

**ANNUAL FINANCIAL REPORT  
OF  
GRUNDY COUNTY, TENNESSEE  
AND  
GRUNDY COUNTY SCHOOL DEPARTMENT**

---

**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2008**



This page is left blank intentionally.

---

---

# TABLE OF CONTENTS

## SUMMARY

---

---

	Page(s)
Annual Financial Report:	
Grundy County – Primary Government	7 – 104
Grundy County School Department – Component Unit	105 – 174
Single Audit Report	175 – 209

This page is left blank intentionally.

**ANNUAL FINANCIAL REPORT**  
**GRUNDY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*DEVAN FLYNN, CFE*  
*JENI PALADENI*  
*State Auditors*

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

This page is left blank intentionally.

---



---

## GRUNDY COUNTY, TENNESSEE TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		9-10
<u>INTRODUCTORY SECTION</u>		11
Grundy County Officials		13
<u>FINANCIAL SECTION</u>		15
Independent Auditor's Report		17-19
BASIC FINANCIAL STATEMENTS:		21
Government-wide Financial Statements:		
Statement of Net Assets	A	23
Statement of Activities	B	24
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	25
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	26
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	27-28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	29
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	30
Notes to the Financial Statements		31-52
REQUIRED SUPPLEMENTARY INFORMATION:		53
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	55-56
Solid Waste/Sanitation Fund	E-2	57
Industrial/Economic Development Fund	E-3	58
Highway/Public Works Fund	E-4	59
Schedule of Funding Progress – Pension Plan	E-5	60
Notes to the Required Supplementary Information		61

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		63
Nonmajor Governmental Funds:		65
Combining Balance Sheet	F-1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	68
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Courthouse and Jail Maintenance Fund	F-3	69
Drug Control Fund	F-4	70
Major Governmental Fund:		71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	73
Fiduciary Funds:		75
Combining Statement of Fiduciary Assets and Liabilities	H-1	77
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	78
Miscellaneous Schedules:		79
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds	I-1	81
Schedule of Long-term Debt Requirements by Year	I-2	82
Schedule of Leases Receivable	I-3	83
Schedule of Salaries and Official Bonds of Principal Officials	I-4	84
Schedule of Detailed Revenues – All Governmental Fund Types	I-5	85-88
Schedule of Detailed Expenditures – All Governmental Fund Types	I-6	89-102
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	I-7	103

***Audit Highlights***  
Annual Financial Report  
Grundy County, Tennessee  
For the Year Ended June 30, 2008

***Scope***

We have audited the basic financial statements of Grundy County as of and for the year ended June 30, 2008.

***Results***

Our report on the aggregate discretely presented component units expresses an adverse opinion because the component units are omitted. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in 15 findings and recommendations, which we have reviewed with Grundy County management. Detailed findings and recommendations are included in the Single Audit Report.

***Findings***

The following are summaries of the audit findings:

**GRUNDY COUNTY**

- ◆ Grundy County does not have the resources to produce its financial statements and notes to the financial statements.

---

**OFFICE OF COUNTY MAYOR**

- ◆ In several instances, invoices were paid without documentation that goods had been received or services had been rendered. Several expenditures were coded to accounts that did not reflect the true nature of the expenditures. Competitive bids were not solicited for the purchase of food supplies for the Sheriff's Department.
  - ◆ The office accounted for the transactions of the county-owned sewer system through the county's General Fund instead of an enterprise fund.
  - ◆ Computer system backups were not performed on a routine basis, stored off-site, or tested to ensure reliability.
  - ◆ The office did not implement adequate controls to protect its information resources.
-

## **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ In several instances, invoices were paid without documentation that goods had been received or services had been rendered.
  - ◆ The office did not maintain adequate controls over fuel.
  - ◆ Computer system backups were not stored off-site.
  - ◆ The office did not implement adequate controls to protect its information resources.
- 

## **OFFICE OF TRUSTEE**

- ◆ The office did not review its software audit logs.
- 

## **OFFICE OF CIRCUIT COURT CLERK**

- ◆ The office did not implement adequate controls to protect its information resources.
  - ◆ The office did not review its software audit logs.
- 

## **OFFICE OF CLERK AND MASTER**

- ◆ The office did not review its software audit logs.
- 

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

---

---

## INTRODUCTORY SECTION

---

---

This page is left blank intentionally.

Grundy County Officials  
June 30, 2008

---

**Officials**

LaDue Bouldin, County Mayor  
Hubert Hargis, Highway Superintendent  
Lucyle Hampton, Trustee  
Joanne Childers, Assessor of Property  
Jimmy Rogers, County Clerk  
Marcia Bess, Circuit and General Sessions Courts Clerk  
Phyllis Dent, Clerk and Master  
Gayle VanHooser, Register  
Brent Myers, Sheriff

**Board of County Commissioners**

Ralph Rieben, Chairman  
Gary Brewer  
David Gallagher  
Earl Geary, Jr.  
David Griswold  
David Lockhart  
Monte Meeks  
Carl Prater  
Charles Rollins

This page is left blank intentionally.

---

---

## FINANCIAL SECTION

---

---

This page is left blank intentionally.



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

November 3, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grundy County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Grundy County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grundy County's management. Our responsibility is to express opinions 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 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.

The financial statements referred to above include only the primary government of Grundy County, Tennessee, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units (the Grundy County School Department and the Grundy County Emergency Communications District),

which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government's financial statements do not purport to, and do not, present fairly the financial position of Grundy County, Tennessee, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Transactions pertaining to the operations of the county-owned sewer system were accounted for through the General Fund (major governmental fund). These transactions should be accounted for in an enterprise fund using the accrual basis of accounting in accordance with state statutes. The effects on the financial statements are not reasonably determinable.

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grundy County, Tennessee, as of June 30, 2008, and the respective changes in financial position, thereof 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 3, 2008, on our consideration of Grundy County's internal control over financial reporting and 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.

As described in Note V.B., Grundy County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, Grundy County has adopted the provisions of GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

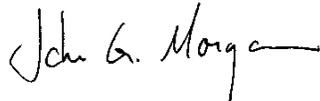
The management of Grundy County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison and pension information for Grundy County on pages 55 through 61 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy 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, 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, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

This page is left blank intentionally.

---

---

# BASIC FINANCIAL STATEMENTS

---

---

This page is left blank intentionally.

Exhibit A

Grundy County, Tennessee  
Statement of Net Assets  
June 30, 2008

	<u>Primary Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 100
Equity in Pooled Cash and Investments	8,011,523
Accounts Receivable	159
Due from Other Governments	374,375
Property Taxes Receivable	2,966,391
Allowance for Uncollectible Property Taxes	(96,872)
Leases Receivable - Current	78,262
Leases Receivable - Long-term	922,086
Capital Assets:	
Assets Not Depreciated:	
Land	255,273
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	3,800,519
Other Capital Assets	4,299,217
Infrastructure	784,397
Total Assets	<u>\$ 21,395,430</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 23,282
Accrued Interest Payable	69,347
Deferred Revenue - Current Property Taxes	2,696,249
Noncurrent Liabilities:	
Due Within One Year	800,759
Due in More Than One Year	9,743,474
Total Liabilities	<u>\$ 13,333,111</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 7,630,253
Restricted for:	
General Purposes	209,210
Courthouse and Jail Maintenance	30,941
Solid Waste/Sanitation	1,316,709
Industrial/Economic Development	1,602,717
Drug Control	31,962
Highway/Public Works	1,129,433
Debt Service	3,100,669
Capital Projects	432,052
Unrestricted	<u>(7,421,627)</u>
Total Net Assets	<u>\$ 8,062,319</u>

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

Exhibit B

Grundy County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions		Total	Governmental Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 260,949	\$ 106,256	\$ 69,828	\$ 0	\$ 0	\$ (84,865)	
Finance	413,060	253,477	6,154	0	0	(153,429)	
Administration of Justice	463,848	267,743	9,000	0	0	(187,105)	
Public Safety	1,243,158	139,957	64,294	0	0	(1,038,907)	
Public Health and Welfare	916,924	55,450	70,355	11,108	0	(780,011)	
Social, Cultural, and Recreational Services	43,199	0	0	0	0	(43,199)	
Agriculture and Natural Resources	79,424	0	0	0	0	(79,424)	
Other Operations	97,452	879	0	0	0	(96,573)	
Highways/Public Works	1,768,233	110,246	1,583,030	0	0	(74,957)	
Interest on Long-term Debt	446,593	0	0	0	0	(446,593)	
Other Debt Service	14,271	0	0	0	0	(14,271)	
<b>Total Primary Government</b>	<b>\$ 5,747,111</b>	<b>\$ 934,008</b>	<b>\$ 1,802,661</b>	<b>\$ 11,108</b>	<b>\$ (2,999,334)</b>		
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes						\$ 2,525,001	
Property Taxes Levied for Debt Service						255,506	
Local Option Sales Taxes						468,794	
Other Local Taxes						170,228	
Grants and Contributions Not Restricted to Specific Programs						682,499	
Unrestricted Investment Earnings						383,468	
Miscellaneous						78,624	
<b>Total General Revenues</b>						<b>\$ 4,564,120</b>	
Change in Net Assets						\$ 1,564,786	
Net Assets, July 1, 2007						6,497,533	
<b>Net Assets, June 30, 2008</b>						<b>\$ 8,062,319</b>	

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

Grundy County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Governmental Funds	
Cash	0	0	0	0	0	100	100
Equity in Pooled Cash and Investments	1,426,845	1,521,429	602,369	888,469	3,077,456	494,955	8,011,523
Accounts Receivable	0	0	0	0	0	159	159
Due from Other Governments	36,251	0	0	262,724	75,400	0	374,375
Due from Other Funds	259	0	0	0	0	0	259
Property Taxes Receivable	2,113,038	576,283	0	0	277,070	0	2,966,391
Allowance for Uncollectible Property Taxes	(69,057)	(18,834)	0	0	(8,981)	0	(96,872)
Leases Receivable - Current	0	0	78,262	0	0	0	78,262
Leases Receivable - Long-term	0	0	922,086	0	0	0	922,086
<b>Total Assets</b>	<b>\$ 3,507,336</b>	<b>\$ 2,078,878</b>	<b>\$ 1,602,717</b>	<b>\$ 1,151,193</b>	<b>\$ 3,420,945</b>	<b>\$ 495,214</b>	<b>\$ 12,256,283</b>

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities	23,282	0	0	0	0	0	23,282
Accounts Payable	0	0	0	0	0	259	259
Due to Other Funds	1,920,350	523,732	0	0	252,167	0	2,696,249
Deferred Revenue - Current Property Taxes	110,331	30,117	0	0	14,222	0	154,670
Deferred Revenue - Delinquent Property Taxes	0	0	1,000,348	130,000	40,000	0	1,170,348
Other Deferred Revenues	0	0	1,000,348	130,000	40,000	0	1,170,348
<b>Total Liabilities</b>	<b>\$ 2,053,963</b>	<b>\$ 553,849</b>	<b>\$ 1,000,348</b>	<b>\$ 130,000</b>	<b>\$ 306,389</b>	<b>\$ 259</b>	<b>\$ 4,044,808</b>
Fund Balances	24,825	0	0	0	0	0	24,825
Reserved for Alcohol and Drug Treatment	538	0	0	0	0	0	538
Reserved for Sexual Offender Registration	168,254	0	0	0	0	0	168,254
Reserved for Courthouse and Jail Maintenance	1,574	0	0	0	0	0	1,574
Reserved for Computer System - Register	14,019	0	0	0	0	0	14,019
Reserved for Other General Purposes	1,244,163	0	0	0	0	0	1,244,163
Unreserved, Reported In:	0	1,525,029	602,369	1,021,193	0	62,903	3,211,494
General Fund	0	0	0	0	0	0	0
Special Revenue Funds	0	0	0	0	0	0	0
Debt Service Funds	0	0	0	0	3,114,556	0	3,114,556
Capital Projects Funds	0	0	0	0	0	432,052	432,052
<b>Total Fund Balances</b>	<b>\$ 1,453,373</b>	<b>\$ 1,525,029</b>	<b>\$ 602,369</b>	<b>\$ 1,021,193</b>	<b>\$ 3,114,556</b>	<b>\$ 494,955</b>	<b>\$ 8,211,475</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,507,336</b>	<b>\$ 2,078,878</b>	<b>\$ 1,602,717</b>	<b>\$ 1,151,193</b>	<b>\$ 3,420,945</b>	<b>\$ 495,214</b>	<b>\$ 12,256,283</b>

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

Exhibit C-2

Grundy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	8,211,475
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	255,273	
Add: buildings and improvements net of accumulated depreciation		3,800,519	
Add: infrastructure net of accumulated depreciation		4,299,217	
Add: other capital assets net of accumulated depreciation		<u>784,397</u>	9,139,406
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(9,850,956)	
Less: capital leases payable		(37,217)	
Less: other loans payable		(425,980)	
Less: compensated absences payable		(21,760)	
Less: landfill closure/postclosure care costs		(208,320)	
Less: accrued interest on bonds, capital leases, and other loans		<u>(69,347)</u>	(10,613,580)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,325,018</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>8,062,319</u></u>

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

Exhibit C-3

Grundy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<b>Revenues</b>								
Local Taxes	\$ 2,187,628	\$ 543,420	\$ 0	\$ 0	\$ 725,404	\$ 25,939	\$ 3,482,391	
Licenses and Permits	12,210	0	0	0	0	0	12,210	
Fines, Forfeitures, and Penalties	47,229	0	0	0	0	14,972	62,201	
Charges for Current Services	68,966	0	0	65,725	0	5,964	140,655	
Other Local Revenues	40,460	8,128	288,117	52,013	382,748	0	771,466	
Fees Received from County Officials	516,309	0	0	0	0	0	516,309	
State of Tennessee	325,593	2,380	0	1,583,030	0	0	1,911,003	
Federal Government	92,563	0	0	0	0	0	92,563	
Other Governments and Citizens Groups	49,800	10,000	0	0	500,000	0	559,800	
<b>Total Revenues</b>	<b>\$ 3,340,758</b>	<b>\$ 563,928</b>	<b>\$ 288,117</b>	<b>\$ 1,700,768</b>	<b>\$ 1,608,152</b>	<b>\$ 46,875</b>	<b>\$ 7,548,598</b>	
<b>Expenditures</b>								
Current:								
General Government	\$ 476,601	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,962	\$ 497,563	
Finance	334,400	0	0	0	0	0	334,400	
Administration of Justice	397,718	0	0	0	0	5,964	403,682	
Public Safety	1,052,141	0	0	0	0	5,539	1,057,680	
Public Health and Welfare	264,702	529,937	0	0	0	0	794,639	
Social, Cultural, and Recreational Services	37,657	0	0	0	0	0	37,657	
Agriculture and Natural Resources	77,856	0	0	0	0	0	77,856	
Other Operations	585,268	10,838	4,460	0	0	259	600,825	
Highways	0	0	0	1,789,071	0	0	1,789,071	
Debt Service:								
Principal on Debt	53,526	0	33,130	0	655,919	0	742,575	
Interest on Debt	6,802	0	9,448	0	436,157	0	452,407	
Other Debt Service	0	0	0	0	14,271	0	14,271	
<b>Total Expenditures</b>	<b>\$ 3,286,671</b>	<b>\$ 540,775</b>	<b>\$ 47,038</b>	<b>\$ 1,789,071</b>	<b>\$ 1,106,347</b>	<b>\$ 32,724</b>	<b>\$ 6,802,626</b>	
Excess (Deficiency) of Revenues Over Expenditures	\$ 54,087	\$ 23,153	\$ 241,079	\$ (88,303)	\$ 501,805	\$ 14,151	\$ 745,972	

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>								
Proceeds from Sale of Capital Assets	\$ 0	\$ 0	\$ 58,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,000
Insurance Recovery	45,007	0	0	0	0	0	0	45,007
Total Other Financing Sources (Uses)	\$ 45,007	\$ 0	\$ 58,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 103,007
Net Change in Fund Balances	\$ 99,094	\$ 23,153	\$ 299,079	\$ (88,303)	\$ 501,805	\$ 14,151	\$ 14,151	\$ 848,979
Fund Balance, July 1, 2007	1,354,279	1,501,876	303,290	1,109,496	2,612,751	480,804	480,804	7,362,496
Fund Balance, June 30, 2008	\$ 1,453,373	\$ 1,525,029	\$ 602,369	\$ 1,021,193	\$ 3,114,556	\$ 494,955	\$ 494,955	\$ 8,211,475

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

Exhibit C-4

Grundey 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, 2008

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)		\$	848,979
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those 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	\$	889,968	
Less: current year depreciation expense		<u>(598,213)</u>	291,755
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: proceeds received on disposal of capital assets			(58,000)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes/other deferred June 30, 2008	\$	1,325,018	
Less: deferred delinquent property taxes/other deferred June 30, 2007		<u>(1,606,726)</u>	(281,708)
(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 assets. Also, governmental funds report the effect of issuance costs, 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 and related items:			
Add: principal payments on bonds	\$	655,919	
Add: principal payments on other loans		49,438	
Add: principal payments on capital leases		<u>37,218</u>	742,575
(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 governmental funds.			
Change in accrued interest payable	\$	5,814	
Change in compensated absences payable		5,451	
Change in landfill closure/postclosure care costs		<u>9,920</u>	21,185
Change in net assets of governmental activities (Exhibit B)			<u><u>\$ 1,564,786</u></u>

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

Exhibit D

Grundy County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 547,059
Due from Other Governments	<u>87,458</u>
Total Assets	<u><u>\$ 634,517</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 87,458
Due to Litigants, Heirs, and Others	<u>547,059</u>
Total Liabilities	<u><u>\$ 634,517</u></u>

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

**GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Grundy 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 Grundy County:

**A. Reporting Entity**

Grundy County is a public municipal corporation governed by an elected nine-member board. As required by GAAP, Grundy County's (the primary government) financial statements should include its component units; however, the Grundy County School Department did not prepare government-wide financial statements, and the Grundy County Emergency Communications District's financial statements were not available from other auditors in time for inclusion in this report.

