicare		16,688	
Travel		94	
Penalties		1	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Other Contracted Services	\$	31,875	
Instructional Supplies and Materials		99,595	
Other Supplies and Materials		146,795	
Total Regular Instruction Program			\$ 1,765,804

Special Education Program

Teachers	\$	114,971	
Educational Assistants		469,726	
Social Security		35,473	
State Retirement		70,476	
Life Insurance		1,066	
Medical Insurance		261,183	
Dental Insurance		9,915	
Unemployment Compensation		1,083	
Employer Medicare		8,298	
Other Contracted Services		2,115	
Instructional Supplies and Materials		5,239	
Other Supplies and Materials		22	
Special Education Equipment		59,386	
Total Special Education Program			1,038,953

Vocational Education Program

Instructional Supplies and Materials	\$	4,412	
Vocational Instruction Equipment		67,143	
Total Vocational Education Program			71,555

Support Services

Attendance

Travel	\$	730	
Total Attendance			730

Other Student Support

Bus Drivers	\$	921	
Other Salaries and Wages		47,736	
Social Security		2,960	
State Retirement		4,239	
Life Insurance		25	
Medical Insurance		6,385	
Dental Insurance		249	
Unemployment Compensation		22	
Employer Medicare		692	
Evaluation and Testing		136,919	
Travel		14,767	
Penalties		4	
Other Contracted Services		5,700	
Other Supplies and Materials		24,148	
Other Charges		4,987	
Total Other Student Support			249,754

(Continued)

## Exhibit J-8

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

School Federal Projects Fund (Cont.)Support Services (Cont.)Regular Instruction Program

Supervisor/Director	\$	58,972	
Other Salaries and Wages		198,417	
Social Security		15,245	
State Retirement		25,120	
Life Insurance		136	
Medical Insurance		40,015	
Dental Insurance		1,342	
Unemployment Compensation		127	
Employer Medicare		3,710	
Communication		863	
Maintenance and Repair Services - Equipment		3,817	
Travel		50,623	
Penalties		26	
Other Contracted Services		37,200	
Other Supplies and Materials		12,371	
In Service/Staff Development		69,947	
Other Charges		225	
Total Regular Instruction Program			\$ 518,156

Special Education Program

Secretary(ies)	\$	22,978	
Other Salaries and Wages		192,253	
Social Security		13,232	
State Retirement		23,052	
Life Insurance		151	
Medical Insurance		38,312	
Dental Insurance		1,491	
Unemployment Compensation		165	
Employer Medicare		3,094	
Travel		956	
Other Contracted Services		23,524	
Other Equipment		5,727	
Total Special Education Program			324,935

Office of the Principal

Principals	\$	3,000	
Social Security		186	
State Retirement		266	
Employer Medicare		44	
Total Office of the Principal			3,496

Transportation

Bus Drivers	\$	17,916	
Other Salaries and Wages		27,146	
Social Security		2,772	
State Retirement		2,530	

(Continued)

## Exhibit J-8

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

School Federal Projects Fund (Cont.)Support Services (Cont.)Transportation (Cont.)

Life Insurance	\$	45	
Medical Insurance		11,507	
Dental Insurance		447	
Unemployment Compensation		127	
Employer Medicare		648	
Total Transportation			\$ 63,138

Total School Federal Projects Fund \$ 4,036,521

Central Cafeteria FundOperation of Non-instructional ServicesFood Service

Supervisor/Director	\$	54,535	
Clerical Personnel		25,314	
Cafeteria Personnel		766,585	
Other Salaries and Wages		31,000	
Social Security		54,054	
State Retirement		85,550	
Life Insurance		1,133	
Medical Insurance		280,339	
Dental Insurance		11,176	
Unemployment Compensation		2,310	
Employer Medicare		12,652	
Other Fringe Benefits		21,567	
Communication		2,711	
Dues and Memberships		287	
Maintenance and Repair Services - Equipment		35,223	
Travel		3,477	
Other Contracted Services		53,791	
Food Preparation Supplies		82,544	
Food Supplies		1,184,198	
Office Supplies		2,572	
Uniforms		5,550	
USDA - Commodities		205,240	
Other Supplies and Materials		26,344	
Trustee's Commission		33	
In Service/Staff Development		2,688	
Other Charges		373	
Food Service Equipment		17,167	
Total Food Service			\$ 2,968,413

Total Central Cafeteria Fund 2,968,413

(Continued)

## Exhibit J-8

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

Other Education Special Revenue FundSupport ServicesOperation of Plant

Custodial Personnel	\$	1,143	
Social Security		71	
Unemployment Compensation		4	
Employer Medicare		17	
Total Operation of Plant			\$ 1,235

