

**SEQUATCHIE VALLEY PLANNING AND
DEVELOPMENT AGENCY**

SOUTH PITTSBURG, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2010

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Certified Public Accountants
Chattanooga, Tennessee

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FINANCIAL SECTION

**SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

As management of the Sequatchie Valley Planning and Development Agency (SVPDA), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the SVPDA for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Agency's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the SVPDA's basic financial statements. The SVPDA's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

The SVPDA's governmental funds reported a decrease in combined fund balance of \$29,289. This amount represents a decrease of \$43,736 over last year's increase in fund balance of \$14,447. Total governmental activities in the government-wide statement decreased \$13,289, compared to a decrease of \$24,655 for the prior year.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the SVPDA's finances, in a manner similar to a private-sector business. The government-wide financial statements distinguish functions of the SVPDA that are principally supported by intergovernmental revenues (governmental activities) from those supported by user fees (business-type activities). The SVPDA has no business-type activities.

The government-wide financial statements can be found on pages 3 and 4 of this report.

The statement of net assets presents information on the SVPDA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the SVPDA is improving or deteriorating. At June 30, 2010, net assets was \$446,946, a decrease of \$13,289 from the prior year.

Sequatchie Valley Planning and Development Agency's Net Assets

| | Governmental Activities | |
|----------------------------|-------------------------|------------|
| | 2010 | 2009 |
| Current and other assets | \$ 349,592 | \$ 377,949 |
| Capital assets | 164,089 | 132,128 |
| Total assets | \$ 513,681 | \$ 510,077 |
| Current liabilities | \$ 66,735 | \$ 49,842 |
| Non-current liabilities | - | - |
| Total liabilities | \$ 66,735 | \$ 49,842 |
| Net assets: | | |
| Invested in capital assets | \$ 164,089 | \$ 132,128 |
| Unrestricted | 282,857 | 328,107 |
| Total net assets | \$ 446,946 | \$ 460,235 |

36.71% of the SVPDA's net assets represent investment in capital assets (e.g. buildings, kitchen equipment, office equipment, playground equipment, transportation equipment). This amount of total assets is not available for future spending. The remaining \$282,857 in unrestricted net assets is available to the SVPDA to meet ongoing obligations.

The statement of activities presents information showing how the SVPDA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Governmental activities decreased the SVPDA's net assets by \$13,289 in the current fiscal year. Key elements of this decrease are as follows:

Sequatchie Valley Planning and Development Agency's Changes in Net Assets

| | Governmental Activities | |
|------------------------------------|-------------------------|------------|
| | 2010 | 2009 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 100,749 | \$ 111,048 |
| Operating grants and contributions | 3,455,744 | 2,944,604 |
| General revenues: | | |
| Miscellaneous | 708 | 126 |
| Total revenues | 3,557,201 | 3,055,778 |
| Expenses: | | |
| Child care | 111,910 | 101,501 |
| Child care food | 205,980 | 176,884 |
| Head Start | 3,252,600 | 2,802,048 |
| Total expenses | 3,570,490 | 3,080,433 |
| Decrease in net assets | (13,289) | (24,655) |
| Net assets – beginning | 460,235 | 484,890 |
| Net assets – ending | \$ 446,946 | \$ 460,235 |

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The SVPDA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the SVPDA are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact on the government's near-term financing decisions. Both the governmental fund balance sheet and government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities in the government-wide financial statements..

The focus of the SVPDA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the SVPDA's financing requirements. The unreserved fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year the SVPDA's governmental funds reported combined ending fund balances of \$344,703, a decrease of \$29,289 from the prior year's \$373,992.

The SVPDA maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all three funds, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 5 to 8 of this report.

BUDGETARY INFORMATION

The SVPDA does not have an annual appropriated budget. The grant documents, some with different periods, serve as the financial plans and program budgets for budgetary purposes, and are approved by the Board of Directors.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 9 to 21 of this report.

OTHER SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the SVPDA. This supplementary information can be found on pages 23 and 24 of this report.

CAPITAL ASSETS

The SVPDA's net capital assets for its governmental activities as of June 30, 2010, amounted to \$164,089, an increase of \$31,961 over the prior year, with the net increase consisting of additions to capital assets in the amount of \$85,843, net of a reduction of \$53,882 for depreciation expense. The investment in capital assets includes buildings, kitchen equipment, office equipment, playground equipment and transportation equipment. Current year additions consisted of transportation equipment purchases in the amount of \$85,843.

