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# ANNUAL FINANCIAL REPORT GRUNDY COUNTY, TENNESSEE



**FOR THE YEAR ENDED JUNE 30, 2010**



**ANNUAL FINANCIAL REPORT**  
**GRUNDY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*DEPARTMENT OF AUDIT*  
*JUSTIN P. WILSON*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*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, 2010

***Scope***

We have audited the basic financial statements of Grundy County as of and for the year ended June 30, 2010.

***Results***

Our report on the aggregate discretely presented component units is unqualified. 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 13 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 and Best Practice***

The following are summaries of the audit findings and best practice:

**OFFICE OF COUNTY MAYOR**

- ◆ The office did not account for transactions of the county-owned sewer system in an enterprise fund.

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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.

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**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.
- ◆ The School Federal Projects Fund had a cash overdraft of \$144,680 at June 30, 2010.
- ◆ The office had weaknesses in posting financial transactions.
- ◆ Deficiencies were noted in the administration of the Little Jackets Daycare.

## **OFFICE OF COUNTY CLERK**

- ◆ The office had numerous accounting deficiencies related to drivers license transactions.
- 

## **OFFICE OF CLERK AND MASTER**

- ◆ The office had deficiencies in computer system backup procedures.
- 

## **OFFICE OF SHERIFF**

- ◆ Several arrestee files did not include a hard copy of fingerprints.
  - ◆ Deficiencies were noted in records and procedures of the office.
- 

## **OTHER FINDINGS**

- ◆ Grundy County has material recurring audit findings.
  - ◆ Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Director of Schools, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- 

## **BEST PRACTICE**

Grundy County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Grundy County.

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# INTRODUCTORY SECTION

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# Grundy County Officials

## June 30, 2010

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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**

October 20, 2010

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, 2010, 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 did not audit the financial statements of the Grundy County Emergency Communications District, which represent 3.7 percent and 1.4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grundy County Emergency Communications District, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Grundy County, Tennessee, as of June 30, 2010, 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.

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, 2010, 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 October 20, 2010, on our consideration of Grundy County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Grundy County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

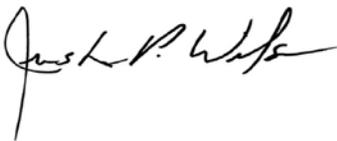
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 59 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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

JPW/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Grundy County, Tennessee  
Statement of Net Assets  
June 30, 2010

	Primary Governmental Activities	Component Units	
		Grundy County School Department	Grundy County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 100	\$ 0	\$ 489,570
Equity in Pooled Cash and Investments	8,730,169	1,848,276	0
Accounts Receivable	123	1,420	10,692
Due from Other Governments	385,112	649,304	0
Property Taxes Receivable	3,170,812	1,609,129	0
Allowance for Uncollectible Property Taxes	(110,542)	(56,099)	0
Leases Receivable - Current	120,481	0	0
Leases Receivable - Long-term	803,920	0	0
Prepaid Items	0	0	2,970
Accrued Interest Receivable	0	0	889
Capital Assets:			
Assets Not Depreciated:			
Land	265,273	249,084	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,565,720	10,682,807	0
Other Capital Assets	554,853	762,904	40,397
Intangible Assets	0	0	67,510
Infrastructure	3,746,550	0	0
Total Assets	<u>\$ 21,232,571</u>	<u>\$ 15,746,825</u>	<u>\$ 612,028</u>
<u>LIABILITIES</u>			
Cash Overdraft	\$ 0	\$ 144,680	\$ 0
Accrued Interest Payable	58,365	8,195	0
Deferred Revenue - Current Property Taxes	2,858,768	1,450,772	0
Noncurrent Liabilities:			
Due Within One Year	819,788	615,011	0
Due in More Than One Year	8,417,116	2,319,324	0
Total Liabilities	<u>\$ 12,154,037</u>	<u>\$ 4,537,982</u>	<u>\$ 0</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 7,080,721	\$ 11,346,665	\$ 0
Invested in Capital Assets	0	0	107,907
Restricted for:			
General Purposes	699,775	154,511	0
Courthouse and Jail Maintenance	66,088	0	0
Solid Waste/Sanitation	1,254,310	0	0
Industrial/Economic Development	1,450,581	0	0
Drug Control	48,212	0	0
Highway/Public Works	1,417,840	0	0
Debt Service	3,676,292	0	0
School Federal Projects	0	71,740	0
Unrestricted	<u>(6,615,285)</u>	<u>(364,073)</u>	<u>504,121</u>
Total Net Assets	<u>\$ 9,078,534</u>	<u>\$ 11,208,843</u>	<u>\$ 612,028</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, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Grundy County School Department	Grundy County Emergency Communications District			
Primary Government:										
Governmental Activities:										
General Government	\$ 608,909	\$ 80,881	\$ 16,380	\$ 0	\$ (511,648)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	440,069	260,989	5,262	0	(173,818)	0	0	0	0	0
Administration of Justice	492,140	264,739	9,000	5,330	(213,071)	0	0	0	0	0
Public Safety	1,414,149	117,123	66,176	79,309	(1,151,541)	0	0	0	0	0
Public Health and Welfare	898,790	125,243	0	0	(773,547)	0	0	0	0	0
Social, Cultural, and Recreational Services	43,394	0	2,000	0	(41,394)	0	0	0	0	0
Agriculture and Natural Resources	94,359	0	0	0	(94,359)	0	0	0	0	0
Other Operations	381,565	16,201	209,994	0	(155,370)	0	0	0	0	0
Highways/Public Works	1,861,826	84,758	1,521,094	0	(255,974)	0	0	0	0	0
Interest on Long-term Debt	384,568	0	0	0	(384,568)	0	0	0	0	0
Other Debt Service	11,488	0	0	0	(11,488)	0	0	0	0	0
<b>Total Primary Government</b>	<b>\$ 6,631,257</b>	<b>\$ 949,934</b>	<b>\$ 1,829,906</b>	<b>\$ 84,639</b>	<b>\$ (3,766,778)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:										
Grundy County School Department	\$ 20,512,392	\$ 645,800	\$ 3,901,638	\$ 4,906	\$ 0	\$ (15,960,048)	\$ 0	\$ 0	\$ 0	\$ 0
Grundy County Emergency Communications District	288,455	270,612	0	0	0	0	0	0	0	(17,843)
<b>Total Component Units</b>	<b>\$ 20,800,847</b>	<b>\$ 916,412</b>	<b>\$ 3,901,638</b>	<b>\$ 4,906</b>	<b>\$ 0</b>	<b>\$ (15,960,048)</b>	<b>\$ (17,843)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (17,843)</b>

(Continued)

Exhibit B

Grundy County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Changes for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total	Grundy County School Department	Component Units	
							Grundy County Emergency Communications District	
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property Taxes Levied for General Purposes		\$ 2,660,894	\$ 1,490,170	\$		\$		0
Property Taxes Levied for Debt Service		274,452				0		0
Local Option Sales Taxes		414,717				432,294		0
Litigation Tax - General		31,044				0		0
Litigation Tax - Special Purpose		56,778				0		0
Litigation Tax - Jail, Workhouse, or Courthouse		18,681				0		0
Business Tax		11,906				11,906		0
Wholesale Beer Tax		60,492				0		0
Other Local Taxes		710				1,181		0
Grants and Contributions Not Restricted to Specific Programs		597,838				14,041,523		10,000
Unrestricted Investment Earnings		126,082				0		6,131
Miscellaneous		41,124				15,983		0
<b>Total General Revenues</b>		<b>\$ 4,294,718</b>				<b>\$ 15,993,057</b>		<b>\$ 16,131</b>
Change in Net Assets		\$ 527,940				\$ 33,009		\$ (1,712)
Net Assets, July 1, 2009		8,550,594				10,666,561		613,740
Prior-period Adjustment		0				509,273		0
<b>Net Assets, June 30, 2010</b>		<b>\$ 9,078,534</b>				<b>\$ 11,208,843</b>		<b>\$ 612,028</b>

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, 2010

	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	
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	\$ 100
Equity in Pooled Cash and Investments	1,203,389	1,653,491	526,180	1,156,446	3,644,311	546,352	8,730,169	8,730,169
Accounts Receivable	0	0	0	0	0	123	123	123
Due from Other Governments	32,343	0	0	281,269	71,500	0	385,112	385,112
Due from Other Funds	432,275	0	0	0	0	0	432,275	432,275
Property Taxes Receivable	2,258,348	615,913	0	0	296,551	0	3,170,812	3,170,812
Allowance for Uncollectible Property Taxes	(78,732)	(21,472)	0	0	(10,338)	0	(110,542)	(110,542)
Leases Receivable - Current	0	0	120,481	0	0	0	120,481	120,481
Leases Receivable - Long-term	0	0	803,920	0	0	0	803,920	803,920
<b>Total Assets</b>	<b>\$ 3,847,623</b>	<b>\$ 2,247,932</b>	<b>\$ 1,450,581</b>	<b>\$ 1,437,715</b>	<b>\$ 4,002,024</b>	<b>\$ 546,575</b>	<b>\$ 13,532,450</b>	<b>\$ 13,532,450</b>

ASSETS

		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	
Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 432,275	\$ 432,275	
Due to Other Funds	2,036,101	555,300	0	0	267,367	0	2,858,768	2,858,768	
Deferred Revenue - Current Property Taxes	131,515	35,841	0	0	17,246	0	184,602	184,602	
Deferred Revenue - Delinquent Property Taxes	0	0	924,401	140,000	35,000	0	1,099,401	1,099,401	
Other Deferred Revenues	2,167,616	591,141	924,401	140,000	319,613	432,275	4,575,046	4,575,046	
<b>Total Liabilities</b>	<b>\$ 3,103,232</b>	<b>\$ 1,182,242</b>	<b>\$ 924,401</b>	<b>\$ 140,000</b>	<b>\$ 319,613</b>	<b>\$ 432,275</b>	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>	

LIABILITIES AND FUND BALANCES

		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	
Fund Balances	\$ 31,083	0	0	0	0	0	0	31,083	
Reserved for Alcohol and Drug Treatment	1,948	0	0	0	0	0	0	1,948	
Reserved for Sexual Offender Registration	206,505	0	0	0	0	0	0	206,505	
Reserved for Courthouse and Jail Maintenance	2,256	0	0	0	0	0	0	2,256	
Reserved for Computer System - Register	25,931	0	0	0	0	0	0	25,931	
Reserved for Capital Outlay	432,052	0	0	0	0	0	0	432,052	
Reserved for Other General Purposes	980,232	0	0	0	0	0	0	980,232	
Unreserved, Reported In:	0	1,656,791	526,180	1,297,715	0	114,300	3,594,986	3,594,986	
General Fund	0	0	0	0	3,682,411	0	3,682,411	3,682,411	
Special Revenue Funds	1,680,007	1,656,791	526,180	1,297,715	3,682,411	114,300	8,957,404	8,957,404	
Debt Service Funds	0	0	0	0	0	0	0	0	
<b>Total Fund Balances</b>	<b>\$ 3,847,623</b>	<b>\$ 2,247,932</b>	<b>\$ 1,450,581</b>	<b>\$ 1,437,715</b>	<b>\$ 4,002,024</b>	<b>\$ 546,575</b>	<b>\$ 13,532,450</b>	<b>\$ 13,532,450</b>	

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

Exhibit C-2

Grundy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2010

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)		\$	8,957,404
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	265,273	
Add: buildings and improvements net of accumulated depreciation		3,565,720	
Add: infrastructure net of accumulated depreciation		3,746,550	
Add: other capital assets net of accumulated depreciation		<u>554,853</u>	8,132,396
(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	\$	(8,463,260)	
Less: other loans payable		(323,415)	
Less: compensated absences payable		(19,875)	
Less: other postemployment benefits liability		(27,873)	
Less: landfill closure/postclosure care costs		(402,481)	
Less: accrued interest on bonds and other loans		<u>(58,365)</u>	(9,295,269)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,284,003</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>9,078,534</u></u>

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

Exhibit C-3

Grundy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<b>Revenues</b>								
Local Taxes	\$ 2,234,239	\$ 565,230	\$ 0	\$ 0	\$ 689,830	\$ 56,943	\$ 3,546,242	
Licenses and Permits	22,434	0	0	0	0	0	22,434	
Fines, Forfeitures, and Penalties	52,380	0	0	0	0	9,851	62,231	
Charges for Current Services	64,448	0	0	55,766	0	2,598	122,812	
Other Local Revenues	46,976	6,657	40,373	37,069	126,082	0	257,157	
Fees Received from County Officials	508,727	0	0	0	0	0	508,727	
State of Tennessee	266,418	0	0	1,511,094	0	0	1,777,512	
Federal Government	320,976	0	0	0	0	0	320,976	
Other Governments and Citizens Groups	2,000	0	0	0	500,000	0	502,000	
<b>Total Revenues</b>	<b>\$ 3,518,598</b>	<b>\$ 571,887</b>	<b>\$ 40,373</b>	<b>\$ 1,603,929</b>	<b>\$ 1,315,912</b>	<b>\$ 69,392</b>	<b>\$ 7,120,091</b>	
<b>Expenditures</b>								
Current:								
General Government	\$ 459,546	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,892	\$ 489,438	
Finance	347,204	0	0	0	0	0	347,204	
Administration of Justice	413,235	0	0	0	0	2,598	415,833	
Public Safety	1,259,369	0	0	0	0	495	1,259,864	
Public Health and Welfare	271,101	496,511	0	0	0	0	767,612	
Social, Cultural, and Recreational Services	39,465	0	0	0	0	0	39,465	
Agriculture and Natural Resources	88,397	0	0	0	0	0	88,397	
Other Operations	720,472	11,291	64,116	0	0	156,160	952,039	
Highways	0	0	0	1,532,568	0	0	1,532,568	
Debt Service:								
Principal on Debt	16,728	0	35,176	0	706,495	0	758,399	
Interest on Debt	1,320	0	7,402	0	380,814	0	389,536	
Other Debt Service	0	0	0	0	11,488	0	11,488	
Capital Projects	0	0	14,243	0	0	0	14,243	
<b>Total Expenditures</b>	<b>\$ 3,616,837</b>	<b>\$ 507,802</b>	<b>\$ 120,937</b>	<b>\$ 1,532,568</b>	<b>\$ 1,098,797</b>	<b>\$ 189,145</b>	<b>\$ 7,066,086</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (98,239)</b>	<b>\$ 64,085</b>	<b>\$ (80,564)</b>	<b>\$ 71,361</b>	<b>\$ 217,115</b>	<b>\$ (119,753)</b>	<b>\$ 54,005</b>	

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,592	\$ 155,592
Insurance Recovery	14,390	0	0	3,542	0	0	0	17,932
Transfers In	432,052	0	0	0	0	0	0	432,052
Transfers Out	0	0	0	0	0	0	(432,052)	(432,052)
Total Other Financing Sources (Uses)	\$ 446,442	\$ 0	\$ 0	\$ 3,542	\$ 0	\$ 0	\$ (276,460)	\$ 173,524
Net Change in Fund Balances	\$ 348,203	\$ 64,085	\$ (80,564)	\$ 74,903	\$ 217,115	\$ (396,213)	\$	\$ 227,529
Fund Balance, July 1, 2009	1,331,804	1,592,706	606,744	1,222,812	3,465,296	510,513		8,729,875
Fund Balance, June 30, 2010	\$ 1,680,007	\$ 1,656,791	\$ 526,180	\$ 1,297,715	\$ 3,682,411	\$ 114,300	\$	\$ 8,957,404

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

Exhibit C-4

Grundy 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, 2010

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)		\$ 227,529
<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	\$ 107,430	
Less: current year depreciation expense	<u>(566,993)</u>	(459,563)
<p>(2) 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, 2010	\$ 1,284,003	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(1,262,829)</u>	21,174
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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	\$ 706,495	
Add: principal payments on other loans	<u>51,904</u>	758,399
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 4,968	
Change in compensated absences payable	(2,991)	
Change in other postemployment benefits liability	(27,873)	
Change in landfill closure/postclosure care costs	<u>6,297</u>	(19,599)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 527,940</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,257,426
Due from Other Governments	<u>79,877</u>
Total Assets	<u>\$ 1,337,303</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 79,877
Due to Litigants, Heirs, and Others	<u>1,257,426</u>
Total Liabilities	<u>\$ 1,337,303</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, 2010**

**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 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. 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 have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The 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. Net debt issues totaling \$155,592 were contributed by the county to the School Department during the year ended June 30, 2010.