Operation of Non-instructional ServicesEarly Childhood Education

Supervisor/Director	\$	46,744	
Teachers		276,196	
Clerical Personnel		27,560	
Educational Assistants		97,909	
Other Salaries and Wages		125,876	
Non-certified Substitute Teachers		14,707	
Social Security		34,006	
State Retirement		59,464	
Life Insurance		483	
Medical Insurance		126,922	
Dental Insurance		4,759	
Unemployment Compensation		734	
Employer Medicare		7,952	
Operating Lease Payments		9,128	
Travel		4,506	
Penalties		1	
Food Supplies		101,255	
Instructional Supplies and Materials		18,683	
In Service/Staff Development		12,262	
Other Charges		21,221	
Total Early Childhood Education			990,368

Total Other Education Special Revenue Fund \$ 991,603

Education Capital Projects FundOther Debt ServiceEducation

Debt Service Contribution to Primary Government	\$	23,511	
Total Education			\$ 23,511

Total Education Capital Projects Fund 23,511

Total Governmental Funds - Carter County School Department \$ 49,024,624

Exhibit J-9

Carter County, Tennessee  
Schedule of Detailed Receipts, Disbursements, and Changes  
in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2014

	Cities - Sales Tax Fund	City School ADA - Elizabethton Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 2,636,119	\$ 2,636,119
Trustee's Collections - Prior Years	0	101,156	101,156
Circuit/Clerk and Master Collections - Prior Years	0	30,104	30,104
Interest and Penalty	0	29,721	29,721
Payments in-Lieu-of Taxes - Local Utilities	0	77,936	77,936
Payments in-Lieu-of Taxes - Other	0	655	655
Local Option Sales Tax	4,479,502	1,822,579	6,302,081
Bank Excise Tax	0	13,659	13,659
Interstate Telecommunications Tax	0	1,877	1,877
Marriage Licenses	0	603	603
Mixed Drink Tax	0	1,177	1,177
Donations	0	120	120
Total Cash Receipts	<u>\$ 4,479,502</u>	<u>\$ 4,715,706</u>	<u>\$ 9,195,208</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 4,434,788	\$ 4,650,249	\$ 9,085,037
Trustee's Commission	44,714	74,694	119,408
Total Cash Disbursements	<u>\$ 4,479,502</u>	<u>\$ 4,724,943</u>	<u>\$ 9,204,445</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ (9,237)	\$ (9,237)
Cash Balance, July 1, 2013	0	251,091	251,091
Cash Balance, June 30, 2014	<u>\$ 0</u>	<u>\$ 241,854</u>	<u>\$ 241,854</u>



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## **SINGLE AUDIT SECTION**

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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

Carter County Mayor and  
Board of County Commissioners  
Carter 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 Carter County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Carter County's basic financial statements, and have issued our report thereon dated October 30, 2014. Our report includes a reference to other auditors who audited the financial statements of the Carter County Emergency Communications District, as described in our report on Carter 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 Carter 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 Carter County's internal control. Accordingly, we do not express an opinion on the effectiveness of Carter County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2014-006(B) and 2014-010.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2014-003, 2014-005, 2014-007, and 2014-008.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Carter 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: 2014-001, 2014-002, 2014-004, 2014-006(A), and 2014-009.

## **Carter County's Responses to Findings**

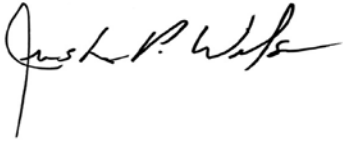
Carter County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Carter County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the

effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carter County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 30, 2014

JPW/yu



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

**Report on Compliance for Each Major Federal Program; Report on Internal  
Control Over Compliance; and Report on the Schedule of Expenditures of  
Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Carter 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 Carter County's major federal programs for the year ended

June 30, 2014. Carter 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 Carter 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 Carter 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 Carter County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Carter 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, 2014.

### **Report on Internal Control Over Compliance**

Management of Carter 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 Carter 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 Carter 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

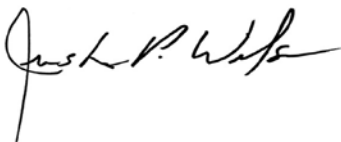
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Carter County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Carter County's basic financial statements. We issued our report thereon dated October 30, 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 30, 2014

