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# ANNUAL FINANCIAL REPORT GRUNDY COUNTY, TENNESSEE



**FOR THE YEAR ENDED JUNE 30, 2009**



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**ANNUAL FINANCIAL REPORT**  
**GRUNDY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**DEPARTMENT OF AUDIT**  
**JUSTIN P. WILSON**  
*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.tn.gov/comptroller](http://www.tn.gov/comptroller)

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***Audit Highlights***  
Annual Financial Report  
Grundy County, Tennessee  
For the Year Ended June 30, 2009

***Scope***

We have audited the basic financial statements of Grundy County as of and for the year ended June 30, 2009.

***Results***

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is qualified due to the county-owned sewer system being accounted for in the General Fund instead of being accounted for in an enterprise fund.

Our audit resulted in eight findings and recommendations, which we have reviewed with Grundy County management. Detailed findings and recommendations are included in the Single Audit section of this report.

***Findings***

The following are summaries of the audit findings:

**OFFICE OF COUNTY MAYOR**

- ◆ The office accounted for the transactions of the county-owned sewer system through the county's General Fund instead of an enterprise fund.
- ◆ The office did not implement adequate controls to protect its information resources.

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**OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The office did not maintain adequate controls over fuel.
  - ◆ The office did not implement adequate controls to protect its information resources.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The Grundy County School Department does not have the resources to produce financial statements and notes to the financial statements.
  - ◆ Deficiencies were noted in the administration of the Little Jackets Daycare.
- 

## **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, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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## INTRODUCTORY SECTION

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# Grundy County Officials

## June 30, 2009

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### **Officials**

LaDue Bouldin, County Mayor  
Hubert Hargis, Highway Superintendent  
Joel Hargis, Director of Schools  
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

### **Board of Education**

Rose Rust, Chairman  
Willene Campbell  
James Conry  
Harold Dykes  
Paul Gallagher  
Derryl Graham  
Anita Meeks  
Jenny Roberts  
Leon Woodlee

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

**September 23, 2009**

**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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grundy County, Tennessee, as of and for the year ended June 30, 2009, 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 of the Grundy County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the

Grundy County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Grundy County Emergency Communication District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Grundy County, Tennessee, as of June 30, 2009, and the results of operations of the aggregate discretely presented component units, 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.

Additionally, in our opinion except for the effects of accounting for the county-owned sewer system in the General Fund as 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, 2009, 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 September 23, 2009, 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.

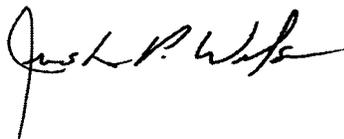
As described in Note V.A., the discretely presented Grundy County School Department has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, Grundy County has implemented the provisions of GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Plans Other Than Pension Plans; Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

The management of Grundy County did not prepare a 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, pension, and other postemployment benefits information for Grundy County on pages 67 through 75 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, combining and individual financial statements of the Grundy County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual financial statements of the Grundy County School Department (a discretely presented component unit), 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,



Justin P. Wilson  
Comptroller of the Treasury

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## **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Grundy County, Tennessee  
Statement of Net Assets  
June 30, 2009

	<u>Primary Governmental Activities</u>	<u>Component Unit Grundy County School Department</u>
<u>ASSETS</u>		
Cash	\$ 100	\$ 0
Equity in Pooled Cash and Investments	8,499,320	1,440,224
Accounts Receivable	21,310	1,420
Due from Other Governments	370,689	543,124
Property Taxes Receivable	3,113,011	1,579,797
Allowance for Uncollectible Property Taxes	(103,012)	(52,276)
Leases Receivable - Current	87,262	0
Leases Receivable - Long-term	855,139	0
Capital Assets:		
Assets Not Depreciated:		
Land	255,273	249,084
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	3,675,819	11,145,119
Other Capital Assets	643,543	633,616
Infrastructure	4,017,324	0
Total Assets	<u>\$ 21,435,778</u>	<u>\$ 15,540,108</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 10,394	\$ 9,897
Accrued Payroll	0	4,504
Accrued Interest Payable	63,333	4,460
Payroll Deductions Payable	0	105,915
Deferred Revenue - Current Property Taxes	2,840,721	1,441,615
Noncurrent Liabilities:		
Due Within One Year	785,203	603,713
Due in More Than One Year	9,185,533	2,703,443
Total Liabilities	<u>\$ 12,885,184</u>	<u>\$ 4,873,547</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 7,326,885	\$ 11,745,988
Restricted for:		
General Purposes	231,456	37,377
Courthouse and Jail Maintenance	39,770	0
Solid Waste/Sanitation	1,183,928	0
Industrial/Economic Development	1,549,145	0
Drug Control	38,691	0
Highway/Public Works	1,335,928	0
Debt Service	3,454,245	0
School Federal Projects	0	192,647
Capital Projects	432,052	0
Unrestricted	<u>(7,041,506)</u>	<u>(1,309,451)</u>
Total Net Assets	<u>\$ 8,550,594</u>	<u>\$ 10,666,561</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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Unit	
						Grundy County	School Department
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 650,480	\$ 77,389	\$ 37,373	\$ 0	\$ (535,718)	\$ 0	0
Finance	423,645	252,297	6,279	0	(165,069)	0	0
Administration of Justice	486,670	255,850	9,000	0	(221,820)	0	0
Public Safety	1,314,043	116,587	63,078	0	(1,134,378)	0	0
Public Health and Welfare	926,541	51,978	116,692	0	(757,871)	0	0
Social, Cultural, and Recreational Services	39,460	0	5,000	0	(34,460)	0	0
Agriculture and Natural Resources	90,646	0	0	0	(90,646)	0	0
Other Operations	752,194	21,271	582,841	0	(148,082)	0	0
Highways/Public Works	1,771,212	129,592	1,489,710	0	(151,910)	0	0
Interest on Long-term Debt	415,538	0	0	0	(415,538)	0	0
Other Debt Service	12,806	0	0	0	(12,806)	0	0
<b>Total Primary Government</b>	<b>\$ 6,883,235</b>	<b>\$ 904,964</b>	<b>\$ 2,309,973</b>	<b>\$ 0</b>	<b>\$ (3,668,298)</b>	<b>\$ 0</b>	<b>0</b>
<b>Component Unit:</b>							
Grundy County School Department	\$ 20,633,772	\$ 635,303	\$ 3,820,895	\$ 38,500	\$ 0	\$ (16,139,074)	0

(Continued)

Exhibit B

Grundy County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit	
				Total Governmental Activities	Grundy County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,573,852	\$ 1,441,822
Property Taxes Levied for Debt Service				265,405	0
Local Option Sales Taxes				439,389	448,265
Litigation Tax - General				46,919	0
Litigation Tax - Special Purpose				41,338	0
Litigation Tax - Jail, Workhouse, or Courthouse				19,570	0
Business Tax				15,567	0
Wholesale Beer Tax				50,375	0
Other Local Taxes				892	17,066
Grants and Contributions Not Restricted to Specific Programs				634,203	13,494,946
Unrestricted Investment Earnings				245,992	0
Miscellaneous				25,019	152,223
Total General Revenues				\$ 4,358,521	\$ 15,554,322
Change in Net Assets				\$ 690,223	\$ (584,752)
Net Assets, July 1, 2008				8,062,319	11,251,313
Prior-period Adjustment				(201,948)	0
Net Assets, June 30, 2009				\$ 8,550,594	\$ 10,666,561

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

Exhibit C-1

Grundy County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2009

	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	\$ 0	\$ 100	\$ 100	100
Equity in Pooled Cash and Investments	1,303,351	1,589,406	581,582	1,088,722	3,425,746	510,513	8,499,320	8,499,320	8,499,320
Accounts Receivable	0	0	21,250	0	0	60	21,310	21,310	21,310
Due from Other Governments	26,687	0	3,912	264,090	76,000	0	370,689	370,689	370,689
Due from Other Funds	160	0	0	0	0	0	160	160	160
Property Taxes Receivable	2,217,181	604,685	0	0	291,145	0	3,113,011	3,113,011	3,113,011
Allowance for Uncollectible Property Taxes	(73,368)	(20,010)	0	0	(9,634)	0	(103,012)	(103,012)	(103,012)
Leases Receivable - Current	0	0	87,262	0	0	0	87,262	87,262	87,262
Leases Receivable - Long-term	0	0	855,139	0	0	0	855,139	855,139	855,139
<b>Total Assets</b>	<b>\$ 3,474,011</b>	<b>\$ 2,174,081</b>	<b>\$ 1,549,145</b>	<b>\$ 1,352,812</b>	<b>\$ 3,783,257</b>	<b>\$ 510,673</b>	<b>\$ 12,843,979</b>	<b>\$ 12,843,979</b>	<b>\$ 12,843,979</b>

ASSETS

LIABILITIES AND FUND BALANCES

<b>Liabilities</b>	\$ 10,394	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,394	\$ 10,394	\$ 10,394
Accounts Payable	0	0	0	0	0	160	160	160	160
Due to Other Funds	2,023,248	551,794	0	0	265,679	0	2,840,721	2,840,721	2,840,721
Deferred Revenue - Current Property Taxes	108,565	29,581	0	0	14,282	0	152,428	152,428	152,428
Deferred Revenue - Delinquent Property Taxes	0	0	942,401	130,000	38,000	0	1,110,401	1,110,401	1,110,401
Other Deferred Revenues	2,142,207	581,375	942,401	130,000	317,961	160	4,114,104	4,114,104	4,114,104
<b>Total Liabilities</b>	<b>\$ 2,142,207</b>	<b>\$ 581,375</b>	<b>\$ 942,401</b>	<b>\$ 130,000</b>	<b>\$ 317,961</b>	<b>\$ 160</b>	<b>\$ 4,114,104</b>	<b>\$ 4,114,104</b>	<b>\$ 4,114,104</b>
<b>Fund Balances</b>	\$ 26,328	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,328	\$ 26,328	\$ 26,328
Reserved for Alcohol and Drug Treatment	1,368	0	0	0	0	0	1,368	1,368	1,368
Reserved for Sexual Offender Registration	187,823	0	0	0	0	0	187,823	187,823	187,823
Reserved for Courthouse and Jail Maintenance	1,918	0	0	0	0	0	1,918	1,918	1,918
Reserved for Computer System - Register	14,019	0	0	0	0	0	14,019	14,019	14,019
Reserved for Other General Purposes	1,100,348	0	0	0	0	0	1,100,348	1,100,348	1,100,348
Unreserved, Reported In:	0	1,592,706	606,744	1,222,812	0	78,461	3,500,723	3,500,723	3,500,723
General Fund	0	1,592,706	606,744	1,222,812	0	78,461	3,500,723	3,500,723	3,500,723
Special Revenue Funds	0	0	0	0	0	0	0	0	0

(Continued)

Exhibit C-1

Grundy County, Tennessee  
Balance Sheet  
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	
\$	0	0	0	0	0	0	0	3,465,296
\$	1,331,804	1,592,706	606,744	1,222,812	3,465,296	432,052	510,513	8,729,875
\$	3,474,011	2,174,081	1,549,145	1,352,812	3,783,257	510,673	510,673	12,843,979

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)	
Unreserved, Reported In (Cont.):	
Debt Service Funds	0
Capital Projects Funds	432,052
Total Fund Balances	432,052
Total Liabilities and Fund Balances	510,513

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, 2009

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)		\$ 8,729,875	
(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	3,675,819		
Add: infrastructure net of accumulated depreciation	4,017,324		
Add: other capital assets net of accumulated depreciation	<u>643,543</u>	8,591,959	
(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	\$ (9,169,755)		
Less: other loans payable	(375,319)		
Less: compensated absences payable	(16,884)		
Less: landfill closure/postclosure care costs	(408,778)		
Less: accrued interest on bonds, capital leases, and other loans	<u>(63,333)</u>	(10,034,069)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,262,829</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 8,550,594</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, 2009

	Major Funds					Nonmajor Funds Other	Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service		
<b>Revenues</b>							
Local Taxes	\$ 2,232,136	\$ 554,303	\$ 0	\$ 0	\$ 707,800	\$ 41,388	\$ 3,535,627
Licenses and Permits	16,742	0	0	0	0	0	16,742
Fines, Forfeitures, and Penalties	44,719	0	0	0	0	8,336	53,055
Charges for Current Services	69,760	0	0	95,638	0	8,427	173,825
Other Local Revenues	45,712	5,378	83,605	36,191	245,992	0	416,878
Fees Received from County Officials	497,639	0	0	0	0	0	497,639
State of Tennessee	273,013	3,500	0	1,489,710	0	0	1,766,223
Federal Government	470,335	0	164,800	0	0	0	635,135
Other Governments and Citizens Groups	29,000	10,000	0	0	500,000	0	539,000
<b>Total Revenues</b>	<b>\$ 3,679,056</b>	<b>\$ 573,181</b>	<b>\$ 248,405</b>	<b>\$ 1,621,539</b>	<b>\$ 1,453,792</b>	<b>\$ 58,151</b>	<b>\$ 7,634,124</b>
<b>Expenditures</b>							
Current:							
General Government	\$ 497,197	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,096	\$ 529,293
Finance	343,768	0	0	0	0	0	343,768
Administration of Justice	409,301	0	0	0	0	8,427	417,728
Public Safety	1,149,412	0	0	0	0	1,425	1,150,837
Public Health and Welfare	299,180	494,322	0	0	0	0	793,502
Social, Cultural, and Recreational Services	39,460	0	0	0	0	0	39,460
Agriculture and Natural Resources	90,646	0	0	0	0	0	90,646
Other Operations	929,205	11,182	201,103	0	0	645	1,142,135
Highways	0	0	0	1,432,069	0	0	1,432,069
Debt Service:							
Principal on Debt	53,741	0	34,137	0	681,201	0	769,079
Interest on Debt	4,067	0	8,440	0	409,045	0	421,552
Other Debt Service	0	0	0	0	12,806	0	12,806
Capital Projects	0	0	350	0	0	0	350
<b>Total Expenditures</b>	<b>\$ 3,815,977</b>	<b>\$ 505,504</b>	<b>\$ 244,030</b>	<b>\$ 1,432,069</b>	<b>\$ 1,103,052</b>	<b>\$ 42,593</b>	<b>\$ 7,143,225</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (136,921)</b>	<b>\$ 67,677</b>	<b>\$ 4,375</b>	<b>\$ 189,470</b>	<b>\$ 350,740</b>	<b>\$ 15,558</b>	<b>\$ 490,899</b>

