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# ANNUAL FINANCIAL REPORT GRUNDY COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



**ANNUAL FINANCIAL REPORT  
GRUNDY COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2012**

***COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT  
JAMES R. ARNETTE  
Director***

***CARL LOWE, CGFM  
Audit Manager***

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

***JESSICA COX, CPA, CGFM  
JENI PALADENI  
State Auditors***

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

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## GRUNDY COUNTY, TENNESSEE

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***Audit Highlights***  
Annual Financial Report  
Grundy County, Tennessee  
For the Year Ended June 30, 2012

***Scope***

We have audited the basic financial statements of Grundy County as of and for the year ended June 30, 2012.

***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 an enterprise fund. Our report on the aggregate discretely presented component units, each major fund (except the enterprise fund), and the aggregate remaining fund information is unqualified.

Our audit resulted in 15 findings and recommendations, which we have reviewed with Grundy County management. Detailed findings and recommendations are included in the Single Audit 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.
- ◆ Payments are not being received currently on a lease receivable in the Industrial/Economic Development Fund.
- ◆ Authorizations were not on file to support gross salary amounts for several employees.
- ◆ Grundy County has a material recurring audit finding.

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**OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The office did not maintain adequate controls over fuel.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ The office had deficiencies related to employee travel.
- ◆ Deficiencies exist related to work performed for other governmental entities.
- ◆ The office did not implement adequate controls to protect its information resources.

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Deficiencies were noted in the administration of the Little Jackets Daycare.
  - ◆ The office had deficiencies in computer system backup procedures.
- 

## **OFFICE OF CLERK AND MASTER**

- ◆ Usernames and passwords were shared by employees.
- 

## **OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ 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, 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 Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Grundy County.

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# INTRODUCTORY SECTION

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# Grundy County Officials

## June 30, 2012

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### **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**

Charles Rollins, Chairman  
Michael Brady  
Kelly Gibbs  
David Griswold  
Don Hutcheson  
David Lockhart  
Monte Meeks  
Carl Prater  
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

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## **FINANCIAL SECTION**

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

INDEPENDENT AUDITOR'S REPORT

January 7, 2013

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, 2012, 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 4.6 percent and 1.5 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, 2012, 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, 2012, 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, 2012, 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 January 7, 2013, 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.

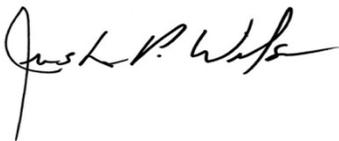
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 61 through 68 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 of the name.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Grundy County, Tennessee  
Statement of Net Assets  
June 30, 2012