JPW/yu

Carter County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2014

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Schools and Roads - Grants to States	10.665	N/A	\$ 116,035
Emergency Watershed Protection Program	10.923	N/A	295,017 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	205,240 (4)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	519,776
National School Lunch Program	10.555	N/A	1,577,864 (4)
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	N/A	159,790
Total U.S. Department of Agriculture			<u>\$ 2,873,722</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-12-39231-00	\$ 55,048
Total U.S. Department of Housing and Urban Development			<u>\$ 55,048</u>
U.S. Bureau of Land Management:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 70,995
Total U.S. Bureau of Land Management			<u>\$ 70,995</u>
U.S. Department of Justice:			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	(2)	\$ 5,948
Total U.S. Department of Justice			<u>\$ 5,948</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z-14-GH-S050	\$ 4,950
Total U.S. Department of Transportation			<u>\$ 4,950</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,883,223
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,323,219
Special Education - Preschool Grants	84.173	N/A	84,740
Career and Technical Education - Basic Grants to States	84.048	N/A	167,994
Twenty-first Century Community Learning Centers	84.287	(2)	553,361
Comprehensive School Reform Demonstration	84.332	N/A	807
Improving Teacher Quality State Grants	84.367	N/A	246,863
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	385,752
Total U.S. Department of Education			<u>\$ 4,645,959</u>

(Continued)



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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Election Assistance Administration:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 106,422
Total U.S. Election Assistance Administration			<u>\$ 106,422</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	N/A	\$ 85,178
Total U.S. Department of Homeland Security			<u>\$ 85,178</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,848,222</u></u>

State Grants		Contract Number	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 6,930
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	25,000
Litter Program - State Department of Transportation	N/A	(2)	41,668
Health Department Program - State Department of Health	N/A	GG-14-37377	300,307
Lottery for Education Afterschool Programs - State Department of Education	N/A	(2)	267,983
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	360,257
Energy Efficient Schools Initiative - State Department of Education	N/A	(2)	28,879
Connect TN - State Department of Education	N/A	(2)	15,869
Coordinated School Health - State Department of Education	N/A	(2)	98,059
Family Resource Center - State Department of Education	N/A	(2)	31,911
Statewide Student Management System - State Department of Education	N/A	(2)	14,481
Safe Schools Act - State Department of Education	N/A	(2)	34,000
Driver's Education - State Department of Education	N/A	(2)	14,325
Railroad Authority Grant - State Department of Transportation	N/A	(5)	<u>35,784</u>
Total State Grants			<u><u>\$ 1,275,453</u></u>

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) 68-4741-3-0013: \$226,694; 68-4741-4-015: \$68,323.
- (4) Total for CFDA No. 10.555 is \$1,783,104.
- (5) Z-13-RE2005-00: \$4,157; Z-10-RE22081a-00: \$423; Z-13-RE2023-00: \$6,889; Z-13-RR1012-00: \$18,487; Z-12-RE1043-00: \$1,776; grant number unknown: \$4,052.

Carter County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2014

*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 Carter County, Tennessee, for the year ended June 30, 2013, which have not been corrected.

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
2013-003	177	The School Federal Projects Fund had a deficit unassigned fund balance

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

Finding Number	Page Number	Subject
2013-005	179	The accounting records did not adequately reflect the financial activity of the office
2013-007	181	The office software did not have adequate application controls
2013-008	182	Usernames and passwords were shared by employees

**CARTER COUNTY**

Finding Number	Page Number	Subject
2013-009	183	Carter County has a material recurring audit finding

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**CARTER COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2014**

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

1. Our report on the financial statements of Carter County is unmodified.
2. The audit of the financial statements of Carter County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Carter 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), the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), Twenty-first Century Community Learning Centers (CFDA No. 84.287), and the State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Carter 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 responses of the county mayor, director of finance, director of schools, circuit and general sessions courts clerk, former sheriff, and director of solid waste are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 2014-001**

#### **DEFICIENCIES WERE NOTED IN THE OPERATIONS OF THE PARKS AND RECREATION BOARD**

(Noncompliance Under *Government Auditing Standards*)

The operations of the Carter County Parks and Recreation Board are governed by Sections 11-24-101 through 11-24-113, *Tennessee Code Annotated (TCA)*. These operations have been accounted for in the Sports and Recreation Fund since July 1, 2007. In January 2013, the County Commission adopted a resolution requesting the state legislature enact a private act allowing Carter County to opt out of the statutory requirements of Section 11-24-104, *TCA*. The private act would create a parks and recreation board for Carter County and adopt various procedures and policies related to the number of members, terms of the members, and compensation for the members. Instead of adopting a private act, the 2014 Tennessee General Assembly adopted Public Chapter 658, which amended Section 11-24-104, *TCA*. This amendment authorized Carter County to create a nine-member recreation board, specified the board members serve four-year terms, and members are to be paid \$50 per meeting with a maximum of eight paid meetings per year. Public Chapter 658 became effective on April 10, 2014. However, Public Chapter 658 did not change the applicability of Sections 11-24-101 through 11-24-113, *TCA*, to the Carter County Parks and Recreation Board.

