
ANNUAL FINANCIAL REPORT GRUNDY COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



ANNUAL FINANCIAL REPORT
GRUNDY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

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Auditor 4

DEVAN FLYNN, CFE
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State Auditors

This financial report is available at www.tn.gov/comptroller

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Audit Highlights
Annual Financial Report
Grundy County, Tennessee
For the Year Ended June 30, 2011

Scope

We have audited the basic financial statements of Grundy County as of and for the year ended June 30, 2011.

Results

Our report on the governmental activities, the business-type activities, and the major enterprise fund, is adverse due to the county-owned sewer system being accounted for in the General Fund instead of being accounted for in an enterprise fund. Our report on the discretely presented component units, each major fund (except the enterprise fund), and the aggregate remaining fund information is unqualified.

Our audit resulted in 23 findings and recommendations, which we have reviewed with Grundy County management. Detailed findings, recommendations, and management's responses 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.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ Expenditures exceeded appropriations in the General Fund.
- ◆ General ledger payroll liability accounts were not reconciled.
- ◆ Payments are not being received currently on lease receivables in the Industrial/Economic Development Fund.
- ◆ Authorizations were not on file to support gross salary amounts for some employees.
- ◆ Grundy County has a material recurring audit finding.

OFFICE OF HIGHWAY SUPERINTENDENT

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

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The General Purpose School Fund required material audit adjustments for proper financial statement presentation.
 - ◆ The School Federal Projects Fund had a cash overdraft of \$19,135 at June 30, 2011.
 - ◆ Deficiencies were noted in the administration of the Little Jackets Daycare.
 - ◆ The office had deficiencies in purchasing procedures.
 - ◆ Expenditures exceeded appropriations.
 - ◆ Deficiencies were noted in the accounting records.
 - ◆ Three employees received questionable compensation totaling at least \$13,072.60.
 - ◆ Seven employees received \$600 bonuses without the approval of the Board of Education.
-

OFFICE OF COUNTY CLERK

- ◆ The annual financial report did not accurately reflect drivers license transactions.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The General Sessions Court Clerk's execution docket trial balance reflected unidentified funds.
-

OFFICE OF SHERIFF

- ◆ Improper procedures were used to receipt and disburse funds.
 - ◆ Several arrestee files did not include a hard copy of fingerprints.
-

OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

- ◆ Duties were not segregated adequately.
-

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.

INTRODUCTORY SECTION

Grundy County Officials June 30, 2011

Officials

Lonnie Cleek, County Mayor
Hubert Hargis, Highway Superintendent
Joel Hargis, Director of Schools
Lucyle Hampton, Trustee
Joanne Childers, Assessor of Property
Tammy Sholey, 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

Earl Geary, Jr., Chairman
Michael Brady
Kelly Gibbs
David Griswold
David Lockhart
Monte Meeks
Carl Prater
Charles Rollins
Jeremy Stone

Board of Education

Gary Melton, Chairman
Willene Campbell
Robert Foster Jr.
Paul Gallagher
Derryl Graham
Anita Meeks
Jenny Roberts
Charles Sanders
Leon Woodlee

FINANCIAL SECTION



**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

December 21, 2011

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, 2011, 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 4.4 percent and two 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.

Transactions pertaining to the operations of the county-owned sewer system were accounted for through the General Fund (a major governmental fund) and the county's governmental activities. Accounting principles generally accepted in the United States of America require this sewer system to be presented as a major enterprise fund (Solid Waste Disposal Fund) and financial information about the sewer system to be presented as business-type activities. The amount by which this departure would affect the assets, fund balances, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major enterprise fund is not reasonably determinable. The revenues and expenditures of the sewer system do not materially misstate the General Fund.

In our opinion, because of the omission of the Solid Waste Disposal Fund (a major enterprise fund) and the business-type activities, as discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Solid Waste Disposal Fund (a major enterprise fund) or the business-type activities of Grundy County, Tennessee, as of June 30, 2011, or changes in financial position or cash flows thereof for the year then ended.

Also, in our opinion, because of the effects of accounting for the county-owned sewer system in the governmental activities as discussed previously, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Grundy County, Tennessee, as of June 30, 2011, or changes in financial position, thereof for the year then ended.

Additionally, 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 each major fund (other than the omitted Solid Waste Disposal Fund), the aggregate discretely presented component units, and the aggregate remaining fund information of Grundy County, Tennessee, as of June 30, 2011, 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 December 21, 2011, 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

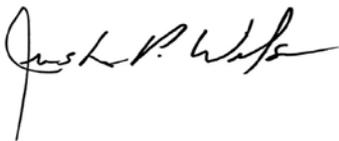
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to

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 64 through 71 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 financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Grundy County, Tennessee
Statement of Net Assets
June 30, 2011

	Component Units		
	Primary	Grundy	Grundy
	Governmental	County	County
	Activities	School	Emergency
		Department	Communications
			District
<u>ASSETS</u>			
Cash	\$ 563	\$ 0	\$ 522,898
Equity in Pooled Cash and Investments	8,136,529	1,830,986	0
Accounts Receivable	1,376	0	123,408
Due from Other Governments	361,133	1,004,203	0
Property Taxes Receivable	3,161,572	1,604,440	0
Allowance for Uncollectible Property Taxes	(126,040)	(63,962)	0
Leases Receivable - Current	186,500	0	0
Leases Receivable - Long-term	594,750	0	0
Prepaid Items	0	0	2,790
Accrued Interest Receivable	0	0	637
Capital Assets:			
Assets Not Depreciated:			
Land	265,273	249,084	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,440,462	10,240,680	0
Other Capital Assets	709,574	871,752	32,428
Intangible Assets	0	0	51,202
Infrastructure	3,491,047	0	0
Total Assets	<u>\$ 20,222,739</u>	<u>\$ 15,737,183</u>	<u>\$ 733,363</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 8,327	\$ 4,419	\$ 0
Cash Overdraft	0	19,135	0
Accrued Interest Payable	54,097	8,753	0
Deferred Revenue - Current Property Taxes	2,850,980	1,446,821	0
Noncurrent Liabilities:			
Due Within One Year	901,574	704,041	0
Due in More Than One Year	7,660,339	2,167,317	0
Total Liabilities	<u>\$ 11,475,317</u>	<u>\$ 4,350,486</u>	<u>\$ 0</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 6,982,646	\$ 10,952,513	\$ 0
Invested in Capital Assets	0	0	83,630
Restricted for:			
General Purposes	721,300	36,473	0
Courthouse and Jail Maintenance	72,285	0	0
Solid Waste/Sanitation	1,283,875	0	0
Industrial/Economic Development	1,290,361	0	0
Drug Control	27,938	0	0
Highway/Public Works	1,047,023	0	0
Debt Service	3,882,349	0	0
School Federal Projects	0	217,149	0
Central Cafeteria	0	484,622	0
Unrestricted	<u>(6,560,355)</u>	<u>(304,060)</u>	<u>649,733</u>
Total Net Assets	<u>\$ 8,747,422</u>	<u>\$ 11,386,697</u>	<u>\$ 733,363</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, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Grundy County School Department	Grundy County Emergency Communications District			
Primary Government:										
Governmental Activities:										
General Government	\$ 698,203	\$ 132,203	\$ 17,528	\$ 0	\$ (548,472)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	429,662	274,774	0	0	(154,888)	0	0	0	0	0
Administration of Justice	485,448	232,569	16,196	0	(236,683)	0	0	0	0	0
Public Safety	1,691,738	74,859	42,759	105,562	(1,468,558)	0	0	0	0	0
Public Health and Welfare	910,607	54,916	56,516	0	(799,175)	0	0	0	0	0
Social, Cultural, and Recreational Services	40,598	0	0	0	(40,598)	0	0	0	0	0
Agriculture and Natural Resources	98,394	0	0	0	(98,394)	0	0	0	0	0
Other Operations	166,594	11,759	1,393	0	(152,842)	0	0	0	0	0
Highways/Public Works	2,546,420	39,498	1,494,501	439,289	(573,132)	0	0	0	0	0
Interest on Long-term Debt	354,634	0	0	0	(354,634)	0	0	0	0	0
Other Debt Service	11,392	0	500,000	0	488,608	0	0	0	0	0
Total Primary Government	\$ 7,433,690	\$ 820,578	\$ 2,129,493	\$ 544,851	\$ (3,938,768)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Grundy County School Department	\$ 20,269,373	\$ 746,924	\$ 3,622,400	\$ 151,967	\$ 0	\$ (15,748,082)	\$ 0	\$ 0	\$ 0	\$ 0
Grundy County Emergency Communications District	305,228	126,690	161,515	0	0	0	0	0	0	(17,023)
Total Component Units	\$ 20,574,601	\$ 873,614	\$ 3,783,915	\$ 151,967	\$ 0	\$ (15,748,082)	\$ 0	\$ 0	\$ 0	\$ (17,023)

(Continued)

Exhibit B

Grundy County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units						
				Total	Governmental Activities	Grundy County School Department	Grundy County Emergency Communications District					
General Revenues:												
Taxes:												
Property Taxes Levied for General Purposes					\$ 2,638,567		\$ 1,477,183	\$				0
Property Taxes Levied for Debt Service					272,236		0					0
Local Option Sales Taxes					435,822		443,501					0
Litigation Tax - General					22,830		0					0
Litigation Tax - Special Purpose					41,607		0					0
Litigation Tax - Jail, Workhouse, or Courthouse					14,164		0					0
Business Tax					28,578		28,578					0
Wholesale Beer Tax					59,215		0					0
Other Local Taxes					533		1,156					0
Grants and Contributions Not Restricted to Specific Programs					106,078		13,920,924					130,931
Unrestricted Investment Earnings					91,391		0					7,427
Miscellaneous					26,036		54,594					0
Total General Revenues					\$ 3,737,057		\$ 15,925,936	\$				138,358
Special Item (1)							0	\$				0
Change in Net Assets							177,854	\$				121,335
Net Assets, July 1, 2010							11,208,843					612,028
Net Assets, June 30, 2011							11,386,697	\$				733,363

(1) A company defaulted on its lease-purchase agreement for a building. The county has repossessed the building.

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, 2011

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 563	\$ 563
Equity in Pooled Cash and Investments	1,198,392	1,672,502	509,111	813,162	3,843,139	100,223	8,136,529	8,136,529
Accounts Receivable	1,312	0	0	0	0	64	1,376	1,376
Due from Other Governments	16,684	12,565	0	256,751	75,133	0	361,133	361,133
Due from Other Funds	9,794	0	0	0	0	0	9,794	9,794
Property Taxes Receivable	2,251,767	614,118	0	0	295,687	0	3,161,572	3,161,572
Allowance for Uncollectible Property Taxes	(89,770)	(24,483)	0	0	(11,787)	0	(126,040)	(126,040)
Notes Receivable - Current	0	0	186,500	0	0	0	186,500	186,500
Notes Receivable - Long-term	0	0	594,750	0	0	0	594,750	594,750
Total Assets	\$ 3,388,179	\$ 2,274,702	\$ 1,290,361	\$ 1,069,913	\$ 4,202,172	\$ 100,850	\$ 12,326,177	\$ 12,326,177

ASSETS

Cash	\$ 0
Equity in Pooled Cash and Investments	1,198,392
Accounts Receivable	1,312
Due from Other Governments	16,684
Due from Other Funds	9,794
Property Taxes Receivable	2,251,767
Allowance for Uncollectible Property Taxes	(89,770)
Notes Receivable - Current	0
Notes Receivable - Long-term	0
Total Assets	\$ 3,388,179

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		
Payroll Deductions Payable	\$ 8,327	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,327	\$ 8,327
Due to Other Funds	0	9,167	0	0	0	627	9,794	9,794
Deferred Revenue - Current Property Taxes	2,030,554	553,787	0	0	266,639	0	2,850,980	2,850,980
Deferred Revenue - Delinquent Property Taxes	119,443	32,548	0	0	15,661	0	167,652	167,652
Other Deferred Revenues	0	0	781,250	127,792	38,633	0	947,675	947,675
Total Liabilities	\$ 2,158,324	\$ 595,502	\$ 781,250	\$ 127,792	\$ 320,933	\$ 627	\$ 3,984,428	\$ 3,984,428
Fund Balances								
Restricted:								
Restricted for General Government	\$ 2,566	\$ 0	\$ 509,111	\$ 0	\$ 0	\$ 72,285	\$ 583,962	\$ 583,962
Restricted for Administration of Justice	223,041	0	0	0	0	0	223,041	223,041
Restricted for Public Safety	2,998	0	0	0	0	27,938	30,936	30,936
Restricted for Public Health and Welfare	34,712	1,679,200	0	0	0	0	1,713,912	1,713,912
Restricted for Highways/Public Works	0	0	0	942,121	0	0	942,121	942,121
Restricted for Capital Outlay	25,931	0	0	0	0	0	25,931	25,931
Restricted for Debt Service	0	0	0	0	3,881,239	0	3,881,239	3,881,239
Restricted for Other Purposes	432,052	0	0	0	0	0	432,052	432,052
Unassigned	508,555	0	0	0	0	0	508,555	508,555
Total Fund Balances	\$ 1,229,855	\$ 1,679,200	\$ 509,111	\$ 942,121	\$ 3,881,239	\$ 100,223	\$ 8,341,749	\$ 8,341,749
Total Liabilities and Fund Balances	\$ 3,388,179	\$ 2,274,702	\$ 1,290,361	\$ 1,069,913	\$ 4,202,172	\$ 100,850	\$ 12,326,177	\$ 12,326,177

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, 2011

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)		\$	8,341,749
(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		3,440,462	
Add: infrastructure net of accumulated depreciation		3,491,047	
Add: other capital assets net of accumulated depreciation		<u>709,574</u>	7,906,356
(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	\$	(7,726,456)	
Less: notes payable		(92,029)	
Less: other loans payable		(270,225)	
Less: compensated absences payable		(22,890)	
Less: other postemployment benefits liability		(54,988)	
Less: landfill closure/postclosure care costs		(395,325)	
Less: accrued interest on bonds and other loans		<u>(54,097)</u>	(8,616,010)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,115,327</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>8,747,422</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, 2011

	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	
Revenues								
Local Taxes	\$ 2,252,333	\$ 570,940	\$ 0	\$ 0	\$ 707,087	\$ 41,607	\$ 3,571,967	
Licenses and Permits	24,732	0	0	0	0	0	24,732	
Fines, Forfeitures, and Penalties	49,407	0	0	0	0	12,751	62,158	
Charges for Current Services	68,001	0	0	42,111	0	2,820	112,932	
Other Local Revenues	44,655	6,316	25,509	47,376	91,391	0	215,247	
Fees Received from County Officials	493,091	0	0	0	0	0	493,091	
State of Tennessee	180,565	31,134	0	1,946,664	0	0	2,158,363	
Federal Government	120,385	0	0	0	0	0	120,385	
Other Governments and Citizens Groups	2,060	0	0	0	500,000	1,900	503,960	
Total Revenues	\$ 3,235,229	\$ 608,390	\$ 25,509	\$ 2,036,151	\$ 1,298,478	\$ 59,078	\$ 7,262,835	
Expenditures								
Current:								
General Government	\$ 557,946	0	0	0	0	34,965	592,911	
Finance	372,160	0	0	0	0	0	372,160	
Administration of Justice	438,958	0	0	0	0	2,820	441,778	
Public Safety	1,669,700	0	0	0	0	34,925	1,704,625	
Public Health and Welfare	252,489	574,444	0	0	0	0	826,933	
Social, Cultural, and Recreational Services	39,869	0	0	0	0	0	39,869	
Agriculture and Natural Resources	96,350	0	0	0	0	0	96,350	
Other Operations	340,297	11,537	0	0	0	445	352,279	
Highways	0	0	0	2,391,745	0	0	2,391,745	
Debt Service:								
Principal on Debt	16,944	0	36,246	0	736,804	0	789,994	
Interest on Debt	1,116	0	6,332	0	351,454	0	358,902	
Other Debt Service	0	0	0	0	11,392	0	11,392	
Capital Projects - Donated	0	0	0	0	0	151,967	151,967	
Total Expenditures	\$ 3,785,829	\$ 585,981	\$ 42,578	\$ 2,391,745	\$ 1,099,650	\$ 225,122	\$ 8,130,905	
Excess (Deficiency) of Revenues Over Expenditures	\$ (550,600)	\$ 22,409	\$ (17,069)	\$ (355,594)	\$ 198,828	\$ (166,044)	\$ (868,070)	

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 92,029	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,967	\$ 243,996	
Proceeds from Sale of Capital Assets	2,800	0	0	0	0	0	2,800	
Insurance Recovery	5,619	0	0	0	0	0	5,619	
Total Other Financing Sources (Uses)	\$ 100,448	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,967	\$ 252,415	
Net Change in Fund Balances	\$ (450,152)	\$ 22,409	\$ (17,069)	\$ (355,594)	\$ 198,828	\$ (14,077)	\$ (615,655)	
Fund Balance, July 1, 2010	1,680,007	1,656,791	526,180	1,297,715	3,682,411	114,300	8,957,404	
Fund Balance, June 30, 2011	\$ 1,229,855	\$ 1,679,200	\$ 509,111	\$ 942,121	\$ 3,881,239	\$ 100,223	\$ 8,341,749	

12 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, 2011

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)		\$ (615,655)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 338,329	
Less: current-year depreciation expense	<u>(558,555)</u>	(220,226)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets	\$ (3,014)	
Less: proceeds received on disposal of capital assets	<u>(2,800)</u>	(5,814)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 1,115,327	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(1,284,003)</u>	(168,676)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (92,029)	
Add: principal payments on bonds	736,804	
Add: principal payments on other loans	<u>53,190</u>	697,965
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 4,268	
Change in compensated absences payable	(3,015)	
Change in other postemployment benefits liability	(27,115)	
Change in landfill closure/postclosure care costs	<u>7,156</u>	<u>(18,706)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (331,112)</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,304,795
Due from Other Governments	<u>85,843</u>
Total Assets	<u>\$ 1,390,638</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 85,843
Due to Litigants, Heirs, and Others	<u>1,304,795</u>
Total Liabilities	<u>\$ 1,390,638</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, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grundy County's financial statements are presented in accordance with generally accepted accounting principles (GAAP), except for the governmental activities, the business-type activities, and the major enterprise fund. 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. 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.