	<u>Component Units</u>		
	<u>Primary</u>	<u>Grundy</u>	<u>Grundy</u>
	<u>Governmental</u>	<u>County</u>	<u>County</u>
	<u>Activities</u>	<u>School</u>	<u>Emergency</u>
		<u>Department</u>	<u>Communications</u>
			<u>District</u>
<b><u>ASSETS</u></b>			
Cash	\$ 601	\$ 0	\$ 462,403
Equity in Pooled Cash and Investments	7,766,106	2,083,477	0
Accounts Receivable	6,378	683	44,777
Due from Other Governments	479,726	642,619	0
Property Taxes Receivable	3,175,861	1,611,691	0
Allowance for Uncollectible Property Taxes	(89,785)	(45,772)	0
Leases Receivable - Current	284,000	0	0
Leases Receivable - Long-term	482,250	0	0
Prepaid Items	5,053	0	0
Accrued Interest Receivable	0	0	461
Capital Assets:			
Assets Not Depreciated:			
Land	265,273	249,084	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,315,212	11,657,896	0
Other Capital Assets	557,404	832,915	274,918
Intangible Assets	0	0	34,893
Infrastructure	3,222,078	0	0
Total Assets	<u>\$ 19,470,157</u>	<u>\$ 17,032,593</u>	<u>\$ 817,452</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 0	\$ 2,589	\$ 23,536
Payroll Deductions Payable	7,694	0	0
Accrued Interest Payable	48,708	6,527	0
Deferred Revenue - Current Property Taxes	2,875,841	1,459,437	0
Noncurrent Liabilities:			
Due Within One Year	926,708	663,708	0
Due in More Than One Year	6,775,465	3,836,266	0
Total Liabilities	<u>\$ 10,634,416</u>	<u>\$ 5,968,527</u>	<u>\$ 23,536</u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	\$ 6,713,872	\$ 10,870,118	\$ 0
Invested in Capital Assets	0	0	309,811
Restricted for:			
General Purposes	727,476	79,239	0
Courthouse and Jail Maintenance	93,696	0	0
Solid Waste/Sanitation	1,350,047	0	0
Industrial/Economic Development	1,258,730	0	0
Drug Control	28,645	0	0
Highway/Public Works	930,937	0	0
Debt Service	4,066,855	0	0
School Federal Projects	0	240,463	0
Central Cafeteria	0	509,631	0
Unrestricted	<u>(6,334,517)</u>	<u>(635,385)</u>	<u>484,105</u>
Total Net Assets	<u>\$ 8,835,741</u>	<u>\$ 11,064,066</u>	<u>\$ 793,916</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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Grundy County School Department	Grundy County Emergency Communications District			
								Grundy County School Department	Grundy County Emergency Communications District	
Primary Government:										
Governmental Activities:										
General Government	\$ 694,063	\$ 114,685	\$ 49,023	\$ 0	\$ (530,355)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	454,340	266,104	0	0	(188,236)	0	0	0	0	0
Administration of Justice	519,215	258,357	16,545	0	(244,313)	0	0	0	0	0
Public Safety	1,561,550	127,655	145,519	49,606	(1,238,770)	0	0	0	0	0
Public Health and Welfare	988,258	56,399	61,903	0	(869,956)	0	0	0	0	0
Social, Cultural, and Recreational Services	51,101	0	7,487	0	(43,614)	0	0	0	0	0
Agriculture and Natural Resources	117,263	0	0	0	(117,263)	0	0	0	0	0
Other Operations	206,888	0	0	85,500	(121,388)	0	0	0	0	0
Highways/Public Works	2,291,711	215,478	1,496,816	0	(579,417)	0	0	0	0	0
Education	0	0	0	500,000	500,000	0	0	0	0	0
Interest on Long-term Debt	322,566	0	0	0	(322,566)	0	0	0	0	0
Other Debt Service	11,172	0	0	0	(11,172)	0	0	0	0	0
Total Primary Government	\$ 7,218,127	\$ 1,038,678	\$ 1,777,293	\$ 635,106	\$ (3,767,050)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Grundy County School Department	\$ 21,624,098	\$ 442,343	\$ 6,034,256	\$ 14,320	\$ 0	\$ (15,133,179)	\$ 0	\$ 0	\$ 0	\$ 0
Grundy County Emergency Communications District	294,341	280,178	0	0	0	0	0	0	(14,163)	(14,163)
Total Component Units	\$ 21,918,439	\$ 722,521	\$ 6,034,256	\$ 14,320	\$ 0	\$ (15,133,179)	\$ 0	\$ (14,163)	\$ (14,163)	\$ (14,163)

(Continued)