The following deficiencies related to the Carter County Park and Recreation Board were noted during our examination:

- A. On October 18, 2013, the Finance Department remitted funds totaling \$25,696 to the Parks and Recreation Board. These funds included the remaining balance in the Sports and Recreation Fund of \$14,414 and the county's 2013-14 General Fund contribution of \$11,282. Section 11-24-106, *TCA*, states that monies received by a parks and recreation board shall be deposited with the county trustee to the account of the recreation board. Therefore, the funds should not have been remitted to the Parks and Recreation Board; instead, the funds should have remained in a Sports and Recreation Fund maintained by the Finance Department.
- B. The disbursement (\$14,414) from the Sports and Recreation Fund was not appropriated by the County Commission. Therefore, the fund is being presented as a non-budgeted special revenue fund. Section 5-9-401, *TCA*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be

used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

### RECOMMENDATION

All funds collected by the Parks and Recreation Board should be remitted to the county trustee, deposited into a Sports and Recreation Fund, and should be accounted for by the Finance Department as required by state statute. Funds should not be disbursed without appropriations approved by the County Commission.

### MANAGEMENT’S RESPONSE – COUNTY MAYOR AND DIRECTOR OF FINANCE

We acknowledge that the operations of the Parks and Recreation Board were not handled properly. Since this item was brought to the county’s attention, the treasurer of the Parks and Recreation Board has been contacted. She has advised us that she will withdraw all funds from the Parks and Recreation Board’s bank account and will remit them to the county at the earliest possible opportunity. The funds will be placed back into the Sports and Recreation Fund. The County Commission will then approve a budget for the 2014-15 year. Once the budget is approved, the funds will be dispensed by the Finance Department accordingly.

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### SOLID WASTE DEPARTMENT

#### FINDING 2014-002

#### **THE SOLID WASTE DEPARTMENT REPORTED A THEFT AT THE COUNTY LANDFILL OFFICE** (Noncompliance Under *Government Audit Standards*)

In September 2013, the finance director submitted a Fraud Reporting Form to the state Comptroller’s Office related to a theft that occurred at the county’s Landfill Office. The theft was reported to the Sheriff’s Department, and an incident report was completed. A safe, keys, six vehicle titles, an external hard drive, and deposits and cash on hand totaling \$1,331 were removed from the Landfill Office. Investigators have not determined any responsible party, and no charges have been filed. The county was reimbursed \$1,820 by its insurance company for the stolen funds and property in March 2014.

### MANAGEMENT’S RESPONSE – COUNTY MAYOR AND DIRECTOR OF FINANCE

A theft did occur at the Landfill Office in September 2013. Several security measures were in place including a video surveillance system and a safe where titles, hard drives, keys, and deposits were stored. However, the perpetrator disconnected the power from the building to disable the surveillance system and physically removed the safe from the premises. Proper procedure was followed in reporting the incident to the local authorities and the Comptroller’s Office. To prevent future thefts, a battery backup has been installed on the surveillance system, and additional cameras have been added. Also, the safe has been bolted to the concrete floor.

FINDING 2014-003

**THE OFFICE'S SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**

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

The following internal control deficiencies related to the office's software were identified:

- A. Users could alter customer account balances without leaving an audit trail.
- B. Because the application did not issue receipts for payments on customer accounts, the office issued manual receipts that were then posted to the accounts. A listing of these payments was not available within the application.
- C. The daily activity report generated from the application serves as the day-end balancing report. Because this report displays total charges by collection type instead of actual collections, a detail of collections was not available. Also, this report did not display the date range for which it is generated and did not display voided transactions.
- D. A report detailing collections made on customer accounts was not available.
- E. Users could receipt collections to a previous or future date. Because the daily activity report did not display receipt numbers, it would not be evident that back-dated receipts had been issued.
- F. The application could not generate an accounts receivable listing of all unpaid charges. A report of charges assessed was also not available.

Sound business practices dictate that proper computer application controls be implemented. Since the vendor did not design the system with proper controls, inappropriate system activity could occur. Because proper controls were not in place, management discontinued the use of the software on August 1, 2014.

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FINDING 2014-004

**THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**

(Noncompliance Under *Government Auditing Standards*)

System backups were not regularly performed. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied daily to storage media, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all data could be destroyed, resulting in costly delays in generating and recording information

accounted for through the automated process. Because management discontinued the use of the software on August 1, 2014, this deficiency no longer exists.