(Continued)

Exhibit C-3

Grunddy 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	Governmental Funds		
<b>Other Financing Sources (Uses)</b>									
Proceeds from Sale of Capital Assets	\$ 900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 900
Insurance Recovery	14,452	0	0	12,149	0	0	0	0	26,601
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 15,352</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,149</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 27,501</b>
<b>Net Change in Fund Balances</b>	<b>\$ (121,569)</b>	<b>\$ 67,677</b>	<b>\$ 4,375</b>	<b>\$ 201,619</b>	<b>\$ 350,740</b>	<b>\$ 15,558</b>	<b>\$ 518,400</b>	<b>\$ 518,400</b>	<b>\$ 518,400</b>
<b>Fund Balance, July 1, 2008</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>8,211,475</b>	<b>8,211,475</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ 1,331,804</b>	<b>\$ 1,592,706</b>	<b>\$ 606,744</b>	<b>\$ 1,222,812</b>	<b>\$ 3,465,296</b>	<b>\$ 510,513</b>	<b>\$ 8,729,875</b>	<b>\$ 8,729,875</b>	<b>\$ 8,729,875</b>

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

Exhibit C-4

Grundv 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, 2009

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)		\$ 518,400
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 63,877	
Less: current year depreciation expense	<u>(585,346)</u>	(521,469)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Add: gain on disposal of capital assets	\$ 1,523	
Less: proceeds received on disposal of capital assets	<u>(27,501)</u>	(25,978)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$ 1,262,829	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(1,325,018)</u>	(62,189)
<p>(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:</p>		
Add: principal payments on bonds	\$ 681,201	
Add: principal payments on other loans	50,661	
Add: principal payments on capital leases	<u>37,217</u>	769,079
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 6,014	
Change in compensated absences payable	4,876	
Change in landfill closure/postclosure care costs	<u>1,490</u>	<u>12,380</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 690,223</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, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 715,747
Due from Other Governments	<u>81,695</u>
Total Assets	<u>\$ 797,442</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 81,695
Due to Litigants, Heirs, and Others	<u>715,747</u>
Total Liabilities	<u>\$ 797,442</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, 2009**

**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, these financial statements present Grundy County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The 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 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 does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the

Grundy County Emergency Communications District 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 433  
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 report any business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Grundy County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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, 2009.

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 does not report any proprietary funds.

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, Industrial/Economic Development, and the General Debt Service funds 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 the 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.

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

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

Additionally, the School Department reports the following fund types:

**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.

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented 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 1.81 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 and the discretely presented Grundy County School Department 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**

**Primary Government**

The 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.

### **Discretely Presented Grundy County School Department**

The general policy of the Grundy County 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**

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. 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, 2009, Grundy County had \$8,280,000 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.

**7. Prior-period Adjustment**

Net assets for Grundy County were decreased \$201,948 from the prior year due to revised estimates for landfill postclosure care costs.

**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**

**Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

### **Discretely Presented Grundy County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net 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**

##### **Primary Government**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

### **Discretely Presented Grundy County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net 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. 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.

**C. Expenditures 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>
Support Services:	
Board of Education	\$ 4,355
Operation of Plant	38,784

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by appropriations exceeding expenditures and encumbrances in other major categories.

**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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state 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, 2009, 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.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 6,352,461

**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, 2009, 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 \$942,401 on June 30, 2009, from financing lease-purchase agreements on four 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, 2009, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 255,273	\$ 0	\$ 0	\$ 255,273
Total Capital Assets Not Depreciated	<u>\$ 255,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 255,273</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,293,333	\$ 0	\$ 0	\$ 5,293,333
Infrastructure	8,328,854	0	0	8,328,854
Other Capital Assets	2,261,284	63,877	(125,474)	2,199,687
Total Capital Assets Depreciated	<u>\$ 15,883,471</u>	<u>\$ 63,877</u>	<u>\$ (125,474)</u>	<u>\$ 15,821,874</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,492,814	\$ 124,700	\$ 0	\$ 1,617,514
Infrastructure	4,029,637	281,893	0	4,311,530
Other Capital Assets	1,476,887	178,753	(99,496)	1,556,144
Total Accumulated Depreciation	<u>\$ 6,999,338</u>	<u>\$ 585,346</u>	<u>\$ (99,496)</u>	<u>\$ 7,485,188</u>
Total Capital Assets Depreciated, Net	<u>\$ 8,884,133</u>	<u>\$ (521,469)</u>	<u>\$ (25,978)</u>	<u>\$ 8,336,686</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,139,406</u>	<u>\$ (521,469)</u>	<u>\$ (25,978)</u>	<u>\$ 8,591,959</u>

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

**Governmental Activities:**

General Government	\$ 45,780
Public Safety	66,788
Public Health and Welfare	107,107
Other Operations	2,849
Highways/Public Works	<u>362,822</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 585,346</u>

**Discretely Presented Grundy County School Department****Governmental Activities:**

	Balance 7-1-08	Increases	Balance 6-30-09
Capital Assets Not Depreciated:			
Land	\$ 249,084	\$ 0	\$ 249,084
Total Capital Assets Not Depreciated	<u>\$ 249,084</u>	<u>\$ 0</u>	<u>\$ 249,084</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 18,767,282	\$ 344,200	\$ 19,111,482
Other Capital Assets	1,880,952	228,640	2,109,592
Total Capital Assets Depreciated	<u>\$ 20,648,234</u>	<u>\$ 572,840</u>	<u>\$ 21,221,074</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 7,502,443	\$ 463,920	\$ 7,966,363
Other Capital Assets	1,371,594	104,382	1,475,976
Total Accumulated Depreciation	<u>\$ 8,874,037</u>	<u>\$ 568,302</u>	<u>\$ 9,442,339</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,774,197</u>	<u>\$ 4,538</u>	<u>\$ 11,778,735</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,023,281</u>	<u>\$ 4,538</u>	<u>\$ 12,027,819</u>

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

**Governmental Activities:**

Instruction	\$ 405,602
Support Services	141,065
Operation of Non-Instructional Services	<u>21,635</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 568,302</u>

**D. Insurance Recoveries**

**Primary Government**

During the year, Grundy County had damage to one of its vehicles. Insurance recovery of \$14,452 was used to repair the damage. Also, during the year, the Grundy County Highway Department had damage to one of its vehicles. Insurance recovery of \$12,149 was used to repair the damage.

**Discretely Presented Grundy County School Department**

During the year, the Grundy County School Department had damage to some of its buses and to a gate at one of its schools. Insurance recoveries of \$21,788 were used to repair the damage.

**E. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2009, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 160
Discretely Presented School Department		
General Purpose School	Nonmajor governmental	25,000

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.

**F. Long-term Debt**

**Primary Government**

**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 long-term debt as of June 30, 2009, will be retired from the General Debt Service Fund. Other loans included in long-term debt as of June 30, 2009, will be retired from the General and the Industrial/Economic Development funds.

General obligation bonds and other loans outstanding as of June 30, 2009, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-09</u>
General Obligation Bonds	3.4 to 4.75%	\$ 2,311,000	\$ 889,755
General Obligation Bond - School Refunding	4.15	9,405,000	8,280,000
Other Loans	1.26 to 3	746,719	375,319

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 \$28,180, will be repaid over the next seven 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 20 years.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2009, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2010	\$ 51,904	\$ 8,734	\$ 60,638
2011	53,189	7,449	60,638
2012	54,508	6,130	60,638
2013	55,860	4,778	60,638
2014	57,246	3,392	60,638
2015-2016	102,612	2,476	105,088
Total	\$ 375,319	\$ 32,959	\$ 408,278

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2015-2019	3,649,045	813,415	4,462,460
2020-2021	1,675,000	104,996	1,779,996
Total	\$ 9,169,755	\$ 2,516,292	\$ 11,686,047

There is \$3,465,296 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$640, based on the 2000 federal census. Debt per capita, including bonds and other loans totaled \$667, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Bonds	Capital Lease	Other Loans
Balance July 1, 2008	\$ 9,850,956	\$ 37,217	\$ 425,980
Deductions	(681,201)	(37,217)	(50,661)
Balance June 30, 2009	<u>\$ 9,169,755</u>	<u>\$ 0</u>	<u>\$ 375,319</u>
Balance Due Within One Year	<u>\$ 706,495</u>	<u>\$ 0</u>	<u>\$ 51,904</u>

	Landfill Postclosure Care Costs	Compensated Absences
Balance July 1, 2008	\$ 208,320	\$ 21,760
Prior-period Adjustment (1)	201,948	0
Additions	0	15,261
Deductions	(1,490)	(20,137)
Balance June 30, 2009	<u>\$ 408,778</u>	<u>\$ 16,884</u>
Balance Due Within One Year	<u>\$ 9,920</u>	<u>\$ 16,884</u>

(1) The adjustment is an increase in the liability for postclosure care costs on July 1, 2008, due to more accurate data obtained by the county.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 9,970,736
Less: Due Within One Year	<u>(785,203)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,185,533</u>

**Discretely Presented Grundy County School Department**

**Capital Outlay Notes**

Grundy County issues capital outlay notes to provide funds for the acquisition and construction of major capital facilities and other capital outlay purchases, such as equipment for the School Department.

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, 2009, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
Capital Outlay Notes	0 to 5.99 %	\$ 453,842	\$ 281,831

The annual requirements to amortize all notes outstanding as of June 30, 2009, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 50,670	\$ 5,093	\$ 55,763
2011	68,876	10,366	79,242
2012	62,766	7,476	70,242
2013	65,792	4,449	70,241
2014	33,727	1,245	34,972
Total	\$ 281,831	\$ 28,629	\$ 310,460

Debt per capita totaled \$20, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Grundy County School Department for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Notes	Other Post-employment Benefits	Compensated Absences
Balance, July 1, 2008	\$ 212,349	\$ 324,289	\$ 2,349,023
Additions	158,140	332,359	733,386
Deductions	(88,658)	0	(713,732)
Balance, June 30, 2009	\$ 281,831	\$ 656,648	\$ 2,368,677
Balance Due Within One Year	\$ 50,670	\$ 0	\$ 553,043

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 3,307,156
Less: Due Within One Year	<u>(603,713)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,703,443</u>

**G. On-Behalf Payments – Discretely Presented Grundy County School Department**

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, 2009, were \$57,711 and \$15,464, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

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 claims 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. Grundy County's and the Highway Department's pre-65 age retirees are not allowed to remain in either program.

### **Discretely Presented Grundy County School Department**

The discretely presented Grundy County 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**

At the beginning of the year, the discretely presented Grundy County School Department 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, the School Department had elected only to implement the provisions of Statement No. 34 that related to the fund financial statements

Provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. GASB Statement No. 45 was implemented for the School Department prospectively with a zero net OPEB obligation back to July 1, 2007. GASB Statement No. 45 had no effect on the financial statements of the Grundy County primary government for the year ended June 30, 2009, since the county does not currently provide any postemployment benefits to its employees. However, it is reasonably expected that the primary government may provide OPEB benefits in subsequent years.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Grundy County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Grundy County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Grundy County for the year ended June 30, 2009, since the county had no endowment real estate investments. However, it is reasonably expected that Grundy County could have endowment real estate investments in subsequent years.

**C. Contingent Liabilities**

**Primary Government**

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.

## **Discretely Presented Grundy County School Department**

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

### **D. Landfill Postclosure Care Costs**

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

State and federal laws and regulations require the county to place a final cover on its 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 closed in 2001 and has contracted with a private company for its waste disposal. The Solid Waste/Sanitation Fund (special revenue fund) reports postclosure care costs as expenditures in each period in which they are incurred. The \$408,778 reported as landfill postclosure care cost liability at June 30, 2009, represents the net amount reported to date based on 100 percent use of the estimated capacity of the landfill. The county maintains a revocable contract with a private firm for postclosure care costs on the closed landfill. The county is required to monitor the closed landfill for the next 22 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, 2009, 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 [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

**Funding Policy**

Grundy County requires employees to contribute five percent of earnable compensation. Grundy County is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 9.4 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, 2009, Grundy County’s annual pension cost of \$321,294 to TCRS was equal to Grundy County’s required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 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, 2007, was eight 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
6-30-09	\$321,294	100%	\$0
6-30-08	336,884	100	0
6-30-07	322,540	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 \$11.8 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 million, and the ratio of the UAAL to the covered payroll was 31.03 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 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.

## **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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

### **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, 2009, was 6.42 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, 2009, 2008, and 2007, were \$601,854, \$580,472, and \$544,957, respectively, equal to the required contributions for each year.