**Blended Component Units** – There are no legally separate component units of Grundy County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. These entities should have been presented as separate columns in the financial statements of this report to emphasize that they are legally separate from the county.

The Grundy County School Department operates the public school system in the county, and the voters of Grundy County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, 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 Grundy County School Department did not prepare government-wide financial statements as noted above.

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

Commission's approval. The financial statements of the Grundy County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Grundy County School Department and the Grundy County Emergency Communications District issued separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. The Grundy County Emergency Communications District's financial statements were not available in time for inclusion, as previously mentioned. Complete financial statements of the Grundy County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Grundy County Emergency Communications District  
P.O. Box 177  
Altamont, TN 37301

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets 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 Grundy 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. However, as discussed in note I.A. above, the county's component units are not included in this report.

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.

Grundy County issues all debt for the discretely presented Grundy County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2008.

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 Grundy 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, liabilities, 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. Grundy County has no proprietary funds to report.

Separate financial statements are provided for governmental funds, proprietary 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. Grundy 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 Fund, Industrial/Economic Development Fund, and 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 funds 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.

Grundy County reports the following major governmental funds:

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

**Solid Waste/Sanitation Fund** – This fund is used to account for transactions relating to the disposal of Grundy County’s solid waste.

**Industrial/Economic Development Fund** – This fund is used to account for lease/rental revenues on county industrial buildings and state/federal grants related to industrial/economic development.

**Highway/Public Works Fund** – This fund accounts for transactions of the county’s Highway Department.

**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, Grundy County also reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund is used to account for various capital projects within the county.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received from the state to be forwarded to the various cities in the county. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do,

however, use the accrual basis of accounting to recognize receivables and payables.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

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

**D. Assets, Liabilities, and Net Assets or Equity**

**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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Grundy County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Grundy 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 and investments in the State Treasurer's Investment Pool are reported at cost. 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. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. 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 1.77 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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 deferred revenue 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 with offsetting deferred revenue 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.

**3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 (\$15,000 for roads and bridges) or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives with salvage values of five percent:

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

**4. Compensated Absences**

General policy of Grundy County does not allow for the accumulation of vacation and sick days beyond the fiscal year-end, except for the Highway Department, which permits the accumulation of vacation and sick leave exceeding a normal year's accumulation. There is no liability for unpaid accumulated sick leave since the Highway Department does not have a policy to pay any amounts when employees separate from service with the department. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

**7. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – 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 assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2008, Grundy County had \$8,805,000 in outstanding debt for capital purposes for the discretely presented Grundy County School Department. This debt is a liability of Grundy County, but the capital assets acquired would be reported in the financial statements of the School Department. Therefore, Grundy County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## **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 assets**

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 assets.

### **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**

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 assets 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 was not

budgeted, and the General Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the State 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, 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.

**B. The Operations of the County-Owned Sewer System Were Not Accounted for Through an Enterprise Fund**

The county did not account for transactions of the county-owned sewer system through an enterprise fund. Instead, these transactions were accounted for through the county's General Fund. Section 68-221-208, Tennessee Code Annotated, and paragraph 8(m) of the Wastewater Facility Revolving Fund Loan Agreement provide for Grundy County to establish a sewer user's fee and/or ad valorem taxes as necessary to provide sufficient funds to pay the costs of operation and maintenance, including depreciation, according to generally accepted accounting principles and debt service requirements of the sewer system. Reporting the sewer system through an enterprise fund is the only method that would ensure sufficient funds are provided to pay the costs of operations and maintenance, including depreciation and debt service requirements of the sewer system.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Grundy County and the Grundy 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, depositing, and investing most county funds. Each

fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets 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; 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 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 director of Local Finance 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.

**Investment Balances.** As of June 30, 2008, Grundy County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Grundy County and the discretely presented Grundy County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 6,261,316

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Grundy County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Grundy County has no investment policy that would further limit its investment choices. As of June 30, 2008, Grundy County's investment in the State Treasurer's Investment Pool was unrated.

**B. Lease Purchase Receivables**

The Industrial/Economic Development Fund had lease-purchase receivables of \$1,000,348 on June 30, 2008, from financing lease-purchase agreements on five county industrial buildings. Generally, the terms of the lease-purchase agreements call for fixed monthly payments to be made by the lessee until the amounts of the lease-purchases are paid in full. Ownership of the industrial building transfers to the lessee when the lease-purchase agreements are paid in full. The lessee can purchase the buildings at any time during the lease period by paying the balances due on the lease-purchases.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2008, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 214,273	\$ 41,000	\$ 0	\$ 255,273
Total Capital Assets Not Depreciated	<u>\$ 214,273</u>	<u>\$ 41,000</u>	<u>\$ 0</u>	<u>\$ 255,273</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,908,794	\$ 442,539	\$ (58,000)	\$ 5,293,333
Roads and Bridges	8,013,798	315,056	0	8,328,854
Other Capital Assets	2,169,911	91,373	0	2,261,284
Total Capital Assets Depreciated	<u>\$ 15,092,503</u>	<u>\$ 848,968</u>	<u>\$ (58,000)</u>	<u>\$ 15,883,471</u>
Less Accumulated Depreciation For:				
Improvements	\$ 1,372,234	\$ 120,580	\$ 0	\$ 1,492,814
Roads and Bridges	3,742,280	287,357	0	4,029,637
Other Capital Assets	1,286,611	190,276	0	1,476,887
Total Accumulated Depreciation	<u>\$ 6,401,125</u>	<u>\$ 598,213</u>	<u>\$ 0</u>	<u>\$ 6,999,338</u>
Total Capital Assets Depreciated, Net	<u>\$ 8,691,378</u>	<u>\$ 250,755</u>	<u>\$ (58,000)</u>	<u>\$ 8,884,133</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,905,651</u>	<u>\$ 291,755</u>	<u>\$ (58,000)</u>	<u>\$ 9,139,406</u>

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

**Governmental Activities:**

General Government	\$ 40,472
Public Safety	84,103
Public Health and Welfare	109,032
Other Operations	2,849
Highways/Public Works	<u>361,757</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 598,213</u>

**D. Insurance Recoveries**

During the period examined, Grundy County had storm damage to some of its buildings and vehicles. Insurance recoveries of \$45,007 were used to repair the damage.

**E. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 259

This balance 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.

**F. Capital Lease**

On January 3, 2007, Grundy County entered into a three-year lease-purchase agreement for four vehicles for the Sheriff's Department. The terms of the agreement require total lease payments of \$104,435 plus interest of 6.8 percent. Title to the vehicles transfers to Grundy County at the end of the lease period. The lease payments are made from the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u> <u>Fund</u>
2009	\$ 39,748
Total Minimum Lease Payments	\$ 39,748
Amount Representing Interest	<u>(2,531)</u>
Present Value of Minimum Lease Payments	<u>\$ 37,217</u>

**G. Long-term Debt**

**General Obligation Bonds and Other Loans**

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition,

general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 16 years for bonds and up to 20 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 included in the long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund. Other loans included in the long-term debt as of June 30, 2008, will be retired from the General Fund and the Industrial/Economic Development Fund.

General obligation bonds, other loans, and the capital lease outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	3.4 to 4.75%	\$ 2,311,000	\$ 1,045,956
General Obligation Bond - School Refunding	4.15	9,405,000	8,805,000
Other Loans	1.26 to 3	746,719	425,980
Capital Lease	6.8	104,435	37,217

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2009	\$ 50,661	\$ 9,976	\$ 60,637
2010	51,904	8,722	60,626
2011	53,189	7,448	60,637
2012	54,508	6,160	60,668
2013	55,860	4,778	60,638
2014-2018	159,858	5,858	165,716
Total	\$ 425,980	\$ 42,942	\$ 468,922

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 681,201	\$ 409,045	\$ 1,090,246
2010	706,495	380,814	1,087,309
2011	736,804	351,455	1,088,259
2012	767,127	320,836	1,087,963
2013	797,465	288,958	1,086,423
2014-2018	3,696,864	966,935	4,663,799
2019-2021	2,465,000	207,294	2,672,294
Total	\$ 9,850,956	\$ 2,925,337	\$ 12,776,293

There is \$3,114,556 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$687, based on the 2000 federal census. Debt per capita, including bonds, other loans, and the capital lease totaled \$720, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

#### **Governmental Activities:**

	Bonds	Capital Lease	Other Loans
Balance July 1, 2007	\$ 10,506,875	\$ 74,435	\$ 475,418
Deductions	(655,919)	(37,218)	(49,438)
Balance June 30, 2008	\$ 9,850,956	\$ 37,217	\$ 425,980
Balance Due Within One Year	\$ 681,201	\$ 37,217	\$ 50,661

	Landfill Postclosure Care Costs	Compensated Absences
Balance July 1, 2007	\$ 218,240	\$ 27,212
Additions	0	16,878
Deductions	(9,920)	(22,330)
Balance June 30, 2008	\$ 208,320	\$ 21,760
Balance Due Within One Year	\$ 9,920	\$ 21,760

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 10,544,233
Less: Due Within One Year	<u>(800,759)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,743,474</u>

On September 19, 2003, the county assumed \$427,739 of a Community Development Block Grant Industrial Development Loan. The original loan (\$699,000) had passed through Grundy County to an industrial corporation located in the county. This loan, along with interest of \$36,620, will be repaid over the next eight years.

During February 2004, Grundy County entered into a revocable contract with a private firm to provide postclosure care for the county's closed landfill. Terms of this agreement require the county to pay an annual fee of \$9,920 for postclosure care costs. The county is required to provide postclosure care for this closed landfill for the next 21 years. The June 30, 2008, postclosure care cost balance is based on the revocable contract of \$9,920 per year for the next 21 years.

**V. OTHER INFORMATION**

**A. Risk Management**

Grundy County is exposed to various risks related to general liability, property, casualty, and workers' compensation. Grundy County is a member of the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to the pool for general liability, property, casualty losses, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims of more than \$100,000 for each insured event.

Grundy County and the Highway Department provide health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF 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. The state statute provides for the LGGIF to be self-sustaining through member premiums. Grundy County also provides commercial health insurance coverage to its employees. Settled claim have not exceeded this commercial coverage over the past three fiscal years. Employees of the county have the option to choose which coverage they prefer.

**B. Accounting Changes**

At the beginning of the year, Grundy County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, Grundy County had elected to implement only the provisions of Statement No. 34 that related to the fund financial statements.

During the year, Grundy County adopted provisions of GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures, which became effective for the year ended June 30, 2008.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Grundy County. GASB Statement No. 48 had no effect on the financial statements of Grundy County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Grundy County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Grundy County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. Contingent Liabilities**

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**D. Landfill Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. The Grundy County landfill stopped accepting household solid waste during the 1997-98 year and has contracted with a private company for its waste disposal. The Solid Waste/Sanitation Fund (special revenue fund) reports closure and postclosure care costs as expenditures in each period in which they are incurred. The \$208,320 reported as landfill postclosure care cost liability at June 30, 2008, represents a revocable contract with a private firm for postclosure care cost of \$9,920 per year. The county is required to monitor the closed landfill for the next 21 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Venture**

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district includes Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie 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 and the sheriffs and police chiefs of the participating law enforcement agencies within the judicial district. Grundy County made no contributions to the DTF for the year ended June 30, 2008, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General  
Twelfth Judicial District  
375 Church Street, Suite 300  
Dayton, TN 37321

## **F. Retirement Commitments**

### **Employees**

#### **Plan Description**

Employees of Grundy 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 Grundy 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://treasury.state.tn.us/tcrs/PS/>.

#### **Funding Policy**

Grundy County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 10.20 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Grundy County is established and may be amended by the TCRS Board of Trustees.

#### **Annual Pension Cost**

For the year ended June 30, 2008, Grundy County's annual pension cost of \$336,884 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the

July 1, 2005, 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 postretirement increases of three 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. Grundy 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, 2005, was ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$336,884	100%	\$0
6-30-07	322,540	100	0
6-30-06	266,035	100	0

### Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 91.76 percent funded. The actuarial accrued liability for benefits was \$11.80 million, and the actuarial value of assets was \$10.83 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.97 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.13 million, and the ratio of the UAAL to the covered payroll was 31.03 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability 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.

**G. Purchasing Laws**

Office of County Mayor

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

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by provisions of Chapter 435, Private Acts of 1939, and the Uniform Road Law, Section 54-7-113, TCA, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

This page is left blank intentionally.

Exhibit E-1

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,187,628	\$ 2,103,729	\$ 2,107,402	\$ 80,226
Licenses and Permits	12,210	5,100	5,100	7,110
Fines, Forfeitures, and Penalties	47,229	26,200	26,200	21,029
Charges for Current Services	68,966	48,100	48,100	20,866
Other Local Revenues	40,460	25,000	28,415	12,045
Fees Received from County Officials	516,309	451,000	451,000	65,309
State of Tennessee	325,593	194,634	268,972	56,621
Federal Government	92,563	36,000	90,750	1,813
Other Governments and Citizens Groups	49,800	50,000	50,000	(200)
<b>Total Revenues</b>	<b>\$ 3,340,758</b>	<b>\$ 2,939,763</b>	<b>\$ 3,075,939</b>	<b>\$ 264,819</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 16,814	\$ 18,800	\$ 18,800	\$ 1,986
Board of Equalization	2,000	2,000	2,000	0
Beer Board	0	200	200	200
Other Boards and Committees	0	1,000	1,000	1,000
County Mayor/Executive	112,292	115,307	115,307	3,015
County Attorney	12,959	21,200	21,200	8,241
Election Commission	109,287	112,745	114,518	5,231
Register of Deeds	91,275	88,401	92,501	1,226
County Buildings	131,974	135,008	182,720	50,746
<u>Finance</u>				
Property Assessor's Office	123,860	126,214	126,214	2,354
County Trustee's Office	88,943	89,345	89,345	402
County Clerk's Office	121,597	121,725	121,725	128
<u>Administration of Justice</u>				
Circuit Court	182,086	193,292	193,292	11,206
General Sessions Judge	78,442	78,950	78,950	508
Drug Court	1,624	0	1,624	0
Chancery Court	87,023	87,313	87,313	290
Juvenile Court	47,546	46,865	48,285	739
Other Administration of Justice	997	1,000	1,000	3
<u>Public Safety</u>				
Sheriff's Department	617,944	590,918	622,851	4,907
Administration of the Sexual Offender Registry	462	500	500	38
Jail	361,550	380,350	365,350	3,800
Fire Prevention and Control	8,260	13,500	13,500	5,240
Rescue Squad	4,500	4,500	4,500	0
Other Emergency Management	8,138	9,000	10,450	2,312
County Coroner/Medical Examiner	1,800	2,100	2,100	300
Other Public Safety	49,487	61,208	91,040	41,553

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 92,496	\$ 116,174	\$ 131,963	\$ 39,467
Ambulance/Emergency Medical Services	125,000	125,000	125,000	0
Crippled Children Services	0	830	830	830
Regional Mental Health Center	7,000	7,000	7,000	0
General Welfare Assistance	2,462	2,500	2,500	38
Other Waste Disposal	37,744	45,750	45,750	8,006
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	1,500	1,500	1,500	0
Libraries	36,157	36,225	36,225	68
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	55,891	57,938	57,938	2,047
Soil Conservation	21,965	22,958	22,958	993
<u>Other Operations</u>				
Tourism	9,213	10,000	15,000	5,787
Industrial Development	3,900	3,900	3,900	0
Other Economic and Community Development	82,077	28,431	103,015	20,938
Veterans' Services	12,852	12,852	12,852	0
Other Charges	159,286	162,300	162,300	3,014
Contributions to Other Agencies	19,569	21,000	21,000	1,431
Employee Benefits	273,467	288,249	288,249	14,782
Miscellaneous	24,904	22,000	25,100	196
<u>Principal on Debt</u>				
General Government	53,526	53,526	53,526	0
<u>Interest on Debt</u>				
General Government	6,802	6,802	6,802	0
Total Expenditures	\$ 3,286,671	\$ 3,326,376	\$ 3,529,693	\$ 243,022
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 54,087	\$ (386,613)	\$ (453,754)	\$ 507,841
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 45,007	\$ 2,974	\$ 47,981	\$ (2,974)
Total Other Financing Sources (Uses)	\$ 45,007	\$ 2,974	\$ 47,981	\$ (2,974)
Net Change in Fund Balance	\$ 99,094	\$ (383,639)	\$ (405,773)	\$ 504,867
Fund Balance, July 1, 2007	1,354,279	1,329,732	1,329,732	24,547
Fund Balance, June 30, 2008	\$ 1,453,373	\$ 946,093	\$ 923,959	\$ 529,414

Exhibit E-2

Grundv County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 543,420	\$ 520,038	\$ 520,038	\$ 23,382
Other Local Revenues	8,128	6,000	6,000	2,128
State of Tennessee	2,380	0	0	2,380
Other Governments and Citizens Groups	10,000	10,000	10,000	0
Total Revenues	<u>\$ 563,928</u>	<u>\$ 536,038</u>	<u>\$ 536,038</u>	<u>\$ 27,890</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 519,441	\$ 572,060	\$ 572,060	\$ 52,619
Landfill Operation and Maintenance	10,496	22,000	22,000	11,504
<u>Other Operations</u>				
Other Charges	10,838	12,000	12,000	1,162
Total Expenditures	<u>\$ 540,775</u>	<u>\$ 606,060</u>	<u>\$ 606,060</u>	<u>\$ 65,285</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 23,153</u>	<u>\$ (70,022)</u>	<u>\$ (70,022)</u>	<u>\$ 93,175</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 10,000	\$ 10,000	\$ (10,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ (10,000)</u>
Net Change in Fund Balance	\$ 23,153	\$ (60,022)	\$ (60,022)	\$ 83,175
Fund Balance, July 1, 2007	1,501,876	1,501,877	1,501,877	(1)
Fund Balance, June 30, 2008	<u>\$ 1,525,029</u>	<u>\$ 1,441,855</u>	<u>\$ 1,441,855</u>	<u>\$ 83,174</u>