**MANAGEMENT'S RESPONSE – COUNTY MAYOR, DIRECTOR OF FINANCE, AND DIRECTOR OF SOLID WASTE**

We acknowledge that the automated scale system that was purchased did not provide adequate controls and was not backed up properly. When these issues were brought to management's attention, the software vendor was contacted immediately to discuss the possibilities of a solution. The vendor notified Carter County that modification of the system would not be possible. For this reason, use of the application was discontinued on August 1, 2014. The system was returned to the vendor with a refund to be processed back to Carter County Solid Waste for the purchase price of the software. Carter County Solid Waste is currently in the process of locating an adequate system for future operations at the transfer station.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 2014-005**

**THE SCHOOL FEDERAL PROJECTS FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2014**

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

The School Federal Projects Fund had a deficit in unassigned fund balance of \$7,893 at June 30, 2014. This deficit resulted from the recognition of payables at June 30, 2014, totaling \$8,192. Grant reimbursements for these liabilities were not requested from the state until the funds were actually disbursed subsequent to June 30, 2014.

**RECOMMENDATION**

Officials should liquidate the deficit in unassigned fund balance. Officials should seek grant reimbursements on a current basis.

**MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS AND DIRECTOR OF FINANCE**

We acknowledge the above finding. This was the result of various 2013-14 expenses that were submitted to the office after June 30, 2014. These expenses did not have a purchase order associated with them, so a reimbursement was not requested in advance. The cash to cover the expenses was requested once the expenses were realized. In the future, no expenses will be reimbursed unless a purchase order was requested prior to year-end so cash can be requested in advance.

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

### **FINDING 2014-006**

#### **THE ACCOUNTING RECORDS DID NOT ADEQUATELY REFLECT THE FINANCIAL ACTIVITY OF THE OFFICE**

(A. – Material Noncompliance Under *Government Auditing Standards*; B. – Internal Control – Material Weakness Under *Government Auditing Standards*)

The Circuit and General Sessions Courts' general ledgers did not adequately reflect the financial activity of the office for the year ended June 30, 2014. During the 2012 fiscal year, the clerk's office installed a new software application. Our review of this software application disclosed several internal control weaknesses, which are discussed in Findings 2014-007 and 2014-008. Sound accounting procedures dictate that accounting records should be maintained currently and should accurately reflect the account balances. We noted numerous errors in the account balances reflected on the general ledgers during the period under audit. These deficiencies were in part attributable to the failure of management to ensure that the software vendor designed the system with proper computer application controls, the failure to accurately post and reconcile items with the general ledger application timely, and the failure to correct any errors discovered promptly. Inaccurate accounting records increase the risk of misappropriation of funds. We noted the following deficiencies:

- A. The software application could not generate a trial balance of execution docket cause balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. At June 30, 2014, the circuit and general sessions courts clerk was able to generate a listing of undisbursed items. However, these listings did not reconcile with Circuit Court and General Sessions Court general ledger accounts by \$2,639 and \$65,544, respectively.

In addition, the undisbursed receipt listings did not give specific information on case numbers. The information provided on these listings included the receipt number, receipt date, and receipt amount by general ledger account number. Other information provided was to reference the receipt number and/or transaction number; therefore, we were not able to verify the information with individual cases. Also, information relating to short-term investment account activity was not reflected on these reports.

It should be noted that the clerk did submit some unidentified funds to the state Treasurer's Office as unclaimed property. However, with the material differences and weaknesses noted with the information reflected on the undisbursed receipt listing, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, *TCA*. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office.

- B. While annual financial reports for Circuit Court and General Sessions Court were prepared in compliance with Section 5-8-505, *TCA*, the information on



these reports did not accurately reflect the financial operations of the court offices. Commission amounts earned and paid did not tie with amounts receipted by the county trustee from the courts, and total disbursements did not tie to the general ledger activity. Adjustments to commissions earned totaling \$13,379 in Circuit Court and \$68,828 in General Sessions Court were required to reconcile with amounts actually received by the county trustee. In addition, adjustments to disbursement amounts shown on the financial reports of \$26,414 in Circuit Court and \$12,671 in General Sessions Court were necessary to reconcile with the general ledger/bank activity. These deficiencies are the result of internal control weaknesses noted in the software application system and a lack of management oversight.

Due to the numerous errors, management's general lack of oversight, and weaknesses in the software controls, we were unable to satisfy ourselves concerning the propriety of all transactions of the Office of Circuit and General Sessions Courts Clerk. Balances were determined using available documentation and by applying alternative auditing procedures. However, we cannot ascertain the accuracy of these balances, which comprises a portion of the Constitutional Officers - Agency Fund.

#### RECOMMENDATION

The execution docket trial balances should be reconciled with general ledger accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute. Management should have appropriate processes in place to ensure that the general ledgers are materially correct. In addition, management should contact their vendor concerning the addition of controls to the software application to ensure these significant deficiencies have been addressed. These controls would help to ensure the reliability and integrity of the information maintained by the system.