**G. Other Postemployment Benefits (OPEB)**

**Plan Description**

The discretely presented Grundy County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, this plan is an agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

**Funding Policy**

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2009, the Grundy County School Department contributed \$57,030 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 389,000
Interest on the NPO	14,593
Adjustment to the ARC	<u>(14,204)</u>
Annual OPEB cost	\$ 389,389
Amount of contribution	<u>(57,030)</u>
Increase/decrease in NPO	\$ 332,359
Net OPEB obligation, 7-1-08	<u>324,289</u>
 Net OPEB obligation, 6-30-09	 <u><u>\$ 656,648</u></u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 389,000	16.64 %	\$ 324,289
6-30-09	"	389,390	14.65	656,648

\* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-07
Actuarial accrued liability (AAL)	\$ 3,227,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,227,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 6,481,639
UAAL as a % of covered payroll	49.78%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

### **H. 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.

#### Office of Director of Schools

Purchasing procedures for the School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, TCA, which provides for the county Board of Education, through its executive

committee (director of schools and 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,232,136	\$ 2,105,658	\$ 2,105,658	\$ 126,478
Licenses and Permits	16,742	8,000	8,000	8,742
Fines, Forfeitures, and Penalties	44,719	27,700	27,700	17,019
Charges for Current Services	69,760	57,050	57,050	12,710
Other Local Revenues	45,712	0	26,500	19,212
Fees Received from County Officials	497,639	457,750	457,750	39,889
State of Tennessee	273,013	193,859	349,159	(76,146)
Federal Government	470,335	505,892	704,415	(234,080)
Other Governments and Citizens Groups	29,000	24,000	26,000	3,000
<b>Total Revenues</b>	<b>\$ 3,679,056</b>	<b>\$ 3,379,909</b>	<b>\$ 3,762,232</b>	<b>\$ (83,176)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 14,552	\$ 19,500	\$ 19,500	\$ 4,948
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	115,646	121,249	121,249	5,603
County Attorney	2,299	19,200	19,200	16,901
Election Commission	145,213	150,984	150,984	5,771
Register of Deeds	88,217	91,485	91,485	3,268
County Buildings	129,270	145,519	145,519	16,249
<u>Finance</u>				
Property Assessor's Office	123,308	129,941	129,941	6,633
County Trustee's Office	92,415	93,317	93,317	902
County Clerk's Office	128,045	128,942	128,942	897
<u>Administration of Justice</u>				
Circuit Court	176,937	200,310	200,310	23,373
General Sessions Judge	82,006	82,111	82,111	105
Drug Court	2,356	2,000	2,356	0
Chancery Court	90,741	91,160	91,160	419
Juvenile Court	54,066	57,718	57,718	3,652
Other Administration of Justice	3,195	1,000	6,200	3,005
<u>Public Safety</u>				
Sheriff's Department	635,930	699,875	692,381	56,451
Administration of the Sexual Offender Registry	420	500	500	80
Jail	417,051	400,819	424,819	7,768
Fire Prevention and Control	10,200	13,500	13,500	3,300
Rescue Squad	4,500	4,500	4,500	0
Other Emergency Management	15,010	12,000	19,200	4,190
County Coroner/Medical Examiner	1,200	2,100	2,100	900
Other Public Safety	65,101	36,710	88,148	23,047

(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	\$ 128,631	\$ 109,394	\$ 264,694	\$ 136,063
Ambulance/Emergency Medical Services	125,000	125,000	125,000	0
Crippled Children Services	830	830	830	0
Regional Mental Health Center	7,000	7,000	7,000	0
General Welfare Assistance	1,950	2,500	2,500	550
Other Waste Disposal	35,769	45,750	45,750	9,981
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	1,500	1,500	1,500	0
Libraries	37,960	38,037	38,037	77
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	60,242	61,724	61,724	1,482
Soil Conservation	30,404	31,856	31,856	1,452
<u>Other Operations</u>				
Tourism	1,000	2,500	2,500	1,500
Industrial Development	3,900	4,200	4,200	300
Other Economic and Community Development	371,528	514,823	516,823	145,295
Veterans' Services	13,165	13,724	13,724	559
Other Charges	154,989	163,100	163,100	8,111
Contributions to Other Agencies	19,500	21,000	21,000	1,500
Employee Benefits	282,505	298,700	298,700	16,195
Miscellaneous	82,618	22,000	186,066	103,448
<u>Principal on Debt</u>				
General Government	53,741	53,744	53,744	3
<u>Interest on Debt</u>				
General Government	4,067	4,059	4,071	4
Total Expenditures	\$ 3,815,977	\$ 4,029,081	\$ 4,431,159	\$ 615,182
Excess (Deficiency) of Revenues Over Expenditures	\$ (136,921)	\$ (649,172)	\$ (668,927)	\$ 532,006
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 0	\$ 60,000	\$ 60,000	\$ (60,000)
Proceeds from Sale of Capital Assets	900	0	0	900
Insurance Recovery	14,452	0	0	14,452
Total Other Financing Sources (Uses)	\$ 15,352	\$ 60,000	\$ 60,000	\$ (44,648)
Net Change in Fund Balance	\$ (121,569)	\$ (589,172)	\$ (608,927)	\$ 487,358
Fund Balance, July 1, 2008	1,453,373	1,464,528	1,464,528	(11,155)
Fund Balance, June 30, 2009	\$ 1,331,804	\$ 875,356	\$ 855,601	\$ 476,203

Exhibit E-2

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 554,303	\$ 523,602	\$ 523,602	\$ 30,701
Other Local Revenues	5,378	6,000	6,000	(622)
State of Tennessee	3,500	0	0	3,500
Other Governments and Citizens Groups	10,000	10,000	10,000	0
Total Revenues	<u>\$ 573,181</u>	<u>\$ 539,602</u>	<u>\$ 539,602</u>	<u>\$ 33,579</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 479,513	\$ 606,948	\$ 606,948	\$ 127,435
Landfill Operation and Maintenance	14,809	23,000	23,000	8,191
<u>Other Operations</u>				
Other Charges	11,182	12,000	12,000	818
Total Expenditures	<u>\$ 505,504</u>	<u>\$ 641,948</u>	<u>\$ 641,948</u>	<u>\$ 136,444</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 67,677</u>	<u>\$ (102,346)</u>	<u>\$ (102,346)</u>	<u>\$ 170,023</u>
Net Change in Fund Balance	\$ 67,677	\$ (102,346)	\$ (102,346)	\$ 170,023
Fund Balance, July 1, 2008	<u>1,525,029</u>	<u>1,525,032</u>	<u>1,525,032</u>	<u>(3)</u>
Fund Balance, June 30, 2009	<u>\$ 1,592,706</u>	<u>\$ 1,422,686</u>	<u>\$ 1,422,686</u>	<u>\$ 170,020</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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 83,605	\$ 55,000	\$ 55,000	\$ 28,605
Federal Government	164,800	0	164,800	0
<b>Total Revenues</b>	<b>\$ 248,405</b>	<b>\$ 55,000</b>	<b>\$ 219,800</b>	<b>\$ 28,605</b>
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 201,103	\$ 15,000	\$ 230,300	\$ 29,197
<u>Principal on Debt</u>				
General Government	34,137	34,300	34,300	163
<u>Interest on Debt</u>				
General Government	8,440	8,460	8,460	20
<u>Capital Projects</u>				
Public Health and Welfare Projects	350	5,000	15,000	14,650
<b>Total Expenditures</b>	<b>\$ 244,030</b>	<b>\$ 62,760</b>	<b>\$ 288,060</b>	<b>\$ 44,030</b>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 4,375	\$ (7,760)	\$ (68,260)	\$ 72,635
Net Change in Fund Balance				
Fund Balance, July 1, 2008	\$ 602,369	\$ 602,369	\$ 602,369	0
<b>Fund Balance, June 30, 2009</b>	<b>\$ 606,744</b>	<b>\$ 594,609</b>	<b>\$ 534,109</b>	<b>\$ 72,635</b>

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 95,638	\$ 70,000	\$ 70,000	\$ 25,638
Other Local Revenues	36,191	61,000	61,000	(24,809)
State of Tennessee	1,489,710	1,778,848	1,778,848	(289,138)
<b>Total Revenues</b>	<b>\$ 1,621,539</b>	<b>\$ 1,909,848</b>	<b>\$ 1,909,848</b>	<b>\$ (288,309)</b>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 113,359	\$ 134,490	\$ 134,490	\$ 21,131
Highway and Bridge Maintenance	651,023	936,640	936,480	285,457
Operation and Maintenance of Equipment	204,194	363,200	363,360	159,166
Litter and Trash Collection	32,905	34,237	34,237	1,332
Other Charges	107,246	133,500	133,500	26,254
Employee Benefits	312,634	444,060	444,060	131,426
Capital Outlay	10,708	478,768	478,768	468,060
<b>Total Expenditures</b>	<b>\$ 1,432,069</b>	<b>\$ 2,524,895</b>	<b>\$ 2,524,895</b>	<b>\$ 1,092,826</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 189,470	\$ (615,047)	\$ (615,047)	\$ 804,517
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 12,149	\$ 0	\$ 0	\$ 12,149
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 12,149</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,149</b>
Net Change in Fund Balance	\$ 201,619	\$ (615,047)	\$ (615,047)	\$ 816,666
Fund Balance, July 1, 2008	1,021,193	989,666	989,666	31,527
<b>Fund Balance, June 30, 2009</b>	<b>\$ 1,222,812</b>	<b>\$ 374,619</b>	<b>\$ 374,619</b>	<b>\$ 848,193</b>

Exhibit E-5

Grundy County, Tennessee

Schedule of Funding Progress – Pension Plan

Primary Government and Discretely Presented Grundy County School Department

June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	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)
6-30-08	6-30-07	\$ 10,831	\$ 11,803	\$ 972	91.76 %	\$ 3,132	31.03 %
6-30-09	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 2007-08 year; therefore, only two years of data are presented.

Exhibit E-6

Grundy County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Grundy County School Department  
June 30, 2009

Local Education Group Plan

(Dollar amounts in thousands)

Fiscal Year Ended*	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-08	7-1-07	\$ 0	\$ 3,227	\$ 3,227	0%	\$ 6,482	49.78 %
6-30-09	7-1-07	0	3,227	3,227	0	6,482	49.78

\*Data only available for two years.

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**GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2009**

**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.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation. 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

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

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

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Exhibit F-1

Grundy County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

	Special Revenue Funds				Capital Projects Fund	Total
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Nonmajor Governmental Funds
Cash	\$ 0 \$	0 \$	100 \$	100 \$	0 \$	100
Equity in Pooled Cash and Investments	39,770	38,691	0	78,461	432,052	510,513
Accounts Receivable	0	0	60	60	0	60
<b>Total Assets</b>	<b>\$ 39,770 \$</b>	<b>38,691 \$</b>	<b>160 \$</b>	<b>78,621 \$</b>	<b>432,052 \$</b>	<b>510,673</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Due to Other Funds	\$ 0 \$	0 \$	160 \$	160 \$	0 \$	160
<b>Total Liabilities</b>	<b>\$ 0 \$</b>	<b>0 \$</b>	<b>160 \$</b>	<b>160 \$</b>	<b>0 \$</b>	<b>160</b>
<b>Fund Balances</b>						
Unreserved	\$ 39,770 \$	38,691 \$	0 \$	78,461 \$	432,052 \$	510,513
<b>Total Fund Balances</b>	<b>\$ 39,770 \$</b>	<b>38,691 \$</b>	<b>0 \$</b>	<b>78,461 \$</b>	<b>432,052 \$</b>	<b>510,513</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 39,770 \$</b>	<b>38,691 \$</b>	<b>160 \$</b>	<b>78,621 \$</b>	<b>432,052 \$</b>	<b>510,673</b>

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, 2009

	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	\$ 41,388	\$ 50	\$ 0	\$ 0	\$ 41,388	\$ 0	\$ 0	\$ 41,388	
Fines, Forfeitures, and Penalties	0	8,336	0	0	8,336	0	0	8,336	
Charges for Current Services	0	0	8,427	0	8,427	0	0	8,427	
Total Revenues	\$ 41,388	\$ 8,386	\$ 8,427	\$ 8,427	\$ 58,151	\$ 0	\$ 0	\$ 58,151	
<u>Expenditures</u>									
Current:									
General Government	\$ 32,096	\$ 0	\$ 0	\$ 0	\$ 32,096	\$ 0	\$ 0	\$ 32,096	
Administration of Justice	0	0	8,427	0	8,427	0	0	8,427	
Public Safety	0	1,425	0	0	1,425	0	0	1,425	
Other Operations	413	232	0	0	645	0	0	645	
Total Expenditures	\$ 32,509	\$ 1,657	\$ 8,427	\$ 8,427	\$ 42,593	\$ 0	\$ 0	\$ 42,593	
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,829	\$ 6,729	\$ 0	\$ 0	\$ 15,558	\$ 0	\$ 0	\$ 15,558	
Net Change in Fund Balances	\$ 8,829	\$ 6,729	\$ 0	\$ 0	\$ 15,558	\$ 0	\$ 0	\$ 15,558	
Fund Balance, July 1, 2008	30,941	31,962	0	0	62,903	432,052	0	494,955	
Fund Balance, June 30, 2009	\$ 39,770	\$ 38,691	\$ 0	\$ 0	\$ 78,461	\$ 432,052	\$ 0	\$ 510,513	

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 41,338	\$ 18,000	\$ 18,000	\$ 23,338
Total Revenues	\$ 41,338	\$ 18,000	\$ 18,000	\$ 23,338
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 32,096	\$ 30,000	\$ 33,330	\$ 1,234
<u>Other Operations</u>				
Other Charges	413	400	500	87
Total Expenditures	\$ 32,509	\$ 30,400	\$ 33,830	\$ 1,321
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,829	\$ (12,400)	\$ (15,830)	\$ 24,659
Net Change in Fund Balance	\$ 8,829	\$ (12,400)	\$ (15,830)	\$ 24,659
Fund Balance, July 1, 2008	30,941	25,755	25,755	5,186
Fund Balance, June 30, 2009	\$ 39,770	\$ 13,355	\$ 9,925	\$ 29,845

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 50	\$ 0	\$ 0	\$ 50
Fines, Forfeitures, and Penalties	8,336	12,000	12,000	(3,664)
Total Revenues	<u>\$ 8,386</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ (3,614)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 1,425	\$ 7,600	\$ 7,600	\$ 6,175
<u>Other Operations</u>				
Other Charges	232	1,000	1,000	768
Total Expenditures	<u>\$ 1,657</u>	<u>\$ 8,600</u>	<u>\$ 8,600</u>	<u>\$ 6,943</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,729</u>	<u>\$ 3,400</u>	<u>\$ 3,400</u>	<u>\$ 3,329</u>
Net Change in Fund Balance	\$ 6,729	\$ 3,400	\$ 3,400	\$ 3,329
Fund Balance, July 1, 2008	<u>31,962</u>	<u>30,653</u>	<u>30,653</u>	<u>1,309</u>
Fund Balance, June 30, 2009	<u>\$ 38,691</u>	<u>\$ 34,053</u>	<u>\$ 34,053</u>	<u>\$ 4,638</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 707,800	\$ 677,940	\$ 677,940	\$ 29,860
Other Local Revenues	245,992	300,000	300,000	(54,008)
Other Governments and Citizens Groups	500,000	500,000	500,000	0
Total Revenues	<u>\$ 1,453,792</u>	<u>\$ 1,477,940</u>	<u>\$ 1,477,940</u>	<u>\$ (24,148)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 156,201	\$ 156,201	\$ 156,201	\$ 0
Education	525,000	525,000	525,000	0
<u>Interest on Debt</u>				
General Government	43,637	43,639	43,639	2
Education	365,408	365,408	365,408	0
<u>Other Debt Service</u>				
General Government	12,556	15,000	15,000	2,444
Education	250	2,000	2,000	1,750
Total Expenditures	<u>\$ 1,103,052</u>	<u>\$ 1,107,248</u>	<u>\$ 1,107,248</u>	<u>\$ 4,196</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 350,740</u>	<u>\$ 370,692</u>	<u>\$ 370,692</u>	<u>\$ (19,952)</u>
Net Change in Fund Balance	\$ 350,740	\$ 370,692	\$ 370,692	\$ (19,952)
Fund Balance, July 1, 2008	<u>3,114,556</u>	<u>3,119,485</u>	<u>3,119,485</u>	<u>(4,929)</u>
Fund Balance, June 30, 2009	<u>\$ 3,465,296</u>	<u>\$ 3,490,177</u>	<u>\$ 3,490,177</u>	<u>\$ (24,881)</u>

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# Fiduciary Funds

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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.