Exhibit B

Grundy County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total	Component Units		
						Grundy County School Department	Grundy County Emergency Communications District	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes		\$	2,740,001	\$	1,530,710	\$	0	0
Property Taxes Levied for Debt Service			281,357		0		0	0
Local Option Sales Taxes			433,203		418,612		0	0
Litigation Tax - General			26,911		0		0	0
Litigation Tax - Special Purpose			48,898		0		0	0
Litigation Tax - Jail, Workhouse, or Courthouse			17,266		0		0	0
Business Tax			20,193		20,193		0	0
Other Local Taxes			368		760		0	0
Grants and Contributions Not Restricted to Specific Programs			176,180		12,780,864		42,503	42,503
Unrestricted Investment Earnings			63,692		0		5,313	5,313
Miscellaneous			47,300		59,409		0	0
Total General Revenues			\$ 3,855,369		\$ 14,810,548		\$ 47,816	\$ 47,816
Change in Net Assets			\$ 88,319		\$ (322,631)		\$ 33,653	\$ 33,653
Net Assets, July 1, 2011			8,747,422		11,386,697		733,363	733,363
Prior-period Restatement			0		0		26,900	26,900
Net Assets, June 30, 2012			\$ 8,835,741		\$ 11,064,066		\$ 793,916	\$ 793,916

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

Grundy County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2012

	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	\$ 601	\$ 601
Equity in Pooled Cash and Investments	837,757	1,696,684	488,932	601,912	4,018,480	122,341	7,766,106	7,766,106
Accounts Receivable	6,197	0	0	0	0	181	6,378	6,378
Due from Other Governments	49,050	15,168	0	338,089	77,419	0	479,726	479,726
Due from Other Funds	9,949	0	0	7,200	0	0	17,149	17,149
Property Taxes Receivable	2,261,944	616,894	0	0	297,023	0	3,175,861	3,175,861
Allowance for Uncollectible Property Taxes	(63,951)	(17,439)	0	0	(8,395)	0	(89,785)	(89,785)
Prepaid Items	1,505	0	3,548	0	0	0	5,053	5,053
Leases Receivable - Current	0	0	284,000	0	0	0	284,000	284,000
Leases Receivable - Long-term	0	0	482,250	0	0	0	482,250	482,250
<b>Total Assets</b>	<b>\$ 3,102,451</b>	<b>\$ 2,311,307</b>	<b>\$ 1,258,730</b>	<b>\$ 947,201</b>	<b>\$ 4,384,527</b>	<b>\$ 123,123</b>	<b>\$ 12,127,339</b>	<b>\$ 12,127,339</b>

ASSETS

LIABILITIES AND FUND BALANCES

<b>Liabilities</b>								
Payroll Deductions Payable	\$ 7,694	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,694
Due to Other Funds	7,200	9,167	0	0	0	782	17,149	17,149
Deferred Revenue - Current Property Taxes	2,048,261	558,616	0	0	268,964	0	2,875,841	2,875,841
Deferred Revenue - Delinquent Property Taxes	137,732	37,539	0	0	18,064	0	193,335	193,335
Other Deferred Revenues	11,463	0	766,250	206,550	40,919	0	1,025,182	1,025,182
<b>Total Liabilities</b>	<b>\$ 2,212,350</b>	<b>\$ 605,322</b>	<b>\$ 766,250</b>	<b>\$ 206,550</b>	<b>\$ 327,947</b>	<b>\$ 782</b>	<b>\$ 4,119,201</b>	<b>\$ 4,119,201</b>
<b>Fund Balances</b>								
Nonspendable:								
Prepaid Items	\$ 1,505	\$ 0	\$ 3,548	\$ 0	\$ 0	\$ 0	\$ 5,053	\$ 5,053
Restricted:								
Restricted for General Government	2,692	0	488,932	0	0	93,696	585,320	585,320
Restricted for Finance	471	0	0	0	0	0	471	471
Restricted for Administration of Justice	244,144	0	0	0	0	0	244,144	244,144
Restricted for Public Safety	4,398	0	0	0	0	28,645	33,043	33,043

(Continued)

Grundy County, Tennessee  
Balance Sheet  
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Governmental Funds	
\$	16,283	\$ 1,705,985	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,722,268
	0	0	0	740,651	0	0	740,651
	25,931	0	0	0	0	0	25,931
	0	0	0	0	4,056,580	0	4,056,580
	432,052	0	0	0	0	0	432,052
	162,625	0	0	0	0	0	162,625
\$	890,101	\$ 1,705,985	\$ 492,480	\$ 740,651	\$ 4,056,580	\$ 122,341	\$ 8,008,138
\$	3,102,451	\$ 2,311,307	\$ 1,258,730	\$ 947,201	\$ 4,384,527	\$ 123,123	\$ 12,127,339