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 have any proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. 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 Funds** – These funds are used to account for the receipt of debt and other specific revenue sources that are legally restricted to expenditures for construction and/or renovation and accounts for debt issued by Grundy County that is subsequently contributed to the discretely presented Grundy County School Department.

**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 funds:

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

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

Additionally, the School Department reports the following fund type:

**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 1.9 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	40

**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 personal and sick days beyond the year-end, except for the unlimited accumulation of unused sick days for all professional personnel (teachers). Professional personnel earn two days of personal leave a year and any unused personal leave is converted to sick leave. The professional personnel may request and receive compensation for unused sick leave when they retire or leave employment. A liability for sick leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

## **5. Long-term Obligations**

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including

compensated absences and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

**6. 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, 2010, Grundy County had \$7,735,000 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. For the General Fund, the account balance in Reserved for Other General Purposes (\$432,052) consists of funds from the General Capital Projects Fund that was closed on June 30, 2010.

**7. Prior-period Adjustment**

Net assets of the discretely presented Grundy County School Department were restated \$509,273 from the prior-year because the liability for other postemployment benefits as of July 1, 2009, was overstated.

**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 capital projects funds, which adopt 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 County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, 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 in an Enterprise Fund**

The county did not account for transactions of the county-owned sewer system in an enterprise fund. Instead, these transactions were accounted for in 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 in 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. Cash Overdraft**

The discretely presented School Federal Projects Fund had a cash overdraft of \$144,680 at June 30, 2010. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2010.

**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 Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2010, Grundy County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Grundy County and the discretely presented Grundy County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 5,371,952

**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, 2010, 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 \$924,401 on June 30, 2010, 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 balance due on the lease-purchases.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2010, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 255,273	\$ 10,000	\$ 265,273
Total Capital Assets Not Depreciated	<u>\$ 255,273</u>	<u>\$ 10,000</u>	<u>\$ 265,273</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 5,293,333	\$ 14,694	\$ 5,308,027
Infrastructure	8,328,854	0	8,328,854
Other Capital Assets	2,199,687	82,736	2,282,423
Total Capital Assets Depreciated	<u>\$ 15,821,874</u>	<u>\$ 97,430</u>	<u>\$ 15,919,304</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,617,514	\$ 124,793	\$ 1,742,307
Infrastructure	4,311,530	270,774	4,582,304
Other Capital Assets	1,556,144	171,426	1,727,570
Total Accumulated Depreciation	<u>\$ 7,485,188</u>	<u>\$ 566,993</u>	<u>\$ 8,052,181</u>
Total Capital Assets Depreciated, Net	<u>\$ 8,336,686</u>	<u>\$ (469,563)</u>	<u>\$ 7,867,123</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,591,959</u>	<u>\$ (459,563)</u>	<u>\$ 8,132,396</u>

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

**Governmental Activities:**

General Government	\$	46,270
Public Safety		70,210
Public Health and Welfare		107,106
Other Operations		2,849
Highways/Public Works		<u>340,558</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>566,993</u></u>

**Discretely Presented Grundy County School Department**

**Governmental Activities:**

	Balance 7-1-09	Increases	Balance 6-30-10
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	\$ 19,111,482	\$ 0	\$ 19,111,482
Other Capital Assets	2,109,592	251,650	2,361,242
Total Capital Assets Depreciated	<u>\$ 21,221,074</u>	<u>\$ 251,650</u>	<u>\$ 21,472,724</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 7,966,363	\$ 462,312	\$ 8,428,675
Other Capital Assets	1,475,976	122,362	1,598,338
Total Accumulated Depreciation	<u>\$ 9,442,339</u>	<u>\$ 584,674</u>	<u>\$ 10,027,013</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,778,735</u>	<u>\$ (333,024)</u>	<u>\$ 11,445,711</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,027,819</u>	<u>\$ (333,024)</u>	<u>\$ 11,694,795</u>

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

**Governmental Activities:**

Instruction	\$ 401,269
Support Services	163,994
Operation of Non-Instructional Services	<u>19,411</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 584,674</u>

**D. Insurance Recoveries**

**Primary Government**

During the year, Grundy County had damage to a boiler at the courthouse. Insurance recovery of \$14,390 was used to repair the damage. Also, during the year, the Grundy County Highway Department had storm damage to a roof. Insurance recovery of \$3,542 was used to repair the damage.

**Discretely Presented Grundy County School Department**

During the year, the Grundy County School Department had a theft of two laptop computers and some small tools. In addition, one school had damage to lights at a ball field. Insurance recoveries of \$9,005 were used to replace the items stolen and repair the damage to the lights.

**E. Interfund Receivables, Payable, and Transfers**

The composition of interfund balances as of June 30, 2010, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 432,275

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2010, consisted of the following amount:

**Primary Government**

Transfer Out	Transfer In General Fund
Nonmajor governmental fund	\$ 432,275

**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, 2010, will be retired from the General Debt Service Fund. Other loans included in long-term debt as of June 30, 2010, will be retired from the General and the Industrial/Economic Development funds.

General obligation bonds and other loans outstanding as of June 30, 2010, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	3.4 to 4.75%	\$ 2,311,000	\$ 728,260
General Obligation Bond - School Refunding	4.15	9,405,000	7,735,000
Other Loans	1.26 to 3	746,719	323,415

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. The balance of this loan (\$227,590), along with interest of \$20,778, will be repaid over the next six years.

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

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2010, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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	\$ 323,415	\$ 24,225	\$ 347,640

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2016-2020	3,790,000	661,926	4,451,926
2021	855,000	35,483	890,483
Total	\$ 8,463,260	\$ 2,135,478	\$ 10,598,738

There is \$3,682,411 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$591, based on the 2000 federal census. Debt per capita, including bonds and other loans totaled \$613, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Bonds	Other Loans
Balance July 1, 2009	\$ 9,169,755	\$ 375,319
Deductions	(706,495)	(51,904)
Balance June 30, 2010	<u>\$ 8,463,260</u>	<u>\$ 323,415</u>
Balance Due Within One Year	<u>\$ 736,804</u>	<u>\$ 53,189</u>

	Other Postemployment Benefits	Landfill Postclosure Care Costs	Compensated Absences
Balance July 1, 2009	\$ 0	\$ 408,778	\$ 16,884
Additions	32,000	0	15,734
Deductions	(4,127)	(6,297)	(12,743)
Balance June 30, 2010	<u>\$ 27,873</u>	<u>\$ 402,481</u>	<u>\$ 19,875</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 9,920</u>	<u>\$ 19,875</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 9,236,904
Less: Due Within One Year	<u>(819,788)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 8,417,116</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 five 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, 2010, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2010, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Capital Outlay Notes	3.49 to 5.99 %	\$ 466,116	\$ 348,130

The annual requirements to amortize all notes outstanding as of June 30, 2010, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 59,697	\$ 9,612	\$ 69,309
2012	92,702	11,879	104,581
2013	96,763	7,816	104,579
2014	65,788	3,522	69,310
2015	33,180	1,158	34,338
Total	\$ 348,130	\$ 33,987	\$ 382,117

Debt per capita totaled \$24, 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, 2010, was as follows:

Governmental Activities:

	Notes	Other Postemployment Benefits	Compensated Absences
Balance July 1, 2009	\$ 281,831	\$ 656,648	\$ 2,368,677
Prior-period Adjustment	0	(509,273)	0
Additions	155,592	148,350	731,022
Deductions	(89,293)	(98,713)	(710,506)
Balance June 30, 2010	\$ 348,130	\$ 197,012	\$ 2,389,193
Balance Due Within One Year	\$ 59,697	\$ 0	\$ 555,314

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 2,934,335
Less: Due Within One Year	<u>(615,011)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,319,324</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, 2010, were \$61,654 and \$16,256, 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 the commercial insurance 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**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Grundy County and the Grundy County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably

expected that Grundy County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Grundy County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Grundy County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Grundy County may enter into derivative transactions in subsequent years.

**C. Subsequent Events**

On June 30, 2010, Joel Hargis, left the Office of Director of Schools and was succeeded by Clay Newsome.

Effective July 1, 2010, the individual school cafeterias became centralized under the School Department.

On August 31, 2010, LaDue Bouldin left the Office of County Mayor and was succeeded by Lonnie D. Cleek, and Jimmy Rogers left the Office of County Clerk and was succeeded by Tammy A. Sholey.

**D. 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.

### **E. 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. Although the Grundy County landfill closed in 2001, the county 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 \$402,481 reported as landfill postclosure care cost liability at June 30, 2010, 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 21 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

### **F. 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 Grundy, 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, 2010, 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

**G. Retirement Commitments**

**Plan Description**

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

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

**Funding Policy**

Grundy County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 9.4 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2010, Grundy County’s annual pension cost of \$323,879 to TCRS was equal to the 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. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$323,879	100%	\$0
6-30-09	321,294	100	0
6-30-08	336,884	100	0

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 88.82 percent funded. The actuarial accrued liability for benefits was \$12.71 million, and the actuarial value of assets was \$11.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.42 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.33 million, and the ratio of the UAAL to the covered payroll was 42.69 percent.

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

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.

### **Plan Description**

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008, were \$588,074, \$601,854, and \$580,472, respectively, equal to the required contributions for each year.

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

### Plan Description

Grundy County and the School Department participate in the state-administered Local Education Group Insurance Plan and Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for local education employees and Section 8-27-207, TCA, for local governments. 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 a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers. Grundy County retirees' contributions vary depending on the insurance options they select, ranging from \$640 to \$1,597 per month toward their insurance. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$439 to \$1,195 per month toward their insurance. Grundy County and School Department recognized expenditures of \$4,127 and \$98,713, respectively, for postemployment health care during the year ended June 30, 2010.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 148,000	\$ 32,000
Interest on the NPO	6,632	0
Adjustment to the ARC	(6,282)	0
Annual OPEB cost	\$ 148,350	\$ 32,000
Amount of contribution	(98,713)	(4,127)
Increase/decrease in NPO	\$ 49,637	\$ 27,873
Net OPEB obligation, 7-1-09	656,648	0
Prior-period Adjustment	(509,273)	0
Net OPEB obligation, 6-30-10	\$ 197,012	\$ 27,873

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Adjusted Obligation at Year End
6-30-09*	Local Education Group	\$ 134,610	42.37 %	\$ 147,375
6-30-10*	"	148,350	66.54	197,012
6-30-10^	Local Government Group	32,000	12.89	27,873

\* Data only available for two years.

^ Data only available for one year.

Funded Status and Funding Progress

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

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 1,488,000	\$ 311,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,488,000	\$ 311,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 6,527,353	\$ 918,091
UAAL as a % of covered payroll	22.79%	33.87%

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The Local Education Group Plan's annual healthcare cost trend rate was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual health care cost trend rate for the Local Government Group Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

### **I. 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.

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

**A. Summary of Significant Accounting Policies**

Business Activities

The Grundy County 911 Emergency Communications District provides funds and support to procure, lease, and maintain necessary equipment and services related to fielding emergency phone calls in Grundy County, Tennessee.

The district is a governmental entity organized pursuant to Chapter 867 of the 1984 Tennessee Public Acts. The district is defined as a component unit of the local government of Grundy County, Tennessee, under the criteria of the Governmental Accounting Standards Board. The Grundy County Commission appoints the board of directors. The Grundy County Commission may appropriate funds to the district for its operation and maintenance. No funds have been appropriated by the Grundy County Commission. The District must obtain permission from the Grundy County Commission prior to issuing long-term debt.

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

The district's reports are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded as such when earned, and expenses are reported when incurred. The district applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### Cash Deposits

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

- (1) Bonds, notes, treasury bills, or similar types of indebtedness of the United States.
- (2) Non-convertible debt including Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association.
- (3) Other obligations not specified above, which provide guaranteed principal and interest by the United States or any of its agencies.
- (4) Repurchase agreements, which involve obligations of the United States or its agencies provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.
- (5) Money market funds invested in any of the aforementioned securities.

The district's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the district's custodial bank in the district's name. The carrying amount of total cash deposits for the year ended June 30, 2010, was \$489,570. The amount of deposits collateralized with securities held by pledging financial institution and federal depository insurance was \$489,570.

### Utility Plant

Equipment and property additions are recorded at cost. Depreciated is calculated using the straight-line method over the estimated useful life. The district estimates the useful life of its equipment to be seven years, as well as five years for general office equipment.

### Mapping Costs

This intangible asset represents amounts paid for mapping the area and preparing a database for information purposes. These costs are being amortized over a ten-year period.

Amortization expense for the year ended June 30, 2010 was \$16,308.

### Cash Flow

For purposes of the Statement of Cash Flows, the district considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Budgetary Data

Formal budgetary accounting is employed as a management control for all funds of the district. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the proprietary funds, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. Budgetary control is exercised at the line-item level. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

**B. Utility Plant**

A summary of changes in the utility plant is as follows:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Depreciated:			
Equipment	\$ 210,475	\$ 0	\$ 210,475
Total Capital Assets			
Depreciated	\$ 210,475	\$ 0	\$ 210,475
Less Accumulated			
Depreciation For:			
Equipment	\$ 139,869	\$ 30,209	\$ 170,078
Total Accumulated			
Depreciation	\$ 139,869	\$ 30,209	\$ 170,078
Total Capital Assets			
Depreciated, Net	\$ 70,606	\$ (30,209)	\$ 40,397

**C. Cash and Cash Equivalents**

At June 30, 2010, total cash was \$489,570 of which \$202,636 is held in certificates of deposit with maturities of more than three months, leaving \$286,934 considered as cash and cash equivalents.

**D. Budgeting Procedures**

The official and amended budget for June 30, 2010, was prepared for adoption for the proprietary fund by July 2, 2009.

**E. Compensated Absences**

At June 30, 2010, the district did not have any employees. The district has deferred establishing policies for vacation and/or sick pay until such time as it has full time employees. As a result, no liability is recorded in the financial statements.