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Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated 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.

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Exhibit H-1

Grundy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2009

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 715,747	\$ 715,747
Due from Other Governments	81,695	0	81,695
Total Assets	<u>\$ 81,695</u>	<u>\$ 715,747</u>	<u>\$ 797,442</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 81,695	\$ 0	\$ 81,695
Due to Litigants, Heirs, and Others	0	715,747	715,747
Total Liabilities	<u>\$ 81,695</u>	<u>\$ 715,747</u>	<u>\$ 797,442</u>

Exhibit H-2

Grundy County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 490,054	\$ 490,054	\$ 0
Due from Other Governments	87,458	81,695	87,458	81,695
<b>Total Assets</b>	<b>\$ 87,458</b>	<b>\$ 571,749</b>	<b>\$ 577,512</b>	<b>\$ 81,695</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 87,458	\$ 571,749	\$ 577,512	\$ 81,695
<b>Total Liabilities</b>	<b>\$ 87,458</b>	<b>\$ 571,749</b>	<b>\$ 577,512</b>	<b>\$ 81,695</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 547,059	\$ 2,105,307	\$ 1,936,619	\$ 715,747
<b>Total Assets</b>	<b>\$ 547,059</b>	<b>\$ 2,105,307</b>	<b>\$ 1,936,619</b>	<b>\$ 715,747</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 547,059	\$ 2,105,307	\$ 1,936,619	\$ 715,747
<b>Total Liabilities</b>	<b>\$ 547,059</b>	<b>\$ 2,105,307</b>	<b>\$ 1,936,619</b>	<b>\$ 715,747</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 490,054	\$ 490,054	\$ 0
Cash	547,059	2,105,307	1,936,619	715,747
Due from Other Governments	87,458	81,695	87,458	81,695
<b>Total Assets</b>	<b>\$ 634,517</b>	<b>\$ 2,677,056</b>	<b>\$ 2,514,131</b>	<b>\$ 797,442</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 87,458	\$ 571,749	\$ 577,512	\$ 81,695
Due to Litigants, Heirs, and Others	547,059	2,105,307	1,936,619	715,747
<b>Total Liabilities</b>	<b>\$ 634,517</b>	<b>\$ 2,677,056</b>	<b>\$ 2,514,131</b>	<b>\$ 797,442</b>

# Grundy County School Department

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This section presents fund financial statements for the Grundy County School Department, a discretely presented component unit. The Grundy County School Department uses a General Fund, a Special Revenue Fund, and a Private Purpose Trust Fund.

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

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

Private Purpose Trust Fund – The Private Purpose 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.

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Exhibit I-1

Grundy County, Tennessee  
 Statement of Activities  
 Discretely Presented Grundy County School Department  
 For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total	Governmental Activities
Component Unit:						
Governmental Activities:						
Instruction	\$ 11,997,157	\$ 0	\$ 1,208,426	\$ 0	\$ (10,788,731)	
Support Services	5,792,388	69,565	992,842	38,500	(4,691,481)	
Operation of Non-Instructional Services	2,330,929	565,738	1,619,627	0	(145,564)	
Interest on Long-term Debt	13,298	0	0	0	(13,298)	
Other Debt Service	500,000	0	0	0	(500,000)	
<b>Total Governmental Activities</b>	<b>\$ 20,633,772</b>	<b>\$ 635,303</b>	<b>\$ 3,820,895</b>	<b>\$ 38,500</b>	<b>\$ (16,139,074)</b>	

General Revenues:	
Taxes:	
Property Taxes Levied for General Purposes	\$ 1,441,822
Local Option Sales Taxes	448,265
Other Local Taxes	17,066
Grants and Contributions Not Restricted to Specific Programs	13,494,946
Miscellaneous	152,223
<b>Total General Revenues</b>	<b>\$ 15,554,322</b>
Change in Net Assets	\$ (584,752)
Net Assets, July 1, 2008	11,251,313
<b>Net Assets, June 30, 2009</b>	<b>\$ 10,666,561</b>

Exhibit I-2

Grundy County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Grundy County School Department  
June 30, 2009

	<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	\$ 1,272,682	\$ 167,542	\$ 1,440,224
Accounts Receivable	0	1,420	1,420
Due from Other Governments	491,033	52,091	543,124
Due from Other Funds	25,000	0	25,000
Property Taxes Receivable	1,579,797	0	1,579,797
Allowance for Uncollectible Property Taxes	(52,276)	0	(52,276)
<b>Total Assets</b>	<b>\$ 3,316,236</b>	<b>\$ 221,053</b>	<b>\$ 3,537,289</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 9,897	\$ 0	\$ 9,897
Accrued Payroll	1,098	3,406	4,504
Payroll Deductions Payable	105,915	0	105,915
Due to Other Funds	0	25,000	25,000
Deferred Revenue - Current Property Taxes	1,441,615	0	1,441,615
Deferred Revenue - Delinquent Property Taxes	77,306	0	77,306
Other Deferred Revenues	37,000	0	37,000
<b>Total Liabilities</b>	<b>\$ 1,672,831</b>	<b>\$ 28,406</b>	<b>\$ 1,701,237</b>
<b><u>Fund Balances</u></b>			
Reserved for Encumbrances	\$ 97,933	\$ 25,749	\$ 123,682
Other Local Education Reserves	5,209	0	5,209
Reserved for Career Ladder - Extended Contract	26,414	0	26,414
Reserved for Career Ladder Program	5,754	0	5,754
Reserved for Title I Grants to Local Education Agencies	0	24,361	24,361
Reserved for Innovative Education Program Strategies	0	21,514	21,514
Reserved for Special Education - Grants to States	0	76,584	76,584
Other Federal Reserves	0	44,439	44,439
Unreserved, Reported In:			
General Fund	1,508,095	0	1,508,095
<b>Total Fund Balances</b>	<b>\$ 1,643,405</b>	<b>\$ 192,647</b>	<b>\$ 1,836,052</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,316,236</b>	<b>\$ 221,053</b>	<b>\$ 3,537,289</b>

Exhibit I-3

Grundy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Grundy County School Department  
June 30, 2009

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,836,052
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 249,084	
Add: buildings and improvements net of accumulated depreciation	11,145,119	
Add: other capital assets net of accumulated depreciation	633,616	12,027,819
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (281,831)	
Less: accrued interest on bonds, notes, and capital leases	(4,460)	
Less: compensated absences payable	(2,368,677)	
Less: other postemployment benefits	(656,648)	(3,311,616)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		114,306
Net assets of governmental activities (Exhibit A)		\$ 10,666,561

Exhibit I-4

Grundy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2009

	<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	\$ 1,921,303	\$ 0	\$ 1,921,303
Licenses and Permits	594	0	594
Charges for Current Services	611,908	0	611,908
Other Local Revenues	154,634	25	154,659
State of Tennessee	13,663,589	0	13,663,589
Federal Government	1,694,614	1,855,119	3,549,733
<b>Total Revenues</b>	<b>\$ 18,046,642</b>	<b>\$ 1,855,144</b>	<b>\$ 19,901,786</b>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,699,279	\$ 1,473,388	\$ 11,172,667
Support Services	5,527,205	297,731	5,824,936
Operation of Non-Instructional Services	2,163,313	0	2,163,313
Capital Outlay	478,003	0	478,003
Debt Service:			
Principal on Debt	88,658	0	88,658
Interest on Debt	13,515	0	13,515
Other Debt Service	500,000	0	500,000
<b>Total Expenditures</b>	<b>\$ 18,469,973</b>	<b>\$ 1,771,119</b>	<b>\$ 20,241,092</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (423,331)</b>	<b>\$ 84,025</b>	<b>\$ (339,306)</b>
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 158,140	\$ 0	\$ 158,140
Insurance Recovery	21,788	0	21,788
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 179,928</b>	<b>\$ 0</b>	<b>\$ 179,928</b>
<b>Net Change in Fund Balances</b>	<b>\$ (243,403)</b>	<b>\$ 84,025</b>	<b>\$ (159,378)</b>
<b>Fund Balance, July 1, 2008</b>	<b>1,886,808</b>	<b>108,622</b>	<b>1,995,430</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ 1,643,405</b>	<b>\$ 192,647</b>	<b>\$ 1,836,052</b>

Exhibit I-5

Grundy County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2009

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ (159,378)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 534,340	
Less: current year depreciation expense	<u>(568,302)</u>	(33,962)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.</p>		
Add: assets donated and capitalized		38,500
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$ 114,306	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(122,940)</u>	(8,634)
<p>(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:</p>		
Less: note proceeds	\$ (158,140)	
Add: principal payments on notes	<u>88,658</u>	(69,482)
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest on notes payable	\$ 217	
Change in compensated absences payable	(19,654)	
Change in other postemployment benefits	<u>(332,359)</u>	<u>(351,796)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (584,752)</u>

Exhibit I-6

Grundy County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Discretely Presented Grundy County School Department  
 General Purpose School Fund  
 For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 1,921,303	\$ 0	\$ 0	\$ 1,921,303	\$ 1,867,700	\$ 1,867,700	\$ 53,603
Licenses and Permits	594	0	0	594	400	400	194
Charges for Current Services	611,908	0	0	611,908	636,691	636,691	(24,783)
Other Local Revenues	154,634	0	0	154,634	27,000	157,744	(3,110)
State of Tennessee	13,663,589	0	0	13,663,589	13,347,319	13,584,307	79,282
Federal Government	1,694,614	0	0	1,694,614	1,816,361	1,938,375	(243,761)
<b>Total Revenues</b>	<b>\$ 18,046,642</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,046,642</b>	<b>\$ 17,695,471</b>	<b>\$ 18,185,217</b>	<b>\$ (138,575)</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Regular Instruction Program	\$ 6,827,010	(4,702)	87,623	6,909,931	6,751,151	6,926,012	16,081
Alternative Instruction Program	239,953	0	0	239,953	246,179	246,179	6,226
Special Education Program	1,977,411	(25,968)	1,640	1,953,083	2,013,587	2,013,971	60,888
Vocational Education Program	630,543	(2,815)	0	627,728	630,897	634,574	6,846
Adult Education Program	24,362	(3,825)	0	20,537	29,401	29,401	8,864
<b>Support Services</b>							
Attendance	119,971	(11,866)	944	109,049	109,479	109,479	430
Health Services	151,676	0	0	151,676	157,772	158,772	7,096
Other Student Support	422,278	(1,200)	0	421,078	362,048	426,948	5,870
Regular Instruction Program	217,199	(900)	0	216,299	261,886	261,886	45,587
Special Education Program	161,812	0	0	161,812	162,232	162,232	420
Vocational Education Program	85,495	0	0	85,495	87,682	86,139	644
Adult Programs	52,521	0	0	52,521	54,665	55,177	2,656
Other Programs	73,175	0	0	73,175	0	73,175	0

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 257,208	\$ 0	177	\$ 257,385	\$ 255,587	\$ 253,030	\$ (4,355)
Director of Schools	152,586	(982)	0	151,604	155,921	156,210	4,606
Office of the Principal	766,266	0	0	766,266	752,532	768,699	2,433
Fiscal Services	122,603	(3,104)	0	119,499	127,610	127,610	8,111
Operation of Plant	1,166,286	(531)	0	1,165,755	1,123,922	1,126,971	(38,784)
Maintenance of Plant	279,387	(5,000)	1,575	275,962	318,566	318,566	42,604
Transportation	821,086	(12,895)	2,231	810,422	967,595	997,762	187,340
Central and Other	677,656	0	0	677,656	572,338	696,357	18,701
<u>Operation of Non-Instructional Services</u>							
Food Service	1,635,401	0	2,243	1,637,644	1,890,760	1,890,760	253,116
Community Services	33,385	0	0	33,385	33,300	33,385	0
Early Childhood Education	494,527	(12,690)	0	481,837	467,011	482,253	416
<u>Capital Outlay</u>							
Regular Capital Outlay	478,003	(352,999)	1,500	126,504	506,500	502,780	376,276
<u>Principal on Debt</u>							
Education	88,658	0	0	88,658	89,350	96,221	7,563
Interest on Debt							
Education	13,515	0	0	13,515	13,268	15,397	1,882
<u>Other Debt Service</u>							
Education	500,000	0	0	500,000	0	500,000	0
Total Expenditures	\$ 18,469,973	\$ (439,477)	\$ 97,933	\$ 18,128,429	\$ 18,141,239	\$ 19,149,946	\$ 1,021,517
Excess (Deficiency) of Revenues Over Expenditures	\$ (423,331)	\$ 439,477	\$ (97,933)	\$ (81,787)	\$ (445,768)	\$ (964,729)	\$ 882,942

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 158,140	\$ 0	\$ 0	\$ 158,140	\$ 162,140	\$ 162,140	\$ (4,000)
Insurance Recovery	21,788	0	0	21,788	0	18,877	2,911
Transfers Out	0	0	0	0	(500,000)	0	0
Total Other Financing Sources (Uses)	\$ 179,928	\$ 0	\$ 0	\$ 179,928	\$ (337,860)	\$ 181,017	\$ (1,089)
Net Change in Fund Balance	\$ (243,403)	\$ 439,477	\$ (97,933)	\$ 98,141	\$ (783,628)	\$ (783,712)	\$ 881,853
Fund Balance, July 1, 2008	1,886,808	(439,477)	0	1,447,331	2,113,714	2,113,714	(666,383)
Fund Balance, June 30, 2009	\$ 1,643,405	\$ 0	\$ (97,933)	\$ 1,545,472	\$ 1,330,086	\$ 1,330,002	\$ 215,470