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 has chosen not to report its business-type activities. Instead, Grundy County accounts for transactions of its water/sewer system in the General Fund and reports the assets of the water/sewer system in its governmental activities rather than as an enterprise fund.

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 \$151,967 were contributed by the county to the School Department during the year ended June 30, 2011.

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 Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Grundy County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This special revenue fund accounts for transactions relating to the disposal of Grundy County’s solid waste. Local taxes are the foundational revenues of this fund.

Industrial/Economic Development Fund – This special revenue fund is used to account for lease/rental revenues on county industrial buildings and state/federal grants related to industrial/economic development. Charges for leased property are the foundational revenues of this fund.

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

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

Additionally, Grundy County reports the following fund types:

Capital Projects Fund – The Education Capital Projects Fund accounts for debt issued by Grundy County that is subsequently contributed to the discretely presented Grundy County School Department for construction and renovation projects.

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 special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – This special revenue fund is used to account for the cafeteria operations in each of the schools. USDA school lunch and breakfast programs and payments received for the sale of meals are the foundational revenues of this fund.

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.

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

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 2.17 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.

Most payables are disaggregated on the face of the financial statements.

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 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 days beyond the year-end. Unlimited accumulation of unused sick days for all professional personnel (teachers) and up to 30 days for support personnel is allowed. 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.

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for General Purposes for the primary government consists of various restrictions totaling \$721,300, with the primary restrictions being for: (1) the General Capital Projects Fund that was closed on June 30, 2010 (\$432,052); (2) computer systems for various offices (\$2,566); (3) courthouse and jail maintenance (\$220,668); and (4) drug court (\$2,372). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$36,473 consists of restrictions for a state assistance program (\$3,060), the career ladder program (\$22,053), and the Little Jackets Daycare (\$11,360).

As of June 30, 2011, Grundy County had \$7,165,000 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific

purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget/Finance Committee and the Board of Education are authorized bodies to make assignments.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net 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 Education Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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

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

At June 30, 2011, the Grundy County School Department reported the following significant encumbrances:

<u>Funds</u>	<u>Description</u>	<u>Amount</u>
School Department:		
Major Funds:		
General Purpose School	Sprinkler System	\$ 365,115
School Federal Projects	Computers	21,347
"	Testing Program	21,329

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 \$19,135 at June 30, 2011. 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, 2011.

D. Expenditures Exceeded Appropriations

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
Primary Government:	
General Fund:	
County Mayor/Executive	\$ 950
County Buildings	5,098
Miscellaneous	11,809
Discretley Presented Grundy County School Department:	
General Purpose School Fund:	
Board of Education	29,086

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

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, 2011, 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	\$ 5,383,028

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, 2011, 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 \$781,250 on June 30, 2011, from financing lease-purchase agreements on two 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. During the year, A & J Steel defaulted on their lease-purchase agreement, which had a balance of \$129,401 as of July 1, 2010. The county has taken possession of this property. Benchmark Tool and Die, another lessee, is delinquent on their lease-purchase payments and made no payments during the fiscal year. Terms of the lease-purchase agreement for Benchmark Tool and Die required \$48,000 in lease-purchase payment for the fiscal year.

C. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 265,273	\$ 0	\$ 0	\$ 265,273
Total Capital Assets Not Depreciated	<u>\$ 265,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 265,273</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,308,027	\$ 0	\$ 0	\$ 5,308,027
Infrastructure	8,328,854	14,910	0	8,343,764
Other Capital Assets	2,282,423	323,419	(111,229)	2,494,613
Total Capital Assets Depreciated	<u>\$ 15,919,304</u>	<u>\$ 338,329</u>	<u>\$ (111,229)</u>	<u>\$ 16,146,404</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,742,307	\$ 125,258	\$ 0	\$ 1,867,565
Infrastructure	4,582,304	270,413	0	4,852,717
Other Capital Assets	1,727,570	162,884	(105,415)	1,785,039
Total Accumulated Depreciation	<u>\$ 8,052,181</u>	<u>\$ 558,555</u>	<u>\$ (105,415)</u>	<u>\$ 8,505,321</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,867,123</u>	<u>\$ (220,226)</u>	<u>\$ (5,814)</u>	<u>\$ 7,641,083</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,132,396</u>	<u>\$ (220,226)</u>	<u>\$ (5,814)</u>	<u>\$ 7,906,356</u>

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

Governmental Activities:

General Government	\$	48,369
Public Safety		78,278
Public Health and Welfare		95,799
Other Operations		2,849
Highways/Public Works		<u>333,260</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>558,555</u></u>

Discretely Presented Grundy County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 249,084	\$ 0	\$ 0	\$ 249,084
Total Capital Assets Not Depreciated	<u>\$ 249,084</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 249,084</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 19,111,482	\$ 0	\$ 0	\$ 19,111,482
Other Capital Assets	2,361,242	242,770	(86,344)	2,517,668
Total Capital Assets Depreciated	<u>\$ 21,472,724</u>	<u>\$ 242,770</u>	<u>\$ (86,344)</u>	<u>\$ 21,629,150</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 8,428,675	\$ 442,127	\$ 0	\$ 8,870,802
Other Capital Assets	1,598,338	129,605	(82,027)	1,645,916
Total Accumulated Depreciation	<u>\$ 10,027,013</u>	<u>\$ 571,732</u>	<u>\$ (82,027)</u>	<u>\$ 10,516,718</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,445,711</u>	<u>\$ (328,962)</u>	<u>\$ (4,317)</u>	<u>\$ 11,112,432</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 11,694,795</u></u>	<u><u>\$ (328,962)</u></u>	<u><u>\$ (4,317)</u></u>	<u><u>\$ 11,361,516</u></u>

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

Governmental Activities:

Instruction	\$ 381,160
Support Services	171,564
Operation of Non-Instructional Services	<u>19,008</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 571,732</u></u>

D. Insurance Recoveries

During the year, Grundy County had damage to two sheriff's vehicles and storm damage in the Office of Circuit and General Sessions Courts Clerk. Insurance recoveries of \$3,077 and \$2,542, respectively, were used to repair the damages.

E. Construction Commitments

At June 30, 2011, the discretely presented Grundy County School Department had uncompleted construction contracts of approximately \$365,115 for the installation of sprinkler systems at two schools. Funding has been received for these future expenditures.

F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Solid Waste/Sanitation	\$ 9,167
"	Nonmajor governmental	627

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

Discretely Presented Grundy County School Department

Transfers Out	Transfers In	
	School Federal Projects Fund	Central Cafeteria Fund
General Purpose School Fund	\$ 200,000	\$ 101,743

G. Long-term Debt

Primary Government

General Obligation Bonds, Notes, 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. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, the capital outlay note, and other loans outstanding were issued for original terms of up to 16 years for bonds, up to two years for the note, 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, 2011, will be retired from the General Debt Service Fund. The capital outlay note included in long-term debt as of June 30, 2011, will be retired from the General Fund. Other loans included in long-term debt as of June 30, 2011, will be retired from the General and Industrial/Economic Development funds.

General obligation bonds, the capital outlay note, and other loans outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	3.4 to 4.75%	\$ 2,311,000	\$ 561,456
General Obligation Bond - School Refunding	4.15	9,405,000	7,165,000
Capital Outlay Note	1.99	92,029	92,029
Other Loans	1.26 to 3	746,719	270,225

On September 19, 2003, the county assumed \$427,739 of a Community Development Block Grant Industrial Development Loan. The original loan totaling \$699,000 had passed through Grundy County to an industrial corporation located in the county. The balance of this loan totaling \$191,344, along with interest of \$14,446, will be repaid over the next five years.

During February 2004, Grundy County entered into a revocable contract with a private firm to provide postclosure care for the county's closed landfill. Terms of this agreement require the county to pay an annual fee of \$9,920 for postclosure care costs. The county is required to provide postclosure care for this closed landfill for the next 20 years.

The annual requirements to amortize all general obligation bonds, the capital outlay note, and other loans outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 767,126	\$ 320,836	\$ 1,087,962
2013	797,465	288,958	1,086,423
2014	837,820	255,818	1,093,638
2015	679,045	221,002	900,047
2016	700,000	192,767	892,767
2017-21	3,945,000	504,642	4,449,642
Total	\$ 7,726,456	\$ 1,784,023	\$ 9,510,479

Year Ending June 30	Note		
	Principal	Interest	Total
2012	\$ 45,980	\$ 988	\$ 46,968
2013	46,049	919	46,968
Total	\$ 92,029	\$ 1,907	\$ 93,936

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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	43,930	519	44,449
Total	\$ 270,225	\$ 16,776	\$ 287,001

There is \$3,881,239 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$564, based on the 2010 federal census. Debt per capita, including bonds, the note, and other loans totaled \$590, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Other		
	Bonds	Note	Loans
Balance July 1, 2010	\$ 8,463,260	\$ 0	\$ 323,415
Additions	0	92,029	0
Deductions	(736,804)	0	(53,190)
Balance June 30, 2011	\$ 7,726,456	\$ 92,029	\$ 270,225
Balance Due Within One Year	\$ 767,126	\$ 45,980	\$ 54,508

	Other Postemployment Benefits	Landfill Postclosure Care Costs	Compensated Absences
Balance July 1, 2010	\$ 27,873	\$ 402,481	\$ 19,875
Additions	32,066	0	15,175
Deductions	(4,951)	(7,156)	(12,160)
Balance June 30, 2011	<u>\$ 54,988</u>	<u>\$ 395,325</u>	<u>\$ 22,890</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 11,070</u>	<u>\$ 22,890</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 8,561,913
Less: Due Within One Year	<u>(901,574)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 7,660,339</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented 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, 2011, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Capital Outlay Notes	3.25 to 5.99 %	\$ 618,083	\$ 409,003

The annual requirements to amortize all notes outstanding as of June 30, 2011, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 89,763	\$ 13,013	\$ 102,776
2013	126,147	11,897	138,044
2014	96,151	6,624	102,775
2015	64,544	3,259	67,803
2016	32,398	1,068	33,466
Total	\$ 409,003	\$ 35,861	\$ 444,864

Debt per capita totaled \$30, based on the 2010 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, 2011, was as follows:

Governmental Activities:

	Notes	Other Postemployment Benefits	Compensated Absences
Balance July 1, 2010	\$ 348,130	\$ 197,012	\$ 2,389,193
Additions	151,967	154,469	667,788
Deductions	(91,094)	(105,606)	(840,501)
Balance June 30, 2011	\$ 409,003	\$ 245,875	\$ 2,216,480
Balance Due Within One Year	\$ 123,035	\$ 0	\$ 581,006

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 2,871,358
Less: Due Within One Year	<u>(704,041)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,167,317</u>

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

H. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employee's on-behalf of the Grundy County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, was \$1,253. Grundy County has recognized these on-behalf payments as revenues and expenditures in the General Fund.

Discretely Presented Grundy County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Grundy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$41,780 and \$14,938 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 Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Grundy County and the Grundy County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Subsequent Event

On July 25, 2011, the Grundy County School Department entered into an agreement, not to exceed \$1,583,809, for energy efficient upgrades at the schools. This agreement allows for the drawdown of funds as they are needed. As of the date of this report \$791,904 has been drawn down.

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

E. Changes in Administration

On August 31, 2010, LaDue Bouldin left the Office of County Mayor and was succeeded by Lonnie Cleek, and Jimmy Rogers left the Office of County Clerk and was succeeded by Tammy Sholey. On December 28, 2010, Clay Newsome left the Office of Director of Schools and was succeeded by Joel Hargis.

F. 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 \$395,325 reported as landfill postclosure care cost liability at June 30, 2011, 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 20 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Venture

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district includes Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general and the sheriffs and police chiefs of the participating law enforcement agencies within the judicial district. Grundy County made no contributions to the DTF for the year ended June 30, 2011, 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

H. Retirement Commitments

1. **Tennessee Consolidated Retirement System (TCRS)**

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 to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 10.84 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, 2011, the county's annual pension cost of \$370,646 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was six 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
6-30-11	\$370,646	100%	\$0
6-30-10	323,879	100	0
6-30-09	321,274	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 \$13 million, and the actuarial value of assets was \$11 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3 million, and the ratio of the UAAL to the covered payroll was 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.

SCHOOL TEACHERS

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.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary 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, 2011, was 9.05 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, 2011, 2010, and 2009, were \$839,104, \$588,074, and \$601,854, respectively, equal to the required contributions for each year.

2. Deferred Compensation

The Grundy County School Department offers its employees a deferred compensation plan established pursuant to IRC Section 403(b). All costs of administering and funding this program are the responsibility of plan participants. Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 403(b) establishes participation, contribution, and withdrawal provisions for the plan.

I. 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. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.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 and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Grundy County retirees' contributions vary depending on the insurance options they select, ranging from \$631 to \$690 per month toward their insurance. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$469 to \$1,289 per month toward their insurance. Grundy County and School Department recognized expenditures of \$4,951 and \$105,606, respectively, for postemployment health care during the year ended June 30, 2011.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 154,000	\$ 32,000
Interest on the NPO	8,866	1,254
Adjustment to the ARC	(8,397)	(1,188)
Annual OPEB cost	\$ 154,469	\$ 32,066
Amount of contribution	(105,606)	(4,951)
Increase/decrease in NPO	\$ 48,863	\$ 27,115
Net OPEB obligation, 7-1-10	197,012	27,873
Net OPEB obligation, 6-30-11	<u>\$ 245,875</u>	<u>\$ 54,988</u>

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
6-30-11	"	154,469	68.37	245,875
6-30-10*	Local Government Group	32,000	12.89	27,873
6-30-11*	"	32,066	15.44	54,988

* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 1,548,000	\$ 330,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,548,000	\$ 330,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 6,959,943	\$ 850,122
UAAL as a % of covered payroll	22.24%	38.82%

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, 2010, actuarial valuation for the Local Education Plan, 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) and an annual healthcare cost trend rate ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued

liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

J. Termination Benefits

During the year, the discretely presented Grundy County School Department offered a one-time retirement incentive to employees who retire with at least 20 years of service with the School Department and meet the Tennessee Consolidated Retirement System (TCRS) retirement requirements. The retirement incentive consists of a one-time cash payment of \$8,000. During the year ended June 30, 2011, nine School Department employees chose to accept the retirement incentive; therefore, the total cost of the cash payments reported in the government-wide Statement of Activities by function was \$72,000.

K. 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, 2011, was \$522,898. The amount of deposits collateralized with securities held by pledging financial institution and federal depository insurance was \$522,898.

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, 2011 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 7-1-10	Increases	Balance 6-30-11
Capital Assets Depreciated:			
Equipment	\$ 210,475	\$ 23,736	\$ 234,211
Total Capital Assets Depreciated	<u>\$ 210,475</u>	<u>\$ 23,736</u>	<u>\$ 234,211</u>
Less Accumulated Depreciation For:			
Equipment	\$ 170,078	\$ 31,705	\$ 201,783
Total Accumulated Depreciation	<u>\$ 170,078</u>	<u>\$ 31,705</u>	<u>\$ 201,783</u>
Total Capital Assets Depreciated, Net	<u>\$ 40,397</u>	<u>\$ (7,969)</u>	<u>\$ 32,428</u>

C. Cash and Cash Equivalents

At June 30, 2011, total cash was \$522,898 of which \$207,457 is held in certificates of deposit with maturities of more than three months, leaving \$315,441 considered as cash and cash equivalents.

D. Budgeting Procedures

The official and amended budget for June 30, 2011, was prepared for adoption for the proprietary fund by June 7, 2010.

E. Compensated Absences

At June 30, 2011, 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, 2011, totaled \$196,316.