Exhibit E-3

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Industrial/Economic Development Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 23,000	\$ 23,000	\$ (23,000)
Other Local Revenues	288,117	65,000	65,000	223,117
Total Revenues	<u>\$ 288,117</u>	<u>\$ 88,000</u>	<u>\$ 88,000</u>	<u>\$ 200,117</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 4,460	\$ 15,000	\$ 15,000	\$ 10,540
<u>Principal on Debt</u>				
General Government	33,130	33,130	33,130	0
<u>Interest on Debt</u>				
General Government	9,448	9,520	9,520	72
Total Expenditures	<u>\$ 47,038</u>	<u>\$ 57,650</u>	<u>\$ 57,650</u>	<u>\$ 10,612</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 241,079</u>	<u>\$ 30,350</u>	<u>\$ 30,350</u>	<u>\$ 210,729</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 58,000	\$ 0	\$ 0	\$ 58,000
Total Other Financing Sources (Uses)	<u>\$ 58,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,000</u>
Net Change in Fund Balance	\$ 299,079	\$ 30,350	\$ 30,350	\$ 268,729
Fund Balance, July 1, 2007	303,290	308,207	308,207	(4,917)
Fund Balance, June 30, 2008	<u>\$ 602,369</u>	<u>\$ 338,557</u>	<u>\$ 338,557</u>	<u>\$ 263,812</u>

## Exhibit E-4

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 65,725	\$ 70,000	\$ 70,000	\$ (4,275)
Other Local Revenues	52,013	38,000	38,000	14,013
State of Tennessee	1,583,030	1,743,410	1,743,410	(160,380)
Total Revenues	<u>\$ 1,700,768</u>	<u>\$ 1,851,410</u>	<u>\$ 1,851,410</u>	<u>\$ (150,642)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 113,355	\$ 132,323	\$ 132,323	\$ 18,968
Highway and Bridge Maintenance	773,313	946,640	946,640	173,327
Operation and Maintenance of Equipment	284,226	284,950	324,950	40,724
Litter and Trash Collection	29,237	29,237	29,237	0
Other Charges	111,589	133,500	133,500	21,911
Employee Benefits	396,263	429,500	445,060	48,797
Capital Outlay	81,088	483,768	428,208	347,120
Total Expenditures	<u>\$ 1,789,071</u>	<u>\$ 2,439,918</u>	<u>\$ 2,439,918</u>	<u>\$ 650,847</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (88,303)</u>	<u>\$ (588,508)</u>	<u>\$ (588,508)</u>	<u>\$ 500,205</u>
Net Change in Fund Balance	\$ (88,303)	\$ (588,508)	\$ (588,508)	\$ 500,205
Fund Balance, July 1, 2007	<u>1,109,496</u>	<u>1,094,227</u>	<u>1,094,227</u>	<u>15,269</u>
Fund Balance, June 30, 2008	<u>\$ 1,021,193</u>	<u>\$ 505,719</u>	<u>\$ 505,719</u>	<u>\$ 515,474</u>

Exhibit E-5

Grundy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 10,831	\$ 11,803	\$ 972	91.76 %	\$ 3,132	31.03 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

**GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2008**

**BUDGETARY INFORMATION**

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 State 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 generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

This page is left blank intentionally.

---

---

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

---

---

This page is left blank intentionally.

# Nonmajor Governmental Funds

## Special Revenue Funds

---

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

---

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. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

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

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

## Capital Projects Fund

---

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

---

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

This page is left blank intentionally.

Exhibit F-1

Grundy County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2008

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees			General Capital Projects		
\$	0 \$	0 \$	100 \$	100 \$	0 \$	0 \$	100	
	30,941	31,962	0	62,903	432,052		494,955	
	0	0	159	159	0		159	
\$	30,941 \$	31,962 \$	259 \$	63,162 \$	432,052 \$		495,214	

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable  
 Total Assets

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>							
Due to Other Funds	0 \$	0 \$	259 \$	259 \$	0 \$	0 \$	259
Total Liabilities	0 \$	0 \$	259 \$	259 \$	0 \$	0 \$	259
<u>Fund Balances</u>							
Unreserved	30,941 \$	31,962 \$	0 \$	62,903 \$	432,052 \$		494,955
Total Fund Balances	30,941 \$	31,962 \$	0 \$	62,903 \$	432,052 \$		494,955
Total Liabilities and Fund Balances	30,941 \$	31,962 \$	259 \$	63,162 \$	432,052 \$		495,214

Exhibit F-2

Grundy County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2008

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees			General Capital Projects		
<u>Revenues</u>								
Local Taxes	\$ 25,939	\$ 0	\$ 0	\$ 25,939	\$ 0	\$ 0	\$ 25,939	
Fines, Forfeitures, and Penalties	0	14,972	0	14,972	0	0	14,972	
Charges for Current Services	0	0	5,964	5,964	0	0	5,964	
Total Revenues	\$ 25,939	\$ 14,972	\$ 5,964	\$ 46,875	\$ 0	\$ 0	\$ 46,875	
<u>Expenditures</u>								
Current:								
General Government	\$ 20,962	\$ 0	\$ 0	\$ 20,962	\$ 0	\$ 0	\$ 20,962	
Administration of Justice	0	0	5,964	5,964	0	0	5,964	
Public Safety	0	5,539	0	5,539	0	0	5,539	
Other Operations	259	0	0	259	0	0	259	
Total Expenditures	\$ 21,221	\$ 5,539	\$ 5,964	\$ 32,724	\$ 0	\$ 0	\$ 32,724	
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,718	\$ 9,433	\$ 0	\$ 14,151	\$ 0	\$ 0	\$ 14,151	
Net Change in Fund Balances	\$ 4,718	\$ 9,433	\$ 0	\$ 14,151	\$ 0	\$ 0	\$ 14,151	
Fund Balance, July 1, 2007	26,223	22,529	0	48,752	432,052		480,804	
Fund Balance, June 30, 2008	\$ 30,941	\$ 31,962	\$ 0	\$ 62,903	\$ 432,052	\$	\$ 494,955	

Exhibit F-3

Grundy 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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 25,939	\$ 17,000	\$ 17,000	\$ 8,939
Total Revenues	\$ 25,939	\$ 17,000	\$ 17,000	\$ 8,939
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 20,962	\$ 30,000	\$ 30,000	\$ 9,038
<u>Other Operations</u>				
Other Charges	259	400	400	141
Total Expenditures	\$ 21,221	\$ 30,400	\$ 30,400	\$ 9,179
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,718	\$ (13,400)	\$ (13,400)	\$ 18,118
Net Change in Fund Balance	\$ 4,718	\$ (13,400)	\$ (13,400)	\$ 18,118
Fund Balance, July 1, 2007	26,223	26,133	26,133	90
Fund Balance, June 30, 2008	\$ 30,941	\$ 12,733	\$ 12,733	\$ 18,208

Exhibit F-4

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 14,972	\$ 8,500	\$ 8,500	\$ 6,472
Total Revenues	\$ 14,972	\$ 8,500	\$ 8,500	\$ 6,472
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 5,539	\$ 6,600	\$ 6,600	\$ 1,061
Total Expenditures	\$ 5,539	\$ 6,600	\$ 6,600	\$ 1,061
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,433	\$ 1,900	\$ 1,900	\$ 7,533
Net Change in Fund Balance	\$ 9,433	\$ 1,900	\$ 1,900	\$ 7,533
Fund Balance, July 1, 2007	22,529	27,998	27,998	(5,469)
Fund Balance, June 30, 2008	\$ 31,962	\$ 29,898	\$ 29,898	\$ 2,064

# **Major Governmental Fund**

## **General Debt Service Fund**

---

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

---

This page is left blank intentionally.

Exhibit G

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 725,404	\$ 672,284	\$ 672,284	\$ 53,120
Other Local Revenues	382,748	300,000	300,000	82,748
Other Governments and Citizens Groups	500,000	500,000	500,000	0
Total Revenues	<u>\$ 1,608,152</u>	<u>\$ 1,472,284</u>	<u>\$ 1,472,284</u>	<u>\$ 135,868</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 150,919	\$ 150,920	\$ 150,920	\$ 1
Education	505,000	505,000	505,000	0
<u>Interest on Debt</u>				
General Government	49,792	49,792	49,792	0
Education	386,365	386,365	386,365	0
<u>Other Debt Service</u>				
General Government	14,021	15,000	15,000	979
Education	250	2,000	2,000	1,750
Total Expenditures	<u>\$ 1,106,347</u>	<u>\$ 1,109,077</u>	<u>\$ 1,109,077</u>	<u>\$ 2,730</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 501,805</u>	<u>\$ 363,207</u>	<u>\$ 363,207</u>	<u>\$ 138,598</u>
Net Change in Fund Balance	\$ 501,805	\$ 363,207	\$ 363,207	\$ 138,598
Fund Balance, July 1, 2007	<u>2,612,751</u>	<u>2,612,752</u>	<u>2,612,752</u>	<u>(1)</u>
Fund Balance, June 30, 2008	<u>\$ 3,114,556</u>	<u>\$ 2,975,959</u>	<u>\$ 2,975,959</u>	<u>\$ 138,597</u>

This page is left blank intentionally.

# Fiduciary Funds

---

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

---

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

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

This page is left blank intentionally.

Exhibit H-1

Grundy County, Tennessee

Combining Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 547,059	\$ 547,059
Due from Other Governments	87,458	0	87,458
Total Assets	<u>\$ 87,458</u>	<u>\$ 547,059</u>	<u>\$ 634,517</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 87,458	\$ 0	\$ 87,458
Due to Litigants, Heirs, and Others	0	547,059	547,059
Total Liabilities	<u>\$ 87,458</u>	<u>\$ 547,059</u>	<u>\$ 634,517</u>

Exhibit H-2

Grundy County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 487,493	\$ 487,493	\$ 0
Due from Other Governments	84,424	87,458	84,424	87,458
Total Assets	\$ 84,424	\$ 574,951	\$ 571,917	\$ 87,458
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 84,424	\$ 574,951	\$ 571,917	\$ 87,458
Total Liabilities	\$ 84,424	\$ 574,951	\$ 571,917	\$ 87,458
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 530,070	\$ 2,018,988	\$ 2,001,999	\$ 547,059
Accounts Receivable	589	0	589	0
Total Assets	\$ 530,659	\$ 2,018,988	\$ 2,002,588	\$ 547,059
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 530,659	\$ 2,018,988	\$ 2,002,588	\$ 547,059
Total Liabilities	\$ 530,659	\$ 2,018,988	\$ 2,002,588	\$ 547,059
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 487,493	\$ 487,493	\$ 0
Cash	530,070	2,018,988	2,001,999	547,059
Accounts Receivable	589	0	589	0
Due from Other Governments	84,424	87,458	84,424	87,458
Total Assets	\$ 615,083	\$ 2,593,939	\$ 2,574,505	\$ 634,517
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 84,424	\$ 574,951	\$ 571,917	\$ 87,458
Due to Litigants, Heirs, and Others	530,659	2,018,988	2,002,588	547,059
Total Liabilities	\$ 615,083	\$ 2,593,939	\$ 2,574,505	\$ 634,517

---

---

## MISCELLANEOUS SCHEDULES

---

---

This page is left blank intentionally.

Exhibit I-1

Grundy County, Tennessee  
 Schedule of Changes in Other Loans, Capital Lease, and Bonds  
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Paid and/or Matured During Period	Outstanding 6-30-08
<b><u>OTHER LOANS PAYABLE</u></b>							
<u>Payable through General Fund</u>							
Waste Water System	\$ 318,980	1.26%	Various	12-30-15	\$ 145,385	\$ 16,308	\$ 129,077
<u>Payable through Industrial/Economic Development Fund</u>							
Assumption Agreement - Industrial Building	427,739	2 to 3	9-13-03	6-30-16	330,033	33,130	296,903
Total Other Loans Payable					\$ 475,418	\$ 49,438	\$ 425,980
<b><u>CAPITAL LEASE PAYABLE</u></b>							
<u>Payable through General Fund</u>							
Sheriff Vehicles	104,435	6.8	1-3-07	1-3-09	\$ 74,435	\$ 37,218	\$ 37,217
<b><u>BONDS PAYABLE</u></b>							
<u>Payable through General Debt Service Fund</u>							
Public Improvements Series 1998	2,220,000	3.4 to 4.15	11-1-1998	5-1-14	\$ 1,140,000	\$ 145,000	\$ 995,000
School Refunding Series 2006	9,405,000	4.15	5-1-06	5-1-21	9,310,000	505,000	8,805,000
General Obligation Bond-Convenience Centers	91,000	4.75	9-30-1999	9-30-14	56,875	5,919	50,956
Total Bonds Payable					\$ 10,506,875	\$ 655,919	\$ 9,850,956

Exhibit I-2

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

Year Ending June 30	Other Loans Principal	Other Loans Interest	Total Other Loans Requirements
2009	\$ 50,661	\$ 9,976	\$ 60,637
2010	51,904	8,722	60,626
2011	53,189	7,448	60,637
2012	54,508	6,160	60,668
2013	55,860	4,778	60,638
2014	57,246	3,379	60,625
2015	58,681	1,960	60,641
2016	43,931	519	44,450
Total	\$ 425,980	\$ 42,942	\$ 468,922

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 37,217	\$ 2,531	\$ 39,748
Total	\$ 37,217	\$ 2,531	\$ 39,748

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 681,201	\$ 409,045	\$ 1,090,246
2010	706,495	380,814	1,087,309
2011	736,804	351,455	1,088,259
2012	767,127	320,836	1,087,963
2013	797,465	288,958	1,086,423
2014	837,819	255,818	1,093,637
2015	679,045	221,002	900,047
2016	700,000	192,767	892,767
2017	725,000	163,718	888,718
2018	755,000	133,630	888,630
2019	790,000	102,298	892,298
2020	820,000	69,513	889,513
2021	855,000	35,483	890,483
Total	\$ 9,850,956	\$ 2,925,337	\$ 12,776,293

Exhibit I-3

Grundv County, Tennessee  
Schedule of Leases Receivable  
For the Year Ended June 30, 2008

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Lease Purchase</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance 6-30-08</u>
<u>Industrial/Economic Development Fund</u>					
Lease-purchase of Spec Building	Tag Plastics	\$ 300,000	9-24-1996	2-28-17	\$ 130,000
"	All American	45,000	3-25-02	2-15-10	10,000
"	A & J Steel	212,622	3-12-04	3-31-17	145,348
"	Benchmark Tool and Die	750,000	3-29-07	5-15-17	715,000
Total Leases Receivable					<u>\$ 1,000,348</u>

Exhibit I-4

Grundy County, Tennessee  
 Schedule of Salaries and Official Bonds of Principal Officials  
 For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 63,377	\$ 50,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	60,360	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,872	500,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,872	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	30,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	54,872 (1)	25,000	"
Register	Section 8-24-102, <u>TCA</u>	54,872	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	60,360 (2)	25,000	"
Public Employees Blanket Bond			150,000	Local Government Property and Casualty Fund

(1) Does not include special commissioner fees of \$3,097.  
 (2) Does not include law enforcement training supplement of \$1,200.