Exhibit I-7

Grundy County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Discretely Presented Grundy County School Department  
 School Federal Projects Fund  
 For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 25 \$	0 \$	0 \$	25 \$	0 \$	470 \$	(445)
Federal Government	1,855,119	0	0	1,855,119	2,024,216	2,102,524	(247,405)
Total Revenues	\$ 1,855,144 \$	0 \$	0 \$	1,855,144 \$	2,024,216 \$	2,102,994 \$	(247,850)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 784,303 \$	(700) \$	20,972 \$	804,575 \$	906,983 \$	1,017,144 \$	212,569
Special Education Program	637,700	0	3,978	641,678	621,523	708,382	66,704
Vocational Education Program	51,385	0	0	51,385	0	51,385	0
<u>Support Services</u>							
Other Student Support	65,444	0	799	66,243	92,546	135,794	69,551
Regular Instruction Program	172,549	(223)	0	172,326	348,742	196,117	23,791
Special Education Program	47,128	0	0	47,128	36,722	48,505	1,377
Vocational Education Program	2,104	0	0	2,104	0	2,700	596
Transportation	10,506	0	0	10,506	17,700	18,797	8,291
Total Expenditures	\$ 1,771,119 \$	(923) \$	25,749 \$	1,795,945 \$	2,024,216 \$	2,178,824 \$	382,879
Excess (Deficiency) of Revenues Over Expenditures	\$ 84,025 \$	923 \$	(25,749) \$	59,199 \$	0 \$	(75,830) \$	135,029
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	(460) \$	460
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	(460) \$	460
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 84,025 \$	923 \$	(25,749) \$	59,199 \$	0 \$	(76,290) \$	135,489
	108,622	(923)	0	107,699	30,611	105,961	1,738
Fund Balance, June 30, 2009	\$ 192,647 \$	0 \$	(25,749) \$	166,898 \$	30,611 \$	29,671 \$	137,227

Exhibit I-8

Grundy County, Tennessee  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2009

	<u>Private Purpose Trust Fund</u> <u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 14,500
Total Assets	<u>\$ 14,500</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 14,500</u>
Total Net Assets	<u><u>\$ 14,500</u></u>

Exhibit I-9

Grundy County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2009

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 563
Contributions and Gifts	<u>400</u>
Total Additions	<u>\$ 963</u>
<u>DEDUCTIONS</u>	
Awards	<u>\$ 400</u>
Total Deductions	<u>\$ 400</u>
Change in Net Assets	\$ 563
Net Assets, July 1, 2008	<u>13,937</u>
Net Assets, June 30, 2009	<u>\$ 14,500</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Grundtv County, Tennessee  
 Schedule of Changes in Long-term Other Loans, Capital Lease, Bonds, and Notes  
 Primary Government and Discretely Presented Grundtv County School Department  
 For the Year Ended June 30, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09
<b>PRIMARY GOVERNMENT</b>								
<b>OTHER LOANS PAYABLE</b>								
Payable through General Fund								
Waste Water System	\$ 318,980	1.26%	Various	12-30-15	\$ 129,077	\$ 0	\$ 16,524	\$ 112,553
Payable through Industrial/Economic Development Fund								
Assumption Agreement - Industrial Building	427,739	2 to 3	9-13-03	6-30-16	296,903	0	34,137	262,766
Total Other Loans Payable					\$ 425,980	\$ 0	\$ 50,661	\$ 375,319
<b>CAPITAL LEASE PAYABLE</b>								
Payable through General Fund								
Sheriff Vehicles	104,435	6.8	1-3-07	1-3-09	\$ 37,217	\$ 0	\$ 37,217	\$ 0
<b>BONDS PAYABLE</b>								
Payable through General Debt Service Fund								
Public Improvements Series 1998	2,220,000	3.4 to 4.15	11-1-1998	5-1-14	\$ 995,000	\$ 0	\$ 150,000	\$ 845,000
School Refunding Series 2006	9,405,000	4.15	5-1-06	5-1-21	8,805,000	0	525,000	8,280,000
General Obligation Bond-Convenience Centers	91,000	4.75	9-30-1999	9-30-14	50,956	0	6,201	44,755
Total Bonds Payable					\$ 9,850,956	\$ 0	\$ 681,201	\$ 9,169,755
<b>DISCRETELY PRESENTED</b>								
<b>GRUNDY COUNTY SCHOOL DEPARTMENT</b>								
<b>NOTES PAYABLE</b>								
Payable through General Purpose School Fund								
Baseball Field Lights	90,000	0	6-9-00	6-9-11	\$ 27,000	\$ 0	\$ 9,000	\$ 18,000
School Bus	50,000	2.71	7-9-03	7-9-08	10,549	0	10,549	0
School Bus	53,318	3.4	10-18-04	10-18-09	22,416	0	11,017	11,399
School Bus	152,384	5.99	1-28-08	8-20-12	152,384	0	58,092	94,292
School Bus	158,140	3.69	10-30-08	8-20-13	0	158,140	0	158,140
Total Payable through General Purpose School Fund					\$ 212,349	\$ 158,140	\$ 88,658	\$ 281,831

Exhibit J-2

Grundy County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Grundy County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Other Loans Principal	Other Loans Interest	Total Other Loans Requirements
2010	\$ 51,904	\$ 8,734	\$ 60,638
2011	53,189	7,449	60,638
2012	54,508	6,130	60,638
2013	55,860	4,778	60,638
2014	57,246	3,392	60,638
2015	58,681	1,957	60,638
2016	43,931	519	44,450
Total	\$ 375,319	\$ 32,959	\$ 408,278

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
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	\$ 9,169,755	\$ 2,516,292	\$ 11,686,047

DISCRETELY PRESENTED  
GRUNDY COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes Principal	Notes Interest	Total Notes Requirements
2010	\$ 50,670	\$ 5,093	\$ 55,763
2011	68,876	10,366	79,242
2012	62,766	7,476	70,242
2013	65,792	4,449	70,241
2014	33,727	1,245	34,972
Total	\$ 281,831	\$ 28,629	\$ 310,460

Exhibit J-3

Grundy County, Tennessee  
Schedule of Leases Receivable  
For the Year Ended June 30, 2009

<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 6-30-09</u>
<u>Industrial/Economic Development Fund</u>					
Lease-purchase of Spec Building	Tag Plastics	\$ 300,000	9-24-1996	2-28-17	\$ 115,000
"	All American	45,000	3-25-02	10-31-09	3,000
"	A & J Steel	212,622	3-12-04	3-31-17	129,401
"	Benchmark Tool and Die	750,000	3-29-07	5-15-17	695,000
Total Leases Receivable					\$ 942,401

Grundy County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2009

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 66,702	\$ 50,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	63,527	100,000	"
Director of Schools	State Board of Education and Grundy County Board of Education	72,578 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	57,751	500,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	57,751	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	57,751	30,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	57,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> and Chancery Court Judge	57,751 (2)	25,000	"
Register	Section 8-24-102, <u>TCA</u>	57,751	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	63,527 (3)	25,000	"
Employee Blanket Bonds	Public Employee Dishonesty - County Departments and School Department		150,000	Local Government Property and Casualty Fund

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

(2) Does not include special commissioner fees of \$5,100.

(3) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2009

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees		
<b>Local Taxes</b>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,849,102	\$ 0	\$ 504,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 242,783
Trustee's Collections - Prior Year	107,912	0	29,458	0	0	0	0	13,911
Circuit/Clerk & Master Collections - Prior Years	43,604	0	11,892	0	0	0	0	5,617
Interest and Penalty	23,459	0	6,398	0	0	0	0	3,034
Payments in-Lieu-of Taxes - T.V.A.	2,035	0	555	0	0	0	0	267
Payments in-Lieu-of Taxes - Other	5,658	0	1,543	0	0	0	0	737
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	0	0	441,389
Litigation Tax - General	46,919	0	0	0	0	0	0	46,919
Litigation Tax - Special Purpose	0	41,338	0	0	0	0	0	41,338
Litigation Tax - Jail, Workhouse, or Courthouse	19,570	0	0	0	0	0	0	19,570
Business Tax	15,377	0	128	0	0	0	0	62
Other County Local Option Taxes	0	0	0	0	50	0	0	0
<u>Statutory Local Taxes</u>								
Bank Excise Tax	67,283	0	0	0	0	0	0	0
Wholesale Beer Tax	50,375	0	0	0	0	0	0	0
Interstate Telecommunications Tax	842	0	0	0	0	0	0	0
<b>Total Local Taxes</b>	<b>\$ 2,232,136</b>	<b>\$ 41,338</b>	<b>\$ 554,303</b>	<b>\$ 0</b>	<b>\$ 50</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 707,800</b>
								<b>\$ 3,535,627</b>
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 594	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	16,148	0	0	0	0	0	0	0
<b>Total Licenses and Permits</b>	<b>\$ 16,742</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 5,291	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	2,668	0	0	0	0	0	0	0
Drug Control Fines	0	0	0	0	2,458	0	0	0

(Continued)

Grundys 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		
<b>Fines, Forfeitures, and Penalties (Cont.)</b>									
<u>Circuit Court (Cont.)</u>									
Drug Court Fees	\$ 560	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 560
Jail Fees	401	0	0	0	0	0	0	0	401
DUI Treatment Fines	380	0	0	0	0	0	0	0	380
Data Entry Fee - Circuit Court	156	0	0	0	0	0	0	0	156
Courtroom Security Fee	4	0	0	0	0	0	0	0	4
<u>Criminal Court</u>									
Drug Control Fines	0	0	0	0	2,289	0	0	0	2,289
<u>General Sessions Court</u>									
Fines	5,757	0	0	0	0	0	0	0	5,757
Officers Costs	15,411	0	0	0	0	0	0	0	15,411
Drug Court Fees	1,796	0	0	0	0	0	0	0	1,796
Jail Fees	2,779	0	0	0	0	0	0	0	2,779
DUI Treatment Fines	2,323	0	0	0	0	0	0	0	2,323
Data Entry Fee - General Sessions Court	3,855	0	0	0	0	0	0	0	3,855
<u>Juvenile Court</u>									
Fines	515	0	0	0	0	0	0	0	515
Officers Costs	352	0	0	0	0	0	0	0	352
<u>Chancery Court</u>									
Officers Costs	583	0	0	0	0	0	0	0	583
Courtroom Security Fee	8	0	0	0	0	0	0	0	8
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	0	0	3,589	0	0	0	3,589
Data Entry Fee - Other Courts	890	0	0	0	0	0	0	0	890
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	990	0	0	0	0	0	0	0	990
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 44,719</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,336</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 53,055</b>
<b>Charges for Current Services</b>									
<u>General Service Charges</u>									
Residential Waste Collection Charge	\$ 46,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,600

(Continued)

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

	Special Revenue Funds							Debt Service Fund
	General	Courtthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional -		
						Officers - Fees	Highway / Public Works	
<b>Charges for Current Services (Cont.)</b>								
<u>General Service Charges (Cont.)</u>								
Work Release Charges for Board	\$ 6,779	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,779
Other General Service Charges	9,680	0	0	0	0	0	95,638	105,318
<b>Fees</b>								
Constitutional Officers' Fees and Commissions	0	0	0	0	0	3,327	0	3,327
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	5,100	0	5,100
Data Processing Fee - Register	5,041	0	0	0	0	0	0	5,041
Data Processing Fee - Sheriff	410	0	0	0	0	0	0	410
Sexual Offender Registration Fees - Sheriff	1,250	0	0	0	0	0	0	1,250
<b>Total Charges for Current Services</b>	\$ 69,760	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,427	\$ 95,638	\$ 173,825
<b>Other Local Revenues</b>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 245,992
Lease/Rentals	0	0	0	79,218	0	0	0	79,218
Sale of Gasoline	0	0	0	0	0	0	33,954	33,954
Miscellaneous Refunds	16,672	0	0	4,387	0	0	2,237	23,296
<u>Nonrecurring Items</u>								
Sale of Equipment	200	0	0	0	0	0	0	200
Contributions and Gifts	2,000	0	0	0	0	0	0	2,000
<u>Other Local Revenues</u>								
Other Local Revenues	26,840	0	5,378	0	0	0	0	32,218
<b>Total Other Local Revenues</b>	\$ 45,712	\$ 0	\$ 5,378	\$ 83,605	\$ 0	\$ 0	\$ 36,191	\$ 245,992
<b>Total</b>	\$ 115,472	\$ 0	\$ 5,378	\$ 83,605	\$ 0	\$ 8,427	\$ 131,829	\$ 419,843
<b>Fees Received from County Officials</b>								
<u>Fees in-Lieu-of-Salary</u>								
County Clerk	\$ 90,419	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,419
Circuit Court Clerk	34,547	0	0	0	0	0	0	34,547
General Sessions Court Clerk	107,117	0	0	0	0	0	0	107,117
Clerk and Master	48,071	0	0	0	0	0	0	48,071
Juvenile Court Clerk	5,623	0	0	0	0	0	0	5,623

(Continued)

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

	Special Revenue Funds						Debt Service Fund		
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees		Highway / Public Works	General Debt Service
<b>Fees Received from County Officials (Cont.)</b>									
<u>Fees in-Lieu-of Salary (Cont.)</u>									
Register	\$ 46,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,520
Sheriff	4,058	0	0	0	0	0	0	0	4,058
Trustee	161,284	0	0	0	0	0	0	0	161,284
<b>Total Fees Received from County Officials</b>	<b>\$ 497,639</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 497,639</b>
<b>State of Tennessee</b>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	6,279	0	0	0	0	0	0	0	6,279
Solid Waste Grants	0	0	3,500	0	0	0	0	0	3,500
<u>Health and Welfare Grants</u>									
Other Health and Welfare Grants	103,192	0	0	0	0	0	0	0	103,192
<u>Public Works Grants</u>									
Litter Program	0	0	0	0	0	0	34,237	0	34,237
<u>Other State Revenues</u>									
Income Tax	7,414	0	0	0	0	0	0	0	7,414
Beer Tax	18,701	0	0	0	0	0	0	0	18,701
Alcoholic Beverage Tax	30,010	0	0	0	0	0	0	0	30,010
Contracted Prisoner Boarding	79,100	0	0	0	0	0	0	0	79,100
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,443,963	0	1,443,963
Petroleum Special Tax	0	0	0	0	0	0	11,510	0	11,510
Registrar's Salary Supplement	10,817	0	0	0	0	0	0	0	10,817
Other State Grants	1,500	0	0	0	0	0	0	0	1,500
Other State Revenues	7,000	0	0	0	0	0	0	0	7,000
<b>Total State of Tennessee</b>	<b>\$ 273,013</b>	<b>\$ 0</b>	<b>\$ 3,500</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,489,710</b>	<b>\$ 0</b>	<b>\$ 1,766,223</b>
<b>Federal Government</b>									
<u>Federal Through State</u>									
Appalachian Regional Commission	\$ 3,500	\$ 0	\$ 0	\$ 164,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 168,300
Community Development	371,278	0	0	0	0	0	0	0	371,278