Sequatchie Valley Planning and Development Agency's Capital Assets (Net of depreciation)

| | <u>Governmental Activities</u> |
|--------------------------|--------------------------------|
| Building improvements | \$ 42,210 |
| Transportation equipment | 106,401 |
| Other equipment | <u>15,478</u> |
| | <u>\$ 164,089</u> |

Additional information on the Agency's capital assets can be found in, Note 3 to the basic financial statements.

CURRENTLY KNOWN CONDITIONS EFFECTING FUTURE YEARS

There are no currently known issues that have the potential for material future impact on the Sequatchie Valley Planning and Development Agency.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the SVPDA's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to Sequatchie Valley Planning and Development Agency, P.O. Box 769, South Pittsburg, TN 37380.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Sequatchie Valley Planning and Development Agency:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sequatchie Valley Planning and Development Agency, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sequatchie Valley Planning and Development Agency, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, on our consideration of the Agency'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Sequatchie Valley Planning and Development Agency:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sequatchie Valley Planning and Development Agency, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sequatchie Valley Planning and Development Agency, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, on our consideration of the Agency'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The other supplementary information and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Johnson, Nicky & Meucham, P.C.

November 10, 2010

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2010

**Governmental
Activities**

ASSETS

| | | |
|--|----|-----------------------|
| Cash | \$ | 348,606 |
| Due from grantor | | 986 |
| Other capital assets, net of accumulated depreciation | | <u>164,089</u> |
| Total assets | \$ | <u><u>513,681</u></u> |

LIABILITIES AND NET ASSETS

LIABILITIES:

| | | |
|--|----|---------------|
| Accounts payable | \$ | 1,384 |
| Compensated absences | | 52,462 |
| Net post employment healthcare plan obligation | | 9,384 |
| Other accrued liabilities | | <u>3,505</u> |
| Total liabilities | | <u>66,735</u> |

NET ASSETS:

| | | |
|---|----|-----------------------|
| Invested in capital assets, net of related debt | | 164,089 |
| Unrestricted | | <u>282,857</u> |
| Total net assets | | <u>446,946</u> |
| Total liabilities and net assets | \$ | <u><u>513,681</u></u> |

(The accompanying notes are an integral part of these statements.)

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | |
|----------------------------|---------------------|------------------------|--|--|-------------------|
| | | Charges for Service | Operating Grants and Contributions | Governmental Activities | Total |
| PRIMARY GOVERNMENT: | | | | | |
| Child Care | \$ 111,910 | \$ 100,749 | \$ 3,130 | \$ (8,031) | \$ (8,031) |
| Child Care Food Program | 205,980 | - | 184,014 | (21,966) | (21,966) |
| Head Start | <u>3,252,600</u> | <u>-</u> | <u>3,268,600</u> | <u>16,000</u> | <u>16,000</u> |
| Total primary government | <u>\$ 3,570,490</u> | <u>\$ 100,749</u> | <u>\$ 3,455,744</u> | <u>(13,997)</u> | <u>(13,997)</u> |
| GENERAL REVENUES: | | | | | |
| | | | | <u>708</u> | <u>708</u> |
| | | | | <u>708</u> | <u>708</u> |
| | | | | (13,289) | (13,289) |
| NET ASSETS: | | | | | |
| | | | | <u>460,235</u> | <u>460,235</u> |
| | | | | <u>\$ 446,946</u> | <u>\$ 446,946</u> |

(The accompanying notes are an integral part of these statements.)