Exhibit I-5

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2008

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control	Constitu- tional Officers - Fees	Highway/ Public Works		
<b>Local Taxes</b>									
<b>County Property Taxes</b>									
Current Property Tax	\$ 1,801,985	\$ 0	\$ 491,423	\$ 0	\$ 0	\$ 0	\$ 0	\$ 232,061	\$ 2,525,469
Trustee's Collections - Prior Year	109,968	0	29,846	0	0	0	0	14,089	153,303
Circuit/Clerk & Master Collections - Prior Years	51,507	0	14,047	0	0	0	0	6,633	72,187
Interest and Penalty	21,513	0	5,867	0	0	0	0	2,770	30,150
Payments in-Lieu-of Taxes - T.V.A.	2,024	0	552	0	0	0	0	261	2,837
Payments in-Lieu-of Taxes - Other	6,180	0	1,685	0	0	0	0	796	8,661
<b>County Local Option Taxes</b>									
Local Option Sales Tax	0	0	0	0	0	0	0	468,794	468,794
Litigation Tax - General	61,310	0	0	0	0	0	0	0	61,310
Litigation Tax - Special Purpose	0	25,939	0	0	0	0	0	0	25,939
Litigation Tax - Jail, Workhouse, or Courthouse	18,733	0	0	0	0	0	0	0	18,733
Business Tax	16,087	0	0	0	0	0	0	0	16,087
Other County Local Option Taxes	3,673	0	0	0	0	0	0	0	3,673
<b>Statutory Local Taxes</b>									
Bank Excise Tax	50,762	0	0	0	0	0	0	0	50,762
Wholesale Beer Tax	43,641	0	0	0	0	0	0	0	43,641
Interstate Telecommunications Tax	845	0	0	0	0	0	0	0	845
<b>Total Local Taxes</b>	<b>\$ 2,187,628</b>	<b>\$ 25,939</b>	<b>\$ 543,420</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 725,404</b>	<b>\$ 3,482,391</b>
<b>Licenses and Permits</b>									
<b>Licenses</b>									
Marriage Licenses	\$ 558	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 558
Cable TV Franchise	11,652	0	0	0	0	0	0	0	11,652
<b>Total Licenses and Permits</b>	<b>\$ 12,210</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,210</b>
<b>Fines, Forfeitures, and Penalties</b>									
<b>Circuit Court</b>									
Fines	\$ 3,694	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,694
Officers Costs	3,558	0	0	0	0	0	0	0	3,558
Drug Control Fines	0	0	0	0	7,046	0	0	0	7,046
Drug Court Fees	493	0	0	0	0	0	0	0	493
Jail Fees	503	0	0	0	0	0	0	0	503

(Continued)

Exhibit I-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/Sanitation	Industrial/Economic Development	Drug Control	Constitutional Officers - Fees	Highway/Public Works		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
DUI Treatment Fines	\$ 382	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 382
Data Entry Fee - Circuit Court	304	0	0	0	0	0	0	0	304
<u>General Sessions Court</u>									
Fines	10,329	0	0	0	0	0	0	0	10,329
Officers Costs	13,410	0	0	0	0	0	0	0	13,410
Drug Court Fees	1,131	0	0	0	0	0	0	0	1,131
Jail Fees	2,217	0	0	0	0	0	0	0	2,217
DUI Treatment Fines	3,643	0	0	0	0	0	0	0	3,643
Data Entry Fee - General Sessions Court	3,830	0	0	0	0	0	0	0	3,830
<u>Juvenile Court</u>									
Fines	2,111	0	0	0	0	0	0	0	2,111
Officers Costs	44	0	0	0	0	0	0	0	44
<u>Chancery Court</u>									
Officers Costs	684	0	0	0	0	0	0	0	684
Courtroom Security Fee	44	0	0	0	0	0	0	0	44
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	0	0	7,926	0	0	0	7,926
Data Entry Fee - Other Courts	852	0	0	0	0	0	0	0	852
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 47,229</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 14,972</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 62,201</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Residential Waste Collection Charge	\$ 47,400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,400
Work Release Charges for Board	6,246	0	0	0	0	0	0	0	6,246
Other General Service Charges	7,794	0	0	0	0	0	65,725	0	73,519
<u>Fees</u>									
Vending Machine Collections	331	0	0	0	0	0	0	0	331
Constitutional Officers' Fees and Commissions	0	0	0	0	0	5,964	0	0	5,964
Data Processing Fee - Register	5,840	0	0	0	0	0	0	0	5,840
Data Processing Fee - Sheriff	355	0	0	0	0	0	0	0	355
Sexual Offender Registration Fees - Sheriff	1,000	0	0	0	0	0	0	0	1,000
<b>Total Charges for Current Services</b>	<b>\$ 68,966</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,964</b>	<b>\$ 65,725</b>	<b>\$ 0</b>	<b>\$ 140,655</b>

(Continued)

Exhibit I-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control	Constitutional Officers - Fees	Highway/ Public Works		
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 720	\$ 0	\$ 0	\$ 0	\$ 382,748	\$ 383,468
Lease/Rentals	0	0	0	228,303	0	0	0	0	228,303
Sale of Materials and Supplies	38	0	0	0	0	0	0	0	38
Sale of Gasoline	498	0	0	0	0	0	44,023	0	44,521
Miscellaneous Refunds	15,992	0	78	3,912	0	0	7,490	0	27,472
<u>Nonrecurring Items</u>									
Sale of Property	2,845	0	0	1,500	0	0	0	0	4,345
Contributions and Gifts	0	0	0	0	0	0	500	0	500
<u>Other Local Revenues</u>									
Other Local Revenues	21,087	0	8,050	53,682	0	0	0	0	82,819
Total Other Local Revenues	\$ 40,460	\$ 0	\$ 8,128	\$ 288,117	\$ 0	\$ 0	\$ 52,013	\$ 382,748	\$ 771,466
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 90,740	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,740
Circuit Court Clerk	44,153	0	0	0	0	0	0	0	44,153
General Sessions Court Clerk	100,143	0	0	0	0	0	0	0	100,143
Clerk and Master	53,092	0	0	0	0	0	0	0	53,092
Juvenile Court Clerk	2,190	0	0	0	0	0	0	0	2,190
Register	59,666	0	0	0	0	0	0	0	59,666
Sheriff	4,146	0	0	0	0	0	0	0	4,146
Trustee	162,179	0	0	0	0	0	0	0	162,179
Total Fees Received from County Officials	\$ 516,309	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 516,309
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	6,154	0	0	0	0	0	0	0	6,154
Solid Waste Grants	0	0	2,380	0	0	0	0	0	2,380
<u>Health and Welfare Grants</u>									
Other Health and Welfare Grants	52,186	0	0	0	0	0	0	0	52,186

(Continued)

Exhibit I-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control	Constitutional Officers - Fees	Highway/ Public Works		
<u>State of Tennessee (Cont.)</u>									
<u>Public Works Grants</u>									
Litter Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,237	\$ 0	\$ 29,237
<u>Other State Revenues</u>									
Income Tax	3,669	0	0	0	0	0	0	0	3,669
Beer Tax	19,312	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	28,958	0	0	0	0	0	0	0	28,958
Contracted Prisoner Boarding	84,210	0	0	0	0	0	0	0	84,210
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,542,283	0	1,542,283
Petroleum Special Tax	0	0	0	0	0	0	11,510	0	11,510
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	69,789	0	0	0	0	0	0	0	69,789
Other State Revenues	35,935	0	0	0	0	0	0	0	35,935
<b>Total State of Tennessee</b>	<b>\$ 325,593</b>	<b>\$ 0</b>	<b>\$ 2,380</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,583,030</b>	<b>\$ 0</b>	<b>\$ 1,911,003</b>
<u>Federal Government</u>									
<u>Federal Through State</u>									
Appalachian Regional Commission	\$ 23,470	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,470
Community Development	11,108	0	0	0	0	0	0	0	11,108
Homeland Security Grants	26,705	0	0	0	0	0	0	0	26,705
Law Enforcement Grants	28,907	0	0	0	0	0	0	0	28,907
Other Federal through State	2,373	0	0	0	0	0	0	0	2,373
<b>Total Federal Government</b>	<b>\$ 92,563</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 92,563</b>
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 5,800	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 515,800
Contracted Services	44,000	0	0	0	0	0	0	0	44,000
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 49,800</b>	<b>\$ 0</b>	<b>\$ 10,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 500,000</b>	<b>\$ 559,800</b>
<b>Total</b>	<b>\$ 3,340,758</b>	<b>\$ 25,939</b>	<b>\$ 563,928</b>	<b>\$ 288,117</b>	<b>\$ 14,972</b>	<b>\$ 5,964</b>	<b>\$ 1,700,768</b>	<b>\$ 1,608,152</b>	<b>\$ 7,548,598</b>

Exhibit I-6

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	9,950	
Audit Services		3,345	
Dues and Memberships		1,750	
Printing, Stationery, and Forms		1,769	
Total County Commission			\$ 16,814

Board of Equalization

Board and Committee Members Fees	\$	2,000	
Total Board of Equalization			2,000

County Mayor/Executive

County Official/Administrative Officer	\$	63,377	
Assistant(s)		18,858	
Part-time Personnel		17,472	
Communication		2,351	
Data Processing Services		4,198	
Maintenance and Repair Services - Vehicles		109	
Postal Charges		1,394	
Travel		3,250	
Office Supplies		1,283	
Total County Mayor/Executive			112,292

County Attorney

County Official/Administrative Officer	\$	1,200	
Legal Services		11,759	
Total County Attorney			12,959

Election Commission

County Official/Administrative Officer	\$	49,385	
Clerical Personnel		17,958	
Board and Committee Members Fees		2,805	
Election Workers		11,689	
In-Service Training		2,672	
Communication		3,112	
Data Processing Services		5,057	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		5,348	
Maintenance and Repair Services - Equipment		658	
Postal Charges		1,871	
Printing, Stationery, and Forms		808	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Travel	\$	2,860	
Office Supplies		1,885	
Office Equipment		2,879	
Total Election Commission			\$ 109,287

Register of Deeds

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		18,858	
Part-time Personnel		1,833	
Communication		1,154	
Data Processing Services		5,582	
Dues and Memberships		483	
Postal Charges		522	
Travel		350	
Other Contracted Services		6,580	
Office Supplies		1,041	
Total Register of Deeds			91,275

County Buildings

Custodial Personnel	\$	19,956	
Communication		6,054	
Maintenance and Repair Services - Buildings		40,878	
Other Contracted Services		5,160	
Custodial Supplies		2,782	
Duplicating Supplies		4,581	
Electricity		27,220	
Natural Gas		15,787	
Water and Sewer		9,334	
Other Supplies and Materials		222	
Total County Buildings			131,974

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	54,872	
Secretary(ies)		26,942	
Part-time Personnel		15,000	
Audit Services		4,905	
Communication		3,606	
Data Processing Services		7,520	
Dues and Memberships		400	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Postal Charges	\$	3,104	
Printing, Stationery, and Forms		940	
Travel		5,082	
Office Supplies		1,489	
Total Property Assessor's Office			\$ 123,860

County Trustee's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		18,858	
Part-time Personnel		872	
Communication		1,427	
Data Processing Services		5,322	
Dues and Memberships		483	
Postal Charges		4,348	
Printing, Stationery, and Forms		195	
Travel		528	
Office Supplies		2,038	
Total County Trustee's Office			88,943

County Clerk's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		56,315	
Communication		2,912	
Dues and Memberships		483	
Postal Charges		3,032	
Travel		252	
Office Supplies		3,731	
Total County Clerk's Office			121,597

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,872
Deputy(ies)		69,284
Part-time Personnel		7,900
Jury and Witness Fees		22,980
Communication		4,088
Data Processing Services		10,179
Dues and Memberships		443
Postal Charges		1,734
Printing, Stationery, and Forms		424

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Travel	\$	74	
Office Supplies		10,108	
Total Circuit Court			\$ 182,086

General Sessions Judge

Judge(s)	\$	77,150	
Communication		665	
Travel		627	
Total General Sessions Judge			78,442

Drug Court

Fines, Assessments, and Penalties	\$	1,624	
Total Drug Court			1,624

Chancery Court

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		18,858	
Part-time Personnel		500	
Communication		1,771	
Data Processing Services		6,361	
Dues and Memberships		518	
Postal Charges		928	
Office Supplies		3,215	
Total Chancery Court			87,023

Juvenile Court

Youth Service Officer(s)	\$	24,310	
Part-time Personnel		12,154	
Communication		1,805	
Postal Charges		1,311	
Rentals		3,600	
Travel		111	
Office Supplies		1,555	
Other Charges		2,700	
Total Juvenile Court			47,546

Other Administration of Justice

Drug Treatment	\$	997	
Total Other Administration of Justice			997

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	60,360	
Deputy(ies)		349,264	
School Resource Officer		17,270	
In-Service Training		17,351	
Communication		1,947	
Maintenance and Repair Services - Vehicles		41,520	
Postal Charges		1,103	
Printing, Stationery, and Forms		1,105	
Other Contracted Services		6,120	
Gasoline		82,133	
Office Supplies		8,038	
Tires and Tubes		5,085	
Uniforms		5,417	
Other Supplies and Materials		396	
Liability Insurance		10,451	
Communication Equipment		3,300	
Law Enforcement Equipment		6,990	
Other Equipment		94	
Total Sheriff's Department			\$ 617,944

Administration of the Sexual Offender Registry

Communication	\$	462	
Total Administration of the Sexual Offender Registry			462

Jail

Accountants/Bookkeepers	\$	21,025	
Guards		175,974	
Cafeteria Personnel		11,071	
Communication		11,238	
Medical and Dental Services		49,761	
Transportation - Other than Students		191	
Custodial Supplies		572	
Electricity		15,930	
Food Supplies		61,005	
Natural Gas		6,000	
Water and Sewer		6,457	
Other Supplies and Materials		2,326	
Total Jail			361,550

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contracts with Other Public Agencies	\$	5,760	
Contributions		<u>2,500</u>	
Total Fire Prevention and Control			\$ 8,260

Rescue Squad

Contributions	\$	<u>4,500</u>	
Total Rescue Squad			4,500

Other Emergency Management

Assistant(s)	\$	<u>8,138</u>	
Total Other Emergency Management			8,138

County Coroner/Medical Examiner

Pauper Burials	\$	<u>1,800</u>	
Total County Coroner/Medical Examiner			1,800

Other Public Safety

Contributions	\$	2,000	
Other Equipment		<u>47,487</u>	
Total Other Public Safety			49,487

Public Health and Welfare

Local Health Center

Assistant(s)	\$	8,000	
Medical Personnel		24,172	
Custodial Personnel		7,800	
Social Security		1,995	
Employer Medicare		466	
Advertising		317	
Communication		5,980	
Contracts with Government Agencies		6,823	
Dues and Memberships		100	
Maintenance and Repair Services - Equipment		428	
Postal Charges		900	
Travel		2,976	
Other Contracted Services		714	
Drugs and Medical Supplies		114	
Electricity		5,161	
Natural Gas		4,500	
Office Supplies		981	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Water and Sewer	\$	1,477	
Other Supplies and Materials		16,384	
Specialized Medical Treatment		750	
Other Equipment		<u>2,458</u>	
Total Local Health Center			\$ 92,496

Ambulance/Emergency Medical Services

Contributions	\$	<u>125,000</u>	
Total Ambulance/Emergency Medical Services			125,000

Regional Mental Health Center

Contributions	\$	<u>7,000</u>	
Total Regional Mental Health Center			7,000

General Welfare Assistance

Contracts with Other Public Agencies	\$	<u>2,462</u>	
Total General Welfare Assistance			2,462

Other Waste Disposal

Assistant(s)	\$	5,750	
Part-time Personnel		786	
Communication		898	
Postal Charges		369	
Other Contracted Services		12,494	
Electricity		6,797	
Office Supplies		190	
Water and Sewer		284	
Testing		383	
Other Supplies and Materials		<u>9,793</u>	
Total Other Waste Disposal			37,744

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	<u>1,500</u>	
Total Senior Citizens Assistance			1,500

Libraries

Librarians	\$	<u>36,157</u>	
Total Libraries			36,157

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	51,475	
Communication		3,615	
Duplicating Supplies		801	
Total Agriculture Extension Service			\$ 55,891

Soil Conservation

Clerical Personnel	\$	17,958	
Communication		1,349	
Travel		660	
Other Supplies and Materials		1,297	
Other Charges		701	
Total Soil Conservation			21,965

Other Operations

Tourism

Other Supplies and Materials	\$	9,213	
Total Tourism			9,213

Industrial Development

Contributions	\$	3,900	
Total Industrial Development			3,900

Other Economic and Community Development

Contributions	\$	82,077	
Total Other Economic and Community Development			82,077

Veterans' Services

Supervisor/Director	\$	9,427	
Dues and Memberships		25	
Postal Charges		412	
Travel		2,988	
Total Veterans' Services			12,852

Other Charges

Building and Contents Insurance	\$	9,663	
Liability Insurance		40,219	
Premiums on Corporate Surety Bonds		4,534	
Trustee's Commission		42,961	
Workers' Compensation Insurance		61,909	
Total Other Charges			159,286

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Contributions	\$ 19,569	
Total Contributions to Other Agencies		\$ 19,569

Employee Benefits

Social Security	\$ 100,617	
State Retirement	95,441	
Medical Insurance	41,214	
Unemployment Compensation	12,664	
Employer Medicare	23,531	
Total Employee Benefits		273,467

Miscellaneous

Other Charges	\$ 24,904	
Total Miscellaneous		24,904

Principal on Debt

General Government

Principal on Capital Leases	\$ 37,218	
Principal on Other Loans	16,308	
Total General Government		53,526

Interest on Debt

General Government

Interest on Capital Leases	\$ 5,062	
Interest on Other Loans	1,740	
Total General Government		6,802

Total General Fund \$ 3,286,671

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 20,962	
Total County Buildings		\$ 20,962

Other Operations

Other Charges

Trustee's Commission	\$ 259	
Total Other Charges		259

Total Courthouse and Jail Maintenance Fund 21,221

(Continued)

Exhibit I-6

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Truck Drivers	\$	58,437	
Maintenance Personnel		31,282	
Part-time Personnel		111,515	
Social Security		14,936	
Communication		4,881	
Maintenance and Repair Services - Vehicles		18,166	
Disposal Fees		203,551	
Diesel Fuel		48,149	
Electricity		6,793	
Water and Sewer		2,201	
Other Supplies and Materials		3,030	
Solid Waste Equipment		16,500	
Total Convenience Centers			\$ 519,441

Landfill Operation and Maintenance

Contracts with Private Agencies	\$	10,496	
Total Landfill Operation and Maintenance			10,496

Other Operations

Other Charges

Trustee's Commission	\$	10,838	
Total Other Charges			10,838

Total Solid Waste/Sanitation Fund \$ 540,775

Industrial/Economic Development Fund

Other Operations

Industrial Development

Other Charges	\$	4,460	
Total Industrial Development			\$ 4,460

Principal on Debt

General Government

Principal on Other Loans	\$	33,130	
Total General Government			33,130

Interest on Debt

General Government

Interest on Other Loans	\$	9,448	
Total General Government			9,448

Total Industrial/Economic Development Fund 47,038

(Continued)

Exhibit I-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Law Enforcement Supplies	\$	4,000	
Other Supplies and Materials		167	
Trustee's Commission		531	
Other Charges		131	
Law Enforcement Equipment		710	
Total Drug Enforcement			\$ 5,539

Total Drug Control Fund \$ 5,539

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Other Salaries and Wages	\$	2,867	
Special Commissioner Fees/Special Master Fees		3,097	
Total Chancery Court			\$ 5,964

Total Constitutional Officers - Fees Fund 5,964

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,360	
Accountants/Bookkeepers		31,630	
Advertising		134	
Communication		4,289	
Data Processing Services		3,791	
Dues and Memberships		483	
Evaluation and Testing		600	
Maintenance and Repair Services - Office Equipment		260	
Postal Charges		289	
Printing, Stationery, and Forms		463	
Rentals		42	
Travel		1,210	
Electricity		3,527	
Office Supplies		146	
Water and Sewer		324	
Other Charges		3,200	
Office Equipment		2,607	
Total Administration			\$ 113,355