H. Grants and Reimbursements

The district received a dispatcher training grant totaling \$8,000, a GIS mapping grant totaling \$10,000, and an equipment reimbursement grant totaling \$112,931 during the year from the Tennessee Emergency Communications Board.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,252,333	\$ 2,193,431	\$ 2,193,431	\$ 58,902
Licenses and Permits	24,732	18,500	18,500	6,232
Fines, Forfeitures, and Penalties	49,407	36,100	38,572	10,835
Charges for Current Services	68,001	61,800	61,800	6,201
Other Local Revenues	44,655	36,200	36,200	8,455
Fees Received from County Officials	493,091	465,800	465,800	27,291
State of Tennessee	180,565	196,080	206,333	(25,768)
Federal Government	120,385	576,217	625,124	(504,739)
Other Governments and Citizens Groups	2,060	2,000	2,000	60
Total Revenues	<u>\$ 3,235,229</u>	<u>\$ 3,586,128</u>	<u>\$ 3,647,760</u>	<u>\$ (412,531)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 25,041	\$ 19,500	\$ 29,500	\$ 4,459
Board of Equalization	2,000	2,000	2,000	0
Beer Board	0	200	200	200
Other Boards and Committees	0	1,000	1,000	1,000
County Mayor/Executive	130,815	129,065	129,865	(950)
County Attorney	5,678	10,200	10,200	4,522
Election Commission	160,278	165,416	165,416	5,138
Register of Deeds	93,779	97,992	97,992	4,213
County Buildings	139,102	126,023	134,004	(5,098)
Other General Administration	1,253	0	1,253	0
<u>Finance</u>				
Property Assessor's Office	133,788	138,381	138,381	4,593
County Trustee's Office	99,736	101,153	101,153	1,417
County Clerk's Office	138,636	139,129	139,129	493
<u>Administration of Justice</u>				
Circuit Court	189,777	199,669	202,141	12,364
General Sessions Court	0	2,000	2,000	2,000
General Sessions Judge	90,130	90,823	90,823	693
Drug Court	0	2,000	2,000	2,000
Chancery Court	97,107	98,235	98,235	1,128
Juvenile Court	61,944	57,020	66,020	4,076
Other Administration of Justice	0	1,200	1,200	1,200
<u>Public Safety</u>				
Sheriff's Department	1,000,377	717,440	1,003,022	2,645
Administration of the Sexual Offender Registry	0	500	500	500
Jail	524,891	448,144	527,749	2,858
Fire Prevention and Control	11,280	13,500	13,500	2,220
Rescue Squad	3,000	4,500	4,500	1,500
Other Emergency Management	16,185	19,200	19,200	3,015
County Coroner/Medical Examiner	1,200	2,100	2,100	900

(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 Safety (Cont.)</u>				
Other Public Safety	\$ 112,767	\$ 63,961	\$ 114,868	\$ 2,101
<u>Public Health and Welfare</u>				
Local Health Center	41,154	48,905	48,905	7,751
Ambulance/Emergency Medical Services	125,000	125,000	125,000	0
Crippled Children Services	830	830	830	0
Other Local Health Services	24,523	44,200	44,200	19,677
Regional Mental Health Center	7,000	7,000	7,000	0
General Welfare Assistance	2,159	2,500	2,500	341
Other Waste Disposal	51,823	36,800	51,920	97
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	1,500	1,500	1,500	0
Libraries	38,369	40,948	40,948	2,579
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	64,683	66,512	66,512	1,829
Soil Conservation	31,667	34,250	34,250	2,583
<u>Other Operations</u>				
Tourism	200	1,000	1,000	800
Industrial Development	3,900	4,200	4,200	300
Other Economic and Community Development	2,149	503,193	503,193	501,044
Veterans' Services	14,563	14,577	14,577	14
Other Charges	112,201	114,507	114,507	2,306
Contributions to Other Agencies	18,750	21,500	19,500	750
Employee Benefits	154,725	171,028	174,278	19,553
Miscellaneous	33,809	22,000	22,000	(11,809)
<u>Principal on Debt</u>				
General Government	16,944	16,944	16,944	0
<u>Interest on Debt</u>				
General Government	1,116	1,116	1,116	0
Total Expenditures	\$ 3,785,829	\$ 3,928,861	\$ 4,392,831	\$ 607,002
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (550,600)	\$ (342,733)	\$ (745,071)	\$ 194,471
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 92,029	\$ 0	\$ 92,029	\$ 0
Proceeds from Sale of Capital Assets	2,800	0	0	2,800
Insurance Recovery	5,619	0	0	5,619
Total Other Financing Sources (Uses)	\$ 100,448	\$ 0	\$ 92,029	\$ 8,419
Net Change in Fund Balance				
Fund Balance, July 1, 2010	\$ (450,152)	\$ (342,733)	\$ (653,042)	\$ 202,890
	1,680,007	1,240,744	1,240,744	439,263
Fund Balance, June 30, 2011				
	\$ 1,229,855	\$ 898,011	\$ 587,702	\$ 642,153

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 570,940	\$ 554,063	\$ 554,063	\$ 16,877
Other Local Revenues	6,316	4,500	4,500	1,816
State of Tennessee	31,134	29,237	29,237	1,897
Total Revenues	<u>\$ 608,390</u>	<u>\$ 587,800</u>	<u>\$ 587,800</u>	<u>\$ 20,590</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 26,804	\$ 29,237	\$ 29,237	\$ 2,433
Convenience Centers	533,541	535,673	539,881	6,340
Landfill Operation and Maintenance	14,099	17,000	17,000	2,901
<u>Other Operations</u>				
Other Charges	11,537	12,000	12,000	463
Total Expenditures	<u>\$ 585,981</u>	<u>\$ 593,910</u>	<u>\$ 598,118</u>	<u>\$ 12,137</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 22,409</u>	<u>\$ (6,110)</u>	<u>\$ (10,318)</u>	<u>\$ 32,727</u>
Net Change in Fund Balance	\$ 22,409	\$ (6,110)	\$ (10,318)	\$ 32,727
Fund Balance, July 1, 2010	1,656,791	1,656,791	1,656,791	0
Fund Balance, June 30, 2011	<u>\$ 1,679,200</u>	<u>\$ 1,650,681</u>	<u>\$ 1,646,473</u>	<u>\$ 32,727</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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 25,509	\$ 50,000	\$ 50,000	\$ (24,491)
Total Revenues	\$ 25,509	\$ 50,000	\$ 50,000	\$ (24,491)
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 0	\$ 5,000	\$ 5,000	\$ 5,000
<u>Principal on Debt</u>				
General Government	36,246	36,246	36,246	0
<u>Interest on Debt</u>				
General Government	6,332	6,332	6,332	0
Total Expenditures	\$ 42,578	\$ 47,578	\$ 47,578	\$ 5,000
Excess (Deficiency) of Revenues Over Expenditures	\$ (17,069)	\$ 2,422	\$ 2,422	\$ (19,491)
Net Change in Fund Balance	\$ (17,069)	\$ 2,422	\$ 2,422	\$ (19,491)
Fund Balance, July 1, 2010	526,180	551,341	551,341	(25,161)
Fund Balance, June 30, 2011	\$ 509,111	\$ 553,763	\$ 553,763	\$ (44,652)

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 42,111	\$ 55,000	\$ 55,000	\$ (12,889)
Other Local Revenues	47,376	33,500	33,500	13,876
State of Tennessee	1,946,664	2,111,510	2,111,510	(164,846)
Total Revenues	<u>\$ 2,036,151</u>	<u>\$ 2,200,010</u>	<u>\$ 2,200,010</u>	<u>\$ (163,859)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 115,213	\$ 134,865	\$ 134,865	\$ 19,652
Highway and Bridge Maintenance	821,948	948,160	948,160	126,212
Operation and Maintenance of Equipment	288,042	353,100	353,100	65,058
Other Charges	104,509	99,600	108,450	3,941
Employee Benefits	227,017	281,000	281,000	53,983
Capital Outlay	835,016	968,500	959,650	124,634
Total Expenditures	<u>\$ 2,391,745</u>	<u>\$ 2,785,225</u>	<u>\$ 2,785,225</u>	<u>\$ 393,480</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (355,594)</u>	<u>\$ (585,215)</u>	<u>\$ (585,215)</u>	<u>\$ 229,621</u>
Net Change in Fund Balance	\$ (355,594)	\$ (585,215)	\$ (585,215)	\$ 229,621
Fund Balance, July 1, 2010	<u>1,297,715</u>	<u>1,285,407</u>	<u>1,285,407</u>	<u>12,308</u>
Fund Balance, June 30, 2011	<u>\$ 942,121</u>	<u>\$ 700,192</u>	<u>\$ 700,192</u>	<u>\$ 241,929</u>

Exhibit E-5

Grundy County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Grundy County School Department
June 30, 2011

(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, 2011

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll	
							UAAAL	Percentage
<u>PRIMARY GOVERNMENT</u>								
Local Government Group *	7-1-09	\$ 0	\$ 311	\$ 311	0 %	\$ 918	33.88	%
"	7-1-10	0	330	330	0	850	38.82	
<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	
"	7-1-10	0	1,548	1,548	0	6,960	22.24	

* 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, 2011

A. 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 Grundy County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
County Mayor/Executive	\$ 950
County Buildings	5,098
Miscellaneous	11,809

Such overexpenditures are a violation of state statute. These overexpenditures were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

Capital Projects Fund

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

Education Capital Projects Fund – The Education Capital Projects 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, 2011

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 563	\$ 563
Equity in Pooled Cash and Investments	72,285	27,938	0	100,223
Accounts Receivable	0	0	64	64
Total Assets	\$ 72,285	\$ 27,938	\$ 627	\$ 100,850
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 627	\$ 627
Total Liabilities	\$ 0	\$ 0	\$ 627	\$ 627
<u>Fund Balances</u>				
Restricted:				
Restricted for General Government	\$ 72,285	\$ 0	\$ 0	\$ 72,285
Restricted for Public Safety	0	27,938	0	27,938
Total Fund Balances	\$ 72,285	\$ 27,938	\$ 0	\$ 100,223
Total Liabilities and Fund Balances	\$ 72,285	\$ 27,938	\$ 627	\$ 100,850

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, 2011

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitutional Officers - Fees	Education Capital Projects				
<u>Revenues</u>								
Local Taxes	\$ 41,607	\$ 0	\$ 0	\$ 0	\$ 41,607	\$ 0	\$ 0	\$ 41,607
Fines, Forfeitures, and Penalties	0	12,751	0	0	12,751	0	0	12,751
Charges for Current Services	0	0	2,820	0	2,820	0	0	2,820
Other Governments and Citizens Groups	0	1,900	0	0	1,900	0	0	1,900
Total Revenues	\$ 41,607	\$ 14,651	\$ 2,820	\$ 0	\$ 59,078	\$ 0	\$ 0	\$ 59,078
<u>Expenditures</u>								
Current:								
General Government	\$ 34,965	\$ 0	\$ 0	\$ 0	\$ 34,965	\$ 0	\$ 0	\$ 34,965
Administration of Justice	0	0	2,820	0	2,820	0	0	2,820
Public Safety	0	34,925	0	0	34,925	0	0	34,925
Other Operations	445	0	0	0	445	0	0	445
Capital Projects - Donated	0	0	0	0	0	151,967	0	151,967
Total Expenditures	\$ 35,410	\$ 34,925	\$ 2,820	\$ 0	\$ 73,155	\$ 151,967	\$ 0	\$ 225,122
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,197	\$ (20,274)	\$ 0	\$ 0	\$ (14,077)	\$ (151,967)	\$ 0	\$ (166,044)
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,967	\$ 0	\$ 151,967
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,967	\$ 0	\$ 151,967
Net Change in Fund Balances	\$ 6,197	\$ (20,274)	\$ 0	\$ 0	\$ (14,077)	\$ 0	\$ 0	\$ (14,077)
Fund Balance, July 1, 2010	66,088	48,212	0	0	114,300	0	0	114,300
Fund Balance, June 30, 2011	\$ 72,285	\$ 27,938	\$ 0	\$ 0	\$ 100,223	\$ 0	\$ 0	\$ 100,223

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 41,607	\$ 40,000	\$ 40,000	\$ 1,607
Total Revenues	\$ 41,607	\$ 40,000	\$ 40,000	\$ 1,607
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 34,965	\$ 30,000	\$ 40,831	\$ 5,866
<u>Other Operations</u>				
Other Charges	445	560	560	115
Total Expenditures	\$ 35,410	\$ 30,560	\$ 41,391	\$ 5,981
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,197	\$ 9,440	\$ (1,391)	\$ 7,588
Net Change in Fund Balance	\$ 6,197	\$ 9,440	\$ (1,391)	\$ 7,588
Fund Balance, July 1, 2010	66,088	66,089	66,089	(1)
Fund Balance, June 30, 2011	\$ 72,285	\$ 75,529	\$ 64,698	\$ 7,587

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,751	\$ 6,300	\$ 6,300	\$ 6,451
Other Governments and Citizens Groups	1,900	0	1,900	0
Total Revenues	<u>\$ 14,651</u>	<u>\$ 6,300</u>	<u>\$ 8,200</u>	<u>\$ 6,451</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 34,925	\$ 6,100	\$ 35,390	\$ 465
Total Expenditures	<u>\$ 34,925</u>	<u>\$ 6,100</u>	<u>\$ 35,390</u>	<u>\$ 465</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (20,274)</u>	<u>\$ 200</u>	<u>\$ (27,190)</u>	<u>\$ 6,916</u>
Net Change in Fund Balance	\$ (20,274)	\$ 200	\$ (27,190)	\$ 6,916
Fund Balance, July 1, 2010	<u>48,212</u>	<u>48,212</u>	<u>48,212</u>	<u>0</u>
Fund Balance, June 30, 2011	<u><u>\$ 27,938</u></u>	<u><u>\$ 48,412</u></u>	<u><u>\$ 21,022</u></u>	<u><u>\$ 6,916</u></u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 707,087	\$ 666,997	\$ 666,997	\$ 40,090
Other Local Revenues	91,391	100,000	100,000	(8,609)
Other Governments and Citizens Groups	500,000	500,000	500,000	0
Total Revenues	<u>\$ 1,298,478</u>	<u>\$ 1,266,997</u>	<u>\$ 1,266,997</u>	<u>\$ 31,481</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 166,804	\$ 166,805	\$ 166,805	\$ 1
Education	570,000	570,000	570,000	0
<u>Interest on Debt</u>				
General Government	30,452	30,455	30,455	3
Education	321,002	321,003	321,003	1
<u>Other Debt Service</u>				
General Government	10,792	12,500	12,500	1,708
Education	600	400	600	0
Total Expenditures	<u>\$ 1,099,650</u>	<u>\$ 1,101,163</u>	<u>\$ 1,101,363</u>	<u>\$ 1,713</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 198,828</u>	<u>\$ 165,834</u>	<u>\$ 165,634</u>	<u>\$ 33,194</u>
Net Change in Fund Balance	\$ 198,828	\$ 165,834	\$ 165,634	\$ 33,194
Fund Balance, July 1, 2010	<u>3,682,411</u>	<u>3,683,862</u>	<u>3,683,862</u>	<u>(1,451)</u>
Fund Balance, June 30, 2011	<u>\$ 3,881,239</u>	<u>\$ 3,849,696</u>	<u>\$ 3,849,496</u>	<u>\$ 31,743</u>

Fiduciary Funds

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

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

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

Exhibit H-1

Grundy County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,304,795	\$ 1,304,795
Due from Other Governments	85,843	0	85,843
Total Assets	<u>\$ 85,843</u>	<u>\$ 1,304,795</u>	<u>\$ 1,390,638</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 85,843	\$ 0	\$ 85,843
Due to Litigants, Heirs, and Others	0	1,304,795	1,304,795
Total Liabilities	<u>\$ 85,843</u>	<u>\$ 1,304,795</u>	<u>\$ 1,390,638</u>

Exhibit H-2

Grundy County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 478,828	\$ 478,828	\$ 0
Due from Other Governments	79,877	85,843	79,877	85,843
Total Assets	\$ 79,877	\$ 564,671	\$ 558,705	\$ 85,843
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 79,877	\$ 564,671	\$ 558,705	\$ 85,843
Total Liabilities	\$ 79,877	\$ 564,671	\$ 558,705	\$ 85,843
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,257,426	\$ 1,920,593	\$ 1,873,224	\$ 1,304,795
Total Assets	\$ 1,257,426	\$ 1,920,593	\$ 1,873,224	\$ 1,304,795
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,257,426	\$ 1,920,593	\$ 1,873,224	\$ 1,304,795
Total Liabilities	\$ 1,257,426	\$ 1,920,593	\$ 1,873,224	\$ 1,304,795
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,257,426	\$ 1,920,593	\$ 1,873,224	\$ 1,304,795
Equity in Pooled Cash and Investments	0	478,828	478,828	0
Due from Other Governments	79,877	85,843	79,877	85,843
Total Assets	\$ 1,337,303	\$ 2,485,264	\$ 2,431,929	\$ 1,390,638
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 79,877	\$ 564,671	\$ 558,705	\$ 85,843
Due to Litigants, Heirs, and Others	1,257,426	1,920,593	1,873,224	1,304,795
Total Liabilities	\$ 1,337,303	\$ 2,485,264	\$ 2,431,929	\$ 1,390,638

Grundy County School Department

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, two Special Revenue Funds, and a Private Purpose Trust Fund.