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | Child Care | Child Care Food Program | Head Start | Total Governmental Funds |
|--|-------------------|----------------------------|---------------|--------------------------------|
| ASSETS: | | | | |
| Cash | \$ 317,002 | \$ 31,604 | \$ - | \$ 348,606 |
| Due from grantors | <u>986</u> | <u>-</u> | <u>-</u> | <u>986</u> |
| | | | | |
| Total assets | <u>\$ 317,988</u> | <u>\$ 31,604</u> | <u>\$ -</u> | <u>\$ 349,592</u> |
| | | | | |
| LIABILITIES AND FUND BALANCES: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,384 | \$ - | \$ - | \$ 1,384 |
| Other accrued liabilities | <u>3,376</u> | <u>129</u> | <u>-</u> | <u>3,505</u> |
| Total liabilities | <u>4,760</u> | <u>129</u> | <u>-</u> | <u>4,889</u> |
| | | | | |
| Fund balances: | | | | |
| Fund balances | <u>313,228</u> | <u>31,475</u> | <u>-</u> | <u>344,703</u> |
| Total fund balances | <u>313,228</u> | <u>31,475</u> | <u>-</u> | <u>344,703</u> |
| Total liabilities and fund balances | <u>\$ 317,988</u> | <u>\$ 31,604</u> | <u>\$ -</u> | <u>\$ 349,592</u> |

(The accompanying notes are an integral part of these statements.)

**SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Differences in amounts reported for governmental activities
in the statement of net assets on page 3:

Fund balances - total governmental funds \$ 344,703

Amounts reported for governmental activities in
the statement of net assets are different
because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds. 164,089

Long-term, liabilities, such as net post
employment healthcare plan obligation, are
not due in the current period and, therefore,
are not reported in the funds. (9,384)

Long-term liabilities, such as compensated
absences, are not due in the current period
and, therefore, are not reported in the
funds. (52,462)

\$ 446,946

(The accompanying notes are an integral part of these statements.)

**SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

| | <u>Child Care</u> | <u>Child Care Food Program</u> | <u>Head Start</u> | <u>Total Governmental Funds</u> |
|--|-----------------------|------------------------------------|-----------------------|---|
| REVENUES: | | | | |
| Grantor contributions - Federal | \$ - | \$ 184,014 | \$ 3,268,600 | \$ 3,452,614 |
| Program fees - Child Care | 100,749 | - | - | 100,749 |
| State and local contributions | 3,130 | - | - | 3,130 |
| Miscellaneous | 708 | - | - | 708 |
| | <u>104,587</u> | <u>184,014</u> | <u>3,268,600</u> | <u>3,557,201</u> |
| Total revenues | | | | |
| EXPENDITURES: | | | | |
| Current - | | | | |
| Salaries | 63,300 | 38,542 | 1,930,531 | 2,032,373 |
| Payroll taxes | 4,760 | 3,031 | 143,451 | 151,242 |
| Group insurance | 7,132 | 8,606 | 159,657 | 175,395 |
| Other employee/fringe benefits | 60 | - | 8,246 | 8,306 |
| Workmen's compensation | 500 | 300 | 17,905 | 18,705 |
| Unemployment insurance | 1,559 | 876 | 28,753 | 31,188 |
| Retirement | 5,463 | 3,611 | 157,545 | 166,619 |
| Travel | - | - | 33,249 | 33,249 |
| Communications | 933 | - | 31,250 | 32,183 |
| Utilities | 1,604 | - | 81,591 | 83,195 |
| Contracted services | - | - | 30,479 | 30,479 |
| Supplies | 1,523 | 24,835 | 31,830 | 58,188 |
| Program supplies and expense | 3,523 | - | 60,460 | 63,983 |
| Parent activities and supplies | - | - | 4,410 | 4,410 |
| Technology expense | - | - | 12,299 | 12,299 |
| Facility maintenance and repairs | 2,891 | - | 92,380 | 95,271 |
| Vehicle maintenance and repairs | - | - | 34,797 | 34,797 |
| Food | - | 114,455 | 9,525 | 123,980 |
| Workshops and training | 40 | - | 31,821 | 31,861 |
| Occupancy | 10,944 | - | 100,423 | 111,367 |
| Insurance | 410 | - | 10,960 | 11,370 |
| Testing | - | - | 1,297 | 1,297 |
| Indirect costs - administrative | 6,219 | 10,894 | 169,898 | 187,011 |
| Miscellaneous | 1,049 | 830 | - | 1,879 |
| Equipment and renovations | - | - | 85,843 | 85,843 |
| | <u>111,910</u> | <u>205,980</u> | <u>3,268,600</u> | <u>3,586,490</u> |
| Total expenditures | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (7,323) | (21,966) | - | (29,289) |
| FUND BALANCES: | | | | |
| Beginning | <u>320,551</u> | <u>53,441</u> | <u>-</u> | <u>373,992</u> |
| Ending | <u>\$ 313,228</u> | <u>\$ 31,475</u> | <u>\$ -</u> | <u>\$ 344,703</u> |

(The accompanying notes are an integral part of these statements.)

**SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010**

Differences in amounts reported for governmental activities
in the statement of activities on page 4:

| | |
|--|-------------|
| Net change in fund balances - total governmental funds | \$ (29,289) |
|--|-------------|

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|--------|
| Capital outlay reported as expenditures in the governmental funds are shown as capital assets in the statement of activities. | 85,843 |
|---|--------|

| | |
|--|----------|
| Depreciation expense on governmental capital assets are included in the statement of activities. | (53,882) |
|--|----------|

Some items 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. These activities consist of:

| | |
|--|---------|
| Increase in net post employment healthcare plan obligation | (9,384) |
|--|---------|

| | |
|----------------------------------|----------------|
| Increase in compensated absences | <u>(6,577)</u> |
|----------------------------------|----------------|

\$ (13,289)

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

The Sequatchie Valley Planning and Development Agency ("Agency") is a quasi-governmental entity which provides services primarily in the area of childcare and nutrition. Primary funding for these services is received from the U.S. Department of Health and Human Services.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Agency are summarized below.

Reporting entity -

For purposes of these financial statements, management has considered the existence of any potential component units. When applying the criteria set forth by generally accepted accounting principles, no separately administered organizations are considered to be component units for financial reporting purposes. The criteria considered were financial interdependency, selection of governing authority, designation of management, the ability to significantly influence operations, accountability for fiscal matters, and the existence of special financing relationships.

Basis of presentation -

Under current governmental accounting standards, governments are required to report government-wide as well as fund level financial statements. At the fund level, major funds are presented separately while non-major funds are combined into a single column. Major funds are determined based on their percentage of assets, liabilities, revenues or expenditures compared to the total of the same for all governmental funds, and on their percentage of the same for the total of all governmental and proprietary funds, as applicable. The Agency has no non-major funds or proprietary funds, and the following major governmental funds:

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of presentation (continued) -

Child Care -

The Child Care Fund is used to account for the Child Care operations of the Agency.

Child Care Food -

The Child Care Food Fund is used to account for the U.S.D.A Child Care Food Program.

Head Start -

The Head Start Fund is used to account for the Head Start grant program.

The government-wide statement of activities reflects both the gross and net cost of functional categories which are otherwise supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and contributions. Program revenues are those directly associated with the function and include revenues from fees and charges paid by recipients for goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Operating and capital grants and contributions are limited to the funding of a specific operating expense or capital acquisition.

This government-wide focus is designed to view the Agency as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Basis of accounting -

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund-level financial statements of the governmental funds are prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are not recognized until they are both measurable and available.

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of accounting (continued) -

Available refers to revenues being collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers revenues as available if it is collected within 60 days after year-end.

Expenditures are recognized when the liability is incurred, if measurable, except for compensated absences, which is recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, reconciliation is presented on the page following the applicable statement which reconciles the adjustments necessary to convert the fund financial statements to the governmental activities column of the government-wide presentation.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Budgetary control -

The Agency does not have an annual appropriated budget for its governmental funds. The grant documents serve as the financial plans for budgetary purposes.

Estimates -

The Agency uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash equivalents -

For purposes of these financial statements, the Agency considers all highly liquid debt instruments and certificates of deposit purchased with a maturity of three months or less to be cash equivalents.

Cash and investments -

The Agency reports its cash and other investments under current governmental accounting standards, which are designed to improve financial reporting of deposit and investment risks.

Custodial Credit Risk - The Agency's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held by the Agency's agent in the Agency's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the Agency may participate.

Credit Risk - The Agency's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

The Agency is authorized to invest in the following types of securities and indebtedness, in accordance with governing statutes:

Bonds, notes, treasury bills or similar types of indebtedness to the United States.

Nonconvertible debt of the following -

Federal Home Loan Bank;
Federal National Mortgage Association;
Federal Farm Credit Bank; and
Student Loan Marketing Association.

Other obligations not specified above which provide guaranteed principal and interest by the United States or any of its agencies including State Treasurer's investment pool.