(Continued)

Exhibit J-5

Grunddy 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>Federal Government (Cont.)</u>									
<u>Federal Through State (Cont.)</u>									
Homeland Security Grants	\$ 21,556	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,556
Law Enforcement Grants	23,022	0	0	0	0	0	0	0	23,022
Other Federal through State	46,879	0	0	0	0	0	0	0	46,879
<u>Direct Federal Revenue</u>	4,100	0	0	0	0	0	0	0	4,100
Other Direct Federal Revenue									
Total Federal Government	\$ 470,335	\$ 0	\$ 0	\$ 164,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 635,135
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 5,000	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 515,000
Contracted Services	24,000	0	0	0	0	0	0	0	24,000
Total Other Governments and Citizens Groups	\$ 29,000	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 539,000
Total	\$ 3,679,056	\$ 41,338	\$ 573,181	\$ 248,405	\$ 8,386	\$ 8,427	\$ 1,621,539	\$ 1,453,792	\$ 7,634,124

Exhibit J-6

Grundy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,317,580	\$ 0	\$ 1,317,580
Trustee's Collections - Prior Year	78,154	0	78,154
Circuit/Clerk & Master Collections - Prior Years	31,707	0	31,707
Interest and Penalty	16,989	0	16,989
Payments in-Lieu-of Taxes - T.V.A.	1,450	0	1,450
Payments in-Lieu-of Taxes - Other	4,066	0	4,066
<u>County Local Option Taxes</u>			
Local Option Sales Tax	454,291	0	454,291
Business Tax	15,241	0	15,241
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	1,825	0	1,825
<b>Total Local Taxes</b>	<b>\$ 1,921,303</b>	<b>\$ 0</b>	<b>\$ 1,921,303</b>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 594	\$ 0	\$ 594
<b>Total Licenses and Permits</b>	<b>\$ 594</b>	<b>\$ 0</b>	<b>\$ 594</b>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Other	\$ 46,170	\$ 0	\$ 46,170
Receipts from Individual Schools	565,738	0	565,738
<b>Total Charges for Current Services</b>	<b>\$ 611,908</b>	<b>\$ 0</b>	<b>\$ 611,908</b>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Miscellaneous Refunds	\$ 152,405	\$ 25	\$ 152,430
<u>Nonrecurring Items</u>			
Sale of Equipment	1,400	0	1,400
Contributions and Gifts	100	0	100
<u>Other Local Revenues</u>			
Other Local Revenues	729	0	729
<b>Total Other Local Revenues</b>	<b>\$ 154,634</b>	<b>\$ 25</b>	<b>\$ 154,659</b>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 73,175	\$ 0	\$ 73,175
<u>State Education Funds</u>			
Basic Education Program	12,112,515	0	12,112,515
Early Childhood Education	407,253	0	407,253

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
School Food Service	\$ 13,068	\$ 0	\$ 13,068
Driver Education	3,294	0	3,294
Other State Education Funds	95,332	0	95,332
Career Ladder Program	140,233	0	140,233
Career Ladder - Extended Contract	48,500	0	48,500
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	372,782	0	372,782
Other State Grants	316,905	0	316,905
Other State Revenues	80,532	0	80,532
<b>Total State of Tennessee</b>	<b>\$ 13,663,589</b>	<b>\$ 0</b>	<b>\$ 13,663,589</b>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 677,958	\$ 0	\$ 677,958
Breakfast	298,378	0	298,378
USDA - Other	13,558	0	13,558
Adult Education State Grant Program	65,552	0	65,552
Vocational Education - Basic Grants to States	0	60,189	60,189
Title I Grants to Local Education Agencies	0	832,143	832,143
Innovative Education Program Strategies	0	2,789	2,789
Special Education - Grants to States	25,000	645,234	670,234
Special Education Preschool Grants	0	32,027	32,027
Safe and Drug-Free Schools - State Grants	0	13,052	13,052
Rural Education	0	66,122	66,122
Eisenhower Professional Development State Grants	0	154,000	154,000
Other Federal through State	614,168	49,563	663,731
<b>Total Federal Government</b>	<b>\$ 1,694,614</b>	<b>\$ 1,855,119</b>	<b>\$ 3,549,733</b>
<b>Total</b>	<b>\$ 18,046,642</b>	<b>\$ 1,855,144</b>	<b>\$ 19,901,786</b>

Exhibit J-7

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 7,350	
Audit Services	4,300	
Dues and Memberships	2,150	
Printing, Stationery, and Forms	752	
Total County Commission		\$ 14,552

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$ 66,702	
Assistant(s)	19,801	
Part-time Personnel	17,776	
Communication	2,527	
Data Processing Services	4,278	
Maintenance and Repair Services - Vehicles	170	
Postal Charges	1,389	
Travel	1,817	
Office Supplies	1,186	
Total County Mayor/Executive		115,646

County Attorney

County Official/Administrative Officer	\$ 1,200	
Legal Services	1,099	
Total County Attorney		2,299

Election Commission

County Official/Administrative Officer	\$ 51,976	
Clerical Personnel	18,831	
Board and Committee Members Fees	3,863	
Election Workers	22,748	
In-Service Training	4,840	
Communication	3,539	
Data Processing Services	12,596	
Dues and Memberships	300	
Legal Notices, Recording, and Court Costs	8,095	
Maintenance and Repair Services - Equipment	6,380	
Postal Charges	2,970	
Printing, Stationery, and Forms	1,525	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Travel	\$ 5,225	
Office Supplies	1,148	
Office Equipment	1,177	
Total Election Commission		\$ 145,213

Register of Deeds

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	19,801	
Part-time Personnel	1,417	
Communication	1,022	
Data Processing Services	4,697	
Dues and Memberships	483	
Postal Charges	519	
Travel	582	
Other Contracted Services	800	
Office Supplies	1,145	
Total Register of Deeds		88,217

County Buildings

Custodial Personnel	\$ 20,954	
Communication	5,396	
Maintenance and Repair Services - Buildings	25,897	
Other Contracted Services	6,097	
Custodial Supplies	3,357	
Duplicating Supplies	6,977	
Electricity	29,647	
Natural Gas	19,066	
Water and Sewer	9,702	
Other Supplies and Materials	2,177	
Total County Buildings		129,270

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 57,751
Secretary(ies)	29,964
Part-time Personnel	15,000
Audit Services	1,500
Communication	3,017
Data Processing Services	7,315
Dues and Memberships	400

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Postal Charges	\$	970	
Printing, Stationery, and Forms		921	
Travel		5,677	
Office Supplies		793	
Total Property Assessor's Office			\$ 123,308

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		19,801	
Part-time Personnel		454	
Communication		1,337	
Data Processing Services		4,682	
Dues and Memberships		533	
Postal Charges		4,565	
Printing, Stationery, and Forms		1,100	
Travel		582	
Office Supplies		1,610	
Total County Trustee's Office			92,415

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		59,135	
Part-time Personnel		1,372	
Communication		2,857	
Dues and Memberships		483	
Postal Charges		2,614	
Travel		234	
Office Supplies		3,599	
Total County Clerk's Office			128,045

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		72,748	
Part-time Personnel		8,293	
Jury and Witness Fees		9,206	
Communication		3,842	
Data Processing Services		10,431	
Dues and Memberships		443	
Postal Charges		2,468	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Printing, Stationery, and Forms	\$ 1,895	
Travel	24	
Duplicating Supplies	900	
Office Supplies	<u>8,936</u>	
Total Circuit Court		\$ 176,937

General Sessions Judge

Judge(s)	\$ 79,311	
In-Service Training	1,161	
Communication	655	
Office Supplies	<u>879</u>	
Total General Sessions Judge		82,006

Drug Court

Fines, Assessments, and Penalties	\$ <u>2,356</u>	
Total Drug Court		2,356

Chancery Court

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	19,801	
Part-time Personnel	525	
Jury and Witness Fees	633	
Communication	1,472	
Data Processing Services	5,702	
Dues and Memberships	543	
Legal Notices, Recording, and Court Costs	75	
Postal Charges	1,288	
Office Supplies	<u>2,951</u>	
Total Chancery Court		90,741

Juvenile Court

Youth Service Officer(s)	\$ 25,526	
Part-time Personnel	12,751	
Communication	3,015	
Data Processing Services	2,379	
Postal Charges	1,310	
Rentals	3,600	
Travel	197	
Office Supplies	1,988	
Other Charges	<u>3,300</u>	
Total Juvenile Court		54,066

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice

Drug Treatment	\$ 1,200	
Other Charges	1,995	
Total Other Administration of Justice		\$ 3,195

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 63,527	
Deputy(ies)	356,258	
School Resource Officer	17,451	
In-Service Training	17,446	
Communication	2,217	
Maintenance and Repair Services - Vehicles	18,634	
Postal Charges	1,176	
Printing, Stationery, and Forms	877	
Tow-in Services	3,900	
Other Contracted Services	6,120	
Gasoline	65,356	
Office Supplies	7,906	
Tires and Tubes	6,222	
Uniforms	4,843	
Other Supplies and Materials	1,040	
Liability Insurance	10,523	
Other Charges	1,007	
Communication Equipment	1,500	
Motor Vehicles	40,716	
Other Equipment	9,211	
Total Sheriff's Department		635,930

Administration of the Sexual Offender Registry

Communication	\$ 420	
Total Administration of the Sexual Offender Registry		420

Jail

Accountants/Bookkeepers	\$ 20,014	
Guards	201,561	
Cafeteria Personnel	10,716	
Communication	12,048	
Medical and Dental Services	47,818	
Transportation - Other than Students	183	
Custodial Supplies	355	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Electricity	\$ 18,717	
Food Supplies	81,129	
Natural Gas	9,030	
Water and Sewer	13,082	
Other Supplies and Materials	<u>2,398</u>	
Total Jail		\$ 417,051

Fire Prevention and Control

Contracts with Other Public Agencies	\$ 7,700	
Contributions	<u>2,500</u>	
Total Fire Prevention and Control		10,200

Rescue Squad

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

Other Emergency Management

Assistant(s)	\$ 13,398	
Other Charges	<u>1,612</u>	
Total Other Emergency Management		15,010

County Coroner/Medical Examiner

Pauper Burials	\$ <u>1,200</u>	
Total County Coroner/Medical Examiner		1,200

Other Public Safety

Deputy(ies)	\$ 20,185	
Social Security	1,188	
Employer Medicare	291	
Contributions	2,000	
Workers' Compensation Insurance	911	
Law Enforcement Equipment	5,090	
Other Equipment	<u>35,436</u>	
Total Other Public Safety		65,101

Public Health and Welfare

Local Health Center

Accountants/Bookkeepers	\$ 9,800	
Medical Personnel	54,716	
Custodial Personnel	8,190	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Social Security	\$ 3,523	
Medical Insurance	842	
Unemployment Compensation	300	
Employer Medicare	824	
Communication	5,876	
Contracts with Government Agencies	4,114	
Dues and Memberships	150	
Maintenance and Repair Services - Equipment	200	
Medical and Dental Services	2,700	
Postal Charges	42	
Travel	10,506	
Other Contracted Services	2,108	
Electricity	6,035	
Natural Gas	8,974	
Office Supplies	1,367	
Water and Sewer	958	
Other Supplies and Materials	6,890	
Workers' Compensation Insurance	516	
Total Local Health Center		\$ 128,631

Ambulance/Emergency Medical Services

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

Crippled Children Services

Contracts with Government Agencies	\$ 830	
Total Crippled Children Services		830

Regional Mental Health Center

Contributions	\$ 7,000	
Total Regional Mental Health Center		7,000

General Welfare Assistance

Contracts with Other Public Agencies	\$ 1,950	
Total General Welfare Assistance		1,950

Other Waste Disposal

Accountants/Bookkeepers	\$ 6,000	
Communication	884	
Maintenance and Repair Services - Vehicles	125	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal (Cont.)