#### MANAGEMENT'S RESPONSE – JOHNNY BLANKENSHIP, CURRENT CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Circuit and General Sessions Courts are continuing to make improvements and decrease the balance as shown from the 2013 to 2014 audit. Working closely with the software vendor, state auditors, and the Audit Committee, plus outside resources, Circuit and General Sessions Courts will continue to resolve any issues, and we will continue to strive for improvements. Our goals have remained the same; to continue to move forward and become stronger in all accounting policies, practices, and procedures.

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#### FINDING 2014-007

#### **THE OFFICE'S SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**

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

The following internal control deficiencies related to the software were identified:

- A. The activity report that served as a cash journal could only be sorted by bank account rather than by court. Users could add or delete each line entry in the report without leaving an audit trail. Unexplained skips in receipt, deposit, and check numbers were noted on these activity reports. Account balances on this report could be altered as well. Also, the software did not require the user to close accounting periods.
- B. Users could alter or delete receipts without leaving an audit trail of the original information. Users could also alter payment information on the cost bill without leaving an audit trail.
- C. Receipts could be backdated or postdated. These receipts were not available for posting to the activity report. The receipt number sequence displayed on reports was misleading due to unexplained skips. Therefore, it would be difficult to identify backdated or postdated receipts when viewing collection reports.
- D. The application could not generate an execution docket trial balance report.
- E. Users could make alterations to checks without leaving an audit trail of the original information. Also, when a check is voided, the original information is not retained within the application. Duplicate check numbers could be assigned as well.
- F. Users could delete cases without leaving an audit trail of the original information.

Sound business practices dictate that proper computer application controls be implemented. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. Since the vendor did not design the system with proper controls, inappropriate system activity could occur.

#### RECOMMENDATION

Management should contact their software vendor concerning the addition of controls to the application to ensure these significant deficiencies have been addressed. These controls would help to ensure the reliability and integrity of the information maintained by the system.

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#### FINDING 2014-008

#### **USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES**

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

Although each employee had been assigned a unique username and password for accessing the office's accounting software, employees also used a shared username and password when processing transactions. If inappropriate activity were to occur, the employee

responsible for this activity would not be easily identified because of the shared username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

## **RECOMMENDATION**

Each employee should access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should be confidential and should not be shared among employees.

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## **OFFICE OF SHERIFF**

### **FINDING 2014-009**

### **THE SHERIFF'S DEPARTMENT AND TENNESSEE BUSINESS ENTERPRISES DID NOT FOLLOW THE COUNTY'S PURCHASING STATUTES**

(Material Noncompliance Under *Government Audit Standards*)

A Fraud Reporting Form was filed with the Comptroller's Office on September 30, 2014. This form related to funds being disbursed by the operator of the commissary at the Carter County jail. This commissary is operated by a licensed manager of Tennessee Business Enterprises (TBE). A manager of the Division of Local Government Audit met with the county's finance director, the current sheriff, and the current sheriff's chief deputy. These individuals provided us with documentation they had received from the TBE licensed manager.

We met with the TBE manager on October 15, 2014. The TBE manager provided us with copies of the "Permit Between Carter County Sheriff's Office and Tennessee Business Enterprises for Purchase of Inmate Commissary Services" and the "Standard Operating Procedures for Carter County Jail Inmate Commissary." Both of these documents are dated October 1, 2007, and are signed by the TBE manager and Carter County Sheriff Chris Mathes. According to paragraph six of the "Standard Operating Procedures for Carter County Jail Inmate Commissary," the TBE commissary managers do not pay commissions and cannot be required to do so. However, the commissary manager does wish to make an annual donation to the Sheriff's Department. The manager will voluntarily contribute up to \$12,000 annually. Donations will not be in cash but will be in the form of free goods and services. If the sheriff determines a specific need, he can advise the commissary manager, and arrangements will be made for the commissary manager to purchase the item(s) provided the cost does not exceed the annual contribution.

The TBE manager provided us with bank statements, emails, invoices, and other records documenting the use of the funds. Based on the TBE manager's records, we were able to determine that between August 11, 2009, and August 12, 2014, the TBE manager disbursed approximately \$75,847 at the direction of Sheriff's Department personnel. The following is a summary of the disbursements by fiscal year:

Fiscal Year Ended June 30	Total Disbursements
2008	\$ 0.00
2009	0.00
2010	9,620.00
2011	8,728.43
2012	17,474.55
2013	16,025.60
2014	13,295.95
2015	10,702.78
Total	<u>\$ 75,847.31</u>

These disbursements consisted of sponsorships and donations to various churches, school organizations, and civic organizations including the Kiwanis Club, Chamber of Commerce, and United Way. Disbursements were also made for expenses associated with employee functions, cable television services, K-9 expenses, ATV accessories, postal charges, flowers, training, and jail related expenses. Additionally, one disbursement on August 12, 2014, for \$2,300 to a local credit union appears to be on behalf of a Sheriff's Department employee. This payment is unauthorized compensation approved by the sheriff without the approval of the County Commission.