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

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

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

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

Grundy County, Tennessee
Statement of Activities
Discretely Presented Grundy County School Department
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 11,939,446	\$ 0	\$ 1,632,478	\$ 0	\$ (10,306,968)
Support Services	5,901,002	0	452,112	151,967	(5,296,923)
Operation of Non-Instructional Services	1,914,881	746,924	1,537,810	0	369,853
Interest on Long-term Debt	14,044	0	0	0	(14,044)
Other Debt Service	500,000	0	0	0	(500,000)
Total Governmental Activities	\$ 20,269,373	\$ 746,924	\$ 3,622,400	\$ 151,967	\$ (15,748,082)

General Revenues:	
Taxes:	
Property Taxes Levied for General Purposes	\$ 1,477,183
Local Option Sales Taxes	443,501
Business Taxes	28,578
Other Local Taxes	1,156
Grants and Contributions Not Restricted to Specific Programs	13,920,924
Miscellaneous	54,594
Total General Revenues	\$ 15,925,936
Change in Net Assets	\$ 177,854
Net Assets, July 1, 2010	11,208,843
Net Assets, June 30, 2011	\$ 11,386,697

Exhibit I-2

Grundy County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Grundy County School Department
June 30, 2011

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,456,039	\$ 0	\$ 374,947	\$ 1,830,986
Due from Other Governments	657,466	237,062	109,675	1,004,203
Property Taxes Receivable	1,604,440	0	0	1,604,440
Allowance for Uncollectible Property Taxes	(63,962)	0	0	(63,962)
Total Assets	\$ 3,653,983	\$ 237,062	\$ 484,622	\$ 4,375,667
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 3,641	\$ 778	\$ 0	\$ 4,419
Cash Overdraft	0	19,135	0	19,135
Deferred Revenue - Current Property Taxes	1,446,821	0	0	1,446,821
Deferred Revenue - Delinquent Property Taxes	87,157	0	0	87,157
Other Deferred Revenues	39,033	0	0	39,033
Total Liabilities	\$ 1,576,652	\$ 19,913	\$ 0	\$ 1,596,565
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 36,473	\$ 17,149	\$ 483,264	\$ 536,886
Assigned:				
Assigned for Education	525,914	200,000	1,358	727,272
Unassigned	1,514,944	0	0	1,514,944
Total Fund Balances	\$ 2,077,331	\$ 217,149	\$ 484,622	\$ 2,779,102
Total Liabilities and Fund Balances	\$ 3,653,983	\$ 237,062	\$ 484,622	\$ 4,375,667

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, 2011

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)		\$	2,779,102
(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		10,240,680	
Add: other capital assets net of accumulated depreciation		<u>871,752</u>	11,361,516
(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	\$	(409,003)	
Less: accrued interest on notes		(8,753)	
Less: compensated absences payable		(2,216,480)	
Less: other postemployment benefits liabilities		<u>(245,875)</u>	(2,880,111)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>126,190</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>11,386,697</u></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, 2011

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 1,958,734	\$ 0	\$ 0	\$ 1,958,734
Licenses and Permits	598	0	0	598
Charges for Current Services	52,398	0	694,526	746,924
Other Local Revenues	117,629	0	618	118,247
State of Tennessee	13,614,376	0	13,149	13,627,525
Federal Government	255,160	2,643,623	1,097,179	3,995,962
Other Governments and Citizens Groups	151,967	0	0	151,967
Total Revenues	<u>\$ 16,150,862</u>	<u>\$ 2,643,623</u>	<u>\$ 1,805,472</u>	<u>\$ 20,599,957</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,708,608	\$ 2,218,337	\$ 0	\$ 11,926,945
Support Services	5,211,285	479,877	0	5,691,162
Operation of Non-Instructional Services	494,393	0	1,422,593	1,916,986
Capital Outlay	10,807	0	0	10,807
Debt Service:				
Principal on Debt	91,094	0	0	91,094
Interest on Debt	13,486	0	0	13,486
Other Debt Service	500,000	0	0	500,000
Total Expenditures	<u>\$ 16,029,673</u>	<u>\$ 2,698,214</u>	<u>\$ 1,422,593</u>	<u>\$ 20,150,480</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>\$ 121,189</u>	<u>\$ (54,591)</u>	<u>\$ 382,879</u>	<u>\$ 449,477</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 1,705	\$ 0	\$ 0	\$ 1,705
Transfers In	0	200,000	101,743	301,743
Transfers Out	(301,743)	0	0	(301,743)
Total Other Financing Sources (Uses)	<u>\$ (300,038)</u>	<u>\$ 200,000</u>	<u>\$ 101,743</u>	<u>\$ 1,705</u>
Net Change in Fund Balances	\$ (178,849)	\$ 145,409	\$ 484,622	\$ 451,182
Fund Balance, July 1, 2010	<u>2,256,180</u>	<u>71,740</u>	<u>0</u>	<u>2,327,920</u>
Fund Balance, June 30, 2011	<u>\$ 2,077,331</u>	<u>\$ 217,149</u>	<u>\$ 484,622</u>	<u>\$ 2,779,102</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, 2011

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)		\$ 451,182
<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	\$ 242,770	
Less: current-year depreciation expense	<u>(571,732)</u>	(328,962)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: loss on disposal of capital assets		(4,317)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 126,190	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(128,658)</u>	(2,468)
<p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Add: principal payments on notes	\$ 91,094	
Less: notes proceeds contributed from the primary government	<u>(151,967)</u>	(60,873)
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest on notes payable	\$ (558)	
Change in compensated absences payable	172,713	
Change in other postemployment benefits liability	<u>(48,863)</u>	<u>123,292</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 177,854</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, 2011

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2010	Encumbrances 6/30/2011			Original	Final	
<u>Revenues</u>								
Local Taxes	\$ 1,958,734	\$ 0	\$ 0	\$ 1,958,734	\$ 1,906,025	\$ 1,906,025	\$ 52,709	
Licenses and Permits	598	0	0	598	400	400	198	
Charges for Current Services	52,398	0	0	52,398	46,861	41,627	10,771	
Other Local Revenues	117,629	0	0	117,629	27,000	129,217	(11,588)	
State of Tennessee	13,614,376	0	0	13,614,376	13,378,340	13,343,749	270,627	
Federal Government	255,160	0	0	255,160	253,564	481,588	(226,428)	
Other Governments and Citizens Groups	151,967	0	0	151,967	0	152,000	(33)	
Total Revenues	\$ 16,150,862	\$ 0	\$ 0	\$ 16,150,862	\$ 15,612,190	\$ 16,054,606	\$ 96,256	

Expenditures

<u>Instruction</u>								
Regular Instruction Program	\$ 6,948,764	\$ (17,409)	\$ 6,644	\$ 6,937,999	\$ 6,925,011	\$ 7,012,425	\$ 74,426	
Alternative Instruction Program	158,106	0	0	158,106	139,131	164,450	6,344	
Special Education Program	2,015,024	(1,706)	3,308	2,016,626	2,061,771	2,059,771	43,145	
Vocational Education Program	569,773	0	914	570,687	576,570	576,070	5,383	
Adult Education Program	16,941	0	0	16,941	19,901	19,901	2,960	
<u>Support Services</u>								
Attendance	115,099	0	0	115,099	126,621	126,480	11,381	
Health Services	201,266	(260)	1,197	202,203	196,234	203,158	955	
Other Student Support	350,238	0	2,383	352,621	340,673	363,103	10,482	
Regular Instruction Program	219,295	0	0	219,295	223,272	223,272	3,977	
Special Education Program	160,551	0	475	161,026	223,905	226,405	65,379	
Vocational Education Program	59,902	0	0	59,902	59,350	59,902	0	
Adult Programs	55,434	0	0	55,434	58,231	58,231	2,797	

(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:		Add: 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances				Original	Final	
		7/1/2010	6/30/2011					
<u>Expenditures (Cont.)</u>								
<u>Support Services (Cont.)</u>								
Other Programs	\$ 56,718	\$ 0	\$ 0	\$ 56,718	\$ 0	\$ 56,718	\$ 0	
Board of Education	307,267	0	0	307,267	270,984	278,181	(29,086)	
Director of Schools	158,611	0	0	158,611	163,273	163,273	4,662	
Office of the Principal	671,477	0	0	671,477	724,960	727,387	55,910	
Fiscal Services	134,033	(2,649)	849	132,233	129,168	134,430	2,197	
Operation of Plant	1,151,780	(974)	8,524	1,159,330	1,170,582	1,171,276	11,946	
Maintenance of Plant	391,116	(18,425)	46,883	419,574	433,245	475,410	55,836	
Transportation	783,442	(4,377)	28,368	807,433	776,581	807,589	156	
Central and Other	395,056	(200)	1,433	396,289	209,793	423,984	27,695	
<u>Operation of Non-Instructional Services</u>								
Community Services	35,121	0	0	35,121	33,300	35,121	0	
Early Childhood Education	459,272	0	0	459,272	615,353	491,810	32,538	
<u>Capital Outlay</u>								
Regular Capital Outlay	10,807	(9,600)	365,115	366,322	50,000	392,086	25,764	
Principal on Debt	91,094	0	0	91,094	91,903	91,904	810	
Education	13,486	0	0	13,486	511,878	13,486	0	
Other Debt Service								
Education	500,000	0	0	500,000	0	500,000	0	
Total Expenditures	\$ 16,029,673	\$ (55,600)	\$ 466,093	\$ 16,440,166	\$ 16,131,690	\$ 16,855,823	\$ 415,657	
Excess (Deficiency) of Revenues Over Expenditures	\$ 121,189	\$ 55,600	\$ (466,093)	\$ (289,304)	\$ (519,500)	\$ (801,217)	\$ 511,913	

(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:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2010 Encumbrances	6/30/2011 Encumbrances			Original	Final	
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0 \$	0 \$	0 \$	0 \$	152,000 \$	0 \$	0 \$	0
Proceeds from Sale of Capital Assets	1,705	0	0	1,705	0	1,705	0	0
Transfers Out	(301,743)	0	0	(301,743)	0	(301,743)	0	0
Total Other Financing Sources (Uses)	\$ (300,038) \$	0 \$	0 \$	(300,038) \$	152,000 \$	(300,038) \$	0	0
Net Change in Fund Balance	\$ (178,849) \$	55,600 \$	(466,093) \$	(589,342) \$	(367,500) \$	(1,101,255) \$	511,913	
Fund Balance, July 1, 2010	2,256,180	(55,600)	0	2,200,580	2,195,546	2,195,546	5,034	
Fund Balance, June 30, 2011	\$ 2,077,331 \$	0 \$	(466,093) \$	1,611,238 \$	1,828,046 \$	1,094,291 \$	516,947	

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 2,643,623	\$ 0	\$ 0	\$ 2,643,623	\$ 2,782,654	\$ 3,827,205	\$ (1,183,582)
Total Revenues	\$ 2,643,623	\$ 0	\$ 0	\$ 2,643,623	\$ 2,782,654	\$ 3,827,205	\$ (1,183,582)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,312,236	\$ (45,001)	\$ 58,298	\$ 1,325,533	\$ 1,530,185	\$ 2,142,780	\$ 817,247
Alternative Instruction Program	64,394	0	1,031	65,425	0	65,483	58
Special Education Program	792,007	0	9,655	801,662	675,421	901,605	99,943
Vocational Education Program	49,700	(168)	0	49,532	45,301	49,532	0
<u>Support Services</u>							
Other Student Support	143,162	(500)	379	143,041	194,565	214,070	71,029
Regular Instruction Program	177,277	(9,356)	1,483	169,404	248,205	282,785	113,381
Special Education Program	120,018	0	14,489	134,507	71,073	186,863	52,356
Vocational Education Program	2,907	0	0	2,907	3,027	3,051	144
Maintenance of Plant	1,158	0	0	1,158	0	29,625	28,467
Transportation	35,355	0	0	35,355	14,876	36,881	1,526
Total Expenditures	\$ 2,698,214	\$ (55,025)	\$ 85,335	\$ 2,728,524	\$ 2,782,653	\$ 3,912,675	\$ 1,184,151
Excess (Deficiency) of Revenues Over Expenditures	\$ (54,591)	\$ 55,025	\$ (85,335)	\$ (84,901)	\$ 1	\$ (85,470)	\$ 569
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 200,000	\$ 0	\$ 0	\$ 200,000	\$ 217,009	\$ 237,730	\$ (37,730)
Transfers Out	0	0	0	0	(217,009)	(236,841)	236,841
Total Other Financing Sources (Uses)	\$ 200,000	\$ 0	\$ 0	\$ 200,000	\$ 0	\$ 889	\$ 199,111
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 145,409	\$ 55,025	\$ (85,335)	\$ 115,099	\$ 1	\$ (84,581)	\$ 199,680
Fund Balance, June 30, 2011	71,740	(55,025)	0	16,715	16,994	101,011	(84,296)
Fund Balance, June 30, 2011	\$ 217,149	\$ 0	\$ (85,335)	\$ 131,814	\$ 16,995	\$ 16,430	\$ 115,384

Exhibit I-8

Grundy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Grundy County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 694,526	\$ 0	\$ 694,526	\$ 599,426	\$ 599,426	\$ 95,100
Other Local Revenues	618	0	618	0	523	95
State of Tennessee	13,149	0	13,149	12,500	13,149	0
Federal Government	1,097,179	0	1,097,179	1,180,541	1,252,317	(155,138)
Total Revenues	\$ 1,805,472	\$ 0	\$ 1,805,472	\$ 1,792,467	\$ 1,865,415	\$ (59,943)
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,422,593	\$ 1,358	\$ 1,423,951	\$ 1,792,467	\$ 1,865,415	\$ 441,464
Total Expenditures	\$ 1,422,593	\$ 1,358	\$ 1,423,951	\$ 1,792,467	\$ 1,865,415	\$ 441,464
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 382,879	\$ (1,358)	\$ 381,521	\$ 0	\$ 0	\$ 381,521
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 101,743	\$ 0	\$ 101,743	\$ 0	\$ 0	\$ 101,743
Total Other Financing Sources (Uses)	\$ 101,743	\$ 0	\$ 101,743	\$ 0	\$ 0	\$ 101,743
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 484,622	\$ (1,358)	\$ 483,264	\$ 0	\$ 0	\$ 483,264
	0	0	0	0	0	0
Fund Balance, June 30, 2011	\$ 484,622	\$ (1,358)	\$ 483,264	\$ 0	\$ 0	\$ 483,264

Exhibit I-9

Grundy County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Fund
Discretely Presented Grundy County School Department
June 30, 2011

	<u>Private Purpose Trust Fund</u>	<u>Other Trust Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash with Trustee	\$	15,157
Total Assets	\$	15,157
<u>NET ASSETS</u>		
Funds Held in Trust for Scholarships	\$	15,157
Total Net Assets	\$	15,157

Exhibit I-10

Grundy County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Discretely Presented Grundy County School Department
For the Year Ended June 30, 2011

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 267
Contributions and Gifts	<u>450</u>
Total Additions	<u>\$ 717</u>
<u>DEDUCTIONS</u>	
Awards	<u>\$ 400</u>
Total Deductions	<u>\$ 400</u>
Change in Net Assets	\$ 317
Net Assets, July 1, 2010	<u>14,840</u>
Net Assets, June 30, 2011	<u><u>\$ 15,157</u></u>

MISCELLANEOUS SCHEDULES

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, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT</u>								
<u>OTHER LOANS PAYABLE</u>								
Payable through General Fund								
Waste Water System	\$ 318,980	1.26%	Various	12-30-15	\$ 95,825	\$ 0	\$ 16,944	\$ 78,881
Payable through Industrial/Economic Development Fund								
Assumption Agreement - Industrial Building	427,739	2 to 3	9-13-03	6-30-16	227,590	0	36,246	191,344
Total Other Loans Payable					\$ 323,415	\$ 0	\$ 53,190	\$ 270,225
<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	\$ 690,000	\$ 0	\$ 160,000	\$ 530,000
School Refunding Series 2006	9,405,000	4.15	5-1-06	5-1-21	7,735,000	0	570,000	7,165,000
General Obligation Bond-Convenience Centers	91,000	4.75	9-30-1999	9-30-14	38,260	0	6,804	31,456
Total Bonds Payable					\$ 8,463,260	\$ 0	\$ 736,804	\$ 7,726,456
<u>NOTES PAYABLE</u>								
Payable through General Fund								
Patrol Cars/Transport Van	92,029	1.99	12-30-10	7-15-12	\$ 0	\$ 92,029	\$ 0	\$ 92,029
<u>DISCRETELY PRESENTED GRUNDY COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Purpose School Fund								
School Bus	152,384	5.99	1-28-08	8-20-12	\$ 64,669	\$ 0	\$ 31,397	\$ 33,272
School Bus	158,140	3.69	10-30-08	8-20-13	127,869	0	30,253	97,616
School Bus	155,592	3.49	9-25-09	8-20-14	155,592	0	29,444	126,148
School Bus	151,967	3.25	2-14-11	2-14-16	0	151,967	0	151,967
Total Notes Payable					\$ 348,130	\$ 151,967	\$ 91,094	\$ 409,003