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and investments (continued) -

Certificates of deposit or other evidence of deposits at State or Federal chartered banks and/or savings and loans.

Repurchase agreements, which involve obligations of the United States or its agencies, provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.

Money market funds investing in any of the aforementioned securities.

At June 30, 2010, the Agency had no investments.

Prepaid expenses -

Prepaid expenses consist of certain payments which reflect costs applicable to future periods. In governmental funds, these types of costs are recorded as expenditures when the cost is incurred.

Capital assets -

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that does not add value to the asset or materially extend its life is not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Years</u> |
|--------------------------|--------------|
| Buildings | 40 |
| Kitchen equipment | 3-7 |
| Office equipment | 3-7 |
| Playground equipment | 7 |
| Transportation equipment | 5 |
| Lawn care equipment | 5 |

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Donated services -

The Agency depends upon the service donated by the Board Members to carry out many of its internal operations. However, the services donated do not meet the criteria which would require recognition of their value in the financial statements.

Interfund transactions -

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Interfund transactions, except reimbursements, as applicable, are not eliminated but reported as transfers.

Advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due from other funds or due to other funds on the balance sheet in governmental funds.

(2) DUE FROM GRANTORS:

Due from grantor represents amounts receivable from grantor agencies for which qualified expenditures had been made, but for which cash reimbursements were not received as of June 30, 2010. The following amounts were due from grantors -

| | |
|------------|---------------|
| Child Care | \$ <u>986</u> |
|------------|---------------|

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(3) CAPITAL ASSETS:

Following is a summary of changes in capital assets and accumulated depreciation for governmental activities -

| | <u>Beginning</u> | <u>Additions</u> | <u>Dispositions and Reclass- ifications</u> | <u>Ending</u> |
|---------------------------------------|-------------------|------------------|---|-------------------|
| Capital assets: | | | | |
| Buildings | \$ 158,071 | \$ - | \$ - | \$ 158,071 |
| Kitchen equipment | 4,494 | - | - | 4,494 |
| Lawn care equipment | 2,004 | - | - | 2,004 |
| Office equipment | 95,637 | - | (13,328) | 82,309 |
| Playground equipment | 168,503 | - | - | 168,503 |
| Transportation equipment | 800,186 | 85,843 | (23,850) | 862,179 |
| | <u>1,228,895</u> | <u>85,843</u> | <u>(37,178)</u> | <u>1,277,560</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 105,362 | 10,498 | - | 115,860 |
| Kitchen equipment | 4,494 | - | - | 4,494 |
| Lawn care equipment | 1,403 | 401 | - | 1,804 |
| Office equipment | 86,521 | 6,348 | (13,328) | 79,541 |
| Playground equipment | 150,886 | 5,108 | - | 155,994 |
| Transportation equipment | 748,101 | 31,527 | (23,850) | 755,778 |
| | <u>1,096,767</u> | <u>53,882</u> | <u>(37,178)</u> | <u>1,113,471</u> |
| Capital assets, net | <u>\$ 132,128</u> | <u>\$ 31,961</u> | <u>\$ -</u> | <u>\$ 164,089</u> |

Depreciation expense is charged to functions as follows -

| | |
|------------|------------------|
| Head Start | <u>\$ 53,882</u> |
|------------|------------------|

(4) FUNDING:

The Agency receives a major portion of its funds from the U.S. Department of Health and Human Services for operations. A major reduction of funds by the grantor could have a significant effect on future operations.

(5) OPERATING LEASES:

During the year ended June 30, 2010, the Agency leased several locations for the operation of its child care centers and its administrative offices. All of these locations are leased on a month-to-month basis. The total amount of rent expense for these locations totaled \$111,367.

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(6) COMPENSATED ABSENCES:

The Agency has a policy of compensated annual leave from 12 to 21 days based upon years of service. The leave is cumulative and vesting to a maximum of 240 hours. The liability for compensated absences of the governmental funds is recorded in the government-wide financial statements. None of the liability is recorded in the governmental funds, because any payments, even those which would be paid in the next twelve months, if susceptible to a reasonable estimate, are expected to be liquidated with future resources.

(7) PENSION PLAN:

Plan description -

Employees of the Agency 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, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Agency 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.