**F. Intergovernmental Cooperation**

The district has agreed to participate in an intergovernmental cooperation that includes Bledsoe, Grundy, Sequatchie, and Van Buren counties in Tennessee. The cooperation was formed for the sole purpose of assisting the counties involved in the addressing, mapping, and database development needed for the implementation of a dispatch center. The cooperation does not obligate any district to any expenditure without express written approval from the applicable county. The cooperation's board of directors is composed of three individuals from each district's board of directors.

**G. Emergency Communications Agreement**

On July 1, 2004, the district entered into an Emergency Communications Agreement with the City of Monteagle pursuant to Tennessee Code Annotated, Section 5-11-113. The agreement was renewed in 2008 for a period of four years expiring on June 30, 2012.

The agreement provides for the City of Monteagle to supply trained and certified dispatchers as required under state law and Emergency Communications Board Standards to handle dispatching calls. The city agrees to adequately staff and operate the 911 system 24 hours a day, seven days per week. The agreement specified that the district shall cover all cost the city incurs and other payments are discretionary to the district's board of directors.

The city agrees to name the district and its designees as an additional named insurer on city property and liability insurance policies, to cover any loss, damage or destruction of the PSAP equipment or other property of the district that may result from any cause or peril, or provide an acceptable equivalent guarantee, provided the district reimburse the city any cost relating to premiums, or portions of premiums, that relate to district property.

Payments under this agreement for the year ended June 30, 2010, totaled \$204,373.

**H. Grants and Reimbursements**

The district received a GIS mapping grant of \$10,000 during the year from the Tennessee Emergency Communications Board.

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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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,234,239	\$ 2,196,167	\$ 2,196,167	\$ 38,072
Licenses and Permits	22,434	12,500	12,500	9,934
Fines, Forfeitures, and Penalties	52,380	31,550	31,550	20,830
Charges for Current Services	64,448	59,700	59,700	4,748
Other Local Revenues	46,976	26,500	30,671	16,305
Fees Received from County Officials	508,727	462,800	462,800	45,927
State of Tennessee	266,418	293,207	288,207	(21,789)
Federal Government	320,976	287,463	395,133	(74,157)
Other Governments and Citizens Groups	2,000	2,500	2,500	(500)
Total Revenues	<u>\$ 3,518,598</u>	<u>\$ 3,372,387</u>	<u>\$ 3,479,228</u>	<u>\$ 39,370</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 14,975	\$ 19,500	\$ 19,500	\$ 4,525
Board of Equalization	2,000	2,000	2,000	0
Beer Board	0	200	200	200
Other Boards and Committees	1,000	1,000	1,000	0
County Mayor/Executive	113,632	121,995	121,995	8,363
County Attorney	7,320	16,200	16,200	8,880
Election Commission	126,207	132,527	132,527	6,320
Register of Deeds	88,151	91,485	91,485	3,334
County Buildings	106,261	140,919	140,919	34,658
<u>Finance</u>				
Property Assessor's Office	125,469	130,111	130,111	4,642
County Trustee's Office	93,464	94,132	94,132	668
County Clerk's Office	128,271	128,942	128,942	671
<u>Administration of Justice</u>				
Circuit Court	184,225	199,510	199,510	15,285
General Sessions Judge	84,453	84,525	84,525	72
Drug Court	1,716	2,000	2,000	284
Chancery Court	89,661	91,265	91,265	1,604
Juvenile Court	50,174	52,330	52,855	2,681
Other Administration of Justice	3,006	4,250	4,250	1,244
<u>Public Safety</u>				
Sheriff's Department	612,850	699,255	622,554	9,704
Administration of the Sexual Offender Registry	420	500	500	80
Jail	509,339	412,819	523,132	13,793
Fire Prevention and Control	11,920	13,500	13,500	1,580
Rescue Squad	4,500	4,500	4,500	0
Other Emergency Management	16,073	19,200	19,200	3,127
County Coroner/Medical Examiner	1,500	2,100	2,100	600
Other Public Safety	102,767	84,662	178,656	75,889

(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	\$ 27,272	\$ 48,094	\$ 48,094	\$ 20,822
Ambulance/Emergency Medical Services	139,019	125,000	139,019	0
Crippled Children Services	830	830	830	0
Other Local Health Services	68,262	159,565	159,565	91,303
Regional Mental Health Center	7,000	7,000	7,000	0
General Welfare Assistance	2,227	2,500	2,500	273
Other Waste Disposal	26,491	49,050	49,050	22,559
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	1,500	1,500	1,500	0
Libraries	37,965	38,037	38,037	72
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	61,926	64,067	64,067	2,141
Soil Conservation	26,471	31,856	31,856	5,385
<u>Other Operations</u>				
Tourism	0	2,500	2,500	2,500
Industrial Development	3,900	4,200	4,200	300
Other Economic and Community Development	117,858	145,295	148,095	30,237
Veterans' Services	13,629	13,724	13,724	95
Other Charges	162,863	164,150	164,150	1,287
Contributions to Other Agencies	20,994	21,000	21,000	6
Employee Benefits	295,359	312,147	312,147	16,788
ARRA Grant # 1	5,330	99,234	5,330	0
Miscellaneous	100,539	22,000	121,234	20,695
<u>Principal on Debt</u>				
General Government	16,728	16,728	16,728	0
<u>Interest on Debt</u>				
General Government	1,320	1,320	1,320	0
Total Expenditures	\$ 3,616,837	\$ 3,879,224	\$ 4,029,504	\$ 412,667
Excess (Deficiency) of Revenues Over Expenditures	\$ (98,239)	\$ (506,837)	\$ (550,276)	\$ 452,037
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 14,390	\$ 0	\$ 0	\$ 14,390
Transfers In	432,052	0	432,052	0
Total Other Financing Sources (Uses)	\$ 446,442	\$ 0	\$ 432,052	\$ 14,390
Net Change in Fund Balance	\$ 348,203	\$ (506,837)	\$ (118,224)	\$ 466,427
Fund Balance, July 1, 2009	1,331,804	1,296,818	1,296,818	34,986
Fund Balance, June 30, 2010	\$ 1,680,007	\$ 789,981	\$ 1,178,594	\$ 501,413

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 565,230	\$ 549,691	\$ 549,691	\$ 15,539
Other Local Revenues	6,657	4,500	4,500	2,157
State of Tennessee	0	2,500	2,500	(2,500)
Total Revenues	<u>\$ 571,887</u>	<u>\$ 556,691</u>	<u>\$ 556,691</u>	<u>\$ 15,196</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 485,441	\$ 607,548	\$ 607,548	\$ 122,107
Landfill Operation and Maintenance	11,070	24,000	24,000	12,930
<u>Other Operations</u>				
Other Charges	11,291	12,000	12,000	709
Total Expenditures	<u>\$ 507,802</u>	<u>\$ 643,548</u>	<u>\$ 643,548</u>	<u>\$ 135,746</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 64,085</u>	<u>\$ (86,857)</u>	<u>\$ (86,857)</u>	<u>\$ 150,942</u>
Net Change in Fund Balance	\$ 64,085	\$ (86,857)	\$ (86,857)	\$ 150,942
Fund Balance, July 1, 2009	<u>1,592,706</u>	<u>1,584,780</u>	<u>1,584,780</u>	<u>7,926</u>
Fund Balance, June 30, 2010	<u>\$ 1,656,791</u>	<u>\$ 1,497,923</u>	<u>\$ 1,497,923</u>	<u>\$ 158,868</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 40,373	\$ 50,000	\$ 50,000	\$ (9,627)
Total Revenues	\$ 40,373	\$ 50,000	\$ 50,000	\$ (9,627)
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 64,116	\$ 20,000	\$ 73,682	\$ 9,566
<u>Principal on Debt</u>				
General Government	35,176	35,176	35,176	0
<u>Interest on Debt</u>				
General Government	7,402	7,402	7,402	0
<u>Capital Projects</u>				
Public Health and Welfare Projects	14,243	15,000	15,000	757
Total Expenditures	\$ 120,937	\$ 77,578	\$ 131,260	\$ 10,323
Excess (Deficiency) of Revenues Over Expenditures	\$ (80,564)	\$ (27,578)	\$ (81,260)	\$ 696
Net Change in Fund Balance	\$ (80,564)	\$ (27,578)	\$ (81,260)	\$ 696
Fund Balance, July 1, 2009	606,744	606,697	606,697	47
Fund Balance, June 30, 2010	\$ 526,180	\$ 579,119	\$ 525,437	\$ 743

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 55,766	\$ 75,000	\$ 75,000	\$ (19,234)
Other Local Revenues	37,069	37,000	37,000	69
State of Tennessee	1,511,094	2,140,747	2,140,747	(629,653)
Total Revenues	<u>\$ 1,603,929</u>	<u>\$ 2,252,747</u>	<u>\$ 2,252,747</u>	<u>\$ (648,818)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 117,663	\$ 134,615	\$ 134,615	\$ 16,952
Highway and Bridge Maintenance	784,324	914,082	914,082	129,758
Operation and Maintenance of Equipment	243,208	351,100	351,100	107,892
Litter and Trash Collection	28,346	29,237	29,237	891
Other Charges	104,650	116,500	116,500	11,850
Employee Benefits	229,453	280,300	280,300	50,847
Capital Outlay	24,924	823,500	823,500	798,576
Total Expenditures	<u>\$ 1,532,568</u>	<u>\$ 2,649,334</u>	<u>\$ 2,649,334</u>	<u>\$ 1,116,766</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 71,361</u>	<u>\$ (396,587)</u>	<u>\$ (396,587)</u>	<u>\$ 467,948</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	<u>\$ 3,542</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,542</u>
Total Other Financing Sources (Uses)	<u>\$ 3,542</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,542</u>
Net Change in Fund Balance	\$ 74,903	\$ (396,587)	\$ (396,587)	\$ 471,490
Fund Balance, July 1, 2009	<u>1,222,812</u>	<u>1,222,234</u>	<u>1,222,234</u>	<u>578</u>
Fund Balance, June 30, 2010	<u>\$ 1,297,715</u>	<u>\$ 825,647</u>	<u>\$ 825,647</u>	<u>\$ 472,068</u>

Exhibit E-5

Grundy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Grundy County School Department  
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 11,292	\$ 12,713	1,421	88.82 %	\$ 3,330	42.69 %
7-1-07	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 went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-6

Grundy County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Grundy County School Department  
June 30, 2010

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial 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)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	\$ 311	\$ 311	0 %	\$ 918	33.88 %
<u>DISCRETELY PRESENTED GRUNDY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	1,350	1,350	0	4,405	30.65
"	7-1-09	0	1,488	1,488	0	6,527	22.80

\* Data for three actuarial valuations will be presented when available.

**GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

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

The county's budgetary basis of accounting is consistent with 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 Funds

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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. This fund was closed during the period.

Education Capital Projects Fund – This fund accounts for debt issued by Grundy County that is subsequently contributed to the discretely presented Grundy County School Department for purchase of capital assets.

Exhibit F-1

Grundy County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees	Total		General Capital Projects		
\$ 0 \$	0 \$	0 \$	100 \$	100 \$	0 \$	0 \$	100	
66,088	48,212	0	0	114,300	432,052		546,352	
0	0	123	123	123	0		123	
<u>\$ 66,088 \$</u>	<u>48,212 \$</u>	<u>223 \$</u>	<u>223 \$</u>	<u>114,523 \$</u>	<u>432,052 \$</u>		<u>546,575</u>	

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable  
 Total Assets

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>							
Due to Other Funds	0 \$	0 \$	223 \$	223 \$	432,052 \$		432,275
Total Liabilities	0 \$	0 \$	223 \$	223 \$	432,052 \$		432,275
<u>Fund Balances</u>							
Unreserved	66,088 \$	48,212 \$	0 \$	114,300 \$	0 \$		114,300
Total Fund Balances	66,088 \$	48,212 \$	0 \$	114,300 \$	0 \$		114,300
Total Liabilities and Fund Balances	66,088 \$	48,212 \$	223 \$	114,523 \$	432,052 \$		546,575

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, 2010

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constituti- onal Officers - Fees	Total	General Capital Projects	Education Capital Projects	Total	
<u>Revenues</u>								
Local Taxes	\$ 56,778	\$ 165	\$ 0	\$ 56,943	\$ 0	\$ 0	\$ 0	\$ 56,943
Fines, Forfeitures, and Penalties	0	9,851	0	9,851	0	0	0	9,851
Charges for Current Services	0	0	2,598	2,598	0	0	0	2,598
Total Revenues	\$ 56,778	\$ 10,016	\$ 2,598	\$ 69,392	\$ 0	\$ 0	\$ 0	\$ 69,392
<u>Expenditures</u>								
Current:								
General Government	\$ 29,892	\$ 0	\$ 0	\$ 29,892	\$ 0	\$ 0	\$ 0	\$ 29,892
Administration of Justice	0	0	2,598	2,598	0	0	0	2,598
Public Safety	0	495	0	495	0	0	0	495
Other Operations	568	0	0	568	0	155,592	155,592	156,160
Total Expenditures	\$ 30,460	\$ 495	\$ 2,598	\$ 33,553	\$ 0	\$ 155,592	\$ 155,592	\$ 189,145
Excess (Deficiency) of Revenues Over Expenditures	\$ 26,318	\$ 9,521	\$ 0	\$ 35,839	\$ 0	\$ (155,592)	\$ (155,592)	\$ (119,753)
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,592	\$ 155,592	\$ 155,592
Transfers Out	0	0	0	0	(432,052)	0	(432,052)	(432,052)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (432,052)	\$ 155,592	\$ (276,460)	\$ (276,460)
Net Change in Fund Balances	\$ 26,318	\$ 9,521	\$ 0	\$ 35,839	\$ (432,052)	\$ 0	\$ (432,052)	\$ (396,213)
Fund Balance, July 1, 2009	39,770	38,691	0	78,461	432,052	0	432,052	510,513
Fund Balance, June 30, 2010	\$ 66,088	\$ 48,212	\$ 0	\$ 114,300	\$ 0	\$ 0	\$ 0	\$ 114,300

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 56,778	\$ 30,500	\$ 30,500	\$ 26,278
Total Revenues	\$ 56,778	\$ 30,500	\$ 30,500	\$ 26,278
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 29,892	\$ 30,000	\$ 30,000	\$ 108
<u>Other Operations</u>				
Other Charges	568	500	568	0
Total Expenditures	\$ 30,460	\$ 30,500	\$ 30,568	\$ 108
Excess (Deficiency) of Revenues Over Expenditures	\$ 26,318	\$ 0	\$ (68)	\$ 26,386
Net Change in Fund Balance	\$ 26,318	\$ 0	\$ (68)	\$ 26,386
Fund Balance, July 1, 2009	39,770	38,291	38,291	1,479
Fund Balance, June 30, 2010	\$ 66,088	\$ 38,291	\$ 38,223	\$ 27,865