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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	43,930	519	44,449
Total	\$ 270,225	\$ 16,776	\$ 287,001

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 767,126	\$ 320,836	\$ 1,087,962
2013	797,465	288,958	1,086,423
2014	837,820	255,818	1,093,638
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	\$ 7,726,456	\$ 1,784,023	\$ 9,510,479

Year Ending June 30	Note		
	Principal	Interest	Total
2012	\$ 45,980	\$ 988	\$ 46,968
2013	46,049	919	46,968
Total	\$ 92,029	\$ 1,907	\$ 93,936

DISCRETELY PRESENTED GRUNDY
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 123,035	\$ 15,011	\$ 138,046
2013	92,875	9,899	102,774
2014	96,151	6,624	102,775
2015	64,544	3,259	67,803
2016	32,398	1,068	33,466
Total	\$ 409,003	\$ 35,861	\$ 444,864

Exhibit J-3

Grundy County, Tennessee
Schedule of Leases Receivable
For the Year Ended June 30, 2011

<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 6-30-11</u>
<u>Industrial/Economic Development Fund</u>					
Lease-purchase of spec building	Tag Plastics	\$ 300,000	9-24-1996	2-28-17	\$ 86,250
"	Benchmark Tool and Die	750,000	3-29-07	5-15-17	695,000
Total Leases Receivable					\$ 781,250

Exhibit J-4

Grundy County, Tennessee
Schedule of Transfers
Discretely Presented Grundy County School Department
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	School Federal Projects	Cash flow	\$ 200,000
"	Central Cafeteria	To open new fund	101,743
Total Transfers Discretely Presented Grundy County School Department			<u>\$ 301,743</u>

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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
LaDue Bouldin (7-1-10 through 8-31-10)	Section 8-24-102, TCA	\$ 11,117	\$ 50,000	Western Surety Company
Lonnie Cleek (9-1-10 through 6-30-11)	Section 8-24-102, TCA	55,585	50,000	Travelers Casualty and Surety Company of America
Highway Superintendent	Section 8-24-102, TCA	63,527	100,000	"
Director of Schools:				
Clay Newsome (7-1-10 through 12-28-10)	State Board of Education and Grundy County Board of Education	38,000 (1)	100,000	"
Joel Hargis (12-29-10 through 6-30-11)	State Board of Education and Grundy County Board of Education	35,781 (1)	100,000	"
Trustee				
Assessor of Property	Section 8-24-102, TCA	57,751	637,200	"
County Clerk:	Section 8-24-102, TCA	57,751	10,000	"
Jimmy Rogers (7-1-10 through 8-31-10)	Section 8-24-102, TCA	9,625	30,000	"
Tammy Sholey (9-1-10 through 6-30-11)	Section 8-24-102, TCA	48,126	30,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	57,751	50,000	"
Clerk and Master	Section 8-24-102, TCA	57,751	25,000	Western Surety Company
Register	Section 8-24-102, TCA	57,751	15,000	Travelers Casualty and Surety Company of America
Sheriff	Section 8-24-102, TCA	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 a 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, 2011

	Special Revenue Funds						Debt Service Fund		
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees		Highway / Public Works	General Debt Service
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,897,392	\$ 0	\$ 517,499	\$ 0	\$ 0	\$ 0	\$ 0	\$ 249,179	\$ 2,664,070
Trustee's Collections - Prior Year	112,806	0	30,739	0	0	0	0	14,818	158,363
Trustee's Collections - Bankruptcy	525	0	143	0	0	0	0	40	708
Circuit/Clerk & Master Collections - Prior Years	49,702	0	13,555	0	0	0	0	6,526	69,783
Interest and Penalty	24,806	0	6,765	0	0	0	0	3,258	34,829
Payments in-Lieu-of Taxes - T.V.A.	1,041	0	284	0	0	0	0	136	1,461
Payments in-Lieu-of Taxes - Other	7,167	0	1,955	0	0	0	0	941	10,063
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	0	0	0	0	432,189	432,189
Litigation Tax - General	22,830	0	0	0	0	0	0	0	22,830
Litigation Tax - Special Purpose	0	41,607	0	0	0	0	0	0	41,607
Litigation Tax - Jail, Workhouse, or Courthouse	14,164	0	0	0	0	0	0	0	14,164
Business Tax	28,578	0	0	0	0	0	0	0	28,578
<u>Statutory Local Taxes</u>									
Bank Excise Tax	33,574	0	0	0	0	0	0	0	33,574
Wholesale Beer Tax	59,215	0	0	0	0	0	0	0	59,215
Interstate Telecommunications Tax	533	0	0	0	0	0	0	0	533
Total Local Taxes	\$ 2,252,333	\$ 41,607	\$ 570,940	\$ 0	\$ 0	\$ 0	\$ 0	\$ 707,087	\$ 3,571,967
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 599	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 599
Cable TV Franchise	24,133	0	0	0	0	0	0	0	24,133
Total Licenses and Permits	\$ 24,732	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,732
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 1,904	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,904
Officers Costs	3,783	0	0	0	0	0	0	0	3,783
Drug Control Fines	0	0	0	0	793	0	0	0	793

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Drug Court Fees	178 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	178
Jail Fees	410	0	0	0	0	0	0	410
Data Entry Fee - Circuit Court	144	0	0	0	0	0	0	144
Courtroom Security Fee	70	0	0	0	0	0	0	70
<u>General Sessions Court</u>								
Fines	17,233	0	0	0	0	0	0	17,233
Officers Costs	11,369	0	0	0	0	0	0	11,369
Drug Control Fines	0	0	0	0	3,648	0	0	3,648
Drug Court Fees	2,194	0	0	0	0	0	0	2,194
Jail Fees	2,894	0	0	0	0	0	0	2,894
DUI Treatment Fines	3,629	0	0	0	0	0	0	3,629
Data Entry Fee - General Sessions Court	2,720	0	0	0	0	0	0	2,720
Courtroom Security Fee	56	0	0	0	0	0	0	56
<u>Juvenile Court</u>								
Fines	490	0	0	0	0	0	0	490
Officers Costs	1,144	0	0	0	0	0	0	1,144
<u>Chancery Court</u>								
Officers Costs	314	0	0	0	0	0	0	314
Courtroom Security Fee	17	0	0	0	0	0	0	17
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	0	0	3,260	0	0	3,260
Data Entry Fee - Other Courts	858	0	0	0	0	0	0	858
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	0	5,050	0	0	5,050
Total Fines, Forfeitures, and Penalties	\$ 49,407 \$	0 \$	0 \$	0 \$	12,751 \$	0 \$	0 \$	62,158
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Residential Waste Collection Charge	\$ 48,600 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	48,600
Work Release Charges for Board	2,281	0	0	0	0	0	0	2,281

(Continued)

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

	Special Revenue Funds						Debt Service Fund		
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees		Highway / Public Works	General Debt Service
<u>Charges for Current Services (Cont.)</u>									
<u>General Service Charges (Cont.)</u>									
Other General Service Charges	\$ 11,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,111	\$ 0	\$ 53,307
Service Charges	90	0	0	0	0	0	0	0	90
Fees									
Constitutional Officers' Fees and Commissions	0	0	0	0	0	2,820	0	0	2,820
Data Processing Fee - Register	4,142	0	0	0	0	0	0	0	4,142
Data Processing Fee - Sheriff	632	0	0	0	0	0	0	0	632
Sexual Offender Registration Fees - Sheriff	1,050	0	0	0	0	0	0	0	1,050
Data Processing Fee - County Clerk	10	0	0	0	0	0	0	0	10
Total Charges for Current Services	\$ 68,001	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,820	\$ 42,111	\$ 0	\$ 112,932
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91,391	\$ 91,391
Lease/Rentals	0	0	0	25,509	0	0	0	0	25,509
Sale of Materials and Supplies	0	0	0	0	0	0	6,887	0	6,887
Sale of Gasoline	0	0	0	0	0	0	39,498	0	39,498
Miscellaneous Refunds	15,776	0	0	0	0	0	991	0	16,767
<u>Nonrecurring Items</u>									
Sale of Property	850	0	0	0	0	0	0	0	850
Contributions and Gifts	1,200	0	0	0	0	0	0	0	1,200
<u>Other Local Revenues</u>									
Other Local Revenues	26,829	0	6,316	0	0	0	0	0	33,145
Total Other Local Revenues	\$ 44,655	\$ 0	\$ 6,316	\$ 25,509	\$ 0	\$ 0	\$ 47,376	\$ 91,391	\$ 215,247
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 111,089	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 111,089
Circuit Court Clerk	44,678	0	0	0	0	0	0	0	44,678
General Sessions Court Clerk	76,803	0	0	0	0	0	0	0	76,803
Clerk and Master	42,906	0	0	0	0	0	0	0	42,906

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees in-Lieu-of Salary (Cont.)</u>									
Juvenile Court Clerk	\$ 8,254	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,254
Register	43,734	0	0	0	0	0	0	0	43,734
Sheriff	2,551	0	0	0	0	0	0	0	2,551
Trustee	163,076	0	0	0	0	0	0	0	163,076
Total Fees Received from County Officials	\$ 493,091	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 493,091
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Solid Waste Grants	0	0	1,900	0	0	0	0	0	1,900
On-Behalf Contributions for OPEB	1,253	0	0	0	0	0	0	0	1,253
<u>Health and Welfare Grants</u>									
Other Health and Welfare Grants	24,716	0	0	0	0	0	0	0	24,716
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	0	439,289	0	439,289
Litter Program	0	0	29,234	0	0	0	666	0	29,900
<u>Other State Revenues</u>									
Income Tax	4,727	0	0	0	0	0	0	0	4,727
Beer Tax	18,724	0	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	32,282	0	0	0	0	0	0	0	32,282
Contracted Prisoner Boarding	63,205	0	0	0	0	0	0	0	63,205
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,495,199	0	1,495,199
Petroleum Special Tax	0	0	0	0	0	0	11,510	0	11,510
Registrar's Salary Supplement	15,468	0	0	0	0	0	0	0	15,468
Other State Grants	7,196	0	0	0	0	0	0	0	7,196
Other State Revenues	3,994	0	0	0	0	0	0	0	3,994
Total State of Tennessee	\$ 180,565	\$ 0	\$ 31,134	\$ 0	\$ 0	\$ 0	\$ 1,946,664	\$ 0	\$ 2,158,363

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees	Highway / Public Works		General Debt Service
<u>Federal Government</u>									
<u>Federal Through State</u>									
Homeland Security Grants	\$ 109,384	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 109,384
Law Enforcement Grants	6,461	0	0	0	0	0	0	0	6,461
Other Federal through State	2,547	0	0	0	0	0	0	0	2,547
<u>Direct Federal Revenue</u>	1,993	0	0	0	0	0	0	0	1,993
Other Direct Federal Revenue									
Total Federal Government	\$ 120,385	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,385
<u>Other Governments and Citizens Groups</u>									
<u>Contributions</u>									
Total Other Governments and Citizens Groups	\$ 2,060	\$ 0	\$ 0	\$ 0	\$ 1,900	\$ 0	\$ 0	\$ 500,000	\$ 503,960
Total Other Governments and Citizens Groups	\$ 2,060	\$ 0	\$ 0	\$ 0	\$ 1,900	\$ 0	\$ 0	\$ 500,000	\$ 503,960
<u>Total</u>	\$ 3,235,229	\$ 41,607	\$ 608,390	\$ 25,509	\$ 14,651	\$ 2,820	\$ 2,036,151	\$ 1,298,478	\$ 7,262,835

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,349,891	\$ 0	\$ 0	\$ 1,349,891
Trustee's Collections - Prior Year	80,328	0	0	80,328
Trustee's Collections - Bankruptcy	374	0	0	374
Circuit/Clerk & Master Collections - Prior Years	35,416	0	0	35,416
Interest and Penalty	17,675	0	0	17,675
Payments in-Lieu-of Taxes - T.V.A.	741	0	0	741
Payments in-Lieu-of Taxes - Other	5,107	0	0	5,107
<u>County Local Option Taxes</u>				
Local Option Sales Tax	439,468	0	0	439,468
Business Tax	28,578	0	0	28,578
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	1,156	0	0	1,156
Total Local Taxes	\$ 1,958,734	\$ 0	\$ 0	\$ 1,958,734
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 598	\$ 0	\$ 0	\$ 598
Total Licenses and Permits	\$ 598	\$ 0	\$ 0	\$ 598
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 52,398	\$ 0	\$ 0	\$ 52,398
Lunch Payments - Children	0	0	101,963	101,963
Lunch Payments - Adults	0	0	59,782	59,782
Income from Breakfast	0	0	15,536	15,536
A la carte Sales	0	0	135,032	135,032
Receipts from Individual Schools	0	0	382,213	382,213
Total Charges for Current Services	\$ 52,398	\$ 0	\$ 694,526	\$ 746,924
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Refund of Telecommunication & Internet Fees (E-Rate)	\$ 57,777	\$ 0	\$ 0	\$ 57,777
Miscellaneous Refunds	51,624	0	568	52,192
<u>Nonrecurring Items</u>				
Sale of Equipment	647	0	50	697
Contributions and Gifts	7,581	0	0	7,581
Total Other Local Revenues	\$ 117,629	\$ 0	\$ 618	\$ 118,247
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 56,718	\$ 0	\$ 0	\$ 56,718
<u>State Education Funds</u>				
Basic Education Program	10,846,579	0	0	10,846,579
Basic Education Program - ARRA	1,350,105	0	0	1,350,105
Early Childhood Education	313,978	0	0	313,978
School Food Service	0	0	13,149	13,149
Driver Education	5,791	0	0	5,791
Other State Education Funds	201,718	0	0	201,718

(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	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Coordinated School Health - ARRA	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Internet Connectivity - ARRA	6,501	0	0	6,501
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	5,581	0	0	5,581
Career Ladder Program	127,252	0	0	127,252
Career Ladder - Extended Contract - ARRA	34,372	0	0	34,372
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	437,177	0	0	437,177
Safe Schools - ARRA	15,100	0	0	15,100
Other State Revenues	80,204	0	0	80,204
Total State of Tennessee	\$ 13,614,376	\$ 0	\$ 13,149	\$ 13,627,525
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 740,597	\$ 740,597
USDA - Commodities	0	0	71,776	71,776
Breakfast	0	0	284,806	284,806
Adult Education State Grant Program	65,228	0	0	65,228
Vocational Education - Basic Grants to States	0	62,408	0	62,408
Title I Grants to Local Education Agencies	0	1,223,899	0	1,223,899
Special Education - Grants to States	0	887,968	0	887,968
Special Education Preschool Grants	0	43,081	0	43,081
Rural Education	0	51,623	0	51,623
Eisenhower Professional Development State Grants	0	180,580	0	180,580
Job Training Partnership Act	12,500	0	0	12,500
Race to the Top - ARRA	0	19,000	0	19,000
Other Federal through State	177,432	175,064	0	352,496
Total Federal Government	\$ 255,160	\$ 2,643,623	\$ 1,097,179	\$ 3,995,962
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 151,967	\$ 0	\$ 0	\$ 151,967
Total Other Governments and Citizens Groups	\$ 151,967	\$ 0	\$ 0	\$ 151,967
Total	\$ 16,150,862	\$ 2,643,623	\$ 1,805,472	\$ 20,599,957

Exhibit J-8

Grundy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 17,283	
Audit Services	4,300	
Dues and Memberships	1,750	
Printing, Stationery, and Forms	<u>1,708</u>	
Total County Commission		\$ 25,041

Board of Equalization

Board and Committee Members Fees	\$ <u>2,000</u>	
Total Board of Equalization		2,000

County Mayor/Executive

County Official/Administrative Officer	\$ 66,702	
Assistant(s)	19,801	
Part-time Personnel	19,852	
Social Security	6,594	
Unemployment Compensation	564	
Employer Medicare	1,542	
Communication	5,367	
Data Processing Services	5,435	
Maintenance and Repair Services - Vehicles	408	
Postal Charges	1,278	
Travel	1,588	
Office Supplies	<u>1,684</u>	
Total County Mayor/Executive		130,815

County Attorney

County Official/Administrative Officer	\$ 600	
Legal Services	<u>5,078</u>	
Total County Attorney		5,678

Election Commission

County Official/Administrative Officer	\$ 51,976
Clerical Personnel	19,467
Board and Committee Members Fees	4,875
Election Workers	26,121
In-Service Training	5,182
Social Security	4,773
Unemployment Compensation	271
Employer Medicare	1,066
Communication	4,567

(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.)