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(7) PENSION PLAN (Continued):

Plan description (continued) -

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 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 -

The Agency requires employees to contribute 5% of earnable compensation. The Agency is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010, was 8.59% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for The Agency is established and may be amended by the TCRS Board of Trustees.

Annual pension cost -

For the year ending June 30, 2010, the Agency's annual pension cost of \$175,260 to TCRS was equal to its required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Agency's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(7) PENSION PLAN (Continued):

Trend information -

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|--|--|---------------------------------------|
| 6/30/2010 | \$175,260 | 100.00% | \$ 0.00 |
| 6/30/2009 | \$147,166 | 100.00% | \$ 0.00 |
| 6/30/2008 | \$147,777 | 100.00% | \$ 0.00 |

Funded status and funding progress -

As of July 1, 2009, the most recent actuarial valuation date, the plan was 87.25% percent funded. The actuarial accrued liability for benefits was \$2.99 million, and the actuarial value of assets was \$2.61 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.38 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.66 million, and the ratio of the UAAL to the covered payroll was 23.01% percent.

The schedule of funding progress, presented below, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the ALLs for benefits.

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

(Dollar amounts in thousands)

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b)-(a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 7/01/2009 | \$2,607 | \$2,988 | \$381 | 87.25% | \$1,656 | 23.01% |
| 7/01/2007 | \$2,150 | \$2,543 | \$393 | 84.55% | \$1,691 | 23.24% |

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(8) RISK MANAGEMENT:

The Agency is exposed to various risk of loss related to torts, errors and omissions, damages to assets, and injuries to employees. It is the policy of the Agency to obtain insurance, including general liability, property, casualty, and workers' compensation, to manage these risks. The Agency has joined the Tennessee Municipal League Risk Management Pool (TML), whose membership allows the Agency to share liability, motor vehicle, and employee injury risks. Other risks are managed through the purchase of commercial insurance.

The TML Risk Management Pool is a governmental entity organized by Tennessee governmental entities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee governmental entities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member governmental entities. An extensive program of loss prevention, employee training and legal counsel supplements experience claims processing for member governmental entities.

The Agency has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The Agency is not aware of any claims, for which it is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2010. No provision has been made in the financial statements for the year ended June 30, 2109, for any estimate of potential unpaid claims.

(9) LITIGATION AND CLAIMS:

Agency management is not aware of any litigation or claims that would be material to the Agency's combined financial statements.

(10) POSTEMPLOYMENT HEALTHCARE PLAN:

Plan description -

The Agency participates in the state-administered Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (ACE) 8-27-207. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits.

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(10) POSTEMPLOYMENT HEALTHCARE PLAN (Continued):

Plan description (continued) -

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

Funding policy -

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants.

Annual OPEB Cost and Net OPEB Obligation -

| | |
|---|-----------------|
| Annual required contribution (ARC) | \$ 13,000 |
| Interest in the NPO | 1,000 |
| Adjustment to the ARC | <u>(1,000)</u> |
| Annual OPEB cost | 13,000 |
| Amount of contribution | <u>3,616</u> |
| Increase in NPO | 9,384 |
| Net OPEB obligation - beginning of year | <u>-</u> |
| Net OPEB obligation - end of year | <u>\$ 9,384</u> |

| <u>Year End*</u> | <u>Plan</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation at Year End</u> |
|------------------|-------------|-------------------------|---|--|
| 6/30/2010 | Local Govt. | \$ 13,000 | 28% | \$ 9,384 |

Funded Status and Funding Progress -

The funded status of the plan as of June 30, 2010, was as follows:

| <u>Actuarial Valuation Date</u> | <u>Plan</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a % of Covered Payroll ((b-a)/c)</u> |
|---------------------------------|-------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|---|
| 7/1/09 | Local Govt. | \$ - | \$ 87,000 | \$ 87,000 | \$ - | \$817,000 | 10.65% |

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(10) POSTEMPLOYMENT HEALTHCARE PLAN (Continued):

Funded Status and Funding Progress (continued) -

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far in to 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, presents multiyear 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 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, 2009, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

(11) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 10, 2010, the date which this financial statement was available issue.