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Supervisor/Director	\$	27,676	
Foremen		31,630	
Equipment Operators - Heavy		73,328	
Equipment Operators - Light		22,550	
Truck Drivers		246,129	
Laborers		22,464	
Asphalt - Liquid		152,233	
Crushed Stone		170,099	
Ice		316	
Pipe		22,855	
Road Signs		2,186	
Small Tools		131	
Other Supplies and Materials		1,007	
Other Charges		709	
Total Highway and Bridge Maintenance			\$ 773,313

Operation and Maintenance of Equipment

Mechanic(s)	\$	52,208	
Nightwatchmen		16,908	
Maintenance and Repair Services - Equipment		1,496	
Tow-in Services		195	
Diesel Fuel		128,252	
Equipment and Machinery Parts		36,766	
Garage Supplies		1,270	
Gasoline		34,416	
Lubricants		998	
Propane Gas		740	
Small Tools		160	
Tires and Tubes		8,683	
Other Supplies and Materials		1,299	
Other Charges		835	
Total Operation and Maintenance of Equipment			284,226

Litter and Trash Collection

Laborers	\$	20,244	
Social Security		1,680	
Maintenance and Repair Services - Vehicles		39	
Gasoline		2,847	
Instructional Supplies and Materials		4,427	
Total Litter and Trash Collection			29,237

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Liability Insurance	\$	30,525	
Trustee's Commission		15,483	
Workers' Compensation Insurance		65,581	
Total Other Charges			\$ 111,589

Employee Benefits

Social Security	\$	33,991	
State Retirement		54,137	
Employee and Dependent Insurance		299,273	
Employer Medicare		8,774	
Other Fringe Benefits		88	
Total Employee Benefits			396,263

Capital Outlay

Engineering Services	\$	1,000	
Other Contracted Services		8,649	
Furniture and Fixtures		66	
Highway Construction		1,000	
Highway Equipment		70,373	
Total Capital Outlay			81,088

Total Highway/Public Works Fund \$ 1,789,071

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	150,919	
Total General Government			\$ 150,919

Education

Principal on Bonds	\$	505,000	
Total Education			505,000

Interest on Debt

General Government

Interest on Bonds	\$	49,792	
Total General Government			49,792

Education

Interest on Bonds	\$	386,365	
Total Education			386,365

(Continued)

Exhibit I-6

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 13,671	
Other Debt Service	<u>350</u>	
Total General Government		\$ 14,021

Education

Other Debt Service	<u>\$ 250</u>	
Total Education		<u>250</u>

Total General Debt Service Fund \$ 1,106,347

Total Governmental Funds - Primary Government \$ 6,802,626

Exhibit I-7

Grundy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2008

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 487,493
Total Cash Receipts	<u>\$ 487,493</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 482,618
Trustee's Commission	4,875
Total Cash Disbursements	<u>\$ 487,493</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

This page is left blank intentionally.

**ANNUAL FINANCIAL REPORT**  
**GRUNDY COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF GRUNDY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*DEVAN FLYNN, CFE*  
*JENI PALADENI*  
*State Auditors*

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

This page is left blank intentionally.

---



---

**GRUNDY COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF GRUNDY COUNTY, TENNESSEE  
TABLE OF CONTENTS**

---



---

	Exhibit	Page(s)
Audit Highlights		109-110
<u>INTRODUCTORY SECTION</u>		111
Grundy County School Officials		113
<u>FINANCIAL SECTION</u>		115
Independent Auditor's Report		117-119
BASIC FINANCIAL STATEMENTS:		121
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	123
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	124
Statement of Fiduciary Net Assets	C-1	125
Statement of Changes in Fiduciary Net Assets	C-2	126
Notes to the Financial Statements		127-140
REQUIRED SUPPLEMENTARY INFORMATION:		141
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D	143-145
Notes to the Required Supplementary Information		147-148
INDIVIDUAL FUND FINANCIAL STATEMENT AND SCHEDULES:		149
Nonmajor Governmental Fund:		151
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	E	153
Miscellaneous Schedules:		155
Schedule of Changes in Long-term Notes	F-1	157
Schedule of Long-term Debt Requirements by Year	F-2	158
Schedule of Transfers	F-3	159
Schedule of Salaries and Official Bonds of Principal Officials	F-4	160
Schedule of Detailed Revenues – All Governmental Fund Types	F-5	161-162
Schedule of Detailed Expenditures – All Governmental Fund Types	F-6	163-174

This page is left blank intentionally.

# ***Audit Highlights***

Annual Financial Report  
Grundy County School Department  
For the Year Ended June 30, 2008

## ***Scope***

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Grundy County School Department as of and for the year ended June 30, 2008.

## ***Results***

Our report on the Grundy County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in ten findings and recommendations, which we have reviewed with Grundy County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **GRUNDY COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The School Department does not have the resources to produce its financial statements and notes to the financial statements.
- ◆ Material audit adjustments were required for proper financial statement presentation.
- ◆ General Purpose School Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in nine major appropriations categories (the legal level of control) and in five major appropriations categories in the School Federal Projects Fund. Also, in several instances, salaries exceeded line-item appropriations approved by the County Commission.
- ◆ Contracts or other documentation were not on hand to support additional duties for which employees were paid. Several time sheets had addition errors and did not always include relevant information such as actual hours worked. In addition, a supervisor, principal, or department head did not always approve and sign time sheets. Some employees submitted time sheets for various duties that overlapped other duties performed on the same day.

- ◆ Some employees submitted travel reimbursement requests for the same day more than once. There were additional errors discovered on some travel claims. In 11 instances, an employee was reimbursed for travel on days where there was no time sheet showing the employee worked on that day. Also, the policy for the mileage rate of reimbursement was not always followed.
  - ◆ In some instances, purchase orders were not issued. Several invoices were paid without documentation that goods had been received or services had been rendered, and one invoice was paid twice. A signature stamp was used on some nonpayroll warrants. Competitive bids were not solicited for the purchase of computers.
  - ◆ Duties of employees at the Little Jackets Daycare were not segregated adequately. Receipts of the daycare were not prenumbered and deposits were not made intact.
- 

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.

---

---

## INTRODUCTORY SECTION

---

---

This page is left blank intentionally.

Grundy County School Officials  
June 30, 2008

---

**Official**

Joel Hargis, Director of Schools

**Board of Education**

Rose Rust, Chairman

Willene Campbell

James Conry

Harold Dykes

Paul Gallagher

Charles Sanders

Leon Woodlee

Position Unoccupied

Position Unoccupied

This page is left blank intentionally.

---

---

## FINANCIAL SECTION

---

---

This page is left blank intentionally.



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

November 3, 2008

Grundy County Director of Schools and  
Board of Education  
Grundy County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Grundy County School Department, a component unit of Grundy County, Tennessee, as of and for the year ended June 30, 2008, as shown on pages 123 through 140, which collectively comprise a portion of the Grundy County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Grundy County School Department's management. Our responsibility is to express opinions 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 auditing 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 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.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the

presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Grundy County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county school departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Grundy County School Department as of June 30, 2008, or the changes in its financial position, for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Grundy County School Department as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

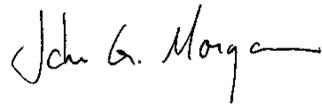
In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2008, on our consideration of the Grundy County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

As described in Note IV.B., the Grundy County School Department has adopted the provisions of Governmental Accounting Standards Board Statement (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and GASB Statement No. 50, Pension Disclosures.

The budgetary comparison information on pages 143 through 148 is not a required part of the basic financial statements but it does provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grundy County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

This page is left blank intentionally.

---

---

# BASIC FINANCIAL STATEMENTS

---

---

This page is left blank intentionally.

Exhibit A

Grundy County, Tennessee  
Balance Sheet - Governmental Funds  
Grundy County School Department  
June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Govern- mental Funds
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 1,445,660	\$ 14,759	\$ 1,460,419
Accounts Receivable	0	7,716	7,716
Due from Other Governments	551,962	85,003	636,965
Due from Other Funds	674	1,144	1,818
Property Taxes Receivable	1,507,924	0	1,507,924
Allowance for Uncollectible Property Taxes	(49,712)	0	(49,712)
<b>Total Assets</b>	<b>\$ 3,456,508</b>	<b>\$ 108,622</b>	<b>\$ 3,565,130</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 77,318	\$ 0	\$ 77,318
Due to Other Funds	1,144	0	1,144
Deferred Revenue - Current Property Taxes	1,368,298	0	1,368,298
Deferred Revenue - Delinquent Property Taxes	79,914	0	79,914
Other Deferred Revenues	43,026	0	43,026
<b>Total Liabilities</b>	<b>\$ 1,569,700</b>	<b>\$ 0</b>	<b>\$ 1,569,700</b>
<b><u>Fund Balances</u></b>			
Reserved for Encumbrances	\$ 439,477	\$ 923	\$ 440,400
Reserved for Career Ladder - Extended Contract	21,223	0	21,223
Reserved for Career Ladder Program	2,815	0	2,815
Reserved for Innovative Education Program Strategies	0	12,792	12,792
Reserved for Special Education - Grants to States	0	74,635	74,635
Other Federal Reserves	0	20,272	20,272
Unreserved, Reported In:			
General Fund	1,423,293	0	1,423,293
<b>Total Fund Balances</b>	<b>\$ 1,886,808</b>	<b>\$ 108,622</b>	<b>\$ 1,995,430</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,456,508</b>	<b>\$ 108,622</b>	<b>\$ 3,565,130</b>

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

Exhibit B

Grundy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Grundy County School Department  
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,953,039	\$ 0	\$ 1,953,039
Licenses and Permits	516	0	516
Charges for Current Services	599,299	0	599,299
Other Local Revenues	88,115	633	88,748
State of Tennessee	13,594,053	0	13,594,053
Federal Government	1,465,073	1,854,789	3,319,862
Total Revenues	<u>\$ 17,700,095</u>	<u>\$ 1,855,422</u>	<u>\$ 19,555,517</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,574,907	\$ 1,569,629	\$ 11,144,536
Support Services	5,209,160	387,389	5,596,549
Operation of Non-Instructional Services	2,134,082	0	2,134,082
Capital Outlay	219,449	0	219,449
Debt Service:			
Principal on Debt	73,806	0	73,806
Interest on Debt	3,880	0	3,880
Other Debt Service	500,000	0	500,000
Total Expenditures	<u>\$ 17,715,284</u>	<u>\$ 1,957,018</u>	<u>\$ 19,672,302</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (15,189)</u>	<u>\$ (101,596)</u>	<u>\$ (116,785)</u>
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 152,384	\$ 0	\$ 152,384
Insurance Recovery	60,581	0	60,581
Transfers In	5,674	0	5,674
Transfers Out	0	(5,674)	(5,674)
Total Other Financing Sources (Uses)	<u>\$ 218,639</u>	<u>\$ (5,674)</u>	<u>\$ 212,965</u>
Net Change in Fund Balances	\$ 203,450	\$ (107,270)	\$ 96,180
Fund Balance, July 1, 2007	<u>1,683,358</u>	<u>215,892</u>	<u>1,899,250</u>
Fund Balance, June 30, 2008	<u>\$ 1,886,808</u>	<u>\$ 108,622</u>	<u>\$ 1,995,430</u>

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

Exhibit C-1

Grundy County School Department  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2008

	<u>Private Purpose Trust Fund</u> <u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 13,937
Total Assets	<u>\$ 13,937</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 13,937</u>
Total Net Assets	<u><u>\$ 13,937</u></u>

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

Exhibit C-2

Grundy County School Department  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2008

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 713
Contributions and Gifts	400
Total Additions	<u>\$ 1,113</u>
<u>DEDUCTIONS</u>	
Awards	<u>\$ 400</u>
Total Deductions	<u>\$ 400</u>
Change in Net Assets	\$ 713
Net Assets, July 1, 2007	<u>13,224</u>
Net Assets, June 30, 2008	<u><u>\$ 13,937</u></u>

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

**GRUNDY COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF GRUNDY COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Grundy County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead to implement only the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of Grundy County elect its nine-member board. The School Department is a component unit of Grundy County, the primary government. The School Department is fiscally dependent on Grundy County because it may not issue debt without county approval, and its budget and property tax

levy are subject to the Grundy County Commission's approval. The School Department's taxes are levied under the taxing authority of Grundy County and are included as part of Grundy County's total tax levy.

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

Fund financial statements of the School Department 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, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The School Department has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund is 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 School Department 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. The School Department 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 Purpose School 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 School Department receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a 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 School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund type:

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

**Private Purpose Trust Fund** – The Other Trust Fund is used to account for savings bond awards given to Grundy County students who win an essay contest and a spelling bee. Money for this fund was provided by a citizen.

## C. Assets, Liabilities, and Net Assets or Equity

### 1. Deposits and Investments

State statutes authorize Grundy County, the School Department's primary 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Grundy County and Grundy County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Grundy 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 and investments in the State Treasurer's Investment Pool are reported at cost. 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. Rule 2a7 allows SEC-registered mutual funds to use amortized

cost rather than fair value to report net assets to compute share prices if certain conditions are met. 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 1.77 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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 deferred revenue 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 with offsetting deferred revenue 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.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; they report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**4. Compensated Absences**

General policy of the School Department does not allow for the accumulation of vacation and sick days beyond the year-end, except for the unlimited accumulation of unused sick days for all professional personnel (teachers). The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. Long-term Obligations**

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 are recognized to the extent that the liabilities have matured (come due for payment) each period.

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.

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

**II. 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. All annual appropriations lapse at fiscal year end.

The School Department 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 Grundy 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 State 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 Purpose School Fund major categories: Regular Instruction Programs, Attendance, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Grundy County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department'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.

**B. Expenditures, Encumbrances, and Other Uses Exceeded Appropriations**

Expenditures, encumbrances, and other uses exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Purpose School Fund and School Federal Projects Fund:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
<u>General Purpose School Fund</u>	
Instruction:	
Alternate Instruction Program	\$ 9,935
Vocational Education Program	27,200
Adult Education Program	148
Support Services:	
Adult Programs	589
Director of Schools	7,677
Office of the Principal	13,945
Transportation	95,293
Operation of Non-Instructional Services:	
Food Service	102,127
Capital Outlay:	
Regular Capital Outlay	72,591

<u>Fund/Major Category (Cont.)</u>	<u>Amount Overspent</u>
<u>School Federal Projects Fund:</u>	
Instruction:	
Special Education Program	\$ 13,401
Vocational Education Program	9,758
Support Services:	
Regular Instruction Program	7,677
Transfers Out	674

Such overexpenditures are a violation of state statutes. These overexpenditures were funded from funds that became available due to expenditures in other major categories being less than appropriations.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

Grundy County and the Grundy 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, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the financial statements represents nonpooled amounts held separately by the 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.** Grundy County, the School Department’s primary government, is 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; 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 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 director of Local Finance 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.

**Investment Balances.** As of June 30, 2008, Grundy County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Grundy County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 6,261,316

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Grundy County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Grundy County has no

investment policy that would further limit its investment choices. As of June 30, 2008, Grundy County's investment in the State Treasurer's Investment Pool was unrated.

**B. Insurance Recoveries**

During the period examined, the School Department had storm damage to some of its buildings, vandalism to one of its buses, and theft of air conditioning units. Insurance recoveries of \$60,581 were used to repair the damage to these buildings and buses, and to replace the air conditioning units.

**C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
School Federal Projects	General Purpose School	\$ 1,144
General Purpose School	School Federal Projects	674

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.

The receivable in the General Purpose School Fund (\$674) was in-transit from the School Federal Projects Fund.

**D. Long-term Debt**

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

**Capital Outlay Notes**

Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes were issued for original terms of up to 11 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the

term of the debt. Capital outlay notes included in the long-term debt as of June 30, 2008, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Capital Outlay Notes	0 to 5.99 %	\$ 345,702	\$ 212,349

The annual requirements to amortize all notes outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 60,710	\$ 6,193	\$ 66,903
2010	48,347	7,715	56,062
2011	38,623	5,648	44,271
2012	31,397	3,874	35,271
2013	33,272	1,998	35,270
Total	\$ 212,349	\$ 25,428	\$ 237,777

Debt per capita totaled \$1,482, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	Notes
Balance, July 1, 2007	\$ 97,771
Adjustments (1)	36,000
Additions	152,384
Deductions	(73,806)
Balance, June 30, 2008	\$ 212,349

(1) The adjustment is for a note issued in 2000 for lights at the high school baseball field payable to an electric co-op. The payments on this note had been misclassified in prior audits.

**E. On-Behalf Payments**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the 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, 2008, were \$55,270 and \$14,000, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**IV. OTHER INFORMATION**

**A. Risk Management**

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation. The School Department is a member of the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The School Department pays annual premiums to these pools for general liability, property, casualty losses, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

**B. Accounting Changes**

During the year, the School Department adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future

revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to the School Department. GASB Statement No. 48 had no effect on the financial statements of the School Department for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that the School Department may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Grundy County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. Subsequent Event**

On October 30, 2008, Grundy County issued capital outlay notes for the School Department totaling \$158,140 for school buses.

**D. Contingent Liabilities**

The School Department's attorney did not disclose any pending lawsuits in which the School Department is involved.

**E. Retirement Commitments**

**Employees**

**Plan Description**

Employees of Grundy County, including the School Department, 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 Grundy 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.treasury.state.tn.us/tcrs/PS/>.

Since the School Department participates in Grundy County's plan, retirement information for the School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote V.F. of the Annual Financial Report of Grundy County, Tennessee.

## **School Teachers**

### **Plan Description**

The 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 SETHEPP. 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.treasury.state.tn.us>.

### **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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$580,472, \$544,957, and \$462,542, respectively, equal to the required contributions for each year.