Data Processing Services	\$ 14,000	
Dues and Memberships	300	
Legal Notices, Recording, and Court Costs	9,000	
Maintenance and Repair Services - Equipment	4,445	
Postal Charges	1,980	
Printing, Stationery, and Forms	2,464	
Travel	6,167	
Office Supplies	1,657	
Office Equipment	1,967	
Total Election Commission		\$ 160,278

Register of Deeds

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	19,801	
Part-time Personnel	1,444	
Social Security	4,898	
Unemployment Compensation	182	
Employer Medicare	1,145	
Communication	1,130	
Data Processing Services	3,831	
Dues and Memberships	783	
Postal Charges	352	
Travel	600	
Other Contracted Services	550	
Office Supplies	1,312	
Total Register of Deeds		93,779

County Buildings

Custodial Personnel	\$ 20,954	
Social Security	1,299	
Unemployment Compensation	180	
Employer Medicare	304	
Communication	2,676	
Maintenance and Repair Services - Buildings	32,690	
Other Contracted Services	7,851	
Custodial Supplies	3,480	
Duplicating Supplies	4,676	
Electricity	35,451	
Natural Gas	18,790	
Water and Sewer	9,253	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Other Supplies and Materials	\$ 1,498	
Total County Buildings		\$ 139,102

Other General Administration

On-Behalf Payments to OPEB	\$ 1,253	
Total Other General Administration		1,253

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 57,751	
Secretary(ies)	25,597	
Part-time Personnel	15,697	
Social Security	6,141	
Unemployment Compensation	444	
Employer Medicare	1,436	
Audit Services	4,005	
Communication	3,541	
Data Processing Services	7,947	
Dues and Memberships	400	
Postal Charges	1,048	
Printing, Stationery, and Forms	215	
Travel	7,859	
Office Supplies	1,707	
Total Property Assessor's Office		133,788

County Trustee's Office

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	19,801	
Part-time Personnel	1,305	
Social Security	4,874	
Unemployment Compensation	206	
Employer Medicare	1,140	
Communication	1,413	
Data Processing Services	5,384	
Dues and Memberships	783	
Postal Charges	4,875	
Printing, Stationery, and Forms	109	
Travel	600	
Office Supplies	1,495	
Total County Trustee's Office		99,736

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	59,712	
Part-time Personnel	1,328	
Social Security	7,362	
Unemployment Compensation	667	
Employer Medicare	1,722	
Communication	3,104	
Dues and Memberships	483	
Postal Charges	2,471	
Travel	849	
Office Supplies	3,187	
Total County Clerk's Office		\$ 138,636

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	72,404	
Part-time Personnel	8,296	
Jury and Witness Expense	9,446	
Social Security	8,584	
Unemployment Compensation	1,034	
Employer Medicare	2,008	
Communication	4,664	
Data Processing Services	13,339	
Dues and Memberships	783	
Postal Charges	1,668	
Printing, Stationery, and Forms	228	
Travel	308	
Duplicating Supplies	173	
Office Supplies	9,091	
Total Circuit Court		189,777

General Sessions Judge

Judge(s)	\$ 82,325	
In-Service Training	815	
Social Security	5,104	
Employer Medicare	1,194	
Communication	692	
Total General Sessions Judge		90,130

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	19,801	
Part-time Personnel	512	
Social Security	4,840	
Unemployment Compensation	135	
Employer Medicare	1,132	
Communication	1,353	
Data Processing Services	6,157	
Dues and Memberships	783	
Postal Charges	1,298	
Office Supplies	3,345	
Total Chancery Court		\$ 97,107

Juvenile Court

Youth Service Officer(s)	\$ 25,525	
Part-time Personnel	13,076	
Social Security	2,393	
Unemployment Compensation	345	
Employer Medicare	560	
Communication	2,697	
Postal Charges	908	
Rentals	4,500	
Travel	2,351	
Other Contracted Services	3,060	
Office Supplies	1,813	
Other Supplies and Materials	2,136	
Other Charges	2,580	
Total Juvenile Court		61,944

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 63,527
Deputy(ies)	377,620
School Resource Officer	21,175
In-Service Training	5,600
Social Security	28,739
Unemployment Compensation	3,728
Employer Medicare	6,540
Communication	2,310
Maintenance and Repair Services - Vehicles	32,667

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Postal Charges	\$ 1,352	
Printing, Stationery, and Forms	1,200	
Tow-in Services	4,925	
Other Contracted Services	153,691	
Gasoline	91,806	
Office Supplies	7,440	
Tires and Tubes	5,571	
Uniforms	11,784	
Other Supplies and Materials	993	
Liability Insurance	11,927	
Vehicle and Equipment Insurance	12,407	
Workers' Compensation Insurance	25,809	
Other Charges	3,685	
Motor Vehicles	122,029	
Other Equipment	3,852	
Total Sheriff's Department		\$ 1,000,377

Jail

Accountants/Bookkeepers	\$ 22,026	
Guards	208,477	
Cafeteria Personnel	11,327	
Part-time Personnel	391	
Social Security	15,330	
Unemployment Compensation	3,339	
Employer Medicare	3,787	
Communication	18,280	
Medical and Dental Services	88,602	
Electricity	16,099	
Food Supplies	77,229	
Natural Gas	4,115	
Water and Sewer	8,236	
Other Supplies and Materials	32,953	
Workers' Compensation Insurance	14,700	
Total Jail		524,891

Fire Prevention and Control

Contracts with Other Public Agencies	\$ 8,780	
Contributions	2,500	
Total Fire Prevention and Control		11,280

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 3,000	
Total Rescue Squad		\$ 3,000

Other Emergency Management

Assistant(s)	\$ 4,840	
Social Security	1,047	
Communication	221	
Maintenance and Repair Services - Vehicles	57	
Rentals	8,840	
Gasoline	422	
Uniforms	518	
Other Charges	240	
Total Other Emergency Management		16,185

County Coroner/Medical Examiner

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

Other Public Safety

Deputy(ies)	\$ 5,716	
Social Security	354	
Employer Medicare	83	
Other Equipment	106,614	
Total Other Public Safety		112,767

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 8,190
Social Security	508
Unemployment Compensation	304
Employer Medicare	119
Communication	6,287
Contracts with Government Agencies	12,816
Dues and Memberships	200
Maintenance and Repair Services - Equipment	250
Postal Charges	44
Other Contracted Services	1,000
Electricity	6,264
Natural Gas	2,401
Office Supplies	881

(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.)

Water and Sewer	\$ 378	
Other Supplies and Materials	1,512	
Total Local Health Center		\$ 41,154

Ambulance/Emergency Medical Services

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

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$ 19,763	
Social Security	1,225	
Unemployment Compensation	130	
Employer Medicare	287	
Travel	2,918	
Other Contracted Services	200	
Total Other Local Health Services		24,523

Regional Mental Health Center

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

General Welfare Assistance

Contracts with Other Public Agencies	\$ 2,159	
Total General Welfare Assistance		2,159

Other Waste Disposal

Assistant(s)	\$ 1,000	
Communication	1,367	
Maintenance and Repair Services - Vehicles	522	
Postal Charges	254	
Other Contracted Services	18,615	
Electricity	7,946	
Gasoline	1,000	
Office Supplies	200	
Water and Sewer	323	
Testing	385	

(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.)

Other Supplies and Materials	\$ 20,211	
Total Other Waste Disposal		\$ 51,823

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Librarians	\$ 35,465	
Social Security	2,354	
Employer Medicare	550	
Total Libraries		38,369

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 59,827	
Social Security	374	
Employer Medicare	88	
Communication	3,829	
Duplicating Supplies	565	
Total Agriculture Extension Service		64,683

Soil Conservation

Clerical Personnel	\$ 18,856	
Part-time Personnel	6,002	
Social Security	2,121	
Unemployment Compensation	729	
Employer Medicare	496	
Communication	1,709	
Travel	759	
Other Supplies and Materials	693	
Other Charges	302	
Total Soil Conservation		31,667

Other Operations

Tourism

Other Supplies and Materials	\$ 200	
Total Tourism		200

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

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

Other Economic and Community Development

Contributions	\$ 2,149	
Total Other Economic and Community Development		2,149

Veterans' Services

Supervisor/Director	\$ 9,899	
Social Security	614	
Employer Medicare	144	
Dues and Memberships	25	
Postal Charges	396	
Travel	3,485	
Total Veterans' Services		14,563

Other Charges

Building and Contents Insurance	\$ 11,482	
Liability Insurance	25,775	
Premiums on Corporate Surety Bonds	2,400	
Trustee's Commission	45,894	
Workers' Compensation Insurance	26,650	
Total Other Charges		112,201

Contributions to Other Agencies

Contributions	\$ 18,750	
Total Contributions to Other Agencies		18,750

Employee Benefits

Social Security	\$ 1,873	
State Retirement	95,228	
Medical Insurance	52,752	
Unemployment Compensation	4,455	
Employer Medicare	417	
Total Employee Benefits		154,725

Miscellaneous

Other Charges	\$ 33,809	
Total Miscellaneous		33,809

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Principal on Debt

General Government

Principal on Other Loans	\$ 16,944	
Total General Government		\$ 16,944

Interest on Debt

General Government

Interest on Other Loans	\$ 1,116	
Total General Government		<u>1,116</u>

Total General Fund		\$ 3,785,829
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Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 34,965	
Total County Buildings		\$ 34,965

Other Operations

Other Charges

Trustee's Commission	\$ 445	
Total Other Charges		<u>445</u>

Total Courthouse and Jail Maintenance Fund		35,410
--	--	--------

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Laborers	\$ 20,648	
Social Security	1,652	
Gasoline	207	
Instructional Supplies and Materials	<u>4,297</u>	
Total Waste Pickup		\$ 26,804

Convenience Centers

Assistant(s)	\$ 13,603
Truck Drivers	57,023
Maintenance Personnel	25,000
Part-time Personnel	109,918
Social Security	15,652
Communication	7,167
Maintenance and Repair Services - Vehicles	20,986

(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	\$ 217,797	
Diesel Fuel	44,446	
Electricity	7,709	
Water and Sewer	1,795	
Other Supplies and Materials	5,120	
Solid Waste Equipment	7,325	
Total Convenience Centers		\$ 533,541

Landfill Operation and Maintenance

Contracts with Private Agencies	\$ 11,070	
Maintenance and Repair Services - Equipment	1,229	
Disposal Fees	800	
Other Charges	1,000	
Total Landfill Operation and Maintenance		14,099

Other Operations

Other Charges

Trustee's Commission	\$ 11,537	
Total Other Charges		11,537

Total Solid Waste/Sanitation Fund \$ 585,981

Industrial/Economic Development Fund

Principal on Debt

General Government

Principal on Other Loans	\$ 36,246	
Total General Government		\$ 36,246

Interest on Debt

General Government

Interest on Other Loans	\$ 6,332	
Total General Government		6,332

Total Industrial/Economic Development Fund 42,578

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$ 4,895	
Trustee's Commission	240	

(Continued)

Exhibit J-8

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Charges	\$ 4,000	
Law Enforcement Equipment	25,790	
Total Drug Enforcement	<u> </u>	\$ 34,925

Total Drug Control Fund \$ 34,925

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Other Salaries and Wages	\$ 2,820	
Total Chancery Court	<u> </u>	\$ 2,820

Total Constitutional Officers - Fees Fund 2,820

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,527	
Accountants/Bookkeepers	32,255	
Advertising	116	
Communication	4,315	
Data Processing Services	3,753	
Dues and Memberships	483	
Evaluation and Testing	600	
Maintenance and Repair Services - Office Equipment	260	
Postal Charges	176	
Printing, Stationery, and Forms	98	
Rentals	44	
Travel	1,108	
Data Processing Supplies	66	
Electricity	4,345	
Office Supplies	289	
Water and Sewer	453	
Other Charges	3,296	
Office Equipment	29	
Total Administration	<u> </u>	\$ 115,213

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	\$ 76,709	
Truck Drivers	190,773	
Laborers	62,586	
Overtime Pay	1,873	
Asphalt - Liquid	174,093	
Crushed Stone	215,304	
Ice	149	
Pipe	34,957	
Road Signs	405	
Small Tools	24	
Other Supplies and Materials	236	
Other Charges	329	
Total Highway and Bridge Maintenance		\$ 821,948

Operation and Maintenance of Equipment

Mechanic(s)	\$ 58,254	
Nightwatchmen	15,312	
Overtime Pay	587	
Maintenance and Repair Services - Equipment	1,924	
Tow-in Services	650	
Diesel Fuel	120,576	
Equipment and Machinery Parts	41,987	
Garage Supplies	1,661	
Gasoline	18,703	
Lubricants	3,412	
Propane Gas	1,611	
Tires and Tubes	19,863	
Other Supplies and Materials	1,042	
Other Charges	2,460	
Total Operation and Maintenance of Equipment		288,042

Other Charges

Liability Insurance	\$ 29,744	
Trustee's Commission	15,462	
Workers' Compensation Insurance	59,303	
Total Other Charges		104,509

Employee Benefits

Social Security	\$ 33,635	
State Retirement	48,281	

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Employee and Dependent Insurance	\$ 135,407	
Employer Medicare	9,694	
Total Employee Benefits	<u> </u>	\$ 227,017

Capital Outlay

Engineering Services	\$ 5,530	
Other Contracted Services	1,500	
Communication Equipment	50	
Highway Construction	595,736	
Highway Equipment	76,900	
Motor Vehicles	155,300	
Total Capital Outlay	<u> </u>	<u>835,016</u>

Total Highway/Public Works Fund \$ 2,391,745

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 166,804	
Total General Government	<u> </u>	\$ 166,804

Education

Principal on Bonds	\$ 570,000	
Total Education	<u> </u>	570,000

Interest on Debt

General Government

Interest on Bonds	\$ 30,452	
Total General Government	<u> </u>	30,452

Education

Interest on Bonds	\$ 321,002	
Total Education	<u> </u>	321,002

Other Debt Service

General Government

Trustee's Commission	\$ 10,792	
Total General Government	<u> </u>	10,792

(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)

Other Debt Service (Cont.)

Education

Other Debt Service

\$ 600

Total Education

\$ 600

Total General Debt Service Fund

\$ 1,099,650

Education Capital Projects Fund

Capital Projects - Donated

Capital Projects Donated to School Department

Contributions

\$ 151,967

Total Capital Projects Donated to School Department

\$ 151,967

Total Education Capital Projects Fund

151,967

Total Governmental Funds - Primary Government

\$ 8,130,905

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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,748,002	
Career Ladder Program	63,441	
Career Ladder Extended Contracts	29,453	
Homebound Teachers	18,516	
Educational Assistants	134,058	
Other Salaries and Wages	24,875	
Non-certified Substitute Teachers	154,730	
Social Security	306,360	
State Retirement	453,838	
Life Insurance	506	
Medical Insurance	613,070	
Employer Medicare	71,650	
Communication	595	
Travel	1,136	
Other Contracted Services	31,490	
Instructional Supplies and Materials	101,574	
Textbooks	54,221	
Other Supplies and Materials	28,584	
Other Charges	19,099	
Regular Instruction Equipment	93,566	
Total Regular Instruction Program		\$ 6,948,764

Alternative Instruction Program

Teachers	\$ 105,319	
Career Ladder Program	1,708	
Educational Assistants	21,265	
Social Security	5,590	
State Retirement	9,017	
Life Insurance	66	
Medical Insurance	13,418	
Employer Medicare	1,307	
Dues and Memberships	35	
Other Charges	381	
Total Alternative Instruction Program		158,106

Special Education Program

Teachers	\$ 1,297,833
Career Ladder Program	24,183
Homebound Teachers	4,501

(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.)

Educational Assistants	\$ 131,185	
Speech Pathologist	139,940	
Non-certified Substitute Teachers	3,497	
Social Security	96,028	
State Retirement	137,078	
Life Insurance	916	
Medical Insurance	145,592	
Employer Medicare	22,458	
Evaluation and Testing	656	
Instructional Supplies and Materials	5,161	
Other Supplies and Materials	4,230	
Fee Waivers	310	
Special Education Equipment	<u>1,456</u>	
Total Special Education Program		\$ 2,015,024

Vocational Education Program

Teachers	\$ 412,655	
Career Ladder Program	333	
Educational Assistants	14,388	
Social Security	25,481	
State Retirement	38,935	
Life Insurance	36	
Medical Insurance	57,872	
Employer Medicare	5,959	
Instructional Supplies and Materials	11,638	
Vocational Instruction Equipment	<u>2,476</u>	
Total Vocational Education Program		569,773

Adult Education Program

Teachers	\$ 12,123	
Other Salaries and Wages	1,460	
Social Security	752	
State Retirement	1,314	
Employer Medicare	197	
Instructional Supplies and Materials	<u>1,095</u>	
Total Adult Education Program		16,941

(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

Attendance

Supervisor/Director	\$	50,401	
Career Ladder Program		1,000	
Other Salaries and Wages		26,119	
Social Security		4,806	
State Retirement		7,483	
Life Insurance		33	
Employer Medicare		1,124	
Postal Charges		1,020	
Travel		2,045	
Other Contracted Services		5,581	
Other Supplies and Materials		1,971	
Attendance Equipment		13,516	
Total Attendance			\$ 115,099

Health Services

Medical Personnel	\$	44,809	
Other Salaries and Wages		102,521	
Social Security		9,485	
State Retirement		11,116	
Life Insurance		104	
Medical Insurance		5,620	
Employer Medicare		2,218	
Travel		1,067	
Other Contracted Services		12,026	
Drugs and Medical Supplies		2,607	
Other Charges		2,769	
Health Equipment		6,924	
Total Health Services			201,266

Other Student Support

Career Ladder Program	\$	2,255	
Guidance Personnel		123,084	
Social Workers		50,982	
Secretary(ies)		25,473	
School Resource Officer		26,345	
Other Salaries and Wages		9,334	
Social Security		12,488	
State Retirement		18,494	
Life Insurance		28	

(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.)