OTHER SUPPLEMENTARY INFORMATION

SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
SCHEDULE OF HEAD START REVENUES AND EXPENDITURES BY SUB-PROGRAM
GRANT PERIODS ENDED DECEMBER 31, 2009 AND JUNE 30, 2010

| | Head Start | | PA 20 T.T.A. | | ARRA | Total |
|----------------------------------|----------------------|---------------------|----------------------|---------------------|--------------------|----------------------|
| | 2009 | 2010 | 2009 | 2010 | 2009/2010 | Head Start |
| | <u>July-December</u> | <u>January-June</u> | <u>July-December</u> | <u>January-June</u> | <u>July - June</u> | <u>June 30, 2010</u> |
| REVENUES: | | | | | | |
| Grantor contributions - Federal | \$ 1,752,820 | \$ 1,301,630 | \$ 15,605 | \$ 27,759 | \$ 170,786 | \$ 3,268,600 |
| Total revenues | <u>\$ 1,752,820</u> | <u>\$ 1,301,630</u> | <u>\$ 15,605</u> | <u>\$ 27,759</u> | <u>\$ 170,786</u> | <u>\$ 3,268,600</u> |
| EXPENDITURES: | | | | | | |
| Salaries | \$ 1,028,875 | \$ 806,754 | \$ - | \$ - | 94,902 | \$ 1,930,531 |
| Payroll taxes | 76,412 | 59,883 | - | - | 7,156 | 143,451 |
| Group insurance | 75,946 | 81,611 | - | - | 2,100 | 159,657 |
| Other employee/fringe benefits | 3,289 | 931 | - | - | 4,026 | 8,246 |
| Workmen's compensation | (444) | 18,349 | - | - | - | 17,905 |
| Unemployment insurance | 6,964 | 19,989 | - | - | 1,800 | 28,753 |
| Retirement | 83,449 | 66,272 | - | - | 7,824 | 157,545 |
| Travel | 13,392 | 8,502 | 2,861 | 8,494 | - | 33,249 |
| Communications | 17,283 | 13,284 | - | - | 683 | 31,250 |
| Utilities | 47,912 | 31,879 | - | - | 1,800 | 81,591 |
| Contracted services | 28,179 | 2,300 | - | - | - | 30,479 |
| Supplies | 18,020 | 9,047 | - | 4,763 | - | 31,830 |
| Program supplies | 33,693 | 23,211 | - | - | 3,556 | 60,460 |
| Parent activities and supplies | 2,363 | 1,129 | - | - | 918 | 4,410 |
| Technology expense | 205 | 12,094 | - | - | - | 12,299 |
| Facility maintenance and repairs | 40,973 | 14,107 | - | - | 37,300 | 92,380 |
| Vehicle maintenance and repairs | 21,900 | 12,897 | - | - | - | 34,797 |
| Food | 5,925 | 3,600 | - | - | - | 9,525 |
| Workshops and training | 5,305 | 946 | 12,593 | 12,977 | - | 31,821 |
| Occupancy | 56,063 | 43,467 | - | - | 893 | 100,423 |
| Insurance | 7,296 | 3,664 | - | - | - | 10,960 |
| Testing | 851 | 446 | - | - | - | 1,297 |
| Indirect costs - administrative | 93,126 | 67,268 | 151 | 1,525 | 7,828 | 169,898 |
| Equipment and renovations | 85,843 | - | - | - | - | 85,843 |
| Total expenditures | <u>\$ 1,752,820</u> | <u>\$ 1,301,630</u> | <u>\$ 15,605</u> | <u>\$ 27,759</u> | <u>\$ 170,786</u> | <u>\$ 3,268,600</u> |

**SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
 SCHEDULE OF INDIRECT COSTS - ADMINISTRATIVE
 FOR THE YEAR ENDED JUNE 30, 2010**

INDIRECT COST POOL - ADMINISTRATIVE COSTS:

| | |
|------------------------------|------------------------------|
| Personnel | \$ 100,103 |
| Fringe benefits | 23,055 |
| Communications and utilities | 2,618 |
| Supplies | 18,747 |
| Maintenance | 73 |
| Contract services | 21,131 |
| Insurance | 250 |
| Occupancy | 4,636 |
| Training | 15,067 |
| Miscellaneous | <u>1,331</u> |
| Total indirect cost pool | \$ <u><u>187,011</u></u> |