Postal Charges	\$	378	
Other Contracted Services		13,413	
Electricity		9,385	
Gasoline		223	
Office Supplies		165	
Water and Sewer		604	
Testing		502	
Other Supplies and Materials		4,090	
Total Other Waste Disposal			\$ 35,769

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	1,500	
Total Senior Citizens Assistance			1,500

Libraries

Librarians	\$	37,960	
Total Libraries			37,960

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	55,166	
Communication		3,760	
Duplicating Supplies		1,316	
Total Agriculture Extension Service			60,242

Soil Conservation

Clerical Personnel	\$	18,856	
Part-time Personnel		8,000	
Communication		1,325	
Travel		690	
Other Supplies and Materials		1,114	
Other Charges		419	
Total Soil Conservation			30,404

Other Operations

Tourism

Other Supplies and Materials	\$	1,000	
Total Tourism			1,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

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

Other Economic and Community Development

Contracts with Government Agencies	\$ 371,278	
Contributions	250	
Total Other Economic and Community Development		371,528

Veterans' Services

Supervisor/Director	\$ 9,899	
Dues and Memberships	25	
Postal Charges	334	
Travel	2,907	
Total Veterans' Services		13,165

Other Charges

Building and Contents Insurance	\$ 8,754	
Liability Insurance	39,232	
Premiums on Corporate Surety Bonds	4,584	
Trustee's Commission	44,354	
Workers' Compensation Insurance	58,065	
Total Other Charges		154,989

Contributions to Other Agencies

Contributions	\$ 19,500	
Total Contributions to Other Agencies		19,500

Employee Benefits

Social Security	\$ 105,517	
State Retirement	87,598	
Medical Insurance	53,700	
Unemployment Compensation	11,026	
Employer Medicare	24,664	
Total Employee Benefits		282,505

Miscellaneous

Accountants/Bookkeepers	\$ 640	
Part-time Personnel	40,548	
Social Security	2,516	
Unemployment Compensation	915	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Employer Medicare	\$	588	
Travel		193	
Workers' Compensation Insurance		2,488	
Other Charges		<u>34,730</u>	
Total Miscellaneous	\$		82,618

Principal on Debt

General Government

Principal on Capital Leases	\$	37,217	
Principal on Other Loans		<u>16,524</u>	
Total General Government			53,741

Interest on Debt

General Government

Interest on Capital Leases	\$	2,531	
Interest on Other Loans		<u>1,536</u>	
Total General Government			<u>4,067</u>

Total General Fund \$ 3,815,977

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$	<u>32,096</u>	
Total County Buildings			\$ 32,096

Other Operations

Other Charges

Trustee's Commission	\$	<u>413</u>	
Total Other Charges			<u>413</u>

Total Courthouse and Jail Maintenance Fund 32,509

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Accountants/Bookkeepers	\$	3,150	
Truck Drivers		59,488	
Maintenance Personnel		20,398	
Part-time Personnel		95,305	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Social Security	\$ 13,184	
Communication	4,825	
Maintenance and Repair Services - Vehicles	20,541	
Disposal Fees	199,963	
Diesel Fuel	37,057	
Electricity	8,101	
Water and Sewer	2,841	
Other Supplies and Materials	5,255	
Solid Waste Equipment	9,405	
Total Convenience Centers		\$ 479,513

Landfill Operation and Maintenance

Contracts with Private Agencies	\$ 11,070	
Maintenance and Repair Services - Equipment	3,739	
Total Landfill Operation and Maintenance		14,809

Other Operations

Other Charges

Trustee's Commission	\$ 11,182	
Total Other Charges		11,182

Total Solid Waste/Sanitation Fund \$ 505,504

Industrial/Economic Development Fund

Other Operations

Industrial Development

Other Charges	\$ 16,953	
Other Construction	184,150	
Total Industrial Development		\$ 201,103

Principal on Debt

General Government

Principal on Other Loans	\$ 34,137	
Total General Government		34,137

Interest on Debt

General Government

Interest on Other Loans	\$ 8,440	
Total General Government		8,440

(Continued)

Exhibit J-7

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

Industrial/Economic Development Fund (Cont.)

Capital Projects

Public Health and Welfare Projects

Other Construction

\$ 350

Total Public Health and Welfare Projects

\$ 350

Total Industrial/Economic Development Fund

\$ 244,030

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials

\$ 576

Other Charges

500

Law Enforcement Equipment

349

Total Drug Enforcement

\$ 1,425

Other Operations

Other Charges

Trustee's Commission

\$ 232

Total Other Charges

232

Total Drug Control Fund

1,657

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Other Salaries and Wages

\$ 3,327

Special Commissioner Fees/Special Master Fees

5,100

Total Chancery Court

\$ 8,427

Total Constitutional Officers - Fees Fund

8,427

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer

\$ 63,527

Accountants/Bookkeepers

31,630

Advertising

46

Communication

4,248

Data Processing Services

3,529

Dues and Memberships

483

Evaluation and Testing

600

Maintenance and Repair Services - Office Equipment

260

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Postal Charges	\$	260	
Printing, Stationery, and Forms		259	
Travel		1,302	
Electricity		3,712	
Office Supplies		105	
Water and Sewer		306	
Other Charges		3,092	
Total Administration			\$ 113,359

Highway and Bridge Maintenance

Supervisor/Director	\$	31,630	
Foremen		31,630	
Equipment Operators - Heavy		73,087	
Equipment Operators - Light		22,550	
Truck Drivers		194,948	
Laborers		22,464	
Asphalt - Liquid		123,021	
Crushed Stone		125,359	
Ice		359	
Pipe		20,865	
Road Signs		340	
Salt		4,200	
Other Supplies and Materials		278	
Other Charges		292	
Total Highway and Bridge Maintenance			651,023

Operation and Maintenance of Equipment

Mechanic(s)	\$	58,255	
Nightwatchmen		18,945	
Maintenance and Repair Services - Equipment		1,605	
Tow-in Services		1,237	
Diesel Fuel		71,274	
Equipment and Machinery Parts		24,095	
Garage Supplies		645	
Gasoline		8,734	
Lubricants		3,796	
Propane Gas		1,139	
Tires and Tubes		11,451	
Other Supplies and Materials		437	
Other Charges		2,581	
Total Operation and Maintenance of Equipment			204,194

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection

Laborers	\$ 21,924	
Social Security	1,680	
Maintenance and Repair Services - Vehicles	6	
Gasoline	2,892	
Instructional Supplies and Materials	5,118	
Tires and Tubes	296	
Other Supplies and Materials	989	
Total Litter and Trash Collection		\$ 32,905

Other Charges

Liability Insurance	\$ 27,950	
Trustee's Commission	14,571	
Workers' Compensation Insurance	64,725	
Total Other Charges		107,246

Employee Benefits

Social Security	\$ 33,787	
State Retirement	47,183	
Employee and Dependent Insurance	211,475	
Unemployment Compensation	12,006	
Employer Medicare	8,183	
Total Employee Benefits		312,634

Capital Outlay

Engineering Services	\$ 6,553	
Other Contracted Services	2,155	
Highway Equipment	2,000	
Total Capital Outlay		10,708

Total Highway/Public Works Fund \$ 1,432,069

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 156,201	
Total General Government		\$ 156,201

Education

Principal on Bonds	\$ 525,000	
Total Education		525,000

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 43,637	
Total General Government		\$ 43,637
<u>Education</u>		
Interest on Bonds	\$ 365,408	
Total Education		365,408
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 12,206	
Other Debt Service	350	
Total General Government		12,556
<u>Education</u>		
Other Debt Service	\$ 250	
Total Education		<u>250</u>
Total General Debt Service Fund		<u>\$ 1,103,052</u>
Total Governmental Funds - Primary Government		<u><u>\$ 7,143,225</u></u>

Exhibit J-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,801,073	
Career Ladder Program	69,244	
Career Ladder Extended Contracts	46,069	
Homebound Teachers	34,152	
Educational Assistants	118,201	
Other Salaries and Wages	29,242	
Non-certified Substitute Teachers	139,975	
Social Security	313,512	
State Retirement	327,119	
Life Insurance	440	
Medical Insurance	489,056	
Employer Medicare	73,306	
Other Contracted Services	24,493	
Instructional Supplies and Materials	176,160	
Textbooks	117,455	
Other Charges	22,783	
Regular Instruction Equipment	44,730	
Total Regular Instruction Program		\$ 6,827,010

Alternative Instruction Program

Teachers	\$ 174,222	
Career Ladder Program	2,000	
Educational Assistants	19,944	
Social Security	12,092	
State Retirement	12,817	
Life Insurance	64	
Medical Insurance	14,317	
Employer Medicare	2,828	
Travel	278	
Other Supplies and Materials	556	
Other Charges	835	
Total Alternative Instruction Program		239,953

Special Education Program

Teachers	\$ 1,272,791
Career Ladder Program	21,699
Educational Assistants	112,643
Speech Pathologist	140,465
Social Security	92,291

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	93,270	
Life Insurance		875	
Medical Insurance		156,142	
Employer Medicare		21,584	
Evaluation and Testing		1,025	
Other Contracted Services		1,221	
Instructional Supplies and Materials		38,817	
Textbooks		747	
Other Supplies and Materials		3,963	
Fee Waivers		50	
Other Charges		682	
Special Education Equipment		19,146	
Total Special Education Program			\$ 1,977,411

Vocational Education Program

Teachers	\$	460,709	
Career Ladder Program		4,000	
Educational Assistants		26,305	
Social Security		29,876	
State Retirement		31,826	
Life Insurance		64	
Medical Insurance		43,621	
Employer Medicare		6,987	
Instructional Supplies and Materials		21,224	
Other Charges		300	
Vocational Instruction Equipment		5,631	
Total Vocational Education Program			630,543

Adult Education Program

Teachers	\$	10,350	
Other Salaries and Wages		5,230	
Social Security		642	
State Retirement		973	
Employer Medicare		226	
Instructional Supplies and Materials		2,746	
Other Charges		370	
Other Capital Outlay		3,825	
Total Adult Education Program			24,362

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	49,555	
Career Ladder Program		1,000	
Other Salaries and Wages		25,808	
Social Security		4,716	
State Retirement		5,672	
Medical Insurance		4,766	
Employer Medicare		1,103	
Postal Charges		1,294	
Travel		4,166	
Other Contracted Services		518	
Other Supplies and Materials		13,915	
Attendance Equipment		7,458	
Total Attendance			\$ 119,971

Health Services

Medical Personnel	\$	43,896	
Other Salaries and Wages		59,720	
Social Security		6,767	
State Retirement		7,543	
Life Insurance		105	
Medical Insurance		4,974	
Employer Medicare		1,583	
Travel		357	
Other Contracted Services		17,076	
Drugs and Medical Supplies		4,478	
Other Charges		5,177	
Total Health Services			151,676

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		133,489	
Career Ladder Extended Contracts		4,500	
Social Workers		94,449	
Secretary(ies)		23,394	
School Resource Officer		26,764	
Other Salaries and Wages		10,268	
Social Security		16,562	
State Retirement		17,654	
Life Insurance		32	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Medical Insurance	\$	18,251	
Employer Medicare		3,873	
Evaluation and Testing		17,715	
Travel		8,584	
Other Contracted Services		1,935	
Other Supplies and Materials		19,526	
Other Charges		20,282	
Total Other Student Support			\$ 422,278

Regular Instruction Program

Supervisor/Director	\$	56,251	
Career Ladder Program		2,000	
Librarians		91,470	
Other Salaries and Wages		2,288	
Social Security		9,056	
State Retirement		9,545	
Medical Insurance		18,434	
Employer Medicare		2,118	
Travel		5,304	
Library Books/Media		4,671	
In Service/Staff Development		16,062	
Total Regular Instruction Program			217,199

Special Education Program

Supervisor/Director	\$	57,059	
Career Ladder Program		1,000	
Psychological Personnel		43,719	
Social Security		6,292	
State Retirement		6,534	
Medical Insurance		4,766	
Employer Medicare		1,471	
Communication		12,193	
Postal Charges		120	
Travel		22,262	
In Service/Staff Development		4,930	
Other Charges		1,466	
Total Special Education Program			161,812

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	66,595	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Social Security		4,375	
State Retirement		4,549	
Medical Insurance		4,766	
Employer Medicare		1,023	
Travel		187	
Total Vocational Education Program			\$ 85,495

Adult Programs

Supervisor/Director	\$	40,034	
Social Security		2,374	
State Retirement		2,570	
Medical Insurance		4,645	
Employer Medicare		555	
Communication		612	
Travel		264	
In Service/Staff Development		1,467	
Total Adult Programs			52,521

Other Programs

On-Behalf Payments to OPEB	\$	73,175	
Total Other Programs			73,175

Board of Education

Board and Committee Members Fees	\$	12,747	
Social Security		790	
State Retirement		161	
Unemployment Compensation		37,172	
Employer Medicare		185	
Dues and Memberships		9,033	
Legal Services		24,316	
Liability Insurance		29,903	
Premiums on Corporate Surety Bonds		850	
Trustee's Commission		73,426	
Workers' Compensation Insurance		64,497	
Refund to Applicant for Criminal Investigation		912	
Other Charges		3,216	
Total Board of Education			257,208

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	72,578	
Career Ladder Program		1,000	
Clerical Personnel		18,102	
Social Security		5,703	
State Retirement		6,463	
Life Insurance		32	
Medical Insurance		8,193	
Employer Medicare		1,334	
Communication		34,633	
Postal Charges		28	
Travel		3,732	
Office Supplies		788	
Total Director of Schools			\$ 152,586

Office of the Principal

Principals	\$	411,516	
Career Ladder Program		11,416	
Career Ladder Extended Contracts		6,620	
Assistant Principals		107,288	
Secretary(ies)		36,494	
Clerical Personnel		41,304	
Social Security		36,533	
State Retirement		40,455	
Life Insurance		220	
Medical Insurance		65,876	
Employer Medicare		8,544	
Total Office of the Principal			766,266

Fiscal Services

Accountants/Bookkeepers	\$	47,481	
Secretary(ies)		18,770	
Clerical Personnel		15,184	
Social Security		5,012	
State Retirement		7,598	
Life Insurance		97	
Employer Medicare		1,172	
Postal Charges		1,997	
Travel		1,287	
Other Contracted Services		11,739	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Office Supplies	\$	7,296	
Administration Equipment		4,970	
Total Fiscal Services			\$ 122,603

Operation of Plant

Custodial Personnel	\$	261,299	
Social Security		15,574	
State Retirement		16,372	
Life Insurance		478	
Employer Medicare		3,642	
Other Contracted Services		14,092	
Custodial Supplies		90,727	
Electricity		452,005	
Natural Gas		216,727	
Water and Sewer		44,389	
Boiler Insurance		165	
Building and Contents Insurance		41,210	
Other Charges		9,606	
Total Operation of Plant			1,166,286

Maintenance of Plant

Maintenance Personnel	\$	123,299	
Social Security		6,969	
State Retirement		8,522	
Life Insurance		129	
Employer Medicare		1,630	
Maintenance and Repair Services - Equipment		44,926	
Other Supplies and Materials		93,912	
Total Maintenance of Plant			279,387

Transportation

Supervisor/Director	\$	46,171	
Mechanic(s)		47,057	
Bus Drivers		250,422	
Social Security		20,477	
State Retirement		27,424	
Life Insurance		778	
Medical Insurance		10,453	
Employer Medicare		4,936	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Communication	\$	2,267	
Medical and Dental Services		1,125	
Travel		7,895	
Other Contracted Services		4,565	
Diesel Fuel		74,879	
Gasoline		22,835	
Tires and Tubes		10,968	
Vehicle Parts		72,595	
Other Supplies and Materials		11,379	
Vehicle and Equipment Insurance		10,520	
Transportation Equipment		<u>194,340</u>	
Total Transportation	\$		821,086

Central and Other

Supervisor/Director	\$	171,825	
Clerical Personnel		5,500	
Other Salaries and Wages		192,133	
Social Security		22,112	
State Retirement		21,289	
Life Insurance		51	
Medical Insurance		8,019	
Employer Medicare		5,171	
Other Fringe Benefits		3,200	
Communication		1,750	
Travel		42,192	
Other Supplies and Materials		189,835	
In Service/Staff Development		8,811	
Other Charges		<u>5,768</u>	
Total Central and Other			677,656