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 165	\$ 0	\$ 0	\$ 165
Fines, Forfeitures, and Penalties	9,851	6,500	6,500	3,351
Total Revenues	<u>\$ 10,016</u>	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 3,516</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 495	\$ 7,100	\$ 7,100	\$ 6,605
Total Expenditures	<u>\$ 495</u>	<u>\$ 7,100</u>	<u>\$ 7,100</u>	<u>\$ 6,605</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,521</u>	<u>\$ (600)</u>	<u>\$ (600)</u>	<u>\$ 10,121</u>
Net Change in Fund Balance	\$ 9,521	\$ (600)	\$ (600)	\$ 10,121
Fund Balance, July 1, 2009	<u>38,691</u>	<u>37,809</u>	<u>37,809</u>	<u>882</u>
Fund Balance, June 30, 2010	<u><u>\$ 48,212</u></u>	<u><u>\$ 37,209</u></u>	<u><u>\$ 37,209</u></u>	<u><u>\$ 11,003</u></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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 689,830	\$ 690,929	\$ 690,929	\$ (1,099)
Other Local Revenues	126,082	220,000	220,000	(93,918)
Other Governments and Citizens Groups	500,000	500,000	500,000	0
Total Revenues	<u>\$ 1,315,912</u>	<u>\$ 1,410,929</u>	<u>\$ 1,410,929</u>	<u>\$ (95,017)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 161,495	\$ 161,500	\$ 161,500	\$ 5
Education	545,000	545,000	545,000	0
<u>Interest on Debt</u>				
General Government	37,194	37,195	37,195	1
Education	343,620	343,620	343,620	0
<u>Other Debt Service</u>				
General Government	11,238	15,000	15,000	3,762
Education	250	2,000	2,000	1,750
Total Expenditures	<u>\$ 1,098,797</u>	<u>\$ 1,104,315</u>	<u>\$ 1,104,315</u>	<u>\$ 5,518</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 217,115</u>	<u>\$ 306,614</u>	<u>\$ 306,614</u>	<u>\$ (89,499)</u>
Net Change in Fund Balance	\$ 217,115	\$ 306,614	\$ 306,614	\$ (89,499)
Fund Balance, July 1, 2009	<u>3,465,296</u>	<u>3,458,841</u>	<u>3,458,841</u>	<u>6,455</u>
Fund Balance, June 30, 2010	<u><u>\$ 3,682,411</u></u>	<u><u>\$ 3,765,455</u></u>	<u><u>\$ 3,765,455</u></u>	<u><u>\$ (83,044)</u></u>

# 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.

Exhibit H-1

Grundy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,257,426	\$ 1,257,426
Due from Other Governments	79,877	0	79,877
Total Assets	<u>\$ 79,877</u>	<u>\$ 1,257,426</u>	<u>\$ 1,337,303</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 79,877	\$ 0	\$ 79,877
Due to Litigants, Heirs, and Others	0	1,257,426	1,257,426
Total Liabilities	<u>\$ 79,877</u>	<u>\$ 1,257,426</u>	<u>\$ 1,337,303</u>

Exhibit H-2

Grundy County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 468,241	\$ 468,241	\$ 0
Due from Other Governments	81,695	79,877	81,695	79,877
<b>Total Assets</b>	<b>\$ 81,695</b>	<b>\$ 548,118</b>	<b>\$ 549,936</b>	<b>\$ 79,877</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 81,695	\$ 548,118	\$ 549,936	\$ 79,877
<b>Total Liabilities</b>	<b>\$ 81,695</b>	<b>\$ 548,118</b>	<b>\$ 549,936</b>	<b>\$ 79,877</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 715,747	\$ 4,321,684	\$ 3,780,005	\$ 1,257,426
<b>Total Assets</b>	<b>\$ 715,747</b>	<b>\$ 4,321,684</b>	<b>\$ 3,780,005</b>	<b>\$ 1,257,426</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 715,747	\$ 4,321,684	\$ 3,780,005	\$ 1,257,426
<b>Total Liabilities</b>	<b>\$ 715,747</b>	<b>\$ 4,321,684</b>	<b>\$ 3,780,005</b>	<b>\$ 1,257,426</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 715,747	\$ 4,321,684	\$ 3,780,005	\$ 1,257,426
Equity in Pooled Cash and Investments	0	468,241	468,241	0
Due from Other Governments	81,695	79,877	81,695	79,877
<b>Total Assets</b>	<b>\$ 797,442</b>	<b>\$ 4,869,802</b>	<b>\$ 4,329,941</b>	<b>\$ 1,337,303</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 81,695	\$ 548,118	\$ 549,936	\$ 79,877
Due to Litigants, Heirs, and Others	715,747	4,321,684	3,780,005	1,257,426
<b>Total Liabilities</b>	<b>\$ 797,442</b>	<b>\$ 4,869,802</b>	<b>\$ 4,329,941</b>	<b>\$ 1,337,303</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.

Exhibit I-1

Grundny County, Tennessee  
Statement of Activities  
Discretely Presented Grundny County School Department  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 12,158,878	\$ 0	\$ 1,468,312	\$ 0	\$ (10,690,566)
Support Services	5,655,691	71,541	820,163	0	(4,763,987)
Operation of Non-Instructional Services	2,183,347	574,259	1,613,163	4,906	8,981
Interest on Long-term Debt	14,476	0	0	0	(14,476)
Other Debt Service	500,000	0	0	0	(500,000)
Total Governmental Activities	\$ 20,512,392	\$ 645,800	\$ 3,901,638	\$ 4,906	\$ (15,960,048)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 1,490,170
Local Option Sales Taxes					432,294
Business Taxes					11,906
Other Local Taxes					1,181
Grants and Contributions Not Restricted to Specific Programs					14,041,523
Miscellaneous					15,983
Total General Revenues					\$ 15,993,057
Change in Net Assets					\$ 33,009
Net Assets, July 1, 2009					10,666,561
Prior-period Adjustment					509,273
Net Assets, June 30, 2010					\$ 11,208,843

Exhibit I-2

Grundy County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Grundy County School Department  
June 30, 2010

	Major Funds		Total Govern- mental Funds
	General Purpose School	School Federal Projects	
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 1,848,276	\$ 0	\$ 1,848,276
Accounts Receivable	0	1,420	1,420
Due from Other Governments	434,304	215,000	649,304
Property Taxes Receivable	1,609,129	0	1,609,129
Allowance for Uncollectible Property Taxes	(56,099)	0	(56,099)
<b>Total Assets</b>	<b>\$ 3,835,610</b>	<b>\$ 216,420</b>	<b>\$ 4,052,030</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Cash Overdraft	\$ 0	\$ 144,680	\$ 144,680
Deferred Revenue - Current Property Taxes	1,450,772	0	1,450,772
Deferred Revenue - Delinquent Property Taxes	93,658	0	93,658
Other Deferred Revenues	35,000	0	35,000
<b>Total Liabilities</b>	<b>\$ 1,579,430</b>	<b>\$ 144,680</b>	<b>\$ 1,724,110</b>
<b><u>Fund Balances</u></b>			
Reserved for Encumbrances	\$ 55,600	\$ 55,025	\$ 110,625
Reserved for Food Service	101,743	0	101,743
Other Local Education Reserves	37,929	0	37,929
Reserved for Career Ladder - Extended Contract	10,267	0	10,267
Reserved for Career Ladder Program	4,572	0	4,572
Reserved for Title I Grants to Local Education Agencies	0	1,624	1,624
Reserved for Special Education - Grants to States	0	15,045	15,045
Other Federal Reserves	0	46	46
Unreserved, Reported In:			
General Fund	2,046,069	0	2,046,069
<b>Total Fund Balances</b>	<b>\$ 2,256,180</b>	<b>\$ 71,740</b>	<b>\$ 2,327,920</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,835,610</b>	<b>\$ 216,420</b>	<b>\$ 4,052,030</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, 2010

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)		\$	2,327,920
(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		10,682,807	
Add: other capital assets net of accumulated depreciation		<u>762,904</u>	11,694,795
(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	\$	(348,130)	
Less: accrued interest on notes		(8,195)	
Less: compensated absences payable		(2,389,193)	
Less: other postemployment benefits liabilities		<u>(197,012)</u>	(2,942,530)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>128,658</u>
Net assets of governmental activities (Exhibit A)		\$	<u>11,208,843</u>

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, 2010

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 1,924,588	\$ 0	\$ 1,924,588
Licenses and Permits	641	0	641
Charges for Current Services	619,270	0	619,270
Other Local Revenues	76,638	41	76,679
State of Tennessee	13,693,272	0	13,693,272
Federal Government	1,362,994	2,627,349	3,990,343
Other Governments and Citizens Groups	155,592	0	155,592
Total Revenues	<u>\$ 17,832,995</u>	<u>\$ 2,627,390</u>	<u>\$ 20,460,385</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,430,840	\$ 2,248,082	\$ 11,678,922
Support Services	5,068,915	500,215	5,569,130
Operation of Non-Instructional Services	2,098,562	0	2,098,562
Capital Outlay	30,874	0	30,874
Debt Service:			
Principal on Debt	89,293	0	89,293
Interest on Debt	10,741	0	10,741
Other Debt Service	500,000	0	500,000
Total Expenditures	<u>\$ 17,229,225</u>	<u>\$ 2,748,297</u>	<u>\$ 19,977,522</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 603,770</u>	<u>\$ (120,907)</u>	<u>\$ 482,863</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 9,005	\$ 0	\$ 9,005
Total Other Financing Sources (Uses)	<u>\$ 9,005</u>	<u>\$ 0</u>	<u>\$ 9,005</u>
Net Change in Fund Balances	\$ 612,775	\$ (120,907)	\$ 491,868
Fund Balance, July 1, 2009	<u>1,643,405</u>	<u>192,647</u>	<u>1,836,052</u>
Fund Balance, June 30, 2010	<u>\$ 2,256,180</u>	<u>\$ 71,740</u>	<u>\$ 2,327,920</u>

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, 2010

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)		\$ 491,868
<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	\$ 251,650	
Less: current year depreciation expense	<u>(584,674)</u>	(333,024)
<p>(2) 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, 2010	\$ 128,658	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(114,306)</u>	14,352
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 notes	\$ 89,293	
Less: notes issued	<u>(155,592)</u>	(66,299)
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest on notes payable	\$ (3,735)	
Change in compensated absences payable	(20,516)	
Change in other postemployment benefits liability	<u>(49,637)</u>	<u>(73,888)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 33,009</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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,924,588	\$ 0	\$ 0	\$ 1,924,588	\$ 1,906,026	\$ 1,906,026	\$ 18,562
Licenses and Permits	641	0	0	641	400	400	241
Charges for Current Services	619,270	0	0	619,270	671,316	671,316	(52,046)
Other Local Revenues	76,638	0	0	76,638	27,000	84,030	(7,392)
State of Tennessee	13,693,272	0	0	13,693,272	13,377,809	13,650,814	42,458
Federal Government	1,362,994	0	0	1,362,994	1,536,897	1,575,600	(212,606)
Other Governments and Citizens Groups	155,592	0	0	155,592	0	160,000	(4,408)
<u>Total Revenues</u>	<u>\$ 17,832,995</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,832,995</u>	<u>\$ 17,519,448</u>	<u>\$ 18,048,186</u>	<u>\$ (215,191)</u>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,717,164	\$ (87,623)	\$ 17,409	\$ 6,646,950	\$ 6,809,156	\$ 6,826,568	\$ 179,618
Alternative Instruction Program	136,199	0	0	136,199	137,010	137,010	811
Special Education Program	1,994,878	(1,640)	1,706	1,994,944	2,042,586	2,042,586	47,642
Vocational Education Program	565,773	0	0	565,773	560,625	570,800	5,027
Adult Education Program	16,826	0	0	16,826	18,308	18,308	1,482
<u>Support Services</u>							
Attendance	120,812	(944)	0	119,868	115,581	121,303	1,435
Health Services	119,726	0	260	119,986	157,233	157,233	37,247
Other Student Support	384,052	0	0	384,052	359,028	387,262	3,210
Regular Instruction Program	212,119	0	0	212,119	219,211	213,462	1,343
Special Education Program	160,893	0	0	160,893	169,966	169,966	9,073
Vocational Education Program	70,115	0	0	70,115	86,220	84,395	14,280
Adult Programs	54,294	0	0	54,294	51,780	55,750	1,456

(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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Other Programs	\$ 77,910	\$ 0	\$ 0	\$ 77,910	\$ 0	\$ 77,910	\$ 0
Board of Education	304,004	(177)	0	303,827	249,189	303,827	0
Director of Schools	150,991	0	0	150,991	155,339	155,339	4,348
Office of the Principal	699,214	0	0	699,214	719,204	718,572	19,358
Fiscal Services	123,480	0	2,649	126,129	132,927	132,927	6,798
Operation of Plant	1,105,949	0	974	1,106,923	1,137,759	1,138,911	31,988
Maintenance of Plant	277,874	(1,575)	18,425	294,724	296,845	296,845	2,121
Transportation	746,812	(2,231)	4,377	748,958	766,686	787,948	38,990
Central and Other	460,670	0	200	460,870	302,182	511,494	50,624
<u>Operation of Non-Instructional Services</u>							
Food Service	1,580,912	(2,243)	0	1,578,669	1,934,928	1,939,834	361,165
Community Services	33,299	0	0	33,299	33,300	33,301	2
Early Childhood Education	484,351	0	0	484,351	482,253	484,353	2
<u>Capital Outlay</u>							
Regular Capital Outlay	30,874	(1,500)	9,600	38,974	139,514	80,120	41,146
<u>Principal on Debt</u>							
Education	89,293	0	0	89,293	89,350	98,350	9,057
<u>Interest on Debt</u>							
Education	10,741	0	0	10,741	13,268	13,268	2,527
<u>Other Debt Service</u>							
Education	500,000	0	0	500,000	0	500,000	0
Total Expenditures	\$ 17,229,225	\$ (97,933)	\$ 55,600	\$ 17,186,892	\$ 17,179,448	\$ 18,057,642	\$ 870,750

(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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 603,770	\$ 97,933	\$ (55,600)	\$ 646,103	\$ 340,000	\$ (9,456)	\$ 655,559
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 160,000	\$ 0	\$ 0
Insurance Recovery	9,005	0	0	9,005	0	8,171	834
Transfers Out	0	0	0	0	(500,000)	0	0
Total Other Financing Sources (Uses)	\$ 9,005	\$ 0	\$ 0	\$ 9,005	\$ (340,000)	\$ 8,171	\$ 834
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 612,775	\$ 97,933	\$ (55,600)	\$ 655,108	\$ 0	\$ (1,285)	\$ 656,393
	1,643,405	(97,933)	0	1,545,472	1,213,736	1,213,736	331,736
Fund Balance, June 30, 2010	\$ 2,256,180	\$ 0	\$ (55,600)	\$ 2,200,580	\$ 1,213,736	\$ 1,212,451	\$ 988,129