Carter County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments to be administered by the Finance Department. Additionally, the state attorney general opined in November 1989, that profits earned from commissary operations are local revenues and should be administered as any other local revenues. Section 5-9-401, *Tennessee Code Annotated*, requires all county funds from whatever source derived to be appropriated by the county legislative body.

The examination of these activities is ongoing. If our examination shows any fraud or abuse of these funds, that information will be reported in a subsequent communication.

#### RECOMMENDATION

Fees generated from the operation of the jail commissary should be remitted by the TBE manager directly to the county trustee on a monthly basis, and all operating expenses should be appropriated by the County Commission and paid through the county's Finance Department. County officials should seek to recover the unauthorized compensation.

#### MANAGEMENT'S RESPONSE – CHRIS MATHES, FORMER SHERIFF

Upon being elected and taking the Office of Sheriff on September 1, 2006, the jail commissary was subsequently identified by me and my staff as an area of concern. After reviewing the commissary operations and protocols at that time and in considering the accountability and liability of handling cash in combination with the general public, inmates, and employees, I determined to cease the operation of the commissary.

I consulted with County Mayor Johnny Holder, who advised me that all jail activities and the retention of the commissary would be entirely at my discretion.

As a result, supervisors with the Tennessee Business Enterprises (TBE) set up subsequent meetings with my office in an effort to continue the operation of the commissary by the TBE. Officials with the TBE drafted and proposed an agreement, which continued the TBE operation while eliminating the liability concerns as well as being in compliance with state law. The TBE proposal outlined that the county was not to get cash proceeds from the commissary, nor would the county handle or have to account for any monies, thus removing any liability and all responsibilities. From these meetings, it was also understood that TBE could not be required to pay any commissions to the county; therefore, the receiving or non-receipt of any funds was not a consideration of the agreement. As advised, the only consideration now for me as sheriff was whether to continue with the service.

It was also proposed and placed into the agreement by TBE and its legal team, that the commissary was to be controlled, managed, and operated by the TBE manager, and that she did wish to make donations by purchasing needed or requested items to assist the Sheriff's Department. The TBE manager's donations were completely voluntary, and any decision to provide a donation was entirely at her discretion. Furthermore, donations to the Sheriff's Department needed a request from the sheriff, and then the donation would require the approval of the TBE manager.

The TBE manager maintained all records, and at no time did I or any Sheriff's Department employee have access to those records or to any funds. It should be noted that subsequently the TBE manager volunteered to pay for basic cable television for the jail at no cost to the county, which was used in controlling the inmates as a behavioral tool by the correctional staff in the new jail facility.

This agreement was drafted, approved, and put in place by state TBE officials and their legal team, and was agreed upon by me in October 2007. Like many other generous individuals and organizations, such as Good Samaritan Ministries, Second Harvest Food Bank, churches, other correctional facilities, and now the TBE, during my tenure, numerous donations were routinely made to the Sheriff's Department. The TBE manager was very generous over the years as she paid for sponsorships for anti-drug, litter, public safety, and other awareness advertisements, various supplies and equipment for the jail and the department, which included a food serving cart and a SAMs Club card for the purchase of bottled water and other food and supplies. Other purchases made were in support of local civic organizations and K-9 operations and officer training events just to mention a few. It should be noted that every Christmas, the TBE manager was so gracious and kind to employees of the Sheriff's Department by giving away several hundred dollars in cash, food, and prizes to Sheriff's Department employees and their families.

It should also be noted that during previous state auditor visits, I was asked about TBE's operations and our commissary; however, there was never any issue called into question or documented negatively.

After August 7, 2014, the TBE manager contacted my office in regard to "closing out" my account and starting fresh with the new sheriff's administration beginning September 1, 2014. The TBE manager advised me that she wanted to close out the account

as soon as possible and indicated that she would be happy to donate the remaining balance and welcomed my advice on where to spend the remaining funds. The TBE manager further indicated to me that an employee bonus would not be inappropriate, and she would be happy to close out the account by doing so. At that time, I identified an employee to the TBE manager as one deserving of such a bonus. This employee had served as the liaison person for the last four years working with the TBE manager on a routine basis.

Furthermore, in August 2014, I was also aware of a \$400 plus credit that remained at Doe River Gorge Ministries (DRGM), which was originally paid by the TBE manager and was to be used for a leadership training event, but never occurred due to scheduling conflicts. Upon verifying these remaining funds at DRGM, I requested that those funds be returned to the TBE manager since they belonged to her. I have subsequently confirmed that she did receive those funds. All donations by the TBE manager and my administration have been concluded as my administration came to a close on August 31, 2014.