Operation of Non-Instructional Services

Food Service

Clerical Personnel	\$	7,819	
Cafeteria Personnel		526,083	
Other Salaries and Wages		21,330	
Social Security		33,729	
State Retirement		39,545	
Life Insurance		1,523	
Employer Medicare		8,017	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Payments to Schools - Breakfast	\$ 300,345	
Payments to Schools - Lunch	671,133	
Payments to Schools - Other	13,306	
Payments to Schools - Other USDA	5,218	
Travel	565	
In Service/Staff Development	1,116	
Other Charges	3,055	
Food Service Equipment	2,617	
Total Food Service		\$ 1,635,401

Community Services

Supervisor/Director	\$ 20,255	
Social Security	1,256	
State Retirement	1,904	
Life Insurance	32	
Employer Medicare	294	
Other Charges	9,644	
Total Community Services		33,385

Early Childhood Education

Teachers	\$ 144,297	
Clerical Personnel	4,416	
Educational Assistants	36,488	
Other Salaries and Wages	56,019	
Non-certified Substitute Teachers	3,799	
Social Security	14,945	
State Retirement	18,025	
Life Insurance	118	
Medical Insurance	4,974	
Employer Medicare	3,529	
Communication	2,564	
Travel	17,172	
Food Supplies	5,290	
Instructional Supplies and Materials	93,359	
Other Supplies and Materials	6,248	
In Service/Staff Development	1,062	
Other Charges	7,124	
Other Equipment	75,098	
Total Early Childhood Education		494,527

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Construction	\$ 346,484	
Building Improvements	22,182	
Other Capital Outlay	<u>109,337</u>	
Total Regular Capital Outlay		\$ 478,003

Principal on Debt

Education

Principal on Notes	\$ 88,658	
Total Education		88,658

Interest on Debt

Education

Interest on Notes	\$ 13,515	
Total Education		13,515

Other Debt Service

Education

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

Total General Purpose School Fund \$ 18,469,973

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 415,047	
Educational Assistants	93,603	
Other Salaries and Wages	12,122	
Non-certified Substitute Teachers	4,939	
Social Security	33,768	
State Retirement	35,196	
Life Insurance	294	
Medical Insurance	64,120	
Employer Medicare	7,167	
Instructional Supplies and Materials	36,851	
Other Supplies and Materials	22,846	
Regular Instruction Equipment	<u>58,350</u>	
Total Regular Instruction Program		\$ 784,303

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Educational Assistants	\$	222,062	
Other Salaries and Wages		246,875	
Social Security		29,759	
State Retirement		33,835	
Medical Insurance		12,301	
Employer Medicare		6,960	
Other Contracted Services		63,586	
Instructional Supplies and Materials		3,816	
Other Supplies and Materials		16,443	
Special Education Equipment		2,063	
Total Special Education Program			\$ 637,700

Vocational Education Program

Other Salaries and Wages	\$	5,600	
Social Security		347	
State Retirement		368	
Employer Medicare		81	
Instructional Supplies and Materials		8,567	
Other Supplies and Materials		2,693	
Other Charges		1,225	
Vocational Instruction Equipment		32,504	
Total Vocational Education Program			51,385

Support Services

Other Student Support

Other Salaries and Wages	\$	11,782	
Social Security		703	
State Retirement		768	
Employer Medicare		164	
Evaluation and Testing		12,105	
Travel		3,659	
Other Supplies and Materials		12,039	
In Service/Staff Development		23,281	
Other Charges		943	
Total Other Student Support			65,444

Regular Instruction Program

Supervisor/Director	\$	55,327	
Secretary(ies)		25,841	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Salaries and Wages	\$	6,149	
Social Security		5,378	
State Retirement		6,382	
Medical Insurance		4,974	
Employer Medicare		1,258	
Communication		1,638	
Operating Lease Payments		4,225	
Postal Charges		178	
Travel		224	
Periodicals		945	
Other Supplies and Materials		9,998	
In Service/Staff Development		42,514	
Other Equipment		7,518	
Total Regular Instruction Program			\$ 172,549

Special Education Program

Other Salaries and Wages	\$	24,856	
Social Security		1,497	
State Retirement		2,283	
Employer Medicare		350	
Travel		5,131	
Other Supplies and Materials		439	
In Service/Staff Development		6,608	
Other Equipment		5,964	
Total Special Education Program			47,128

Vocational Education Program

Travel	\$	1,759	
Other Equipment		345	
Total Vocational Education Program			2,104

Transportation

Other Salaries and Wages	\$	9,282	
Social Security		539	
State Retirement		559	
Employer Medicare		126	
Total Transportation			10,506

Total School Federal Projects Fund \$ 1,771,119

Total Governmental Funds - Grundy County School Department \$ 20,241,092

Exhibit J-9

Grundy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2009

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 490,054
Total Cash Receipts	<u>\$ 490,054</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 485,153
Trustee's Commission	4,901
Total Cash Disbursements	<u>\$ 490,054</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2008	<u>0</u>
Cash Balance, June 30, 2009	<u><u>\$ 0</u></u>

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**SINGLE AUDIT SECTION**

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

REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

September 23, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the 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, 2009, and have issued our reports thereon dated September 23, 2009. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Grundy County Emergency Communications District, which were not available from other auditors as of the date of this report. Additionally, our report on the governmental activities, each major fund, and the aggregate remaining fund information was qualified due to the county-owned sewer system being accounted for in the General Fund instead of being accounted for in an enterprise fund. 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 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grundy County'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: 09.02, 09.03, 09.04, 09.05, 09.06(A,D), and 09.08.

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 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 item 09.05 to be a material weakness.

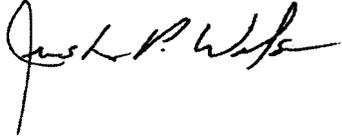
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 09.01 and 09.06(B,C).

We consider item 09.07 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 in separate communications.

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, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large initial "J" and "W".

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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

September 23, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Grundy County 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 its major federal programs for the year ended June 30, 2009. Grundy County'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 its major federal programs is the responsibility of Grundy County's management. Our responsibility is to express an opinion on Grundy County'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 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 of Grundy County's compliance with those requirements.

In our opinion, Grundy County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of Grundy County 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 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 internal control over compliance.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to material weaknesses, as defined above.

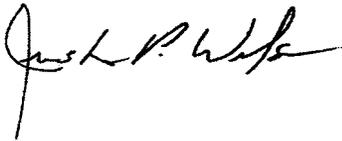
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Grundy County, Tennessee, as of and for the year ended June 30, 2009, and have issued our reports thereon dated Septemeber 23, 2009. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Grundy County Emergency Communications District, which were not available from other auditors as of the date of this report.

Additionally, our report on the governmental activities, each major fund, and the aggregate remaining fund information was qualified due to the county-owned sewer system being accounted for in the General Fund instead of being accounted for in an enterprise fund. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Grundy County'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.

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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end of the name.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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Grundy County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2009

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditure
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 95,580 (7)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	298,378
National School Lunch Program	10.555	N/A	691,516 (7)
Total U.S. Department of Agriculture			<u>\$ 1,085,474</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-06-21	\$ 371,278
Total U.S. Department of Housing and Urban Development			<u>\$ 371,278</u>
U.S. Department of Justice:			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,100
Passed-through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-DD-BX-0663	116
Total U.S. Department of Justice			<u>\$ 4,216</u>
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	09-06-061-306-YOUTH	\$ 32,117
Passed-through State Department of Education:			
WIA Youth Activities	17.259	N/A	12,500
Total U.S. Department of Labor			<u>\$ 44,617</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(3)	\$ 23,022
Total U.S. Department of Transportation			<u>\$ 23,022</u>
Appalachian Regional Commission:			
Passed-through State Department of Economic and Community Development:			
Appalachian Regional Development	23.001	GG-08-21926-00	\$ 1,000
Appalachian Area Development	23.002	TN-15765-302-07	164,800
Passed-through East Tennessee State University:			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	N/A	2,500
Total Appalachian Regional Commission			<u>\$ 168,300</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 758,362
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	688,653
Special Education - Preschool Grants	84.173	N/A	31,681
Career and Technical Education - Basic Grants to States	84.048	N/A	64,599
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	9,319
State Grants for Innovative Programs	84.298	N/A	2,190
Education Technology State Grants	84.318	(2)	15,669
Reading First State Grants	84.357	(2)	289,307
Rural Education	84.358	N/A	52,667
Improving Teacher Quality State Grants	84.367	N/A	158,402
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(4)	65,552
Passed-through Sequatchie County Board of Education:			
Twenty-first Century Community Learning Centers	84.287	(2)	156,337
Passed-through State Higher Education Commission:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GG-08-218190-00	120,000
Total U.S. Department of Education			<u>\$ 2,412,738</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	(5)	\$ 18,459
Total Corporation for National and Community Service			<u>\$ 18,459</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 2,102
Homeland Security Grant Program	97.067	GG-07-24851-00	19,454
Total U.S. Department of Homeland Security			<u>\$ 21,556</u>
Total Expenditures of Federal Awards			<u>\$ 4,149,660</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Family Resource Center - State Department of Education	N/A	(2)	\$ 33,300
Safe Schools Act - State Department of Education	N/A	(2)	16,100
Early Intervention - State Department of Finance and Administration	N/A	Z-05-022053-00	80,532
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	407,253
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	12,500
Coordinated School Health - State Department of Education	N/A	(2)	105,000
Lottery for Education After School Program - State Department of Education	N/A	(2)	82,500
Adult Education - State Department of Labor and Workforce Development	N/A	Z-09-216862-00	2,505
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	6,279
Litter Program - State Department of Transportation	N/A	Z-09-212749-00	34,237
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-020221-00	3,500
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-09-22855-00	9,000
Diabetes Implementation Grant - State Department of Health	N/A	(6)	69,062
Three Star Education Grant - State Department of Economic and Community Development	N/A	DG-09-26043-00	1,500
Tobacco Use Prevention and Cessation Grant - State Department of Health	N/A	(2)	65,000
Local Health Services - State Department of Health	N/A	Z-09-213728-00	34,130
Total State Grants			<u>\$ 962,398</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z-08-024044-00: \$11,641; Z-09-214608-00: \$11,381.
- (4) Z-08-020782-00: \$4,028; Z-09-213465-00: \$61,524.
- (5) Z-07-037216-00: \$12,072; information not available: \$6,386.
- (6) GG-08-22981-00: \$23,794; GG-09-26099-00: \$45,268.
- (7) Total for CFDA No. 10.555 is \$787,096.

Grundy County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2009

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, for the year ended June 30, 2008, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.03	194	Transactions related to the operations of the county-owned sewer system were not accounted for through an enterprise fund
08.05	195	The office did not implement adequate controls to protect its information resources

**OFFICE OF HIGHWAY SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.07	196	The office did not maintain adequate controls over fuel
08.05	195	The office did not implement adequate controls to protect its information resources

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.01	192	The Grundy County School Department does not have the resources to produce financial statements and the notes to the financial statements
08.16(A,B,C)	204	Deficiencies were noted in the administration of the Little Jackets Daycare

**OTHER FINDINGS**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
08.21	207	A central system of accounting, budgeting, and purchasing had not been adopted
08.22	207	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

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**GRUNDY COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2009**

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

1. Our report on the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is qualified.
2. The audit of the financial statements of Grundy County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Grundy County.
4. Our audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.533 and 10.555), Home Investment Partnerships Program (CFDA No. 14.239), 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 did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

### **OFFICE OF COUNTY MAYOR**

**FINDING 09.01      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 is the result of management's failure to correct the finding noted in prior-year audit reports since 2004. 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.

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**FINDING 09.02      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. 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. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The office should ensure that adequate controls over information systems and resources are implemented.

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OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 09.03      **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 is the result of management's failure to correct the finding noted in the prior-year audit report. 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.

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FINDING 09.04      **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. 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. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The office should ensure that adequate controls over information systems and resources are implemented.

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## OFFICE OF DIRECTOR OF SCHOOLS

**FINDING 09.05      THE GRUNDY COUNTY SCHOOL DEPARTMENT DOES 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 the Grundy County School Department's financial statements be the product of a financial reporting system that offers 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 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 the School Department in preparing its financial statements and notes as a matter of convenience as long as the School Department has 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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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

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 School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

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**FINDING 09.06      DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE LITTLE JACKETS DAYCARE (A. and D. – 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 revealed the following deficiencies. These deficiencies can be attributed to the failure of management to adequately monitor and

review the daycare operations, and the failure to correct findings noted in the prior-year audit report.

- 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. 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.
- B. The daycare used generic receipts that did not display the official name of the daycare. Also, receipts were not issued for some collections, and some receipts were not issued at the time collections were received. Section 9-2-103, Tennessee Code Annotated (TCA), requires that official prenumbered receipts be issued for all collections. The use of generic receipts, the failure to issue receipts for all collections, and the practice of issuing receipts subsequent to the actual collection increases risks that collections may not be accounted for properly.
- C. In some instances, collections were not deposited to the bank account within three days of collection. Section 5-8-207, TCA, requires county officials to deposit public funds within three days of receiving the funds.
- D. Bank statements were not reconciled with receipts. Sound business practices dictate that bank statements be reconciled with receipts currently. This deficiency could result in errors not being detected in a timely manner.

### RECOMMENDATION

Officials should segregate duties to the extent possible using available resources, and supervisory personnel should closely monitor and review daycare employees. The daycare should issue official prenumbered receipts that clearly reflect the name of the daycare. These receipts should be issued for all collections at the time funds are collected. All funds should be deposited within three days of collection. Bank statements should be reconciled with receipts monthly.

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### OTHER FINDINGS AND RECOMMENDATIONS

FINDING 09.07      **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 practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a

management decision by the County Commission resulting in decentralization and some duplication of effort.

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.

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FINDING 09.08

**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**

There were no findings and questioned costs for federal programs.

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**GRUNDY COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2009**

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

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

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

The Grundy County School Department requires purchase orders for all applicable purchases. All invoices are signed to indicate that all goods have been received and services provided. All invoices that have been paid are marked as being paid. The chairman of the board's signature is now on our check-signing machine. All signature stamps have been destroyed.