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 41	\$ 0	\$ 0	\$ 41	\$ 0	\$ 0	\$ 41
Federal Government	2,627,349	0	0	2,627,349	3,609,900	3,805,433	(1,178,084)
Total Revenues	\$ 2,627,390	\$ 0	\$ 0	\$ 2,627,390	\$ 3,609,900	\$ 3,805,433	\$ (1,178,043)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,358,008	(20,972)	45,001	\$ 1,382,037	\$ 1,471,994	\$ 1,563,304	\$ 181,267
Alternative Instruction Program	63,127	0	0	63,127	65,044	65,044	1,917
Special Education Program	775,965	(3,978)	0	771,987	1,048,387	1,293,593	521,606
Vocational Education Program	50,982	0	168	51,150	44,829	51,217	67
<u>Support Services</u>							
Other Student Support	144,588	(799)	500	144,289	560,966	608,597	464,308
Regular Instruction Program	156,417	0	9,356	165,773	208,473	245,339	79,566
Special Education Program	86,831	0	0	86,831	96,412	121,579	34,748
Vocational Education Program	3,263	0	0	3,263	3,027	3,291	28
Transportation	109,116	0	0	109,116	110,768	110,768	1,652
Total Expenditures	\$ 2,748,297	(25,749)	55,025	\$ 2,777,573	\$ 3,609,900	\$ 4,062,732	\$ 1,285,159
Excess (Deficiency) of Revenues Over Expenditures	\$ (120,907)	25,749	(55,025)	(150,183)	0	(257,299)	107,116
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	0	0	0	151,758	151,479	(151,479)
Transfers Out	0	0	0	0	(151,758)	(151,758)	151,758
Total Other Financing Sources (Uses)	\$ 0	0	0	0	0	(279)	279
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (120,907)	25,749	(55,025)	(150,183)	0	(257,578)	107,395
Fund Balance, July 1, 2009	192,647	(25,749)	0	166,898	190,253	447,833	(280,935)
Fund Balance, June 30, 2010	\$ 71,740	0	(55,025)	16,715	190,253	190,255	(173,540)

Exhibit I-8

Grundy County, Tennessee  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
Discretely Presented Grundy County School Department  
June 30, 2010

	<u>Private Purpose Trust Fund</u> <u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 14,840
Total Assets	<u>\$ 14,840</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 14,840</u>
Total Net Assets	<u><u>\$ 14,840</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, 2010

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 340
Contributions and Gifts	<u>400</u>
Total Additions	<u>\$ 740</u>
<u>DEDUCTIONS</u>	
Awards	<u>\$ 400</u>
Total Deductions	<u>\$ 400</u>
Change in Net Assets	\$ 340
Net Assets, July 1, 2009	<u>14,500</u>
Net Assets, June 30, 2010	<u><u>\$ 14,840</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Grundy County, Tennessee  
 Schedule of Changes in Long-term Other Loans, Bonds, and Notes  
Primary Government and Discretely Presented Grundy County School Department  
 For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>OTHER LOANS PAYABLE</u>								
Payable through General Fund								
Waste Water System	\$ 318,980	1.26%	Various	12-30-15	\$ 112,553	\$ 0	\$ 16,728	\$ 95,825
Payable through Industrial/Economic Development Fund								
Assumption Agreement - Industrial Building	427,739	2 to 3	9-13-03	6-30-16	262,766	0	35,176	227,590
Total Other Loans Payable					\$ 375,319	\$ 0	\$ 51,904	\$ 323,415
<u>BONDS PAYABLE</u>								
Payable through General Debt Service Fund								
Public Improvements Series 1998	2,220,000	3.4 to 4.15	11-1-1998	5-1-14	\$ 845,000	\$ 0	\$ 155,000	\$ 690,000
School Refunding Series 2006	9,405,000	4.15	5-1-06	5-1-21	8,280,000	0	545,000	7,735,000
General Obligation Bond-Convenience Centers	91,000	4.75	9-30-1999	9-30-14	44,755	0	6,495	38,260
Total Bonds Payable					\$ 9,169,755	\$ 0	\$ 706,495	\$ 8,463,260
<u>DISCRETELY PRESENTED GRUNDY COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Purpose School Fund								
Baseball Field Lights	90,000	0	6-9-00	6-9-10	\$ 18,000	\$ 0	\$ 18,000	\$ 0
School Bus	53,318	3.4	10-18-04	10-18-09	11,399	0	11,399	0
School Bus	152,384	5.99	1-28-08	8-20-12	94,292	0	29,623	64,669
School Bus	158,140	3.69	10-30-08	8-20-13	158,140	0	30,271	127,869
School Bus	155,592	3.49	9-25-09	8-20-14	0	155,592	0	155,592
Total Notes Payable					\$ 281,831	\$ 155,592	\$ 89,293	\$ 348,130

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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	\$ 323,415	\$ 24,225	\$ 347,640

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 8,463,260	\$ 2,135,478	\$ 10,598,738

DISCRETELY PRESENTED GRUNDV  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 59,697	\$ 9,612	\$ 69,309
2012	92,702	11,879	104,581
2013	96,763	7,816	104,579
2014	65,788	3,522	69,310
2015	33,180	1,158	34,338
Total	\$ 348,130	\$ 33,987	\$ 382,117

Exhibit J-3

Grundy County, Tennessee  
Schedule of Leases Receivable  
For the Year Ended June 30, 2010

<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 6-30-10</u>
<u>Industrial/Economic Development Fund</u>					
Lease-purchase of spec building	Tag Plastics	\$ 300,000	9-24-1996	2-28-17	\$ 100,000
"	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					<u>\$ 924,401</u>

Exhibit J-4

Grundy County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Capital Projects	General	To close fund	\$ 432,052
Total Transfers			\$ 432,052

Exhibit J-5

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, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
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	72,016 (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>	57,751	25,000	"
Register	Section 8-24-102, <u>TCA</u>	57,751	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	63,527 (2)	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 a law enforcement training supplement of \$600.

Exhibit J-6

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2010

	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	Debt		Total			
								General	Debt				
<u>Local Taxes</u>													
County Property Taxes													
Current Property Tax	\$ 1,885,623	\$ 0	\$ 514,269	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 247,662	\$ 2,647,554		
Trustee's Collections - Prior Year	114,608	0	31,250	0	0	0	0	0	0	15,044	160,902		
Trustee's Collections - Bankruptcy	203	0	55	0	0	0	0	0	0	26	284		
Circuit/Clerk & Master Collections - Prior Years	45,253	0	12,342	0	0	0	0	0	0	5,859	63,454		
Interest and Penalty	22,064	0	6,017	0	0	0	0	0	0	2,897	30,978		
Payments in-Lieu-of Taxes - T.V.A.	1,040	0	284	0	0	0	0	0	0	137	1,461		
Payments in-Lieu-of Taxes - Other	3,716	0	1,013	0	0	0	0	0	0	488	5,217		
<u>County Local Option Taxes</u>													
Local Option Sales Tax	0	0	0	0	0	0	0	0	0	417,717	417,717		
Litigation Tax - General	31,044	0	0	0	0	0	0	0	0	31,044	31,044		
Litigation Tax - Special Purpose	0	56,778	0	0	0	0	0	0	0	0	56,778		
Litigation Tax - Jail, Workhouse, or Courthouse	18,681	0	0	0	0	0	0	0	0	0	18,681		
Business Tax	11,906	0	0	0	0	0	0	0	0	0	11,906		
Other County Local Option Taxes	0	0	0	0	165	0	0	0	0	0	165		
<u>Statutory Local Taxes</u>													
Bank Excise Tax	39,064	0	0	0	0	0	0	0	0	0	39,064		
Wholesale Beer Tax	60,492	0	0	0	0	0	0	0	0	0	60,492		
Interstate Telecommunications Tax	545	0	0	0	0	0	0	0	0	0	545		
Total Local Taxes	\$ 2,234,239	\$ 56,778	\$ 565,230	\$ 0	\$ 165	\$ 0	\$ 0	\$ 0	\$ 0	\$ 689,830	\$ 3,546,242		
<u>Licenses and Permits</u>													
<u>Licenses</u>													
Marriage Licenses	\$ 641	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 641		
Cable TV Franchise	21,793	0	0	0	0	0	0	0	0	0	21,793		
Total Licenses and Permits	\$ 22,434	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,434		
<u>Fines, Forfeitures, and Penalties</u>													
<u>Circuit Court</u>													
Fines	\$ 326	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 326		
Officers Costs	3,765	0	0	0	0	0	0	0	0	0	3,765		

(Continued)

Exhibit J-6

Grundey 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	Fund		
								General	Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Circuit Court (Cont.)</u>										
Drug Control Fines	0	0	0	0	301	0	0	0	0	301
Drug Court Fees	592	0	0	0	0	0	0	0	0	592
Jail Fees	349	0	0	0	0	0	0	0	0	349
Data Entry Fee - Circuit Court	338	0	0	0	0	0	0	0	0	338
Courtroom Security Fee	6	0	0	0	0	0	0	0	0	6
<u>Criminal Court</u>										
Drug Control Fines	0	0	0	0	2,140	0	0	0	0	2,140
<u>General Sessions Court</u>										
Fines	16,932	0	0	0	0	0	0	0	0	16,932
Officers Costs	13,242	0	0	0	0	0	0	0	0	13,242
Drug Control Fines	0	0	0	0	3,877	0	0	0	0	3,877
Drug Court Fees	1,123	0	0	0	0	0	0	0	0	1,123
Jail Fees	3,465	0	0	0	0	0	0	0	0	3,465
DUI Treatment Fines	4,754	0	0	0	0	0	0	0	0	4,754
Data Entry Fee - General Sessions Court	3,774	0	0	0	0	0	0	0	0	3,774
<u>Juvenile Court</u>										
Fines	1,074	0	0	0	0	0	0	0	0	1,074
Officers Costs	876	0	0	0	0	0	0	0	0	876
<u>Chancery Court</u>										
Officers Costs	837	0	0	0	0	0	0	0	0	837
Courtroom Security Fee	25	0	0	0	0	0	0	0	0	25
<u>Judicial District Drug Program</u>										
Drug Task Force Forfeitures and Seizures	0	0	0	0	3,533	0	0	0	0	3,533
Data Entry Fee - Other Courts	902	0	0	0	0	0	0	0	0	902
Total Fines, Forfeitures, and Penalties	\$ 52,380	\$ 0	\$ 0	\$ 0	\$ 9,851	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,231
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Residential Waste Collection Charge	\$ 46,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,000
Work Release Charges for Board	3,825	0	0	0	0	0	0	0	0	3,825

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Total		
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial/ Economic Development	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works		Debt Service	
									General	Debt Service
<u>Charges for Current Services (Cont.)</u>										
<u>General Service Charges (Cont.)</u>										
Other General Service Charges	\$ 8,538	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,766	\$ 0	\$ 64,304	
Fees										
Constitutional Officers' Fees and Commissions	0	0	0	0	0	2,598	0	0	2,598	
Data Processing Fee - Register	4,506	0	0	0	0	0	0	0	4,506	
Data Processing Fee - Sheriff	579	0	0	0	0	0	0	0	579	
Sexual Offender Registration Fees - Sheriff	1,000	0	0	0	0	0	0	0	1,000	
Total Charges for Current Services	\$ 64,448	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,598	\$ 55,766	\$ 0	\$ 122,812	
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126,082	\$ 126,082	
Lease/Rentals	0	0	0	34,201	0	0	0	0	34,201	
Sale of Materials and Supplies	0	0	0	0	0	0	413	0	413	
Sale of Gasoline	0	0	0	0	0	0	28,579	0	28,579	
Miscellaneous Refunds	8,943	0	0	1,172	0	0	4,077	0	14,192	
<u>Nonrecurring Items</u>										
Sale of Equipment	0	0	0	0	0	0	4,000	0	4,000	
Sale of Property	0	0	0	5,000	0	0	0	0	5,000	
<u>Other Local Revenues</u>										
Other Local Revenues	38,033	0	6,657	0	0	0	0	0	44,690	
Total Other Local Revenues	\$ 46,976	\$ 0	\$ 6,657	\$ 40,373	\$ 0	\$ 0	\$ 37,069	\$ 126,082	\$ 257,157	
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 99,308	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,308	
Circuit Court Clerk	40,389	0	0	0	0	0	0	0	40,389	
General Sessions Court Clerk	103,866	0	0	0	0	0	0	0	103,866	
Clerk and Master	45,830	0	0	0	0	0	0	0	45,830	
Juvenile Court Clerk	9,825	0	0	0	0	0	0	0	9,825	
Register	44,305	0	0	0	0	0	0	0	44,305	

(Continued)

Exhibit J-6

Grundey 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	Constitu- tional Officers - Fees	Highway / Public Works			General
<u>Fees Received from County Officials (Cont.)</u>										
<u>Fees in-Lieu-of Salary (Cont.)</u>										
Sheriff	\$ 4,164	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,164	
Trustee	161,040	0	0	0	0	0	0	0	161,040	
<b>Total Fees Received from County Officials</b>	<b>\$ 508,727</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 508,727</b>	
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	
State Reappraisal Grant	5,262	0	0	0	0	0	0	0	5,262	
<u>Health and Welfare Grants</u>										
Other Health and Welfare Grants	72,586	0	0	0	0	0	0	0	72,586	
<u>Public Works Grants</u>										
Litter Program	0	0	0	0	0	0	28,563	0	28,563	
<u>Other State Revenues</u>										
Income Tax	3,360	0	0	0	0	0	0	0	3,360	
Beer Tax	17,777	0	0	0	0	0	0	0	17,777	
Alcoholic Beverage Tax	30,959	0	0	0	0	0	0	0	30,959	
Contracted Prisoner Boarding	107,555	0	0	0	0	0	0	0	107,555	
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,471,021	0	1,471,021	
Petroleum Special Tax	0	0	0	0	0	0	11,510	0	11,510	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380	
Other State Revenues	3,539	0	0	0	0	0	0	0	3,539	
<b>Total State of Tennessee</b>	<b>\$ 266,418</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,511,094</b>	<b>\$ 0</b>	<b>\$ 1,777,512</b>	
<u>Federal Government</u>										
<u>Federal Through State</u>										
Appalachian Regional Commission	\$ 2,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,500	
Community Development	117,614	0	0	0	0	0	0	0	117,614	
Homeland Security Grants	85,979	0	0	0	0	0	0	0	85,979	
Law Enforcement Grants	17,032	0	0	0	0	0	0	0	17,032	
ARRA Grant # 1	5,330	0	0	0	0	0	0	0	5,330	

(Continued)

Exhibit J-6

Grundey 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	General	Debt Service	
<u>Federal Government (Cont.)</u>										
Federal Through State (Cont.)										
Other Federal through State	\$ 89,714	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,714
Direct Federal Revenue	2,807	0	0	0	0	0	0	0	0	2,807
Other Direct Federal Revenue										
Total Federal Government	\$ 320,976	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 320,976
<u>Other Governments and Citizens Groups</u>										
Other Governments										
Contributions	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 502,000
Total Other Governments and Citizens Groups	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 502,000
<u>Total</u>	\$ 3,518,598	\$ 56,778	\$ 571,887	\$ 40,373	\$ 10,016	\$ 2,598	\$ 1,603,929	\$ 1,315,912	\$ 7,120,091	