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Restricted (Cont.):

- Restricted for Public Health and Welfare
- Restricted for Highways/Public Works
- Restricted for Capital Outlay
- Restricted for Debt Service
- Restricted for Other Purposes
- Unassigned

Total Fund Balances

Total Liabilities and Fund Balances

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, 2012

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)		\$	8,008,138
(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		3,315,212	
Add: infrastructure net of accumulated depreciation		3,222,078	
Add: other capital assets net of accumulated depreciation		<u>557,404</u>	7,359,967
(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	\$	(6,959,329)	
Less: notes payable		(46,049)	
Less: other loans payable		(215,717)	
Less: compensated absences payable		(16,264)	
Less: other postemployment benefits liability		(71,337)	
Less: landfill closure/postclosure care costs		(393,477)	
Less: accrued interest on bonds and notes		<u>(48,708)</u>	(7,750,881)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,218,517</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>8,835,741</u></u>

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

Grundy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Industrial / Economic Development	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<b>Revenues</b>								
Local Taxes	\$ 2,241,132	\$ 581,270	\$ 0	\$ 0	\$ 710,786	\$ 48,874	\$ 3,582,062	
Licenses and Permits	37,039	0	0	0	0	0	37,039	
Fines, Forfeitures, and Penalties	50,668	0	0	0	0	5,869	56,537	
Charges for Current Services	69,779	0	0	104,527	0	6,800	181,106	
Other Local Revenues	49,012	9,543	25,967	41,647	63,692	0	189,861	
Fees Received from County Officials	511,928	0	0	0	0	0	511,928	
State of Tennessee	331,897	39,914	0	1,488,839	0	0	1,860,650	
Federal Government	157,593	0	0	137,119	0	0	294,712	
Other Governments and Citizens Groups	2,000	0	0	0	500,000	0	502,000	
<b>Total Revenues</b>	<b>\$ 3,451,048</b>	<b>\$ 630,727</b>	<b>\$ 25,967</b>	<b>\$ 1,772,132</b>	<b>\$ 1,274,478</b>	<b>\$ 61,543</b>	<b>\$ 7,215,895</b>	
<b>Expenditures</b>								
Current:								
General Government	\$ 556,479	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,974	\$ 583,453	
Finance	386,745	0	0	0	0	0	386,745	
Administration of Justice	461,429	0	0	0	0	6,800	468,229	
Public Safety	1,453,751	0	0	0	0	5,162	1,458,913	
Public Health and Welfare	277,252	592,240	0	0	0	0	869,492	
Social, Cultural, and Recreational Services	51,101	0	0	0	0	0	51,101	
Agriculture and Natural Resources	111,678	0	0	0	0	0	111,678	
Other Operations	427,339	11,702	20	0	0	489	439,550	
Highways	0	0	0	1,973,602	0	0	1,973,602	
Debt Service:								
Principal on Debt	63,140	0	37,348	0	767,127	0	867,615	
Interest on Debt	1,888	0	5,230	0	320,837	0	327,955	
Other Debt Service	0	0	0	0	11,173	0	11,173	
<b>Total Expenditures</b>	<b>\$ 3,790,802</b>	<b>\$ 603,942</b>	<b>\$ 42,598</b>	<b>\$ 1,973,602</b>	<b>\$ 1,099,137</b>	<b>\$ 39,425</b>	<b>\$ 7,549,506</b>	
Excess (Deficiency) of Revenues Over Expenditures	\$ (339,754)	\$ 26,785	\$ (16,631)	\$ (201,470)	\$ 175,341	\$ 22,118	\$ (333,611)	
Net Change in Fund Balances	\$ (339,754)	\$ 26,785	\$ (16,631)	\$ (201,470)	\$ 175,341	\$ 22,118	\$ (333,611)	
Fund Balance, July 1, 2011	1,229,855	1,679,200	509,111	942,121	3,881,239	100,223	8,341,749	
Fund Balance, June 30, 2012	\$ 890,101	\$ 1,705,985	\$ 492,480	\$ 740,651	\$ 4,056,580	\$ 122,341	\$ 8,008,138	