I was contacted by a State of Tennessee auditor on October 22, 2014, about a close-out review. A subsequent meeting between me and the auditors occurred on Friday, October 24, 2014. During that meeting, I was advised that my office had one audit finding alleging the Sheriff's Department circumvented the county purchasing statutes as well as a possible fraud.

I submit that no Sheriff's Department employee including myself ever had access to the TBE manager's funds. I also submit that TBE is a state audited organization, and they drafted the agreement and presented it to me on behalf of the county and the Sheriff's Department, and it was adopted in good faith as an accepted practice. I further submit that this agreement has been in operation since 2007, and at no time did the State of Tennessee auditors or the Carter County Finance Office call it into question or it would have been terminated.

Also, at the conclusion of the meeting on October 24, 2014, I contacted both the TBE manager and the employee who received the bonus. Both individuals confirmed to me that the TBE manager gave a \$2,300 bonus to the employee, and then the TBE manager closed out her account just as she had said. The TBE manager's decision to give a bonus to my employee was voluntary. She appreciated my recommendation of the employee and all of her efforts in assisting the TBE manager over the years. At no time did the employee make such a request for herself. The employee has always served honorably, faithfully, and honestly. Per the signed agreement, it is clear that any request for a donation made to the TBE manager was not a solicitation on behalf of the Sheriff's Department or its employees, but honoring the wishes of the TBE manager and her sincere desire to freely give to the Sheriff's Department. It should be noted that no donations could ever occur without the TBE manager's complete approval and consent. My employee confirmed that she understands that she is subject to reporting the monies from the TBE manager on her 2014 federal taxes.

Respectfully, in closing, I submit that certainly no fraud occurred, and that the TBE and the Sheriff's Department continue in having a commissary agreement and operate in such an appropriate manner. Also, I conclude that the current practices change based on the auditors' recommendation. I would prefer that the said practice not be a finding but rather a recommendation of a different accounting method for the future based on the evidence

and overall circumstances in the good faith agreement from TBE. I also submit that if the TBE and the Sheriff's Department are strictly held to this accounting practice as mentioned above, then any and all donations from any source must obtain the County Commission's approval in advance of receiving goods or services.

#### AUDITOR'S COMMENT

These payments were not donations made independent of the fact that the TBE operated the commissary. Rather, the payments were made pursuant to the agreement for operating the commissary. Consequently, we consider the payments to be county revenues generated by the Sheriff's Department and subject to the appropriation of the County Commission under the control of the county Finance Office.

Regarding the sheriff's comments about auditors not having findings on this practice in the past, we were unaware of the payments until they were brought to our attention after Sheriff Mathes left office. Accounts of the TBE are not within the scope of our annual audits of Carter County. However, once we learned that county revenues were being expended through the TBE account, we asked for documentation of the payments. Furthermore, we have contacted the TBE and advised them to ensure their vendors no longer purchase goods or services for Sheriff Departments, but remit any funds directly to the county trustee's offices.

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#### CARTER COUNTY

##### FINDING 2014-010

##### **CARTER COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**

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

Carter County has a material audit finding that has been reported in its Annual Financial Reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
2014-006, 2013-005, 12.04	Execution docket trial balances did not reconcile with general ledger accounts - Office of Circuit and General Sessions Courts Clerk

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. Carter County has an Audit Committee, which provided management with guidance to correct the reported material noncompliance from the previous audits; however, the circuit and general sessions court clerk has not corrected the above-noted deficiency.

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

There were no findings and questioned costs for federal programs.



**CARTER COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2014**

There were audit findings relative to federal awards presented in the prior-year's Schedule of Findings and Questioned Costs. There were no audit findings relative to federal awards presented in the current-year's Schedule of Findings and Questioned Costs.

**Director of Schools – Summary Schedule of Prior-Year's Findings**

**FINDINGS 2013-002 and 2013-010**

Contact persons:	Dr. Kevin Ward, Director of Schools Marisa Potter, School Nutrition Program Supervisor
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Corrective action taken:	In order to ensure compliance, the Food Service Department was issued a copy of the Carter County travel and credit card policies for review. The director was instructed that expenditures were not to be made without obtaining proper approval. The Finance Department has been instructed to review all approval forms and purchase orders for accuracy. Credit card charges are not to be paid without purchase orders being obtained prior to the purchase. Every effort has been made to cancel any planned trips early enough to recoup the corresponding deposits. Any kind of reward point system has been transferred for the system's benefit instead of the employee's. The credit card policy has been revised to reflect that any rewards points will be redeemed as a cash bonus/reward credited to the county's account.
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