Exhibit J-7

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Grundy County School Department  
 For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,403,131	\$ 0	\$ 1,403,131
Trustee's Collections - Prior Year	22,088	0	22,088
Trustee's Collections - Bankruptcy	148	0	148
Circuit/Clerk & Master Collections - Prior Years	32,729	0	32,729
Interest and Penalty	15,722	0	15,722
Payments in-Lieu-of Taxes - T.V.A.	741	0	741
Payments in-Lieu-of Taxes - Other	2,648	0	2,648
<u>County Local Option Taxes</u>			
Local Option Sales Tax	434,294	0	434,294
Business Tax	11,906	0	11,906
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	1,181	0	1,181
Total Local Taxes	\$ 1,924,588	\$ 0	\$ 1,924,588
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 641	\$ 0	\$ 641
Total Licenses and Permits	\$ 641	\$ 0	\$ 641
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Other	\$ 45,011	\$ 0	\$ 45,011
Receipts from Individual Schools	574,259	0	574,259
Total Charges for Current Services	\$ 619,270	\$ 0	\$ 619,270
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Miscellaneous Refunds	\$ 67,138	\$ 41	\$ 67,179
<u>Nonrecurring Items</u>			
Contributions and Gifts	100	0	100
<u>Other Local Revenues</u>			
Other Local Revenues	9,400	0	9,400
Total Other Local Revenues	\$ 76,638	\$ 41	\$ 76,679
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 77,910	\$ 0	\$ 77,910
<u>State Education Funds</u>			
Basic Education Program	11,747,709	0	11,747,709
Basic Education Program - ARRA	396,300	0	396,300
Early Childhood Education	409,353	0	409,353
School Food Service	13,109	0	13,109
Driver Education	8,445	0	8,445
Other State Education Funds	194,577	0	194,577
Coordinated School Health - ARRA	100,000	0	100,000
Internet Connectivity - ARRA	6,528	0	6,528
Family Resource Centers - ARRA	33,300	0	33,300
Statewide Student Management System (SSMS) - ARRA	5,722	0	5,722

(Continued)

Exhibit J-7

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>			
Career Ladder Program	\$ 127,809	\$ 0	\$ 127,809
Career Ladder - Extended Contract - ARRA	34,415	0	34,415
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	427,242	0	427,242
Other State Grants	12,500	0	12,500
Safe Schools - ARRA	16,100	0	16,100
Other State Revenues	82,253	0	82,253
Total State of Tennessee	<u>\$ 13,693,272</u>	<u>\$ 0</u>	<u>\$ 13,693,272</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 713,260	\$ 0	\$ 713,260
Breakfast	307,482	0	307,482
USDA Food Service Equipment Grant - ARRA	4,906	0	4,906
Adult Education State Grant Program	64,612	0	64,612
Vocational Education - Basic Grants to States	0	60,544	60,544
Title I Grants to Local Education Agencies	0	1,388,232	1,388,232
Special Education - Grants to States	0	940,396	940,396
Special Education Preschool Grants	0	32,704	32,704
Rural Education	0	43,257	43,257
Eisenhower Professional Development State Grants	0	162,216	162,216
Other Federal through State	272,734	0	272,734
Total Federal Government	<u>\$ 1,362,994</u>	<u>\$ 2,627,349</u>	<u>\$ 3,990,343</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 155,592	\$ 0	\$ 155,592
Total Other Governments and Citizens Groups	<u>\$ 155,592</u>	<u>\$ 0</u>	<u>\$ 155,592</u>
Total	<u>\$ 17,832,995</u>	<u>\$ 2,627,390</u>	<u>\$ 20,460,385</u>

## Exhibit J-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2010

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$ 7,500	
Audit Services	4,300	
Dues and Memberships	1,950	
Printing, Stationery, and Forms	1,225	
Total County Commission		\$ 14,975

Board of Equalization

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

Other Boards and Committees

Contributions	\$ 1,000	
Total Other Boards and Committees		1,000

County Mayor/Executive

County Official/Administrative Officer	\$ 66,702	
Assistant(s)	25,801	
Part-time Personnel	7,939	
Communication	3,451	
Data Processing Services	5,245	
Maintenance and Repair Services - Vehicles	446	
Postal Charges	1,364	
Travel	1,084	
Office Supplies	1,600	
Total County Mayor/Executive		113,632

County Attorney

County Official/Administrative Officer	\$ 1,200	
Legal Services	6,120	
Total County Attorney		7,320

Election Commission

County Official/Administrative Officer	\$ 51,976	
Clerical Personnel	19,474	
Board and Committee Members Fees	3,126	
Election Workers	13,063	
In-Service Training	3,489	
Communication	3,900	
Data Processing Services	10,106	
Dues and Memberships	300	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Legal Notices, Recording, and Court Costs	\$ 3,522	
Maintenance and Repair Services - Equipment	7,705	
Postal Charges	1,804	
Printing, Stationery, and Forms	1,108	
Travel	4,192	
Office Supplies	1,267	
Office Equipment	1,175	
Total Election Commission		\$ 126,207

Register of Deeds

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	19,801	
Part-time Personnel	1,998	
Communication	1,023	
Data Processing Services	4,168	
Dues and Memberships	483	
Postal Charges	471	
Travel	501	
Other Contracted Services	800	
Office Supplies	1,155	
Total Register of Deeds		88,151

County Buildings

Custodial Personnel	\$ 20,954	
Communication	4,487	
Maintenance and Repair Services - Buildings	13,796	
Other Contracted Services	6,472	
Custodial Supplies	3,497	
Duplicating Supplies	4,737	
Electricity	30,621	
Natural Gas	11,944	
Water and Sewer	9,344	
Other Supplies and Materials	409	
Total County Buildings		106,261

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 57,751
Secretary(ies)	30,903
Part-time Personnel	15,000

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Audit Services	\$ 2,210	
Communication	2,808	
Data Processing Services	7,490	
Dues and Memberships	400	
Postal Charges	808	
Printing, Stationery, and Forms	162	
Travel	6,008	
Office Supplies	1,929	
Total Property Assessor's Office		\$ 125,469

County Trustee's Office

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	20,099	
Part-time Personnel	1,050	
Communication	1,437	
Data Processing Services	5,097	
Dues and Memberships	483	
Postal Charges	4,812	
Printing, Stationery, and Forms	805	
Travel	562	
Office Supplies	1,368	
Total County Trustee's Office		93,464

County Clerk's Office

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	59,239	
Part-time Personnel	1,372	
Communication	3,029	
Dues and Memberships	483	
Postal Charges	2,744	
Travel	299	
Office Supplies	3,354	
Total County Clerk's Office		128,271

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 57,751
Deputy(ies)	72,748
Part-time Personnel	8,296
Jury and Witness Expense	16,290

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Communication	\$ 4,185	
Data Processing Services	10,431	
Dues and Memberships	443	
Postal Charges	1,652	
Printing, Stationery, and Forms	1,261	
Duplicating Supplies	615	
Office Supplies	<u>10,553</u>	
Total Circuit Court		\$ 184,225

General Sessions Judge

Judge(s)	\$ 82,325	
In-Service Training	1,200	
Communication	728	
Office Supplies	<u>200</u>	
Total General Sessions Judge		84,453

Drug Court

Fines, Assessments, and Penalties	<u>\$ 1,716</u>	
Total Drug Court		1,716

Chancery Court

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	19,801	
Part-time Personnel	525	
Communication	1,449	
Data Processing Services	6,055	
Dues and Memberships	643	
Postal Charges	1,300	
Office Supplies	<u>2,137</u>	
Total Chancery Court		89,661

Juvenile Court

Youth Service Officer(s)	\$ 25,526	
Part-time Personnel	12,762	
Communication	2,542	
Postal Charges	1,348	
Rentals	4,125	
Travel	340	
Office Supplies	2,181	
Other Charges	<u>1,350</u>	
Total Juvenile Court		50,174

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice

Other Charges	\$ 3,006	
Total Other Administration of Justice		\$ 3,006

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 63,527	
Deputy(ies)	321,993	
School Resource Officer	23,294	
In-Service Training	16,008	
Communication	2,106	
Maintenance and Repair Services - Vehicles	24,289	
Postal Charges	1,200	
Printing, Stationery, and Forms	1,184	
Tow-in Services	4,850	
Other Contracted Services	8,680	
Gasoline	61,720	
Office Supplies	6,125	
Tires and Tubes	5,861	
Uniforms	1,483	
Other Supplies and Materials	816	
Liability Insurance	11,235	
Other Charges	200	
Motor Vehicles	55,078	
Other Equipment	3,201	
Total Sheriff's Department		612,850

Administration of the Sexual Offender Registry

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

Jail

Accountants/Bookkeepers	\$ 25,796
Guards	211,466
Cafeteria Personnel	10,805
Communication	12,949
Medical and Dental Services	133,727
Transportation - Other than Students	45
Custodial Supplies	622
Electricity	17,068
Food Supplies	82,875

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Natural Gas	\$ 4,353	
Water and Sewer	8,185	
Other Supplies and Materials	<u>1,448</u>	
Total Jail		\$ 509,339

Fire Prevention and Control

Contracts with Other Public Agencies	\$ 9,420	
Contributions	<u>2,500</u>	
Total Fire Prevention and Control		11,920

Rescue Squad

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

Other Emergency Management

Assistant(s)	\$ 13,885	
Other Charges	<u>2,188</u>	
Total Other Emergency Management		16,073

County Coroner/Medical Examiner

Pauper Burials	<u>\$ 1,500</u>	
Total County Coroner/Medical Examiner		1,500

Other Public Safety

Deputy(ies)	\$ 11,302	
Social Security	701	
Employer Medicare	164	
Contributions	2,000	
Law Enforcement Equipment	9,291	
Other Equipment	<u>79,309</u>	
Total Other Public Safety		102,767

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 9,190	
Contracts with Government Agencies	4,114	
Dues and Memberships	200	
Postal Charges	43	
Electricity	5,896	
Natural Gas	4,858	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Office Supplies	\$ 983	
Water and Sewer	489	
Other Supplies and Materials	<u>1,499</u>	
Total Local Health Center		\$ 27,272

Ambulance/Emergency Medical Services

Contributions	<u>\$ 139,019</u>	
Total Ambulance/Emergency Medical Services		139,019

Crippled Children Services

Contracts with Government Agencies	<u>\$ 830</u>	
Total Crippled Children Services		830

Other Local Health Services

Assistant(s)	\$ 4,000	
Medical Personnel	32,077	
Social Security	2,082	
Medical Insurance	211	
Unemployment Compensation	480	
Employer Medicare	487	
Communication	5,653	
Medical and Dental Services	1,125	
Postal Charges	44	
Travel	3,165	
Other Contracted Services	200	
Office Supplies	44	
Other Supplies and Materials	<u>18,694</u>	
Total Other Local Health Services		68,262

Regional Mental Health Center

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

General Welfare Assistance

Contracts with Other Public Agencies	<u>\$ 2,227</u>	
Total General Welfare Assistance		2,227

Other Waste Disposal

Assistant(s)	\$ 6,000	
Communication	802	

(Continued)

Exhibit J-8

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	\$ 396	
Other Contracted Services	9,807	
Electricity	4,224	
Office Supplies	190	
Water and Sewer	284	
Testing	422	
Other Supplies and Materials	<u>4,366</u>	
Total Other Waste Disposal		\$ 26,491

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Librarians	\$ <u>37,965</u>	
Total Libraries		37,965

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 57,266	
Communication	3,830	
Duplicating Supplies	<u>830</u>	
Total Agriculture Extension Service		61,926

Soil Conservation

Clerical Personnel	\$ 18,856	
Part-time Personnel	3,744	
Communication	1,393	
Travel	428	
Other Supplies and Materials	1,026	
Other Charges	<u>1,024</u>	
Total Soil Conservation		26,471

Other Operations

Industrial Development

Contributions	\$ <u>3,900</u>	
Total Industrial Development		3,900

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Contracts with Government Agencies	\$ 117,614	
Contributions	244	
Total Other Economic and Community Development		\$ 117,858

Veterans' Services

Supervisor/Director	\$ 9,899	
Dues and Memberships	25	
Postal Charges	308	
Travel	3,397	
Total Veterans' Services		13,629

Other Charges

Building and Contents Insurance	\$ 9,406	
Liability Insurance	40,838	
Premiums on Corporate Surety Bonds	4,434	
Trustee's Commission	44,603	
Workers' Compensation Insurance	63,582	
Total Other Charges		162,863

Contributions to Other Agencies

Contributions	\$ 20,994	
Total Contributions to Other Agencies		20,994

Employee Benefits

Social Security	\$ 104,449	
State Retirement	87,867	
Medical Insurance	65,670	
Unemployment Compensation	12,900	
Employer Medicare	24,473	
Total Employee Benefits		295,359

ARRA Grant # 1

Other Equipment	\$ 5,330	
Total ARRA Grant # 1		5,330

Miscellaneous

Assistant(s)	\$ 1,680	
Part-time Personnel	73,759	
Social Security	4,640	
Employer Medicare	1,085	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Travel	\$ 535	
Workers' Compensation Insurance	2,916	
Other Charges	<u>15,924</u>	
Total Miscellaneous		\$ 100,539

Principal on Debt

General Government

Principal on Other Loans	\$ <u>16,728</u>	
Total General Government		16,728

Interest on Debt

General Government

Interest on Other Loans	\$ <u>1,320</u>	
Total General Government		<u>1,320</u>

Total General Fund \$ 3,616,837

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ <u>29,892</u>	
Total County Buildings		\$ 29,892

Other Operations

Other Charges

Trustee's Commission	\$ <u>568</u>	
Total Other Charges		<u>568</u>

Total Courthouse and Jail Maintenance Fund 30,460

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Assistant(s)	\$ 3,150
Truck Drivers	59,850
Maintenance Personnel	28,268
Part-time Personnel	95,134
Social Security	13,801
Communication	4,638
Maintenance and Repair Services - Vehicles	27,419

(Continued)

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.)