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, 2012

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)		\$	(333,611)
(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:			
Less: current-year depreciation expense			(545,238)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Add: gain on disposal of capital assets	\$	11,472	
Less: proceeds received on disposal of capital assets		<u>(12,623)</u>	(1,151)
(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, 2012	\$	1,218,517	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(1,115,327)</u>	103,190
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Add: principal payments on bonds	\$	767,127	
Add: principal payments on notes		45,980	
Add: principal payments on other loans		<u>54,508</u>	867,615
(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	\$	5,389	
Change in compensated absences payable		6,626	
Change in other postemployment benefits liability		(16,349)	
Change in landfill closure/postclosure care costs		<u>1,848</u>	<u>(2,486)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 88,319</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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,076,763
Accounts Receivable	95
Due from Other Governments	<u>99,579</u>
Total Assets	<u>\$ 1,176,437</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 99,579
Due to Litigants, Heirs, and Others	<u>1,076,858</u>
Total Liabilities	<u>\$ 1,176,437</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, 2012**

**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. Grundy County issued a \$1,583,809 other loan for energy efficient improvements on behalf of the School Department's General Purpose Fund during the year ended June 30, 2012.

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 type:

**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.

**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 2.32 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. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

**4. 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

**5. 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.

**6. 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.

## **7. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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 \$727,476, with the primary restrictions being for: (1) capital projects (\$432,052); (2) computer systems for various offices (\$3,163); (3) courthouse and jail maintenance (\$237,934); (4) drug court (\$6,210); and (5) Alcohol and Drug Treatment (\$16,283). For the discretely presented School Department, the account balance in Restricted for General Purposes

totaling \$79,239 consists of restrictions for a maintenance program (\$59,821), the career ladder program (\$3,887), and the Little Jackets Daycare (\$13,208).

As of June 30, 2012, Grundy County had \$6,575,000 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 are 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.

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.

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, and shall remain binding unless removed in the same manner.

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 Commission has

authorized the county's Budget/Finance Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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. 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, 2012, 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	Vehicle Parts	\$ 19,280
"	Building Supplies	20,684
Central Cafeteria	Software	3,214

#### 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.

#### 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, 2012, Grundy County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Grundy County and the discretely presented Grundy County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Weighted Average Maturity (days)</u>	<u>Cost</u>
State Treasurer's Investment Pool	6 to 164	\$ 2,389,558

**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, 2012, 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 \$766,250 on June 30, 2012, 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-purchase. Benchmark Tool and Die, a lessee, is delinquent on its lease-purchase payments and made no payments during the current or the prior fiscal years. Terms of the lease-purchase agreement for Benchmark Tool and Die required \$62,000 in lease-purchase payments for this fiscal year and \$48,000 for the prior fiscal year.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 265,273	\$ 0	\$ 0	\$ 265,273
Total Capital Assets Not Depreciated	\$ 265,273	\$ 0	\$ 0	\$ 265,273
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,308,027	\$ 0	\$ (3)	\$ 5,308,024
Infrastructure	8,343,764	0	0	8,343,764
Other Capital Assets	2,494,613	0	(23,349)	2,471,264
Total Capital Assets Depreciated	\$ 16,146,404	\$ 0	\$ (23,352)	\$ 16,123,052

(Continued)