### **F. Purchasing Law**

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

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

This page is left blank intentionally.

Exhibit D

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Grundy County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,953,039	\$ 0	\$ 0	\$ 1,953,039	\$ 1,839,868	\$ 1,839,868	\$ 113,171
Licenses and Permits	516	0	0	516	600	600	(84)
Charges for Current Services	599,299	0	0	599,299	610,826	610,826	(11,527)
Other Local Revenues	88,115	0	0	88,115	12,000	79,350	8,765
State of Tennessee	13,594,053	0	0	13,594,053	13,295,750	13,383,713	210,340
Federal Government	1,465,073	0	0	1,465,073	1,313,240	1,683,983	(218,910)
Total Revenues	\$ 17,700,095	\$ 0	\$ 0	\$ 17,700,095	\$ 17,072,284	\$ 17,598,340	\$ 101,755
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,731,402	\$ (58,855)	\$ 4,702	\$ 6,677,249	\$ 6,906,716	\$ 6,943,135	\$ 265,886
Alternative Instruction Program	236,523	(500)	0	236,023	205,088	226,088	(9,935)
Special Education Program	2,006,041	(33,870)	25,968	1,998,139	2,040,960	2,030,346	32,207
Vocational Education Program	574,703	(1,155)	2,815	576,363	543,163	549,163	(27,200)
Adult Education Program	26,238	0	3,825	30,063	28,915	29,915	(148)
<u>Support Services</u>							
Attendance	34,206	0	11,866	46,072	46,241	46,241	169
Health Services	120,870	0	0	120,870	97,495	149,495	28,625
Other Student Support	387,082	0	1,200	388,282	433,435	411,935	23,653
Regular Instruction Program	220,254	0	900	221,154	238,399	242,388	21,234
Special Education Program	159,989	0	0	159,989	176,888	187,627	27,638
Vocational Education Program	107,399	0	0	107,399	119,121	119,121	11,722
Adult Programs	51,400	0	0	51,400	50,811	50,811	(589)
Other Programs	69,270	0	0	69,270	0	69,270	0
Board of Education	231,905	0	0	231,905	233,355	241,313	9,408
Director of Schools	149,878	0	982	150,860	141,183	143,183	(7,677)

(Continued)

Exhibit D

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 696,039	\$ 0	\$ 0	\$ 696,039	\$ 667,294	\$ 682,094	\$ (13,945)
Fiscal Services	111,121	0	3,104	114,225	112,327	120,327	6,102
Operation of Plant	1,024,647	(4,179)	531	1,020,999	1,037,136	1,050,325	29,326
Maintenance of Plant	287,894	(13,837)	5,000	279,057	290,631	327,381	48,324
Transportation	840,529	(1,155)	12,895	852,269	720,602	756,976	(95,293)
Central and Other	716,677	0	0	716,677	374,910	749,786	33,109
<u>Operation of Non-Instructional Services</u>							
Food Service	1,644,320	(120)	0	1,644,200	1,540,816	1,542,073	(102,127)
Community Services	33,840	(150)	0	33,690	33,300	33,850	160
Early Childhood Education	455,922	(8,122)	12,690	460,490	451,217	464,851	4,361
<u>Capital Outlay</u>							
Regular Capital Outlay	219,449	(16,815)	352,999	555,633	129,663	483,042	(72,591)
Principal on Debt							
Education	73,806	0	0	73,806	89,350	98,350	24,544
Interest on Debt							
Education	3,880	0	0	3,880	13,268	13,268	9,388
<u>Other Debt Service</u>							
Education	500,000	0	0	500,000	0	500,000	0
Total Expenditures	\$ 17,715,284	\$ (138,758)	\$ 439,477	\$ 18,016,003	\$ 16,722,284	\$ 18,262,354	\$ 246,351
Excess (Deficiency) of Revenues Over Expenditures	\$ (15,189)	\$ 138,758	\$ (439,477)	\$ (315,908)	\$ 350,000	\$ (664,014)	\$ 348,106

(Continued)

Exhibit D

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 152,384	\$ 0	\$ 0	\$ 152,384	\$ 150,000	\$ 152,384	\$ 0
Insurance Recovery	60,581	0	0	60,581	0	68,129	(7,548)
Transfers In	5,674	0	0	5,674	10,234	10,234	(4,560)
Transfers Out	0	0	0	0	(510,234)	(10,234)	10,234
Total Other Financing Sources (Uses)	\$ 218,639	\$ 0	\$ 0	\$ 218,639	\$ (350,000)	\$ 220,513	\$ (1,874)
Net Change in Fund Balance	\$ 203,450	\$ 138,758	\$ (439,477)	\$ (97,269)	\$ 0	\$ (443,501)	\$ 346,232
Fund Balance, July 1, 2007	1,683,358	(138,758)	0	1,544,600	1,385,383	1,385,383	159,217
Fund Balance, June 30, 2008	\$ 1,886,808	\$ 0	\$ (439,477)	\$ 1,447,331	\$ 1,385,383	\$ 941,882	\$ 505,449

This page is left blank intentionally.

**GRUNDY COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF GRUNDY COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2008**

**A. BUDGETARY INFORMATION**

The School Department 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 Grundy 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 State 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 Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Grundy County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

General Purpose School Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control):

<u>Major Category</u>	<u>Amount Overspent</u>
Instruction:	
Alternate Instruction Program	\$ 9,935
Vocational Education Program	27,200
Adult Education Program	148
Support Services:	
Adult Programs	589
Director of Schools	7,677
Office of the Principal	13,945
Transportation	95,293

<u>Major Category (Cont.)</u>	<u>Amount Overspent</u>
Operation of Non-Instructional Services:	
Food Service	\$ 102,127
Capital Outlay:	
Regular Capital Outlay	72,591

Such overexpenditures are a violation of state statutes. These overexpenditures were funded from funds that became available due to expenditures in other major categories being less than appropriations.

---

---

**INDIVIDUAL FUND  
FINANCIAL STATEMENT AND SCHEDULES**

---

---

This page is left blank intentionally.

# Nonmajor Governmental Fund

## Special Revenue Fund

---

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

---

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.

This page is left blank intentionally.

Exhibit E

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Grundy County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 633 \$	0 \$	0 \$	633 \$	395,000 \$	633 \$	0
Federal Government	1,854,789	0	0	1,854,789	1,749,242	2,017,860	(163,071)
Total Revenues	\$ 1,855,422 \$	0 \$	0 \$	1,855,422 \$	2,144,242 \$	2,018,493 \$	(163,071)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 861,935 \$	(1,504) \$	700 \$	861,131 \$	1,015,127 \$	1,003,811 \$	142,680
Special Education Program	651,508	0	0	651,508	641,107	638,107	(13,401)
Vocational Education Program	56,186	(11,165)	0	45,021	35,263	35,263	(9,758)
<u>Support Services</u>							
Other Student Support	31,010	(886)	0	30,124	114,350	33,466	3,342
Regular Instruction Program	296,306	(476)	223	296,053	257,284	288,376	(7,677)
Special Education Program	32,639	0	0	32,639	35,668	38,668	6,029
Vocational Education Program	14,822	0	0	14,822	21,503	21,503	6,681
Transportation	12,612	0	0	12,612	13,365	13,365	753
Total Expenditures	\$ 1,957,018 \$	(14,031) \$	923 \$	1,943,910 \$	2,133,667 \$	2,072,559 \$	128,649
Excess (Deficiency) of Revenues Over Expenditures	\$ (101,596) \$	14,031 \$	(923) \$	(88,488) \$	10,575 \$	(54,066) \$	(34,422)
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (5,674) \$	0 \$	0 \$	(5,674) \$	(10,575) \$	(5,000) \$	(674)
Total Other Financing Sources (Uses)	\$ (5,674) \$	0 \$	0 \$	(5,674) \$	(10,575) \$	(5,000) \$	(674)
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (107,270) \$	14,031 \$	(923) \$	(94,162) \$	0 \$	(59,066) \$	(35,096)
	215,892	(14,031)	0	201,861	192,547	192,547	9,314
Fund Balance, June 30, 2008	\$ 108,622 \$	0 \$	(923) \$	107,699 \$	192,547 \$	133,481 \$	(25,782)

This page is left blank intentionally.

---

---

## MISCELLANEOUS SCHEDULES

---

---

This page is left blank intentionally.

Exhibit F-1

Grundty County, Tennessee  
 Schedule of Changes in Long-term Notes  
 Grundty County School Department  
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Adjustment (1)	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>NOTES PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
Baseball Field Lights	\$ 90,000	0	6-9-00	6-9-11	\$ 0	\$ 36,000	0	9,000	\$ 27,000
School Capital Improvements	175,000	5.25	10-17-01	10-25-07	33,391	0	0	33,391	0
School Bus	48,682	3.85	8-21-02	8-21-07	10,496	0	0	10,496	0
School Bus	50,000	2.71	7-29-03	7-29-08	20,817	0	0	10,268	10,549
School Bus	53,318	3.4	10-18-04	10-18-09	33,067	0	0	10,651	22,416
School Bus	152,384	5.99	1-28-08	8-20-12	0	0	152,384	0	152,384
Total Payable through General Purpose School Fund					\$ 97,771	\$ 36,000	\$ 152,384	\$ 73,806	\$ 212,349

(1) This note is for lights at the high school baseball field payable to an electric co-op. The payments on this note had been misclassified in prior audits.

Grundy County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Grundy County School Department

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 60,710	\$ 6,193	\$ 66,903
2010	48,347	7,715	56,062
2011	38,623	5,648	44,271
2012	31,397	3,874	35,271
2013	33,272	1,998	35,270
Total	<u>\$ 212,349</u>	<u>\$ 25,428</u>	<u>\$ 237,777</u>

Exhibit F-3

Grundy County, Tennessee  
Schedule of Transfers  
Grundy County School Department  
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect cost	\$ 5,674
Total Transfers			<u>\$ 5,674</u>

Exhibit F-4

Grundy County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Grundy County School Department  
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Grundy County Board of Education	\$ 72,289 (1)	\$ 100,000	Western Surety Company
Public Employees Blanket Bond			150,000	Local Government Property and Casualty Fund

(1) Does not include chief executive officer training supplement of \$1,000.

Exhibit F-5

Grundy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Grundy County School Department  
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,310,860	\$ 0	\$ 1,310,860
Trustee's Collections - Prior Year	83,063	0	83,063
Circuit/Clerk & Master Collections - Prior Years	37,459	0	37,459
Interest and Penalty	15,646	0	15,646
Payments in-Lieu-of Taxes - T.V.A.	1,472	0	1,472
Payments in-Lieu-of Taxes - Other	4,495	0	4,495
<u>County Local Option Taxes</u>			
Local Option Sales Tax	482,125	0	482,125
Business Tax	16,087	0	16,087
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	1,832	0	1,832
Total Local Taxes	\$ 1,953,039	\$ 0	\$ 1,953,039
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 516	\$ 0	\$ 516
Total Licenses and Permits	\$ 516	\$ 0	\$ 516
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Other	\$ 39,039	\$ 0	\$ 39,039
Receipts from Individual Schools	560,260	0	560,260
Total Charges for Current Services	\$ 599,299	\$ 0	\$ 599,299
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Miscellaneous Refunds	\$ 84,280	\$ 633	\$ 84,913
<u>Nonrecurring Items</u>			
Sale of Equipment	2,135	0	2,135
Contributions and Gifts	1,700	0	1,700
Total Other Local Revenues	\$ 88,115	\$ 633	\$ 88,748
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 69,270	\$ 0	\$ 69,270
<u>State Education Funds</u>			
Basic Education Program	12,179,423	0	12,179,423
Early Childhood Education	392,010	0	392,010
School Food Service	13,404	0	13,404
Driver Education	11,265	0	11,265
Other State Education Funds	221,231	0	221,231
Career Ladder Program	117,954	0	117,954
Career Ladder - Extended Contract	55,777	0	55,777
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	355,584	0	355,584
Other State Grants	147,500	0	147,500
Other State Revenues	30,635	0	30,635
Total State of Tennessee	\$ 13,594,053	\$ 0	\$ 13,594,053

(Continued)

Exhibit F-5

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

	General Purpose School	School Federal Projects	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 629,382	\$ 0	\$ 629,382
Breakfast	274,623	0	274,623
USDA - Other	9,916	0	9,916
Adult Education State Grant Program	73,714	0	73,714
Vocational Education - Basic Grants to States	2,059	60,820	62,879
Title I Grants to Local Education Agencies	0	724,000	724,000
Innovative Education Program Strategies	0	93,000	93,000
Special Education - Grants to States	0	682,212	682,212
Special Education Preschool Grants	0	32,213	32,213
Eisenhower Professional Development State Grants	0	230,541	230,541
Other Federal through State	475,379	32,003	507,382
Total Federal Government	\$ 1,465,073	\$ 1,854,789	\$ 3,319,862
Total	\$ 17,700,095	\$ 1,855,422	\$ 19,555,517

Exhibit F-6

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Grundy County School Department  
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,743,291	
Career Ladder Program	70,981	
Career Ladder Extended Contracts	41,035	
Homebound Teachers	23,530	
Educational Assistants	95,748	
Other Salaries and Wages	34,418	
Non-certified Substitute Teachers	131,745	
Social Security	308,459	
State Retirement	312,189	
Life Insurance	347	
Medical Insurance	428,425	
Employer Medicare	72,140	
Other Contracted Services	30,151	
Instructional Supplies and Materials	127,316	
Textbooks	221,946	
Regular Instruction Equipment	89,681	
Total Regular Instruction Program		\$ 6,731,402

Alternative Instruction Program

Teachers	\$ 170,825	
Career Ladder Program	2,000	
Educational Assistants	17,092	
Social Security	11,681	
State Retirement	11,752	
Life Insurance	58	
Medical Insurance	18,774	
Employer Medicare	2,732	
Other Supplies and Materials	909	
Other Charges	700	
Total Alternative Instruction Program		236,523

Special Education Program

Teachers	\$ 1,312,613
Career Ladder Program	21,416
Educational Assistants	97,279
Speech Pathologist	135,653
Other Salaries and Wages	2,110
Social Security	94,984
State Retirement	93,134

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Life Insurance	\$	1,063	
Medical Insurance		125,713	
Employer Medicare		22,214	
Other Contracted Services		7,786	
Instructional Supplies and Materials		71,132	
Other Supplies and Materials		2,966	
Special Education Equipment		17,978	
Total Special Education Program			\$ 2,006,041

Vocational Education Program

Teachers	\$	426,374	
Career Ladder Program		4,000	
Educational Assistants		21,307	
Social Security		27,338	
State Retirement		28,414	
Life Insurance		64	
Medical Insurance		44,280	
Employer Medicare		6,394	
Instructional Supplies and Materials		13,105	
Vocational Instruction Equipment		3,427	
Total Vocational Education Program			574,703

Adult Education Program

Teachers	\$	16,164	
Other Salaries and Wages		5,575	
Social Security		1,104	
State Retirement		1,540	
Employer Medicare		315	
Other Fringe Benefits		462	
Instructional Supplies and Materials		1,078	
Total Adult Education Program			26,238

Support Services

Attendance

Career Ladder Program	\$	1,000	
Other Salaries and Wages		12,246	
Social Security		821	
State Retirement		1,056	
Employer Medicare		192	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Postal Charges	\$	1,500	
Travel		4,322	
Other Contracted Services		2,590	
Other Supplies and Materials		6,228	
Attendance Equipment		4,251	
Total Attendance			\$ 34,206

Health Services

Medical Personnel	\$	59,655	
Other Salaries and Wages		20,904	
Social Security		5,399	
State Retirement		4,594	
Life Insurance		69	
Medical Insurance		4,890	
Employer Medicare		1,263	
Travel		596	
Other Contracted Services		13,496	
Drugs and Medical Supplies		3,375	
Other Charges		6,629	
Total Health Services			120,870

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		164,637	
Career Ladder Extended Contracts		9,440	
Social Workers		55,000	
Secretary(ies)		23,695	
School Resource Officer		25,672	
Other Salaries and Wages		10,281	
Social Security		16,319	
State Retirement		17,744	
Life Insurance		32	
Medical Insurance		21,361	
Employer Medicare		3,883	
Evaluation and Testing		12,340	
Travel		7,310	
Other Supplies and Materials		2,768	
Other Charges		6,943	
Other Equipment		3,657	
Total Other Student Support			387,082

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	56,251	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		3,620	
Librarians		83,880	
Social Security		8,674	
State Retirement		9,095	
Medical Insurance		18,121	
Employer Medicare		2,029	
Travel		6,410	
Library Books/Media		4,999	
In Service/Staff Development		25,175	
Total Regular Instruction Program			\$ 220,254

Special Education Program

Supervisor/Director	\$	57,059	
Career Ladder Program		1,000	
Psychological Personnel		42,705	
Social Security		6,229	
State Retirement		6,288	
Medical Insurance		4,685	
Employer Medicare		1,457	
Communication		11,730	
Postal Charges		500	
Travel		22,381	
Other Supplies and Materials		1,353	
In Service/Staff Development		3,561	
Other Charges		1,041	
Total Special Education Program			159,989

Vocational Education Program

Supervisor/Director	\$	66,155	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Secretary(ies)		16,662	
Social Security		5,362	
State Retirement		4,984	
Life Insurance		34	
Medical Insurance		4,685	
Employer Medicare		1,254	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Communication	\$	140	
Postal Charges		82	
Travel		3,392	
Other Supplies and Materials		649	
Total Vocational Education Program			\$ 107,399

Adult Programs

Supervisor/Director	\$	40,893	
Social Security		2,521	
State Retirement		2,552	
Medical Insurance		3,359	
Employer Medicare		590	
Communication		622	
Travel		654	
In Service/Staff Development		209	
Total Adult Programs			51,400