Disposal Fees	\$ 206,592	
Diesel Fuel	31,303	
Electricity	7,753	
Water and Sewer	1,546	
Other Supplies and Materials	5,114	
Solid Waste Equipment	<u>873</u>	
Total Convenience Centers		\$ 485,441

Landfill Operation and Maintenance

Contracts with Private Agencies	\$ <u>11,070</u>	
Total Landfill Operation and Maintenance		11,070

Other Operations

Other Charges

Trustee's Commission	\$ <u>11,291</u>	
Total Other Charges		<u>11,291</u>

Total Solid Waste/Sanitation Fund \$ 507,802

Industrial/Economic Development Fund

Other Operations

Industrial Development

Other Charges	\$ 63,682	
Other Construction	<u>434</u>	
Total Industrial Development		\$ 64,116

Principal on Debt

General Government

Principal on Other Loans	\$ <u>35,176</u>	
Total General Government		35,176

Interest on Debt

General Government

Interest on Other Loans	\$ <u>7,402</u>	
Total General Government		7,402

Capital Projects

Public Health and Welfare Projects

Other Charges	\$ <u>14,243</u>	
Total Public Health and Welfare Projects		<u>14,243</u>

Total Industrial/Economic Development Fund 120,937

(Continued)

Exhibit J-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$	198	
Trustee's Commission		277	
Other Charges		20	
Total Drug Enforcement			\$ 495

Total Drug Control Fund \$ 495

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Other Salaries and Wages	\$	2,598	
Total Chancery Court			\$ 2,598

Total Constitutional Officers - Fees Fund 2,598

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Accountants/Bookkeepers		32,255	
Advertising		206	
Communication		4,642	
Data Processing Services		3,754	
Dues and Memberships		483	
Evaluation and Testing		735	
Maintenance and Repair Services - Office Equipment		260	
Postal Charges		264	
Printing, Stationery, and Forms		381	
Rentals		44	
Travel		1,422	
Electricity		3,914	
Office Supplies		405	
Water and Sewer		330	
Other Charges		3,541	
Office Equipment		1,500	
Total Administration			\$ 117,663

Highway and Bridge Maintenance

Supervisor/Director	\$	32,255
Foremen		32,255

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Equipment Operators - Heavy	\$ 73,937	
Equipment Operators - Light	2,851	
Truck Drivers	195,210	
Laborers	40,182	
Overtime Pay	1,703	
Asphalt - Liquid	125,079	
Crushed Stone	233,786	
Ice	215	
Pipe	44,157	
Road Signs	1,522	
Small Tools	25	
Other Supplies and Materials	561	
Other Charges	586	
Total Highway and Bridge Maintenance		\$ 784,324

Operation and Maintenance of Equipment

Mechanic(s)	\$ 59,508	
Nightwatchmen	16,923	
Overtime Pay	950	
Maintenance and Repair Services - Equipment	4,287	
Diesel Fuel	83,378	
Equipment and Machinery Parts	29,146	
Garage Supplies	557	
Gasoline	25,680	
Lubricants	1,783	
Propane Gas	1,159	
Small Tools	6	
Tires and Tubes	15,838	
Other Supplies and Materials	869	
Other Charges	3,124	
Total Operation and Maintenance of Equipment		243,208

Litter and Trash Collection

Laborers	\$ 21,686	
Social Security	1,730	
Maintenance and Repair Services - Vehicles	6	
Gasoline	632	
Instructional Supplies and Materials	4,292	
Total Litter and Trash Collection		28,346

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Liability Insurance	\$ 29,884	
Trustee's Commission	14,702	
Workers' Compensation Insurance	<u>60,064</u>	
Total Other Charges		\$ 104,650

Employee Benefits

Social Security	\$ 32,438	
State Retirement	46,300	
Employee and Dependent Insurance	136,410	
Unemployment Compensation	4,620	
Employer Medicare	<u>9,685</u>	
Total Employee Benefits		229,453

Capital Outlay

Other Contracted Services	\$ 5,000	
Building Improvements	18,794	
Highway Construction	<u>1,130</u>	
Total Capital Outlay		<u>24,924</u>

Total Highway/Public Works Fund \$ 1,532,568

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ <u>161,495</u>	
Total General Government		\$ 161,495

Education

Principal on Bonds	\$ <u>545,000</u>	
Total Education		545,000

Interest on Debt

General Government

Interest on Bonds	\$ <u>37,194</u>	
Total General Government		37,194

Education

Interest on Bonds	\$ <u>343,620</u>	
Total Education		343,620

(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 10,889	
Other Debt Service	<u>349</u>	
Total General Government		\$ 11,238

Education

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

Total General Debt Service Fund \$ 1,098,797

Education Capital Projects Fund

Other Operations

Contributions to Other Agencies

Contributions	\$ <u>155,592</u>	
Total Contributions to Other Agencies		<u>\$ 155,592</u>

Total Education Capital Projects Fund 155,592

Total Governmental Funds - Primary Government \$ 7,066,086

Exhibit J-9

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,582,100	
Career Ladder Program	66,581	
Career Ladder Extended Contracts	44,325	
Homebound Teachers	27,385	
Educational Assistants	120,219	
Other Salaries and Wages	25,230	
Non-certified Substitute Teachers	138,057	
Social Security	298,553	
State Retirement	314,763	
Life Insurance	377	
Medical Insurance	552,487	
Employer Medicare	69,268	
Communication	1,024	
Travel	2,367	
Other Contracted Services	27,852	
Instructional Supplies and Materials	108,600	
Textbooks	203,125	
Other Charges	19,222	
Regular Instruction Equipment	115,629	
Total Regular Instruction Program		\$ 6,717,164

Alternative Instruction Program

Teachers	\$ 82,625	
Career Ladder Program	2,000	
Educational Assistants	22,222	
Social Security	6,321	
State Retirement	7,522	
Life Insurance	66	
Medical Insurance	13,305	
Employer Medicare	1,478	
Dues and Memberships	35	
Other Supplies and Materials	625	
Total Alternative Instruction Program		136,199

Special Education Program

Teachers	\$ 1,331,586
Career Ladder Program	21,499
Educational Assistants	99,464
Speech Pathologist	138,195

(Continued)

Exhibit J-9

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.)

Social Security	\$ 95,473	
State Retirement	100,820	
Life Insurance	819	
Medical Insurance	149,116	
Employer Medicare	22,328	
Evaluation and Testing	737	
Other Contracted Services	1,448	
Instructional Supplies and Materials	25,935	
Other Supplies and Materials	2,886	
Fee Waivers	325	
Other Charges	350	
Special Education Equipment	3,897	
Total Special Education Program		\$ 1,994,878

Vocational Education Program

Teachers	\$ 407,994	
Career Ladder Program	1,000	
Educational Assistants	26,594	
Social Security	25,950	
State Retirement	28,749	
Life Insurance	61	
Medical Insurance	50,356	
Employer Medicare	6,069	
Instructional Supplies and Materials	12,325	
Vocational Instruction Equipment	6,675	
Total Vocational Education Program		565,773

Adult Education Program

Teachers	\$ 11,449	
Other Salaries and Wages	3,130	
Social Security	670	
State Retirement	1,016	
Employer Medicare	211	
Instructional Supplies and Materials	350	
Total Adult Education Program		16,826

Support Services

Attendance

Supervisor/Director	\$ 49,555	
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(Continued)

Exhibit J-9

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.)

Attendance (Cont.)

Career Ladder Program	\$	1,000	
Other Salaries and Wages		25,912	
Social Security		4,722	
State Retirement		5,681	
Life Insurance		25	
Medical Insurance		4,900	
Employer Medicare		1,104	
Postal Charges		1,500	
Travel		5,101	
Other Contracted Services		6,275	
Other Supplies and Materials		1,486	
Attendance Equipment		13,551	
Total Attendance			\$ 120,812

Health Services

Medical Personnel	\$	44,378	
Other Salaries and Wages		38,717	
Social Security		5,599	
State Retirement		5,498	
Life Insurance		61	
Medical Insurance		5,113	
Employer Medicare		1,309	
Travel		126	
Other Contracted Services		14,010	
Drugs and Medical Supplies		3,120	
Other Charges		1,795	
Total Health Services			119,726

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		133,939	
Social Workers		46,974	
Secretary(ies)		24,617	
School Resource Officer		29,000	
Other Salaries and Wages		11,629	
Social Security		12,991	
State Retirement		14,450	
Life Insurance		33	
Medical Insurance		26,456	

(Continued)

Exhibit J-9

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.)

Employer Medicare	\$	3,038	
Contracts with Government Agencies		363	
Evaluation and Testing		15,270	
Travel		6,668	
Other Contracted Services		60	
Other Supplies and Materials		19,092	
Other Charges		700	
Other Equipment		33,772	
Total Other Student Support			\$ 384,052

Regular Instruction Program

Supervisor/Director	\$	56,251	
Career Ladder Program		2,000	
Librarians		89,100	
Social Security		8,768	
State Retirement		9,478	
Medical Insurance		18,951	
Employer Medicare		2,052	
Travel		4,413	
Library Books/Media		4,498	
In Service/Staff Development		16,608	
Total Regular Instruction Program			212,119

Special Education Program

Supervisor/Director	\$	57,059	
Career Ladder Program		1,000	
Psychological Personnel		41,415	
Social Security		6,129	
State Retirement		6,386	
Medical Insurance		9,800	
Employer Medicare		1,434	
Communication		10,937	
Postal Charges		15	
Travel		20,550	
Other Supplies and Materials		467	
In Service/Staff Development		5,258	
Other Charges		443	
Total Special Education Program			160,893

(Continued)

Exhibit J-9

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	\$	57,482	
Career Ladder Program		1,000	
Social Security		3,618	
State Retirement		3,755	
Medical Insurance		1,960	
Employer Medicare		846	
Travel		1,454	
Total Vocational Education Program			\$ 70,115

Adult Programs

Supervisor/Director	\$	40,034	
Social Security		2,257	
State Retirement		2,570	
Medical Insurance		6,614	
Employer Medicare		528	
Communication		633	
Travel		431	
In Service/Staff Development		1,227	
Total Adult Programs			54,294

Other Programs

On-Behalf Payments to OPEB	\$	77,910	
Total Other Programs			77,910

Board of Education

Board and Committee Members Fees	\$	12,374	
Social Security		767	
State Retirement		125	
Unemployment Compensation		74,929	
Employer Medicare		179	
Audit Services		21,500	
Dues and Memberships		6,854	
Legal Services		22,639	
Liability Insurance		28,125	
Premiums on Corporate Surety Bonds		500	
Trustee's Commission		74,027	
Workers' Compensation Insurance		56,741	
Refund to Applicant for Criminal Investigation		660	
Other Charges		4,584	
Total Board of Education			304,004

(Continued)

Exhibit J-9

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	\$	72,016	
Career Ladder Program		1,000	
Clerical Personnel		19,408	
Social Security		5,730	
State Retirement		6,512	
Life Insurance		30	
Medical Insurance		8,405	
Employer Medicare		1,340	
Communication		34,589	
Travel		1,862	
Office Supplies		99	
Total Director of Schools			\$ 150,991

Office of the Principal

Principals	\$	421,447	
Career Ladder Program		10,000	
Assistant Principals		52,259	
Secretary(ies)		30,124	
Clerical Personnel		39,956	
Social Security		32,954	
State Retirement		37,382	
Life Insurance		274	
Medical Insurance		67,154	
Employer Medicare		7,664	
Total Office of the Principal			699,214

Fiscal Services

Accountants/Bookkeepers	\$	48,561	
Secretary(ies)		19,527	
Clerical Personnel		19,053	
Social Security		5,362	
State Retirement		8,130	
Life Insurance		94	
Employer Medicare		1,254	
Postal Charges		796	
Travel		1,543	
Other Contracted Services		11,996	
Office Supplies		6,627	
Administration Equipment		537	
Total Fiscal Services			123,480

(Continued)

Exhibit J-9

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.)

Operation of Plant

Custodial Personnel	\$	271,365	
Social Security		15,877	
State Retirement		17,626	
Life Insurance		488	
Employer Medicare		3,713	
Other Contracted Services		21,073	
Custodial Supplies		97,542	
Electricity		445,230	
Natural Gas		129,911	
Water and Sewer		47,134	
Boiler Insurance		400	
Building and Contents Insurance		46,501	
Other Charges		9,089	
Total Operation of Plant			\$ 1,105,949

Maintenance of Plant

Maintenance Personnel	\$	124,923	
Social Security		7,336	
State Retirement		10,649	
Life Insurance		121	
Employer Medicare		1,716	
Maintenance and Repair Services - Equipment		39,151	
Other Supplies and Materials		93,978	
Total Maintenance of Plant			277,874

Transportation

Supervisor/Director	\$	31,819	
Mechanic(s)		46,578	
Bus Drivers		256,241	
Social Security		19,742	
State Retirement		24,763	
Life Insurance		602	
Employer Medicare		4,807	
Communication		2,178	
Medical and Dental Services		1,125	
Travel		2,300	
Other Contracted Services		4,363	
Diesel Fuel		70,779	
Gasoline		23,297	

(Continued)

Exhibit J-9

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.)

Tires and Tubes	\$	8,467	
Vehicle Parts		77,031	
Other Supplies and Materials		2,874	
Vehicle and Equipment Insurance		16,754	
Transportation Equipment		<u>153,092</u>	
Total Transportation	\$		746,812

Central and Other

Supervisor/Director	\$	150,356	
Other Salaries and Wages		140,286	
Social Security		17,885	
State Retirement		17,640	
Life Insurance		61	
Medical Insurance		6,175	
Employer Medicare		4,183	
Other Fringe Benefits		2,855	
Communication		1,145	
Travel		27,817	
Other Supplies and Materials		73,773	
In Service/Staff Development		6,000	
Other Charges		<u>12,494</u>	
Total Central and Other			460,670

Operation of Non-Instructional Services

Food Service

Clerical Personnel	\$	7,892	
Cafeteria Personnel		533,322	
Other Salaries and Wages		21,523	
Social Security		34,328	
State Retirement		37,925	
Life Insurance		1,336	
Employer Medicare		8,160	
Payments to Schools - Breakfast		275,998	
Payments to Schools - Lunch		643,001	
Travel		756	
In Service/Staff Development		1,431	
Other Charges		4,099	
Food Service Equipment		<u>11,141</u>	
Total Food Service			1,580,912

(Continued)

Exhibit J-9

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.)

Community Services

Supervisor/Director	\$	16,720	
Social Security		770	
State Retirement		974	
Life Insurance		17	
Employer Medicare		180	
Travel		277	
Other Supplies and Materials		572	
Other Charges		12,981	
Other Equipment		808	
Total Community Services			\$ 33,299

Early Childhood Education

Teachers	\$	145,563	
Clerical Personnel		4,094	
Educational Assistants		43,585	
Other Salaries and Wages		50,709	
Non-certified Substitute Teachers		2,036	
Social Security		14,996	
State Retirement		17,841	
Life Insurance		116	
Medical Insurance		8,022	
Employer Medicare		3,507	
Communication		3,172	
Travel		17,983	
Food Supplies		2,243	
Instructional Supplies and Materials		84,982	
Other Supplies and Materials		6,013	
Other Charges		4,471	
Other Equipment		75,018	
Total Early Childhood Education			484,351

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	1,500	
Other Capital Outlay		29,374	
Total Regular Capital Outlay			30,874

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Notes	\$ 89,293	
Total Education		\$ 89,293

Interest on Debt

Education

Interest on Notes	\$ 10,741	
Total Education		10,741

Other Debt Service

Education

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

Total General Purpose School Fund		\$ 17,229,225
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 631,055	
Educational Assistants	101,145	
Other Salaries and Wages	4,305	
Non-certified Substitute Teachers	11,042	
Social Security	44,914	
State Retirement	49,595	
Life Insurance	300	
Medical Insurance	99,368	
Employer Medicare	10,212	
Instructional Supplies and Materials	124,405	
Other Supplies and Materials	56,021	
Other Charges	3,791	
Regular Instruction Equipment	<u>221,855</u>	
Total Regular Instruction Program		\$ 1,358,008

Alternative Instruction Program

Other Salaries and Wages	\$ 49,159	
Social Security	3,013	
State Retirement	3,156	
Medical Insurance	5,113	
Employer Medicare	705	

(Continued)

Exhibit J-9

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.)

Alternative Instruction Program (Cont.)