Medical Insurance	\$	22,780	
Employer Medicare		2,921	
Evaluation and Testing		10,983	
Travel		6,866	
Other Contracted Services		38	
Other Supplies and Materials		30,639	
Other Charges		7,528	
Total Other Student Support			\$ 350,238

Regular Instruction Program

Supervisor/Director	\$	66,978	
Career Ladder Program		2,000	
Librarians		89,285	
Social Security		9,272	
State Retirement		14,323	
Medical Insurance		21,649	
Employer Medicare		2,168	
Travel		1,759	
Library Books/Media		2,997	
In Service/Staff Development		8,864	
Total Regular Instruction Program			219,295

Special Education Program

Supervisor/Director	\$	57,059	
Career Ladder Program		1,000	
Psychological Personnel		43,809	
Other Salaries and Wages		875	
Social Security		6,318	
State Retirement		9,219	
Medical Insurance		10,291	
Employer Medicare		1,478	
Communication		11,711	
Postal Charges		504	
Travel		13,179	
Other Contracted Services		1,582	
Other Supplies and Materials		1,429	
In Service/Staff Development		1,073	
Other Charges		1,024	
Total Special Education Program			160,551

(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	\$	46,314	
Career Ladder Program		500	
Social Security		2,813	
State Retirement		4,237	
Medical Insurance		4,409	
Employer Medicare		658	
Travel		971	
Total Vocational Education Program			\$ 59,902

Adult Programs

Supervisor/Director	\$	40,034	
Social Security		2,301	
State Retirement		3,623	
Medical Insurance		6,193	
Employer Medicare		538	
Communication		659	
Postal Charges		45	
In Service/Staff Development		2,041	
Total Adult Programs			55,434

Other Programs

On-Behalf Payments to OPEB	\$	56,718	
Total Other Programs			56,718

Board of Education

Board and Committee Members Fees	\$	12,194	
Social Security		756	
State Retirement		153	
Unemployment Compensation		35,216	
Employer Medicare		177	
Audit Services		11,650	
Dues and Memberships		8,403	
Legal Services		45,311	
Other Contracted Services		26,346	
Liability Insurance		29,620	
Premiums on Corporate Surety Bonds		948	
Trustee's Commission		73,918	
Workers' Compensation Insurance		61,453	
Refund to Applicant for Criminal Investigation		813	

(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.)

Board of Education (Cont.)

Other Charges	\$ 309	
Total Board of Education		\$ 307,267

Director of Schools

County Official/Administrative Officer	\$ 73,781	
Career Ladder Program	2,000	
Clerical Personnel	21,235	
Social Security	5,772	
State Retirement	8,806	
Life Insurance	33	
Medical Insurance	5,250	
Employer Medicare	1,350	
Communication	33,543	
Dues and Memberships	1,592	
Travel	2,279	
Office Supplies	66	
Other Charges	2,904	
Total Director of Schools		158,611

Office of the Principal

Principals	\$ 372,774	
Career Ladder Program	6,417	
Assistant Principals	57,271	
Secretary(ies)	33,566	
Clerical Personnel	39,072	
Social Security	32,375	
State Retirement	50,349	
Life Insurance	231	
Medical Insurance	71,850	
Employer Medicare	7,572	
Total Office of the Principal		671,477

Fiscal Services

Accountants/Bookkeepers	\$ 50,546
Secretary(ies)	19,227
Clerical Personnel	23,273
Social Security	5,769
State Retirement	10,086
Life Insurance	99

(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.)

Fiscal Services (Cont.)

Employer Medicare	\$	1,349	
Postal Charges		644	
Travel		1,505	
Other Contracted Services		12,157	
Office Supplies		9,378	
Total Fiscal Services			\$ 134,033

Operation of Plant

Custodial Personnel	\$	279,049	
Social Security		15,450	
State Retirement		20,283	
Life Insurance		465	
Employer Medicare		3,613	
Maintenance and Repair Services - Equipment		8,742	
Other Contracted Services		13,847	
Custodial Supplies		77,193	
Electricity		468,278	
Natural Gas		150,398	
Water and Sewer		53,175	
Boiler Insurance		240	
Building and Contents Insurance		46,502	
Other Charges		14,545	
Total Operation of Plant			1,151,780

Maintenance of Plant

Maintenance Personnel	\$	125,890	
Social Security		7,268	
State Retirement		12,707	
Life Insurance		132	
Employer Medicare		1,700	
Maintenance and Repair Services - Equipment		72,310	
Other Supplies and Materials		159,459	
Maintenance Equipment		11,650	
Total Maintenance of Plant			391,116

Transportation

Supervisor/Director	\$	36,162	
Mechanic(s)		37,782	
Bus Drivers		257,979	

(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.)

Social Security	\$	19,882	
State Retirement		29,677	
Life Insurance		744	
Employer Medicare		4,795	
Communication		1,545	
Medical and Dental Services		1,125	
Travel		2,351	
Other Contracted Services		5,770	
Diesel Fuel		106,935	
Gasoline		23,829	
Tires and Tubes		7,464	
Vehicle Parts		58,402	
Other Supplies and Materials		2,956	
Vehicle and Equipment Insurance		18,396	
Transportation Equipment		167,648	
Total Transportation			\$ 783,442

Central and Other

Supervisor/Director	\$	89,371	
Other Salaries and Wages		155,816	
Social Security		15,150	
State Retirement		18,891	
Life Insurance		55	
Employer Medicare		3,542	
Communication		1,120	
Postal Charges		44	
Travel		38,744	
Other Supplies and Materials		49,896	
In Service/Staff Development		5,000	
Other Charges		17,427	
Total Central and Other			395,056

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	20,255	
Social Security		913	
State Retirement		1,833	
Life Insurance		33	
Employer Medicare		214	

(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 (Cont.)

Communication	\$	465	
Travel		1,333	
Other Supplies and Materials		158	
Other Charges		9,917	
Total Community Services			\$ 35,121

Early Childhood Education

Teachers	\$	143,456	
Clerical Personnel		4,094	
Educational Assistants		41,123	
Other Salaries and Wages		54,514	
Non-certified Substitute Teachers		4,923	
Social Security		15,318	
State Retirement		22,589	
Life Insurance		146	
Medical Insurance		10,373	
Employer Medicare		3,583	
Communication		3,164	
Postal Charges		252	
Travel		18,628	
Instructional Supplies and Materials		71,065	
Other Supplies and Materials		1,550	
Other Charges		3,494	
Other Equipment		61,000	
Total Early Childhood Education			459,272

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	10,807	
Total Regular Capital Outlay			10,807

Principal on Debt

Education

Principal on Notes	\$	91,094	
Total Education			91,094

Interest on Debt

Education

Interest on Notes	\$	13,486	
Total Education			13,486

(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.)

Other Debt Service

Education

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

Total General Purpose School Fund \$ 16,029,673

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 702,053	
Educational Assistants	110,738	
Other Salaries and Wages	325	
Non-certified Substitute Teachers	5,994	
Social Security	47,758	
State Retirement	68,468	
Life Insurance	429	
Medical Insurance	109,955	
Employer Medicare	11,155	
Instructional Supplies and Materials	166,979	
Other Supplies and Materials	5,103	
Other Charges	1,379	
Regular Instruction Equipment	<u>81,900</u>	
Total Regular Instruction Program		\$ 1,312,236

Alternative Instruction Program

Teachers	\$ 49,159	
Social Security	3,030	
State Retirement	4,449	
Medical Insurance	5,191	
Employer Medicare	706	
Instructional Supplies and Materials	1,158	
Other Supplies and Materials	318	
Other Equipment	<u>383</u>	
Total Alternative Instruction Program		64,394

Special Education Program

Educational Assistants	\$ 286,464
Other Salaries and Wages	254,923
Non-certified Substitute Teachers	1,089
Social Security	33,534

(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.)

Special Education Program (Cont.)

State Retirement	\$	46,193	
Medical Insurance		15,101	
Employer Medicare		7,843	
Evaluation and Testing		660	
Other Contracted Services		85,083	
Instructional Supplies and Materials		19,675	
Other Supplies and Materials		4,800	
Fee Waivers		787	
Other Charges		2,089	
Special Education Equipment		33,766	
Total Special Education Program			\$ 792,007

Vocational Education Program

Instructional Supplies and Materials	\$	12,615	
Vocational Instruction Equipment		37,085	
Total Vocational Education Program			49,700

Support Services

Other Student Support

Guidance Personnel	\$	35,152	
Other Salaries and Wages		28,902	
Social Security		3,870	
State Retirement		4,270	
Medical Insurance		5,164	
Employer Medicare		905	
Evaluation and Testing		508	
Travel		9,439	
Other Supplies and Materials		20,355	
In Service/Staff Development		24,203	
Other Charges		10,394	
Total Other Student Support			143,162

Regular Instruction Program

Supervisor/Director	\$	52,373	
Secretary(ies)		29,028	
Other Salaries and Wages		25,078	
Social Security		6,647	
State Retirement		9,432	
Medical Insurance		2,085	

(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.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	1,554	
Communication		2,875	
Operating Lease Payments		4,472	
Travel		467	
Other Contracted Services		500	
Periodicals		49	
Other Supplies and Materials		3,484	
In Service/Staff Development		18,041	
Other Charges		7,277	
Other Equipment		13,915	
Total Regular Instruction Program			\$ 177,277

Special Education Program

Clerical Personnel	\$	6,550	
Other Salaries and Wages		29,285	
Social Security		2,222	
State Retirement		3,884	
Employer Medicare		520	
Postal Charges		115	
Travel		21,015	
Other Contracted Services		24,007	
Other Supplies and Materials		8,884	
In Service/Staff Development		17,577	
Other Charges		1,278	
Other Equipment		4,681	
Total Special Education Program			120,018

Vocational Education Program

Teachers	\$	2,000	
Social Security		81	
State Retirement		119	
Employer Medicare		19	
Travel		688	
Total Vocational Education Program			2,907

Maintenance of Plant

Maintenance Personnel	\$	1,075	
Social Security		67	
Employer Medicare		16	
Total Maintenance of Plant			1,158

(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.)

Transportation

Other Salaries and Wages	\$ 11,606	
Social Security	720	
State Retirement	856	
Employer Medicare	168	
Transportation Equipment	22,005	
Total Transportation		<u>\$ 35,355</u>

Total School Federal Projects Fund \$ 2,698,214

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 545,372	
Other Salaries and Wages	24,969	
In-Service Training	814	
Social Security	34,829	
State Retirement	44,473	
Life Insurance	1,500	
Employer Medicare	8,282	
Communication	4,550	
Operating Lease Payments	1,245	
Maintenance and Repair Services - Equipment	3,580	
Postal Charges	1,158	
Travel	1,538	
Other Contracted Services	6,138	
Food Preparation Supplies	3,068	
Food Supplies	617,166	
Office Supplies	2,814	
USDA - Commodities	71,776	
In Service/Staff Development	120	
Other Charges	5,928	
Food Service Equipment	43,273	
Total Food Service		<u>\$ 1,422,593</u>

Total Central Cafeteria Fund 1,422,593

Total Governmental Funds - Grundy County School Department \$ 20,150,480

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, 2011

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 478,828
Total Cash Receipts	<u>\$ 478,828</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 474,040
Trustee's Commission	4,788
Total Cash Disbursements	<u>\$ 478,828</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
Cash Balance, June 30, 2011	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



**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***

December 21, 2011

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, 2011, which collectively comprise Grundy County's basic financial statements and have issued our report thereon dated December 21, 2011. Our report on the governmental activities, the business-type activities, and the major enterprise fund was adverse due to the county-owned sewer system being accounted for in the General Fund instead of being accounted for in an enterprise fund. Our report includes a reference to 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. Other auditors audited the financial statements of 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: 11.10.

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: 11.02(A,B,C), 11.04, 11.05, 11.06, 11.08, 11.09, 11.11, 11.12, 11.13(B,C,D), 11.15, 11.18, 11.22, and 11.23.

Compliance and Other Matters

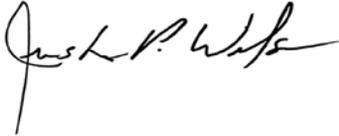
As part of obtaining reasonable assurance about whether Grundy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 11.01, 11.02(D), 11.03, 11.07, 11.13(A), 11.14, 11.16, 11.17, 11.19, 11.20, and 11.21.

We also noted certain matters that we reported to management of Grundy County in separate communications.

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

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 fluid and cursive, with a long vertical stroke 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

INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133

December 21, 2011

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 Schedule of Expenditures of Federal Awards of Grundy County, Tennessee for the year ended June 30, 2011. The schedule is the responsibility of Grundy County's management. Our responsibility is to express an opinion on the Grundy County's Schedule of Expenditures of Federal Awards based on our audit.

We conducted our audit 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 the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

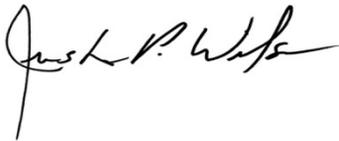
In our opinion, the Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards of Grundy County in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, 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.

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

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, other within Grundy County, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
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REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 21, 2011

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

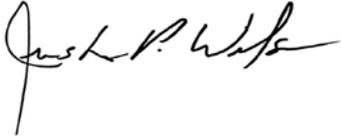
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

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 written in a cursive style with a large initial "J" and "W".

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, 2011

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	\$ 1,993
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	71,776 (5)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	284,806
National School Lunch Program	10.555	N/A	740,597 (5)
Total U.S. Department of Agriculture			<u>\$ 1,099,172</u>
U.S. Department of Justice:			
Passed-through Tennessee Bureau of Investigation:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(2)	\$ 2,547
Total U.S. Department of Justice			<u>\$ 2,547</u>
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	11-06-061-306-YOUTH	\$ 39,636
Passed-through State Department of Education:			
WIA Youth Activities	17.259	N/A	12,500
Total U.S. Department of Labor			<u>\$ 52,136</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	(3)	\$ 6,461
Total U.S. Department of Transportation			<u>\$ 6,461</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	\$ 1,044,595
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090042	182,298
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	768,786
Special Education - Preschool Grants	84.173	N/A	29,755
Special Education - Grants to States, Recovery Act	84.391	H391A090052	200,753
Special Education - Preschool Grants, Recovery Act	84.392	H392A090095	12,483
Career and Technical Education - Basic Grants to States	84.048	N/A	66,829
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	4,247
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	5,262
Education Technology State Grants, Recovery Act	84.386	S386A090042	11,724
Rural Education	84.358	N/A	85,001
Improving Teacher Quality State Grants	84.367	N/A	194,580
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	S394A090043A	1,350,105
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090043	194,854
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	19,000
Education Jobs Funds - ARRA	84.410	N/A	77,900
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	65,228
Passed-through State Higher Education Commission:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GG-08-218190-00	91,712
Total U.S. Department of Education			<u>\$ 4,405,112</u>

(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 Health and Human Services:			
Passed-through State Department of Education:			
Temporary Assistance For Needy Families	93.558	(2)	\$ 28,584
Total U.S. Department of Health and Human Services			<u>\$ 28,584</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 3,822
Homeland Security Grant Program	97.067	(2)	105,562
Total U.S. Department of Homeland Security			<u>\$ 109,384</u>
Total Expenditures of Federal Awards			<u>\$ 5,703,396</u>
<u>State Grants</u>			
Early Intervention - State Department of Finance and Administration	N/A	(2)	\$ 74,970
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	313,978
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)	199,440
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	1,900
Litter Program - State Department of Transportation	N/A	(4)	29,900
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-09-22855-00	9,000
Rural Juvenile Court Intervention Strategy Grant - State Administrative Office of the Courts	N/A	(2)	7,196
Local Health Services - State Department of Health	N/A	GG-11-32009-12	<u>24,716</u>
Total State Grants			<u>\$ 673,600</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z-10-220002-00: \$1,461; Z-11-GHS144-00: \$5,000.
- (4) Z-10-220331-00: \$666; Information not Available: \$29,234.
- (5) Total for CFDA No. 10.555 is \$812,373.