INDIRECT COST ALLOCATION:

| | |
|---|------------------------|
| Child Care | \$ 6,219 |
| Child Care Food Program | 10,894 |
| Head Start | <u>169,898</u> |
| Total indirect cost pool | \$ 187,011 |
| Total indirect costs allocated | <u>(187,011)</u> |
| Over (under) allocation of indirect costs | \$ <u><u>-</u></u> |

**INTERNAL CONTROL
AND
COMPLIANCE SECTION**

**SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| <u>Grantor/Pass-Through Grantor</u> | <u>CFDA No.</u> | <u>Contract No.</u> | <u>Beginning Accrued (Deferred)</u> | <u>Cash Receipts</u> | <u>Expenditures</u> | <u>Ending Accrued (Deferred)</u> |
|--|---------------------|-------------------------|---|--------------------------|---------------------|--|
| Federal Awards - | | | | | | |
| U.S. Department of Health and Human Services | | | | | | |
| Direct Programs: | | | | | | |
| Head Start | 93.600 | 04CH0227/25 | \$ - | \$ 1,768,425 | \$ 1,768,425 | \$ - |
| Head Start | 93.600 | 04CH0227/26 | - | 1,329,389 | 1,329,389 | - |
| Head Start - ARRA | 93.708 | 04SE0227/01 | - | 170,786 | 170,786 | - |
| Total U.S. Department of Health and Human Services | | | - | 3,268,600 | 3,268,600 | - |
| U.S. Department of Agriculture Passed through Tennessee | | | | | | |
| Department of Human Services: | | | | | | |
| Child Care Food Program | 10.558 | 03-47-55922-00-5 | - | 37,588 | 37,588 | - |
| Child Care Food Program | 10.558 | 03-47-55922-00-5 | - | 146,426 | 146,426 | - |
| Total U.S. Department of Agriculture | | | - | 184,014 | 184,014 | - |
| Total Federal Awards | | | \$ - | \$ 3,452,614 | \$ 3,452,614 | \$ - |

**SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010**

(1) BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sequatchie Valley Planning and Development Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) SUBRECIPIENTS:

Of the federal expenditures presented in the schedule, the Sequatchie Valley Planning and Development Agency did not provide federal awards to subrecipients.

**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**

To the Board of Directors of the

Sequatchie Valley Planning and Development Agency:

We have audited the financial statements of the governmental activities and each major fund of the Sequatchie Valley Planning and Development Agency as of and for the year ended June 30, 2010, which collectively comprise of the Agency's basic financial statements and have issued our report thereon dated November 10, 2010. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



**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**

To the Board of Directors of the

Sequatchie Valley Planning and Development Agency:

We have audited the financial statements of the governmental activities and each major fund of the Sequatchie Valley Planning and Development Agency as of and for the year ended June 30, 2010, which collectively comprise of the Agency's basic financial statements and have issued our report thereon dated November 10, 2010. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Agency, and federal awarding agencies and pass-through entities, and the Comptroller of the Treasury of the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Wickey & Meacham, P.C.

November 10, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of

Sequatchie Valley Planning and Development Agency:

Compliance

We have audited the compliance of the Sequatchie Valley Planning and Development Agency with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Sequatchie Valley Planning and Development Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of

Sequatchie Valley Planning and Development Agency:

Compliance

We have audited the compliance of the Sequatchie Valley Planning and Development Agency with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Sequatchie Valley Planning and Development Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Sequatchie Valley Planning and Development Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the Agency'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Wickey & Meucham, P.C.

November 10, 2010

**SEQUATCHIE VALLEY PLANNING AND DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SUMMARY OF AUDITORS' RESULTS:

The auditors' report expresses an unqualified opinion on the financial statements of the Sequatchie Valley Planning and Development Agency.

No reportable conditions or material weaknesses were disclosed during the audit of the financial statements.

No material noncompliance was disclosed.

No internal control reportable conditions over major programs were disclosed.

No findings under OMB Circular A-133 Section .510(a) were disclosed.

Major Programs:

U.S. Department of Health and Human Services
Head Start Program – CFDA #93.600
Head Start Program – CFDA #93.708

Dollar threshold level between Type A and Type B programs was \$300,000.

The Sequatchie Valley Planning and Development Agency qualified as a low-risk auditee under OMB Circular A-133 Section .530.

FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

None

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