Other Supplies and Materials	\$	79	
Other Equipment		1,902	
Total Alternative Instruction Program			\$ 63,127

Special Education Program

Teachers	\$	1,400	
Educational Assistants		299,905	
Other Salaries and Wages		183,992	
Non-certified Substitute Teachers		705	
Social Security		30,702	
State Retirement		32,377	
Medical Insurance		9,078	
Employer Medicare		7,180	
Evaluation and Testing		2,063	
Other Contracted Services		99,669	
Instructional Supplies and Materials		7,168	
Other Supplies and Materials		52,377	
Fee Waivers		923	
Other Charges		605	
Special Education Equipment		47,821	
Total Special Education Program			775,965

Vocational Education Program

Instructional Supplies and Materials	\$	9,839	
Other Supplies and Materials		3,026	
Other Charges		282	
Vocational Instruction Equipment		37,835	
Total Vocational Education Program			50,982

Support Services

Other Student Support

Guidance Personnel	\$	35,082	
Other Salaries and Wages		16,672	
Social Security		3,190	
State Retirement		3,249	
Medical Insurance		4,900	
Employer Medicare		746	
Travel		4,605	
Other Contracted Services		1,054	

(Continued)

Exhibit J-9

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.)

Other Student Support (Cont.)

Other Supplies and Materials	\$	34,775	
In Service/Staff Development		34,629	
Other Charges		5,686	
Total Other Student Support			\$ 144,588

Regular Instruction Program

Supervisor/Director	\$	55,501	
Secretary(ies)		27,048	
Other Salaries and Wages		9,529	
Social Security		6,154	
State Retirement		6,280	
Medical Insurance		5,106	
Employer Medicare		1,439	
Communication		1,988	
Operating Lease Payments		6,115	
Travel		478	
Other Contracted Services		7,963	
Periodicals		1,612	
Other Supplies and Materials		3,563	
In Service/Staff Development		18,986	
Other Charges		463	
Other Equipment		4,192	
Total Regular Instruction Program			156,417

Special Education Program

Clerical Personnel	\$	848	
Other Salaries and Wages		31,145	
Social Security		1,997	
State Retirement		3,000	
Employer Medicare		467	
Communication		114	
Postal Charges		61	
Travel		25,009	
Other Contracted Services		4,743	
Other Supplies and Materials		1,516	
In Service/Staff Development		11,409	
Other Charges		1,592	
Other Equipment		4,930	
Total Special Education Program			86,831

(Continued)

Exhibit J-9

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.)

Vocational Education Program

Teachers	\$	1,990	
Social Security		123	
State Retirement		134	
Employer Medicare		29	
Travel		987	
Total Vocational Education Program			\$ 3,263

Transportation

Other Salaries and Wages	\$	9,120	
Social Security		565	
State Retirement		723	
Employer Medicare		132	
Transportation Equipment		98,576	
Total Transportation			<u>109,116</u>

Total School Federal Projects Fund \$ 2,748,297

Total Governmental Funds - Grundy County School Department \$ 19,977,522

Exhibit J-10

Grundy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2010

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 468,241
Total Cash Receipts	<u>\$ 468,241</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 463,559
Trustee's Commission	4,682
Total Cash Disbursements	<u>\$ 468,241</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
Cash Balance, June 30, 2010	<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

October 20, 2010

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, 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, 2010, which collectively comprise Grundy County's basic financial statements and have issued our report thereon dated October 20, 2010. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Grundy County Emergency Communications District as described in our report on Grundy County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

## Internal Control Over Financial Reporting

In planning and performing our audit, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 10.04.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.02, 10.03, 10.05, 10.06, 10.07(A), 10.08(A,B,C), 10.11(B), and 10.13.

## 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 10.01, 10.07(B,C), 10.08(D), 10.09, 10.10, 10.11(A), and 10.12.

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 the 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 prominent vertical line extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



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

October 20, 2010

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, 2010. 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 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, 2010.

#### Internal Control Over Compliance

The management of Grundy County is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grundy County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

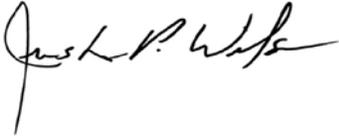
#### Schedule of Expenditures of Federal Awards

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 as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. 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 the 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.

Yours very truly,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

Grundy County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2010

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Rural Business Enterprise Grants	10.769	N/A	\$ 2,807
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	61,659 (4)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	307,482
National School Lunch Program	10.555	N/A	713,260 (4)
Child Nutrition Discretionary Grants Limited Availability	10.579	5TN340330	4,906
Total U.S. Department of Agriculture			<u>\$ 1,090,114</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-06-21	\$ 117,614
Total U.S. Department of Housing and Urban Development			<u>\$ 117,614</u>
U.S. Department of Justice:			
Passed-through State Administrative Office of the Courts:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	N/A	\$ 5,330
Passed-through Tennessee Bureau of Investigation:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-DD-BX-0663	2,641
Total U.S. Department of Justice			<u>\$ 7,971</u>
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	10-06-061-306-YOUTH	\$ 31,808
Passed-through State Department of Education:			
WIA Youth Activities	17.259	N/A	12,500
Total U.S. Department of Labor			<u>\$ 44,308</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Z-10-220002-00	\$ 2,988
Alcohol Open Container Requirements	20.607	Z-09-214608-00	14,044
Total U.S. Department of Transportation			<u>\$ 17,032</u>
Appalachian Regional Commission:			
Passed-through East Tennessee State University:			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	N/A	\$ 2,500
Total Appalachian Regional Commission			<u>\$ 2,500</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,098,681
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090042	350,608
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	652,640
Special Education - Preschool Grants	84.173	N/A	30,670
Special Education - Grants to States, Recovery Act	84.391	H391A090052	345,298
Special Education - Preschool Grants, Recovery Act	84.392	H392A090095	6,392
Career and Technical Education - Basic Grants to States	84.048	N/A	67,173
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	5,682
State Grants for Innovative Programs	84.298	N/A	3,780

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	\$ 608
Education Technology State Grants, Recovery Act	84.386	S386A090042	4,540
Reading First State Grants	84.357	(2)	88,840
Rural Education	84.358	N/A	35,574
Improving Teacher Quality State Grants	84.367	N/A	152,586
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	S394A090043A	396,300
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090043	196,065
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z-10-218509-00	64,612
Passed-through State Higher Education Commission:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(3)	132,986
Total U.S. Department of Education			<u>\$ 3,633,035</u>
Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	N/A	\$ 24
Total Corporation for National and Community Service			<u>\$ 24</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
Cooperative Agreement to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	N/A	\$ 600
Total U.S. Department of Health and Human Services			<u>\$ 600</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 6,670
Homeland Security Grant Program	97.067	GG-08-25672-00	79,309
Total U.S. Department of Homeland Security			<u>\$ 85,979</u>
Total Expenditures of Federal Awards			<u>\$ 4,999,177</u>
<u>State Grants</u>			
Early Intervention - State Department of Finance and Administration	N/A	(2)	\$ 75,000
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	409,353
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	12,500
Lottery for Education After School Program - State Department of Education	N/A	(2)	194,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	5,262
Litter Program - State Department of Transportation	N/A	Z-10-220331-00	28,563
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	GG-09-26099-00	16,957
Local Health Services - State Department of Health	N/A	Z-10-219794-00	55,629
Total State Grants			<u>\$ 806,264</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) GG-08-21819-00: \$101,609; GG-10-28174-00: \$23,887; GG-10-28152-00: \$7,490.
- (4) Total for CFDA No. 10.555 is \$774,919.

Grundy County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2010

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, 2009, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	164	Transactions related to the operations of the county-owned sewer system were not accounted for through an enterprise fund

**OFFICE OF HIGHWAY SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.03	165	The office did not maintain adequate controls over fuel
09.04	165	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>
09.05	166	The Grundy County School Department does not have the resources to produce financial statements and the notes to the financial statements
09.06(A,B,C)	166	Deficiencies were noted in the administration of the Little Jackets Daycare

**OTHER FINDING**

Finding Number	Page Number	Subject
09.08	168	Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Director of Schools, 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, 2010**

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

1. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is qualified. Our report on the aggregate discretely presented component units is unqualified.
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 two instances of noncompliance that are 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, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553 and 10.555); the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Governmental Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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 10.01      **THE OFFICE DID NOT ACCOUNT FOR TRANASTIONS OF THE COUNTY-OWNED SEWER SYSTEM IN AN ENTERPRISE FUND****

(Material Noncompliance Under Government Auditing Standards)

The office did not account for transactions of the county-owned sewer system in an enterprise fund. Instead, these transactions were accounted for in the county's General Fund. Section 68-221-802, 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 tax 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 in an enterprise fund is the only method, which would ensure that sufficient funds are provided 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 in 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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### **OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 10.02      **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 10.03      **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. The vulnerabilities noted were corrected after they were brought to the official's attention.

## RECOMMENDATION

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

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## OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.04      **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 financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the 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 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 its 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 10.05      **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The School Federal Projects Fund had a cash overdraft of \$144,680 at June 30, 2010. Sound business practices dictate that expenditures should be held within available funds. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2010.

RECOMMENDATION

The School Department should not issue warrants exceeding cash on deposit with the county trustee.

---

FINDING 10.06      **THE OFFICE HAD WEAKNESSES IN POSTING FINANCIAL TRANSACTIONS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

We observed 240 general journal entries that were posted to the accounting records for the General Purpose School and School Federal Projects funds. Included in these 240 entries were 20 general journal entries that were posted to correct previous journal entries. Sound business practices dictate that financial transactions should be accurately posted in accordance with generally accepted accounting principles. The significant number of general journal entries indicates weaknesses in internal controls related to recording financial transactions.

## RECOMMENDATION

Internal controls over the accounting process should be strengthened to correctly identify and accurately post transactions by nature, account, and fund when the transactions are initiated.

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**FINDING 10.07      DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE LITTLE JACKETS DAYCARE**  
(A. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. and C. – Noncompliance Under Government Auditing Standards)

The Grundy County School Department operates a child-care program known as the Little Jackets Daycare. The daycare’s financial transactions are channeled through the General Purpose School Fund. Our examination 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 the 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. Official receipts were not always 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 official prenumbered receipts should be issued for all collections. 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.

## 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 receipts for all collections at the time funds are collected. All funds should be deposited within three days of collection.

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**OFFICE OF COUNTY CLERK**

**FINDING 10.08**      **THE OFFICE HAD NUMEROUS ACCOUNTING DEFICIENCIES RELATED TO DRIVERS LICENSE TRANSACTIONS**  
(A., B., and C. – Internal Control – Significant Deficiency Under Government Auditing Standards; D. – Noncompliance Under Government Auditing Standards)

The following deficiencies were noted during our examination of the office’s accounting records that relate to drivers license transactions. These deficiencies can be attributed to a lack of understanding of internal controls and sound business practices.

- A.     The cash journal did not properly reflect drivers license transactions. Receipts for driver license transactions (\$28,830) and the related disbursements were not included on the cash journal. These amounts were determined by substantive testing and alternative auditing procedures and have been included in the financial statements of this report.
  
- B.     The annual financial report prepared by the office did not reflect drivers license transactions. These operations and year-end balances were determined by substantive testing and alternative auditing procedures and have been properly reflected in the financial statements of this report.
  
- C.     Bank accounts maintained for drivers license transactions were not reconciled with accounting records. The failure to regularly reconcile bank accounts with accounting records is a significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner.
  
- D.     The office did not issue official receipts for collections related to drivers license transactions as required by Section 9-2-104, Tennessee Code Annotated.

**RECOMMENDATION**

The cash journal and annual financial report should accurately reflect all operations of the office. Bank statements should be reconciled with the accounting records monthly. Prenumbered receipts should be issued for all collections as required by state statute.

---

**OFFICE OF CLERK AND MASTER**

**FINDING 10.09**      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Noncompliance Under Government Auditing Standards)

The office began using a new software package in July 2008. Prior to this, the office had rotated backups of its data to an off-site location on a weekly basis. Because of a misunderstanding regarding the backup process for the new software, the office discontinued storing backups off-site on a weekly basis. Section 10-7-121, Tennessee Code

Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system should be copied to storage media daily, and media more than one week old should be stored at an off-site location. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. When the backup process was clarified in March 2010, the office began rotating backups to an off-site location.

### RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

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### OFFICE OF SHERIFF

FINDING 10.10      **SEVERAL ARRESTEE FILES DID NOT INCLUDE A HARD COPY OF FINGERPRINTS**  
(Noncompliance Under Government Auditing Standards)

The Sheriff's Department uses an electronic imaging fingerprint machine to fingerprint arrestees at the time of their arrest. This machine is designed to electronically store the fingerprint images, generate records of the images taken, and transmit the images to the Tennessee Bureau of Investigation (TBI). Section 8-4-115, Tennessee Code Annotated, states "If fingerprints are transmitted to the TBI electronically, the booking agency shall maintain one (1) hard copy of the fingerprints with each arrest report...". During our examination of arrestee files, we found several instances where hard copies of the fingerprints were not on file. This deficiency can be attributed to a lack of management oversight.

### RECOMMENDATION

A hard copy of all arrestees' fingerprints should be on file with each arrest report as required by state statute.

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FINDING 10.11      **DEFICIENCIES WERE NOTED IN RECORDS AND PROCEDURES OF THE SHERIFF'S DEPARTMENT**  
(A. – Noncompliance Under Government Auditing Standards; and B. Internal Control – Significant Deficiency Under Government Auditing Standards)

The following deficiencies existed in the Sheriff's Department:

- A. The Sheriff's Department collects booking fees, work release payments, and various other fees. Although we were advised by the sheriff and employees that receipts were issued by the Sheriff's Department, we were unable to

obtain a receipt book for the period July 27, 2009, through February 21, 2010. Therefore, we were unable to determine if all funds received by the Sheriff's Department were properly receipted and deposited. Section 9-2-103, Tennessee Code Annotated, requires official prenumbered receipts should be issued for all collections. The operations for this period were determined by substantive testing and alternative auditing procedures and have been included in the financial statements of this report. Officials advised that they lost the receipt book for that period.

- B. The Sheriff's Department did not post the cash journal timely. This resulted in overpayments for various fees that were remitted to the county trustee. The official cash journal is the primary cash control record that summarizes the office's financial operations, and it should be maintained currently.

**RECOMMENDATION**

Official prenumbered receipts should be issued for all collections, and these receipts should be on file for audit inspection. The official cash journal should be maintained on a current basis.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 10.12      **GRUNDY COUNTY HAS MATERIAL RECURRING AUDIT FINDINGS**  
(Material Noncompliance Under Government Auditing Standards)**

Grundy County has material audit findings that have been reported in its annual financial reports for three or more consecutive years. The recurring material findings are listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.03	The Office of County Mayor did not account for transactions of the county owned sewer system through an enterprise fund.
10.04, 09.05, 08.01	The Grundy County School Department does not have the resources to produce financial statements and notes to the financial statements.

The recurring nature of the above-noted findings indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the

Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

#### RECOMMENDATION

Grundy County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Grundy County may be required to establish an Audit Committee in accordance with provisions of Section 9-3-405, TCA.

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**FINDING 10.13      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, 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, 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.

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## **BEST PRACTICE**

### **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED**

Grundy County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Grundy County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal programs.

**GRUNDY COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2010**

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