Grundy County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
10.01	144	Transactions related to the operations of the county-owned sewer system were not accounted for through an enterprise fund

OFFICE OF HIGHWAY SUPERINTENDENT

Finding Number	Page Number	Subject
10.02	144	The office did not maintain adequate controls over fuel
10.03	145	The office did not implement adequate controls to protect its information resources

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
10.05	146	The School Federal Projects Fund had a cash overdraft
10.07(A,B)	147	Deficiencies were noted in the administration of the Little Jackets Daycare

OFFICE OF COUNTY CLERK

Finding Number	Page Number	Subject
10.08(B)	148	The annual financial report did not reflect drivers license transactions

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
10.10	149	Several arrestee files did not include a hard copy of fingerprints

OTHER FINDINGS

Finding Number	Page Number	Subject
10.12	150	Grundy County has a material recurring audit finding
10.13	151	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

GRUNDY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the governmental activities, the business-type activities, and the major enterprise fund is adverse due to the county-owned sewer system being accounted for in the General Fund instead of being accounted for in an enterprise fund. Our report on each major fund (except for the omitted enterprise fund), the aggregate remaining fund information, and 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 three 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 and National School Lunch Program (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. The school director provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 11.01 **THE OFFICE DID NOT ACCOUNT FOR TRANSACTIONS 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 taxes as necessary to provide sufficient funds to pay the costs of operation and maintenance, including depreciation, according to generally accepted accounting principles and debt service requirements of the sewer system. This deficiency is the result of management's failure to correct the finding noted in prior-year audit reports since 2004. Reporting the sewer system 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.

FINDING 11.02 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

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

Our examination of purchasing procedures revealed the following deficiencies. These deficiencies were the result of a lack of management's oversight.

- A. The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the county and to document purchase commitments. This deficiency could

result in unapproved purchases, purchases made without adequate appropriation, and undocumented purchasing commitments.

- B. In some instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.
- C. In some instances, invoices were paid without adequate documentation. Several expenditures and reimbursements made for the Department of Human Services did not have invoices or documentation supporting the disbursement.
- D. Competitive bids were not solicited for the purchase of 148 pagers (\$35,380) and for the purchase of food at the jail (\$77,229). Section 5-14-201 et seq., *Tennessee Code Annotated*, requires competitive bids to be solicited through public advertisement for purchases exceeding \$10,000. The failure to solicit competitive bids could result in the department paying more than the most competitive price.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. All purchases should be evidenced by appropriate documentation. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute.

FINDING 11.03 **EXPENDITURES EXCEEDED APPROPRIATIONS IN THE GENERAL FUND** (Noncompliance Under *Government Auditing Standards*)

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

<u>Major Category</u>	<u>Amount Overspent</u>
County Mayor	\$ 950
County Buildings	5,098
Miscellaneous	10,809

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments,

commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to stay within the spending limits authorized by the County Commissions, which resulted in unauthorized expenditures.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

FINDING 11.04 GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

General ledger payroll liability accounts for employee deductions in the General Fund were not reconciled monthly with invoices and payments. Sound business practices dictate that these reconciliations be performed monthly. We extended our audit procedures and presented adjustments to management to correct any errors discovered. The failure to regularly reconcile general ledger payroll liability accounts with payments and invoices allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with invoices and payments, and any errors discovered should be corrected promptly.

FINDING 11.05 PAYMENTS ARE NOT BEING RECEIVED CURRENTLY ON LEASE RECEIVABLES IN THE INDUSTRIAL/ECONOMIC DEVELOPMENT FUND
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Industrial/Economic Development Fund had lease-purchase receivables of \$781,250 on June 30, 2011, from financing lease-purchase agreements on two county industrial buildings. Generally, the terms of the lease-purchase agreements required 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. During the year, A & J Steel defaulted on their lease-purchase agreement, which had a balance of \$129,401 as of July 1, 2010. The county has taken possession of this property. Benchmark Tool and Die, another lessee, is delinquent on their lease-purchase payments and made no payments during the fiscal year. Terms of the lease-purchase agreement for Benchmark Tool and Die required \$48,000 in lease-purchase payments for the fiscal year. This deficiency can be attributed to a lack of collection efforts by management.

RECOMMENDATION

Management should make every effort to collect delinquent lease payments on these buildings and hold the lessees' to the terms of their agreements.

FINDING 11.06 **AUTHORIZATIONS WERE NOT ON FILE TO SUPPORT GROSS SALARY AMOUNTS FOR SOME EMPLOYEES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

During our examination of payroll transactions, management was unable to provide supporting documentation for the gross pay of several employees from either the employees' personnel file or an approved salary schedule. Sound business practices dictate that documentation should be on file to support the determination of employee's salaries. This deficiency is the result of the lack of management oversight.

RECOMMENDATION

Documentation should be on file to support gross salaries for all employees.

FINDING 11.07 **GRUNDY COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**
(Material Noncompliance Under *Government Auditing Standards*)

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

<u>Finding Numbers</u>	<u>Description</u>
11.01, 10.01, 09.01	The office did not account for transactions of the county-owned sewer system in an enterprise fund.

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. 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

In accordance with provisions of Section 9-3-405, *TCA*, 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.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 11.08 **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.

FINDING 11.09 **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office did not implement adequate controls to protect its information resources. 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. During the prior audit period, management was aware of the importance of addressing this deficiency and corrected it. However, during the current period, the deficiency was again noted.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 11.10 **THE GENERAL PURPOSE SCHOOL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

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

At June 30, 2011, certain general ledger account balances in the General Purpose School Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Grundy County School Department to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as external auditors, to assist the School Department in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

FINDING 11.11 **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT OF \$19,135 AT JUNE 30, 2011**

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

At June 30, 2011, the School Federal Projects Fund had a cash overdraft of \$19,135. Sound business practices dictate that expenditures be held within available funds. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee and the failure to correct the finding noted in the prior-year audit report. This cash overdraft was liquidated subsequent to June 30, 2011.

RECOMMENDATION

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

FINDING 11.12 DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE LITTLE JACKETS DAYCARE
(Internal Control – Significant Deficiency 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 finding 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 at the time collections were received, and some receipts were not issued in sequential order. The practice of issuing receipts subsequent to the actual collection and not in sequential order increases risks that collections may not be accounted for properly.
- C. Bank statements were not reconciled with cash controls. Sound business practices dictate that bank statements be reconciled with cash controls currently. This deficiency could result in errors not being detected in a timely manner. We used alternative procedures to determine the bank balance at June 30, 2011.

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. Receipts should be issued in sequential order. Bank statements should be reconciled with receipts monthly.

FINDING 11.13 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(A. – Material Noncompliance Under *Government Auditing Standards*;
B., C., D. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our audit disclosed the following deficiencies in purchasing procedures. These deficiencies can be attributed to a lack of management oversight.

- A. The office did not maintain any documentation supporting its decision to reject the lowest bid and award the bid to the highest bidder for sprinkler systems at two elementary schools. The three bids received totaled \$282,970, \$297,500, and \$358,000. In *Owen of Georgia Inc., versus Shelby County*, 442F. Supp. 314 (w.b. Tenn. 1977), the court stated that “to reject the bid of the lowest bidder there must be such evidence of the irresponsibility of the bidder as would cause fair minded and reasonable men to believe that it was not for the best interest of the municipality to award the contract to the lowest bidder.”
- B. Management did not generate an itemized list of outstanding purchase orders at June 30, 2011, for the General Purpose School, School Federal Projects, or the Central Cafeteria funds. The computer accounting system maintains this information in real time; therefore, the list must be generated each June 30. Auditors used alternative methods to recreate the outstanding purchase order list for these funds.
- C. During our examination, unrecorded encumbrances were noted in the General Purpose School Fund totaling \$365,115 for contracts for an architect and a contractor for sprinkler system projects at two schools. We presented audit adjustments to management that they approved and posted for the additional unrecorded encumbrances for proper presentation in the financial statements of this report.
- D. Purchase orders were not reviewed regularly to determine if they should remain open or be liquidated. Subsequent to June 30, 2011, \$37,464 and \$19,868 in purchase orders were liquidated in the School Federal Projects and Central Cafeteria funds, respectively. We presented audit adjustments to management that they approved and posted for the liquidated purchase orders for proper presentation in the financial statements of this report.

RECOMMENDATION

Purchases should be made from the vendor with the lowest price that meets bid specifications unless adequate documentation is on file supporting the decision to reject the lowest bid. Also, each June 30 a complete detailed listing of encumbrances should be generated and reconciled with the general ledger. Purchase orders should be reviewed regularly to determine their status.

FINDING 11.14 EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission by \$29,086 in the Board of Education major appropriation category (the legal level of control) of the General Purpose School Fund. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending to the limit authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

County officials should ensure that expenditures are held within appropriations approved by the County Commission.

FINDING 11.15 DEFICIENCIES WERE NOTED IN THE ACCOUNTING RECORDS

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

Our audit disclosed the following deficiencies in accounting records. These deficiencies can be attributed to a lack of management oversight.

- A. In some instances, expenditures were coded to accounts that did not reflect the true nature of the expenditures. Sound budgetary principles require expenditures to be coded to accounts that reflect the true nature of the expenditures. Misclassifying expenditures diminishes the usefulness of the accounting records as a management tool.
- B. We noted several journal entries that were not correct. In some instances, journal entries were made reducing expenditure accounts that should have been posted to fund balance accounts. Also, some budget journal entries were posted directly to revenue and expenditure accounts rather than budget accounts.

We presented audit adjustments to management that they approved and posted for the misclassifications and incorrect journal entries noted during our examination for proper presentation in the financial statements of this report.

RECOMMENDATION

All transactions should be properly classified in the accounting records using the current County Uniform Chart of Accounts. Journal entries should be correctly posted to proper accounts.

**FINDING 11.16 THREE EMPLOYEES RECEIVED QUESTIONABLE
COMPENSATION TOTALING AT LEAST \$13,072.60**
(Noncompliance Under *Government Auditing Standards*)

During our audit, we were provided no documentation to support compensation totaling at least \$13,072.60 that the former federal programs supervisor, the federal programs secretary/bookkeeper, and the special education secretary received. As a result of our examination and interviews with the director of schools, the federal programs secretary/bookkeeper, and the special education secretary, we were unable to determine if this compensation had been authorized and just not properly documented or if it had been authorized at all. This deficiency was the result of a lack of management oversight and sound documentation procedures. This questionable compensation is described below:

- A. The former federal programs supervisor received a total of \$750 in compensation for unused vacation days. The Grundy County School Department's personnel policies do not provide for the payment of unused vacation days for system-wide professional personnel. On February 15, 2011, the former federal programs supervisor issued a \$750 personal check to the Grundy County School Department to reimburse the School Department for the unauthorized compensation.
- B. For the period July 1, 2009 through February 15, 2011, the federal programs secretary/bookkeeper and the special education secretary received \$5,901.91 and \$6,420.69, respectively, in questionable compensation. This compensation included payments in excess of their approved pay scale and unauthorized pay for unused sick leave, salary supplements, and bonuses.

The federal programs secretary/bookkeeper processes payroll for employees paid with federal funds. Beginning August 2010, the secretary/bookkeeper reclassified herself and the special education secretary from "Administrative Personnel" to "Financial Personnel" on the approved salary scale; however, no documentation was on file to support this upgrade in pay. As a result of this upgrade, payments for unused sick leave were inappropriately calculated on the employee's higher pay scale. In addition, the special education secretary was paid for six days of undocumented accumulated sick leave. Furthermore, no documentation was found to support the secretary/bookkeeper and special education secretary receiving salary supplements and bonuses for the 2009-10 year. The following table notes the questionable compensation received by the secretary/bookkeeper and special education secretary:

<u>Unauthorized Compensation</u>	<u>Secretary/ Bookkeeper</u>	<u>Special Education Secretary</u>
Pay Scale Upgrade	\$ 1,437.30	\$ 1,437.42
Sick Leave	250.64	781.33
Salary Supplement	3,600.00	3,600.00
Bonus	613.97	601.94
Total Unauthorized Compensation	<u>\$ 5,901.91</u>	<u>\$ 6,420.69</u>

RECOMMENDATION

To ensure employees are properly paid, management should periodically review employee salary compensation rates, calculations for unused sick leave payments, and proper documentation for accumulated sick leave. All salary adjustments should be approved by the Board of Education. In addition, the Board of Education should either retroactively approve the undocumented compensation or take immediate steps to recover the unauthorized compensation.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

A plan will be developed to ensure proper procedures are used in relation to employees’ compensation. As director of schools, I will personally review all reimbursements, stipends, and paychecks for employees. Salary agreements will be developed and signed to ensure annual and monthly calculations of an employee’s salary. A sick leave plan for accumulation and payment will be followed and reviewed periodically. The federal secretary/bookkeeper and the special education secretary have been returned to their original classification as “Administrative Personnel”. The school board will propose a recovery plan to retrieve the unauthorized compensation.

FINDING 11.17 **SEVEN EMPLOYEES RECEIVED \$600 BONUSES WITHOUT THE APPROVAL OF THE BOARD OF EDUCATION**
 (Noncompliance Under *Government Auditing Standards*)

In November 2009, seven central office employees each received \$600 in one-time bonuses, which were approved by the director of schools. However, these bonuses were not approved by the Grundy County Board of Education. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency was the result of a lack of management oversight and resulted in unauthorized compensation.

RECOMMENDATION

All compensation should be approved by the Board of Education. The Board of Education should determine whether these bonuses should be recovered from the payees.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

There will be no bonuses distributed without school board approval. Any and all compensation will be presented to the school board for approval. The school board will review a recovery plan for the unauthorized bonuses.

OFFICE OF COUNTY CLERK

FINDING 11.18 THE ANNUAL FINANCIAL REPORT DID NOT ACCURATELY REFLECT DRIVERS LICENSE TRANSACTIONS
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The annual financial report prepared by the office did not accurately reflect drivers license transactions. These operations and year-end balances were determined by substantive testing and alternative auditing procedures and have been correctly reflected in the financial statements of this report. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The annual financial report should accurately reflect all operations of the office.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 11.19 THE GENERAL SESSIONS COURT CLERK'S EXECUTION DOCKET TRIAL BALANCE REFLECTED UNIDENTIFIED FUNDS
(Noncompliance Under *Government Auditing Standards*)

At June 30, 2011, the circuit and general sessions courts clerk had prepared trial balances of execution docket balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, the general sessions court's trial balance reflected unidentified funds of \$2,157. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, *TCA*. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency can be attributed to a lack of management oversight.

RECOMMENDATION

Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute. The execution docket trial balance in General Sessions Court should be reconciled with general ledger accounts.

OFFICE OF SHERIFF

FINDING 11.20 **IMPROPER PROCEDURES WERE USED TO RECEIPT AND DISBURSE FUNDS**

(Noncompliance Under *Government Auditing Standards*)

During our examination of the Sheriff's Department, we were informed by the Tennessee Bureau of Investigation (TBI) that on June 22, 2010, a check for \$2,000 for the sale of calendars was written to the sheriff, and the sheriff cashed the check around June 30, 2010. On September 20, 2010, the sheriff purchased two \$1,000 money orders, and on December 6, 2010, the sheriff gave the two \$1,000 money orders to an individual for work that was performed on the Fallen Officers Memorial. A hand written receipt was provided to the sheriff from this individual stating that he had received the two money orders. The TBI has investigated this matter and informed auditors that the district attorney general is not going to pursue this any further since the money was used to pay an individual for work performed on county property. The following deficiencies were noted regarding this disbursement. These deficiencies are the result of a lack of management oversight.

- A. The sheriff did not deposit the \$2,000 check received from the sale of calendars within three days of collection. Section 5-8-207, *Tennessee Code Annotated (TCA)*, requires county officials to deposit public funds to the office bank account within three days of collection.
- B. The sheriff disbursed the \$2,000 in the form of money orders. Section 5-8-207, *TCA*, requires disbursements to be made by official prenumbered checks drawn on the official bank account.
- C. The \$2,000 was not channeled through the county's budgetary process but was expended by the Sheriff's Department for work on the Fallen Officers Memorial. Section 5-9-401, *TCA*, requires "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."
- D. The sheriff entered into an informal agreement with Plantation Calendars to endorse a calendar promotion. This agreement was not approved by the County Commission. Plantation Calendars sold advertisements, produced a calendar, and agreed to pay the Sheriff's Department \$2,000 for the

department's endorsement. The practice of allowing the department's name to be used to earn revenues primarily for a private company is questionable.

RECOMMENDATION

The sheriff should ensure that all funds are deposited to the office bank account within three days of collection, and that all disbursements be made by official prenumbered checks drawn on the official bank. Also, all funds should be remitted to the county's General Fund to be appropriated by the County Commission and channeled through the county's budgetary process as required by state statute. The sheriff should not enter into agreements or contracts without the approval of the County Commission. Also, the sheriff should consider the consequences of allowing the department's name to be used by a private company.

FINDING 11.21 **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 the lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER

FINDING 11.22 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**

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

Multiple employees operated from the same cash drawer in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register. Good internal controls dictate that each employee have their own cash drawer, start the day with a

standard fixed amount of cash, and remove all but that beginning amount at the end of each day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision resulting in a loss of control over assets.

RECOMMENDATION

Management should assign each employee their own cash drawer.

OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

FINDING 11.23 **DUTIES WERE NOT SEGREGATED ADEQUATELY**

(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. Officials and 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. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report

RECOMMENDATION

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

BEST PRACTICE

GRUNDY COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

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, 2011**

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