Other Programs

On-Behalf Payments to OPEB	\$	69,270	
Total Other Programs			69,270

Board of Education

Board and Committee Members Fees	\$	8,725	
Social Security		541	
State Retirement		108	
Unemployment Compensation		3,282	
Employer Medicare		127	
Audit Services		8,400	
Dues and Memberships		8,223	
Legal Services		40,087	
Liability Insurance		25,569	
Premiums on Corporate Surety Bonds		900	
Trustee's Commission		73,562	
Workers' Compensation Insurance		61,426	
Other Charges		955	
Total Board of Education			231,905

Director of Schools

County Official/Administrative Officer	\$	72,289	
--	----	--------	--

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Career Ladder Program	\$	1,000	
Clerical Personnel		17,397	
Social Security		5,623	
State Retirement		6,348	
Life Insurance		32	
Medical Insurance		8,037	
Employer Medicare		1,315	
Communication		31,850	
Postal Charges		500	
Travel		5,407	
Office Supplies		80	
Total Director of Schools			\$ 149,878

Office of the Principal

Principals	\$	414,183	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		8,250	
Assistant Principals		50,259	
Secretary(ies)		37,749	
Clerical Personnel		33,638	
Social Security		33,412	
State Retirement		36,449	
Life Insurance		220	
Medical Insurance		62,065	
Employer Medicare		7,814	
Total Office of the Principal			696,039

Fiscal Services

Accountants/Bookkeepers	\$	47,447	
Secretary(ies)		18,423	
Clerical Personnel		9,070	
Social Security		4,212	
State Retirement		6,859	
Life Insurance		95	
Employer Medicare		985	
Postal Charges		2,000	
Travel		2,146	
Other Contracted Services		10,901	
Office Supplies		8,983	
Total Fiscal Services			111,121

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	255,150	
Social Security		14,555	
State Retirement		13,798	
Life Insurance		419	
Employer Medicare		3,404	
Other Contracted Services		12,580	
Custodial Supplies		89,067	
Electricity		398,194	
Natural Gas		138,103	
Water and Sewer		49,484	
Boiler Insurance		200	
Building and Contents Insurance		41,483	
Other Charges		8,210	
Total Operation of Plant			\$ 1,024,647

Maintenance of Plant

Maintenance Personnel	\$	111,026	
Social Security		6,297	
State Retirement		8,897	
Life Insurance		122	
Employer Medicare		1,473	
Maintenance and Repair Services - Equipment		81,728	
Other Supplies and Materials		78,351	
Total Maintenance of Plant			287,894

Transportation

Supervisor/Director	\$	46,788
Mechanic(s)		42,713
Bus Drivers		241,960
Social Security		19,865
State Retirement		25,983
Life Insurance		771
Medical Insurance		10,482
Employer Medicare		4,758
Communication		2,696
Medical and Dental Services		945
Travel		2,899
Other Contracted Services		2,272
Gasoline		167,265

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Tires and Tubes	\$	16,477	
Vehicle Parts		87,156	
Other Supplies and Materials		4,238	
Vehicle and Equipment Insurance		10,877	
Transportation Equipment		<u>152,384</u>	
Total Transportation	\$		840,529

Central and Other

Supervisor/Director	\$	143,244	
Clerical Personnel		5,500	
Other Salaries and Wages		224,660	
Social Security		24,837	
State Retirement		24,305	
Life Insurance		64	
Medical Insurance		11,658	
Employer Medicare		5,808	
Communication		1,674	
Postal Charges		246	
Travel		53,687	
Other Supplies and Materials		120,234	
In Service/Staff Development		57,830	
Other Charges		36,065	
Other Equipment		<u>6,865</u>	
Total Central and Other			716,677

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	3,000	
Cafeteria Personnel		520,175	
Other Salaries and Wages		18,358	
Social Security		32,825	
State Retirement		40,936	
Life Insurance		1,434	
Employer Medicare		7,775	
Payments to Schools - Breakfast		308,968	
Payments to Schools - Lunch		687,946	
Payments to Schools - Other		10,618	
Travel		219	
In Service/Staff Development		857	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Charges	\$	4,332	
Food Service Equipment		<u>6,877</u>	
Total Food Service	\$		1,644,320

Community Services

Supervisor/Director	\$	20,255	
Social Security		1,256	
State Retirement		2,066	
Life Insurance		32	
Employer Medicare		294	
Other Charges		<u>9,937</u>	
Total Community Services			33,840

Early Childhood Education

Teachers	\$	142,633	
Clerical Personnel		3,920	
Educational Assistants		37,733	
Other Salaries and Wages		57,081	
Non-certified Substitute Teachers		1,575	
Social Security		15,020	
State Retirement		18,211	
Life Insurance		127	
Medical Insurance		4,890	
Employer Medicare		3,513	
Communication		1,563	
Operating Lease Payments		59	
Maintenance and Repair Services - Equipment		59	
Travel		27,540	
Food Supplies		2,087	
Instructional Supplies and Materials		54,221	
Other Supplies and Materials		2,600	
In Service/Staff Development		289	
Other Charges		1,521	
Other Equipment		<u>81,280</u>	
Total Early Childhood Education			455,922

Capital Outlay

Regular Capital Outlay

Building Construction	\$	29,115	
-----------------------	----	--------	--

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Capital Outlay (Cont.)

Regular Capital Outlay (Cont.)

Other Capital Outlay	\$ 190,334	
Total Regular Capital Outlay		\$ 219,449

Principal on Debt

Education

Principal on Notes	\$ 73,806	
Total Education		73,806

Interest on Debt

Education

Interest on Notes	\$ 3,880	
Total Education		3,880

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 500,000	
Total Education		<u>500,000</u>

Total General Purpose School Fund		\$ 17,715,284
-----------------------------------	--	---------------

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 445,106	
Educational Assistants	124,613	
Other Salaries and Wages	11,080	
Non-certified Substitute Teachers	8,332	
Social Security	34,618	
State Retirement	40,129	
Life Insurance	344	
Medical Insurance	65,223	
Employer Medicare	8,096	
Instructional Supplies and Materials	51,346	
Other Supplies and Materials	48,152	
Regular Instruction Equipment	24,896	
Total Regular Instruction Program		\$ 861,935

Special Education Program

Educational Assistants	\$ 245,880
------------------------	------------

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries and Wages	\$	243,045	
Social Security		30,241	
State Retirement		37,787	
Medical Insurance		19,833	
Employer Medicare		7,068	
Other Contracted Services		45,460	
Instructional Supplies and Materials		21,590	
Other Supplies and Materials		604	
Total Special Education Program			\$ 651,508

Vocational Education Program

Other Salaries and Wages	\$	5,710	
Social Security		354	
State Retirement		392	
Employer Medicare		83	
Travel		735	
Other Contracted Services		1,113	
Other Supplies and Materials		11,165	
In Service/Staff Development		175	
Vocational Instruction Equipment		36,459	
Total Vocational Education Program			56,186

Support Services

Other Student Support

Other Salaries and Wages	\$	10,315	
Social Security		640	
State Retirement		644	
Employer Medicare		150	
Evaluation and Testing		9,996	
Other Supplies and Materials		7,167	
Other Charges		2,098	
Total Other Student Support			31,010

Regular Instruction Program

Supervisor/Director	\$	60,871	
Secretary(ies)		19,768	
Other Salaries and Wages		54,043	
Social Security		8,501	
State Retirement		9,404	

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	5,407	
Employer Medicare		1,988	
Communication		2,172	
Travel		5,988	
Other Contracted Services		3,098	
Other Supplies and Materials		23,542	
In Service/Staff Development		94,755	
Other Charges		3,795	
Other Equipment		2,974	
Total Regular Instruction Program			\$ 296,306

Special Education Program

Other Salaries and Wages	\$	21,003	
Social Security		1,301	
State Retirement		1,876	
Employer Medicare		304	
Other Fringe Benefits		864	
Travel		3,286	
Other Contracted Services		1,122	
Other Supplies and Materials		948	
In Service/Staff Development		1,935	
Total Special Education Program			32,639

Vocational Education Program

Travel	\$	3,267	
Other Contracted Services		4,048	
Other Supplies and Materials		4,647	
In Service/Staff Development		1,812	
Other Charges		1,048	
Total Vocational Education Program			14,822

Transportation

Other Salaries and Wages	\$	11,158	
Social Security		677	
State Retirement		619	
Employer Medicare		158	
Total Transportation			12,612

Total School Federal Projects Fund \$ 1,957,018

Total Governmental Funds - Grundy County School Department \$ 19,672,302

**SINGLE AUDIT REPORT**  
**GRUNDY COUNTY, TENNESSEE**  
**AND**  
**GRUNDY COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*DEVAN FLYNN, CFE*  
*JENI PALADENI*  
*State Auditors*

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

This page is left blank intentionally.

---

---

## SINGLE AUDIT REPORT TABLE OF CONTENTS

---

---

	Page(s)
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	179-181
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	183-185
Schedule of Expenditures of Federal Awards and State Grants	187-188
Schedule of Audit Findings Not Corrected	189
Schedule of Findings and Questioned Costs	191-208
Auditee Reporting Responsibilities	209

This page is left blank intentionally.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
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

November 3, 2008

Grundy County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Grundy County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Tennessee, and the major fund and the aggregate remaining fund information of the Grundy County School Department as of and for the year ended June 30, 2008, and have issued our reports thereon dated November 3, 2008. Our report on the financial statements of Grundy County expresses an adverse opinion because the financial statements do not include the aggregate discretely presented component units, as required by accounting principles generally accepted in the United States of America. Our report on the financial statements of the Grundy County School Department expresses an adverse opinion because management did not present government-wide financial statements as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing 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 Grundy County's and the Grundy County School Department'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 Grundy County's and the Grundy County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grundy County's and the Grundy County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.02(A,B), 08.04, 08.05, 08.06, 08.07, 08.08, 08.09, 08.11, 08.13, 08.14, 08.15(A,B,C,D), 08.16(A), 08.17, 08.18, 08.19, 08.20, and 08.22.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Grundy County's and the Grundy County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08.01 and 08.11 to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy County's and the Grundy County School Department's financial statements are free of material misstatement, we performed tests of their 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 08.02(C), 08.03, 08.10, 08.12, 08.15(E), and 08.16(B,C).

We consider item 08.21 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Grundy County and the Grundy County School Department in separate communications.

The Grundy County School Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, County Commission, highway superintendent, director of schools, Board of Education, others within Grundy County, 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.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a stylized flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

This page is left blank intentionally.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

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

November 3, 2008

Grundy County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Grundy County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Grundy County and the Grundy County School Department 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 each of their major federal programs for the year ended June 30, 2008. Grundy County's and the Grundy County School Department's major federal programs are identified in the summary of auditor's 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 their major federal programs is the responsibility of Grundy County's and the Grundy County School Department's management. Our responsibility is to express an opinion on Grundy County's and the Grundy County School Department'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 auditing 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 Grundy County's and the Grundy County School Department'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 Grundy County's and the Grundy County School Department's compliance with those requirements.

In our opinion, Grundy County and the Grundy County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of Grundy County and the Grundy County School Department 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 Grundy County's and the Grundy County School Department'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, 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 Grundy County's and the Grundy County School Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the county's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08.15(A,B,C,D) and 08.23 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Tennessee, and the major fund and the aggregate remaining fund information of the Grundy County School Department as of and for the year ended June 30, 2008, and have issued our reports thereon dated November 3, 2008. Our report on the financial statements of Grundy County expresses an adverse opinion because the financial statements do not include the aggregate discretely presented component units, as required by accounting principles generally accepted in the United States of America. Our report on the financial statements of the Grundy County School Department expresses an adverse opinion because management did not present government-wide financial statements as required by accounting principles generally accepted in the United States of America. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Grundy County's and a portion of the Grundy County School Department's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Grundy County School Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, County Commission, highway superintendent, director of schools, Board of Education, others within Grundy County, 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.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb

This page is left blank intentionally.

Grundy County, Tennessee, and the Grundy County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2008

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 59,433 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	274,623
National School Lunch Program	10.555	N/A	639,298 (3)
Total U.S. Department of Agriculture			\$ 973,354
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-06-21	\$ 11,108
Total U.S. Department of Housing and Urban Development			\$ 11,108
U.S. Department of Justice:			
Passed-through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	205-DD-BX-1144	\$ 600
Total U.S. Department of Justice			\$ 600
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	(4)	\$ 38,460
Total U.S. Department of Labor			\$ 38,460
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-08-024044-00	\$ 28,907
Total U.S. Department of Transportation			\$ 28,907
Appalachian Regional Commission:			
Passed-through State Department of Economic and Community Development:			
Appalachian Regional Development	23.001	(5)	\$ 23,470
Total Appalachian Regional Commission			\$ 23,470
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 788,117
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	665,753
Special Education - Preschool Grants	84.173	N/A	31,003
Career and Technical Education - Basic Grants to States	84.048	N/A	79,682
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	16,700
State Grants for Innovative Programs	84.298	N/A	20,441
Education Technology State Grants	84.318	(2)	15,557
Reading First State Grants	84.357	(2)	190,237
Rural Education	84.358	N/A	88,005
Improving Teacher Quality State Grants	84.367	N/A	245,329
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z-08-020782-00	73,714
Passed-through State Department of Human Services:			
Rehabilitation Service - Vocational Rehabilitation Grants to States	84.126	GG-08-22032-00	2,059
Passed-through Sequatchie County Board of Education:			
Twenty-First Century Community Learning Centers	84.287	(2)	\$ 153,033
Passed-through Tennessee Higher Education Commission:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(6)	\$ 84,410
Total U.S. Department of Education			\$ 2,454,040

(Continued)

Grundy County, Tennessee, and the Grundy County School Department  
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
Election Assistance Commission:			
Passed-through Tennessee Office of Secretary of State:			
Help America Vote Act Requirement Payments	90.401	Z-08-201052-00	\$ 1,773
Total Election Assistance Commission			\$ 1,773
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-07-034202-00	\$ 1,239
Total U.S. Department of Health and Human Services:			\$ 1,239
Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	(7)	\$ 19,471
Total Corporation for National and Community Service			\$ 19,471
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(8)	\$ 26,705
Total U.S. Department of Homeland Security			\$ 26,705
Total Expenditures of Federal Awards			\$ 3,579,127

<u>State Grants</u>		Contract Number	
Family Resource Center - State Department of Education	N/A	(2)	\$ 33,300
Safe Schools Act - State Department of Education	N/A	(2)	16,700
Early Intervention - State Department of Finance and Administration	N/A	Z-05-022053-00	62,679
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	392,010
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	12,500
Coordinated School Health - State Department of Education	N/A	(2)	108,552
Lottery for Education After School Program - State Department of Education	N/A	(2)	135,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	6,154
Litter Program - State Department of Transportation	N/A	Z-08-20996-00	29,237
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011319-03	2,380
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-07-036533-0	9,000
Diabetes Implementation Grant - State Department of Health	N/A	GG-08-22981-00	21,746
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	52,500
Arts Build Communities Grant - Southeast Tennessee Development District	N/A	(2)	1,500
Tobacco Use Prevention and Cessation Grant - State Department of Health	N/A	GG-08-23313-00	15,789
Local Health Services - State Department of Health	N/A	Z-08-020347-00	30,440
Total State Grants			\$ 929,487

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$698,731.
- (4) 08-06-061-306-YOUTH: \$25,960; information not available: \$12,500
- (5) GG-06-12175-00: \$2,500; GG-08-21926-00: \$6,000; GG-08-21925-00: \$5,000; information not available: \$9,970
- (6) GG-08-218190-00: \$78,025; information not available: \$6,385
- (7) Z-07-037216-00: \$11,052; information not available: \$8,419
- (8) GG-07-20588-00: \$18,533; Z-05-025160-00: \$8,172

Grundy County, Tennessee, and the Grundy County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2008

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 Grundy County, Tennessee, and the Grundy County School Department for the year ended June 30, 2007, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
07.02	15	Transactions related to the operations of the county-owned sewer system were not accounted for through an enterprise fund
07.03	15	Bids were not solicited for the purchase of food supplies for the sheriff's department

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
07.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles
07.05	16	Expenditures and encumbrances exceeded appropriations
07.06(A,B,C,E)	17	The office had various payroll deficiencies
07.08(B)	21	In several instances, invoices were paid without documentation that goods or services had been received

**OTHER FINDINGS**

Finding Number	Page Number	Subject
07.09	22	A central system of accounting, budgeting, and purchasing had not been adopted
07.10	23	Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

This page is left blank intentionally.

---

---

**GRUNDY COUNTY, TENNESSEE  
AND THE GRUNDY COUNTY SCHOOL DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2008**

---

---

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

1. Adverse opinions were issued on the financial statements of Grundy County and the Grundy County School Department.
2. The audit of the financial statements of Grundy County and the Grundy County School Department disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness in Grundy County. Two of these deficiencies were considered to be material weaknesses in the Grundy County School Department.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Grundy County, and two instances of noncompliance that are material to the financial statements of the Grundy County School Department.
4. Our audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is 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. 10.533 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Grundy County and the Grundy County School Department did not qualify as low-risk auditees.

## **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 director of schools are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **GRUNDY COUNTY AND GRUNDY COUNTY SCHOOL DEPARTMENT**

#### **FINDING 08.01      **GRUNDY COUNTY AND THE GRUNDY COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS****

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Grundy County's and the Grundy County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the county's external auditors, to assist Grundy County and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

#### **RECOMMENDATION**

Grundy County and the Grundy County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

## MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We will comply with the recommendation and seek training for a staff member to prepare financial statements.

---

## OFFICE OF COUNTY MAYOR

### FINDING 08.02      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

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

Our audit disclosed the following deficiencies in purchasing procedures. These deficiencies can be attributed to the failure of management to adequately monitor and review purchasing procedures.

- A. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. Sound business practice dictates that receiving documentation should be on file before invoices are paid. The practice of paying invoices without documentation that goods have been received or services rendered increases the risks of paying for something that was never received.
- B. Several expenditures were coded to accounts that did not reflect the true nature of the expenditures. Sound budgetary principles require expenditures be coded to accounts that reflect the true nature of the expenditures. Management would then post the expenditures to unrelated expenditure accounts that had available appropriations. Most of the misclassifications occurred when the budget for a particular line-item had been depleted. Misclassifying expenditures diminishes the usefulness of the accounting records as a management tool. Any material misclassifications noted during our examination were reclassified by management in the financial statements of this report.
- C. Competitive bids were not solicited for the purchase of food supplies for the jail (\$61,005). Section 5-14-204, Tennessee Code Annotated, requires competitive bids to be solicited through public advertisement for purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the competitive price.

## RECOMMENDATION

To strengthen internal controls over the purchasing process, the office should obtain documentation that goods have been received or services have been rendered before

invoices are paid. Expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions. Furthermore, competitive bids should be solicited for purchases exceeding \$10,000 as required by state statute.

---

**FINDING 08.03      TRANSACTIONS RELATED TO THE OPERATIONS OF THE COUNTY-OWNED SEWER SYSTEM WERE NOT ACCOUNTED FOR THROUGH AN ENTERPRISE FUND**  
(Material Noncompliance Under Government Auditing Standards)

The office did not account for transactions of the county-owned sewer system through an enterprise fund. Instead, these transactions were accounted for through the county's General Fund. Section 68-221-208, Tennessee Code Annotated, and paragraph 8(m) of the Wastewater Facility Revolving Fund Loan Agreement provide for Grundy County to establish a sewer user's fee and/or ad valorem taxes as necessary to provide sufficient funds to pay the costs of operation and maintenance, including depreciation, according to generally accepted accounting principles and debt service requirements of the sewer system. This deficiency was noted in a prior audit report and management has not taken corrective action. Reporting the sewer system through an enterprise fund is the only method that would ensure sufficient funds are available to pay the costs of operations and maintenance, including depreciation and debt service requirements of the sewer system.

**RECOMMENDATION**

Transactions related to the operations of the county-owned sewer system should be accounted for through an enterprise fund established expressly for those purposes as required by state statute and the Wastewater Facility Revolving Fund Loan Agreement.

---

**FINDING 08.04      THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the office were identified during the audit period. Sound business practices dictate that proper backup procedures be implemented. These deficiencies are the result of management's failure to implement adequate disaster recovery planning procedures. Management has taken corrective action, and proper backup procedures are currently in place.

- A. Backups were not performed on a routine basis until several months into the fiscal year. Inadequate backup procedures could result in the loss of data in the event of a hardware or software failure. Without current system backups, the cost of re-creating data could be substantial.

- B. System backups were not stored off-site until several months into the fiscal year. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.
  - C. Backups were not tested to ensure reliability. If backup integrity is not periodically tested, accurate backup data may not be available in the event of a disaster.
- 

**FINDING 08.05      THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

**RECOMMENDATION**

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented.

---

**OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 08.06      SOME INVOICES WERE PAID WITHOUT DOCUMENTATION THAT GOODS HAD BEEN RECEIVED AND/OR SERVICES HAD BEEN RENDERED**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

In several instances, invoices were paid without documentation that goods had been received and/or services had been rendered. Sound business practices dictate that receiving documentation should be on file before invoices are paid. This deficiency resulted from a lack of management oversight. The practice of paying invoices without documentation that goods have been received or services rendered increases the risks of paying for something that was never received.

RECOMMENDATION

To strengthen internal controls over the purchasing process, the office should obtain documentation that goods have been received and/or services have been rendered before invoices are paid.

---

FINDING 08.07      **THE OFFICE DID NOT MAINTAIN ADEQUATE CONTROLS OVER FUEL**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Highway Department dispenses gasoline from a pump located at its Tracy City facility. The Highway Department did not maintain inventory records documenting the receipt, usage, and storage of fuel. Generally accepted accounting principles require accountability for all consumable assets. This deficiency resulted from a lack of management oversight. The failure to maintain adequate records of a consumable asset such as fuel weakens controls over assets and increases the risk of inventory loss.

RECOMMENDATION

The office should maintain inventory records documenting the receipt, usage, and storage of fuel. Furthermore, personnel independent of maintaining the inventory should periodically verify these records.

---

FINDING 08.08      **COMPUTER SYSTEM BACKUPS WERE NOT STORED OFF-SITE**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

RECOMMENDATION

In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

---

**FINDING 08.09      THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

**RECOMMENDATION**

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented.

---

**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 08.10      GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

The Grundy County School Department did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, the School Department was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, the School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the School Department’s financial statements.

Section 9-3-404, Tennessee Code Annotated, provides penalties and restrictions for failure to implement GASB Statement No. 34 by June 30, 2008. These penalties and restrictions include:

- A. “If a school district, defined as a county, municipal or special school district or system, fails to comply, the school district shall not be eligible for certain state funded education grants administered by the department of education until the school district complies with accounting and financial reporting standards required by GASB. The comptroller and the commissioner of education shall mutually agree to the categories of grants subject to this

restriction.” The comptroller and the commissioner of education are in the process of determining the percentage of the School Department’s monthly Basic Education Program funds that will be withheld until the School Department complies with GASB Statement No. 34. The School Department will be notified by letter of this penalty and restriction.

- B. “The comptroller shall provide the local government with a list of professional firms available to assist in the implementation of the work plan.” In accordance with this statute, we have provided the School Department with a listing of professional firms that perform government audits in their area.
- C. “In those county governments that fail to implement accounting and financial reporting standards required by GASB on or after the required implementation date of June 30, 2008, the comptroller shall review and evaluate the county’s financial management system and make a recommendation to the county legislative body on how to improve the financial management system to facilitate compliance with accounting and financial reporting standards. The county legislative body shall act upon the recommendation of the comptroller within ninety (90) days of notification.” Our recommendations for improvements to the School Department’s financial management system are included in the recommendations to this finding.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. The School Department’s financial statements are presented in compliance with these requirements.

#### RECOMMENDATION

The School Department should present government-wide financial statements in conformity with generally accepted accounting principles and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of the School Department’s capital assets and the related depreciation amounts of these assets.

The School Department should provide the necessary funds, personnel, and commitment to implement provisions of GASB Statement No. 34. The School Department should hire a professional firm to assist in the implementation of GASB Statement No. 34. To improve the financial management of the School Department’s funds, the county should adopt a system of central accounting and employ accounting personnel with sufficient knowledge of current generally accepted accounting principles.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Grundy County School System has compiled information to complete the GASB No. 34 mandate. We have worked on these mandates with our staff members at the central office when time permitted. We will contact the professional firms to solicit their help completing this issue.

---

FINDING 08.11      **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted accounting principles require the Grundy County School Department to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, various general ledger accounts were not materially correct, and multiple audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the School Department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the School Department in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the School Department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The Grundy County School Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Every effort will be made to comply with the recommendation to have appropriate processes in place to ensure that the general ledgers are materially correct.

---

FINDING 08.12      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**  
(Material Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General Purpose School Fund:	
Instruction:	
Alternate Instruction Program	\$ 9,935
Vocational Education Program	27,200
Adult Education Program	148
Support Services:	
Adult Programs	589
Director of Schools	7,677
Office of the Principal	13,945
Transportation	95,293
Operation of Non-Instructional Services:	
Food Service	102,127
Capital Outlay:	
Regular Capital Outlay	72,591
School Federal Projects Fund:	
Instruction:	
Special Education Program	13,401
Vocational Education Program	9,758
Support Services:	
Regular Instruction Program	677
Director of Schools	7,677
Transfers Out	674

- B. In several instances, salaries exceeded line-item appropriations in the General Purpose School Fund by amounts ranging from \$225 to \$17,132 and in the School Federal Projects Fund by amounts ranging from \$799 to \$16,126. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Section 5-9-401, Tennessee Code Annotated, 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 of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies can be attributed to the failure of management to correct audit findings noted in prior reports, and because management ignored the spending limit authorized by the County Commission, which resulted in unauthorized expenditures.

## RECOMMENDATION

Expenditures and encumbrances should be held within appropriations approved by the County Commission. Salary expenditures should be held within line-item appropriations as required by budget resolution.

## MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Every effort is made to stay within approved expenditure amounts. Budget amendments were not approved in June 2008 which caused most of the problem. Amendments will be made throughout the year, and expenditures will be paid within amounts approved.

---

### FINDING 08.13

### **THE OFFICE HAD PAYROLL DEFICIENCIES**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit of the School Department revealed the following payroll deficiencies. These deficiencies can be attributed to the failure of management to correct audit findings noted in prior audit reports.

- A. School employees were routinely paid additional compensation for duties they performed that were in addition to duties related to their primary job. In one instance, a Title I supervisor was also paid for additional work on a reading first grant and work to prepare for monitoring. Contracts, written authorizations, or detailed time sheets were not maintained to document what these additional duties were, when these additional duties were performed, and what the rate of compensation was to be.
- B. An examination of time sheets revealed several addition errors.
- C. Employee time sheets were not always approved and signed by a supervisor, principal, or department head as evidence of supervisory review and approval.
- D. Several time sheets that were on file did not list the specific days or the hours worked. Also, some time sheets reflected time worked for various duties before the employee signed in at the school.
- E. Some employees submitted separate time sheets for the various duties they performed. However, the specific day's times reflected on some of these separate time sheets would overlap.

## RECOMMENDATION

Contracts, written authorizations, and/or detailed time records should be maintained to document payments to employees for duties performed in addition to their primary job responsibilities. Time sheets should be accurately completed by the employee. Employee

time sheets should be signed by a supervisor, principal, or department head as evidence of supervisory review and approval. Time records should detail the specific hours worked each day. These records should coincide with the time the employees were actually on the job. Hours worked on additional jobs should be reflected on separate time sheets and should not overlap.

#### MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We have changed our policy to reflect a more thorough accounting of time sheet completion. The principal will document a detailed history of the work completed and the time the work was performed before signing the time sheet. The time sheet will then be signed by the proper supervisor.

---

**FINDING 08.14**      **THE OFFICE HAD DEFICIENCIES IN EMPLOYEE TRAVEL REIMBURSEMENTS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

We noted the following deficiencies in employee travel reimbursements. These deficiencies can be attributed to the failure of management to adequately monitor and review travel claims and the failure to follow the department's travel policy.

- A. At the Grundy School Department employee travel reimbursement requests are filed once a month. However, there is no set day, such as the end of the month for these claims to be filed; therefore, employees file at different times for a month's travel. In a few instances, it was noted that the employee would reflect the same travel day on two consecutive claims. This resulted in the employee being reimbursed twice for the same expenses. These excess reimbursements were nominal in amount.
- B. An examination of travel claims revealed several addition errors.
- C. In 11 instances, an employee was reimbursed for travel on days where there was no time sheet on file to support that the employee worked on that day.
- D. The Board of Education increased the mileage reimbursement rate from \$.32 to \$.40 on November 15, 2007; however, we found several instances where travel claims submitted for the period August 28, 2007, to November 14, 2007, were reimbursed at the new rate of \$.40.

#### RECOMMENDATION

Employee travel reimbursement requests should be filed on the last working day of the month, and duplicate days should not appear on different travel claims. Travel claims should be recalculated by both the preparer and the reviewer. Employees should not be paid for travel on days they did not work. The correct mileage rate should be used to reimburse employees.

## MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We will comply with the recommendations and amend our policy to reflect a documented detailed history of travel claims. The principal will collect this information and confirm before signing the mileage claim. The mileage claim will then be signed by the proper supervisor.

---

### FINDING 08.15      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(A., B., C., and D. – Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133; E. – Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies. These deficiencies can be attributed to the failure of management to adequately monitor and review purchasing procedures.

- A. Our examination disclosed that purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the School Department and to document purchasing commitments. Furthermore, in some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process.
- C. In some instances, the office paid invoices without canceling or marking them paid. This weakness resulted in the office paying an invoice more than once. We noted that the School Federal Projects Fund reimbursed an individual school for a purchase that had already been reimbursed by the General Purpose School Fund. This resulted in a receivable of \$7,716 from the school being reflected on the financial statements of the School Federal Projects School Fund at June 30, 2008.
- D. Our examination disclosed that a signature stamp was used to affix the signature of the chairman of the Board of Education to nonpayroll disbursements. Tennessee Code Annotated (TCA), does not provide authority for the use of a signature stamp; however, Section 49-2-113 TCA, provides for the use of mechanical signing equipment approved by the Commissioner of Education and the Comptroller of the Treasury.

- E. Competitive bids were not solicited for the purchase of computers (\$31,192) for the School Federal Projects Fund. Section 49-2-203 TCA, requires competitive bids to be solicited through public advertisement for purchases exceeding \$10,000. The failure to solicit competitive bids could result in the department paying more than the most competitive price.

### RECOMMENDATION

Purchase orders should be issued for all applicable purchases before purchases are made. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid. Also, all invoices should be canceled when paid. The School Department should discontinue the use of any signature stamp. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statutes.

### MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We have met with each department, and every effort is being made to issue purchase orders for all orders. All invoices are to be signed to indicate all goods have been received. Packing slips also are required to be signed by the person opening the package. All invoices, which have been paid, will be marked as being paid. The chairman of the Board of Education's signature is now on our check signing machine. Signature stamps have been destroyed. All purchases over \$10,000 will be let out for bid. We will use the state bid whenever possible.

---

**FINDING 08.16      DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE LITTLE JACKETS DAYCARE**  
(A. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. and C. – Noncompliance Under Government Auditing Standards)

The Grundy County School Department operates a child care program known as the Little Jackets Daycare. The daycare's financial transactions are channeled through the General Purpose School Fund. Our examination of the daycare revealed several deficiencies. These deficiencies can be attributed to the failure of management to adequately monitor and review the daycare operations.

- A. The duties of the daycare employees were not segregated adequately. The site director took roll, calculated tuition, collected funds, and prepared the deposit. These duties were performed without effective monitoring or review by supervisory personnel.

- B. The daycare used several receipt books that were not prenumbered. Section 9-2-103, Tennessee Code Annotated (TCA), requires official prenumbered receipts be issued. It appears that receipts would be issued from whatever receipt book the employee could immediately find; therefore, consecutive days receipts could be found in different books. Some receipts did not indicate the date of the collection. Also, the receipt books were used for things other than collections, such as documentation of amounts spent by individuals for child care for use on their income tax returns.
  
- C. The daycare did not deposit collections intact; i.e., funds collected during a specific time period were not deposited together. Since the daycare did not deposit collections intact and used numerous receipt books, it is extremely difficult to trace all collections to deposits. Also, we could not determine if funds were deposited to the office bank account within three days of collection as required by Section 5-8-207, TCA.

### RECOMMENDATION

Officials should segregate duties to the extent possible using available resources. The supervisor should closely monitor and review daycare employees. Official prenumbered receipts should be issued for all collections as required by state statutes. Receipts should indicate the date of collection and should only be used for the collection of funds, not for other purposes. All funds should be deposited intact within three days of collection.

### MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

Duties have been divided between the employees and will be monitored by the Central Office. Receipt books will be numbered and used in order. Deposits will be made within three days, and a copy of the receipt for the deposit will be sent to Central Office bookkeeping.

---

### OFFICE OF TRUSTEE

FINDING 08.17      **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because management was not aware of its existence, officials did not begin reviewing this log until several months into the fiscal year. Procedures for reviewing this log are currently in place.

---

**OFFICE OF CIRCUIT COURT CLERK**

**FINDING 08.18**      **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

**RECOMMENDATION**

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented.

---

**FINDING 08.19**      **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because management was not aware of its existence, officials did not begin reviewing this log until several months into the fiscal year. Procedures for reviewing this log are currently in place.

---

**OFFICE OF CLERK AND MASTER**

**FINDING 08.20**      **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because management was not aware of its existence, officials did not begin reviewing this log until several months into the fiscal year. Procedures for reviewing this log are currently in place.

---

## OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 08.21      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practice indicates that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

### RECOMMENDATION

County officials should consider adopting either the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

---

**FINDING 08.22      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR; HIGHWAY SUPERINTENDENT; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT AND GENERAL SESSIONS COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor; Highway Superintendent; Director of Schools; Trustee; County Clerk; Circuit and General Sessions Courts Clerk; Clerk and Master; Register; and Sheriff. Employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal control that increases the risk of unauthorized transactions.

### RECOMMENDATION

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

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education Passed-through State Department of Education: Title I Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants	08.23	84.010  84.027 84.173	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control See Finding 08.15(A,B,C,D) - In some instances, purchase orders where not issued, invoices were paid without documentation that goods had been received or services rendered, invoices were not marked paid resulting in one invoice for reimbursement being paid twice, or signature stamp for the chairman of the Board was used to sign non-payroll disbursements.	\$ 0

**GRUNDY COUNTY, TENNESSEE, AND THE  
GRUNDY COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2008**

There were audit findings relative to federal awards presented in the prior- and current-years' Schedules of Findings and Questioned Costs.

**Office of Director of Schools – Corrective Action Plan for Current-Year Findings**

**FINDINGS 08.15(A,B,C,D) and 08.23**

Contact Person: Joel Hargis, Director of Schools

Corrective Action Planned: Purchase orders are required for any purchase. We have met with each department, and every effort is being made to issue purchase orders for all orders. All invoices are to be signed to indicate all goods have been received. Packing slips also are required to be signed by the person opening the package. All invoices, which have been paid will be marked as being paid. The chairman of the board's signature is now on our check-signing machine. Signature stamps have been destroyed.

Anticipated completion date: 2008-09

**Office of Director of Schools – Corrective Action Plan for Prior-Year Findings**

**FINDINGS 07.08 and 07.11**

Corrective action plan was not implemented.