**Governmental Activities (Cont.):**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Less Accumulated Depreciation For: Buildings and Improvements	\$ 1,867,565	\$ 125,256	\$ (9)	\$ 1,992,812
Infrastructure	4,852,717	268,974	(5)	5,121,686
Other Capital Assets	1,785,039	151,008	(22,187)	1,913,860
<b>Total Accumulated Depreciation</b>	<b>\$ 8,505,321</b>	<b>\$ 545,238</b>	<b>\$ (22,201)</b>	<b>\$ 9,028,358</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 7,641,083</b>	<b>\$ (545,238)</b>	<b>\$ (1,151)</b>	<b>\$ 7,094,694</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 7,906,356</b>	<b>\$ (545,238)</b>	<b>\$ (1,151)</b>	<b>\$ 7,359,967</b>

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

**Governmental Activities:**

General Government	\$ 48,368
Public Safety	64,817
Public Health and Welfare	94,745
Other Operations	2,849
Highways/Public Works	334,459
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 545,238</b>

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

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 249,084	\$ 0	\$ 0	\$ 249,084
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 249,084</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 249,084</b>

(Continued)

**Governmental Activities (Cont.):**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Depreciated:				
Buildings and Improvements	\$ 19,111,482	\$ 1,870,909	\$ 0	\$ 20,982,391
Other Capital Assets	2,517,668	108,798	(92,616)	2,533,850
<b>Total Capital Assets Depreciated</b>	<b>\$ 21,629,150</b>	<b>\$ 1,979,707</b>	<b>\$ (92,616)</b>	<b>\$ 23,516,241</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 8,870,802	\$ 453,693	\$ 0	\$ 9,324,495
Other Capital Assets	1,645,916	143,004	(87,985)	1,700,935
<b>Total Accumulated Depreciation</b>	<b>\$ 10,516,718</b>	<b>\$ 596,697</b>	<b>\$ (87,985)</b>	<b>\$ 11,025,430</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 11,112,432</b>	<b>\$ 1,383,010</b>	<b>\$ (4,631)</b>	<b>\$ 12,490,811</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 11,361,516</b>	<b>\$ 1,383,010</b>	<b>\$ (4,631)</b>	<b>\$ 12,739,895</b>

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

**Governmental Activities:**

Instruction	\$ 366,965
Support Services	210,676
Operation of Non-Instructional Services	<u>19,056</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ <u>596,697</u></b>

**D. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2012, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 9,167
"	Nonmajor governmental	782
Highway/Public Works	General	7,200

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.

**E. 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, capital outlay notes, and other loans outstanding were issued for original terms of up to 16 years for bonds, up to two years for notes, 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, 2012, will be retired from the General Debt Service Fund. Capital outlay notes included in long-term debt as of June 30, 2012, will be retired from the General Fund. Other loans included in long-term debt as of June 30, 2012, will be retired from the General and Industrial/Economic Development funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	3.4 to 4.75%	9-30-14	\$ 2,311,000	\$ 384,329
General Obligation Bond - School Refunding	4.15	5-1-21	9,405,000	6,575,000
Capital Outlay Notes	1.99	7-15-12	92,029	46,049
Other Loans	1.26 to 3	6-30-16	746,719	215,717

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 \$153,996, along with interest of \$9,217, will be repaid over the next four 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 19 years.

The annual requirements to amortize all general obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 797,465	\$ 288,958	\$ 1,086,423
2014	837,820	255,818	1,093,638
2015	679,044	221,003	900,047
2016	700,000	192,767	892,767
2017	725,000	163,718	888,718
2018-21	3,220,000	340,923	3,560,923
Total	\$ 6,959,329	\$ 1,463,187	\$ 8,422,516

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 46,049	\$ 919	\$ 46,968
Total	\$ 46,049	\$ 919	\$ 46,968

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2013	\$ 55,860	\$ 4,778	\$ 60,638
2014	57,246	3,391	60,637
2015	58,681	1,957	60,638
2016	43,930	519	44,449
Total	\$ 215,717	\$ 10,645	\$ 226,362

There is \$4,056,580 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$507, based on the 2010 federal census. Debt per capita, including bonds, notes, and other loans totaled \$527, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

##### Governmental Activities:

	Bonds	Notes	Other Loan
Balance July 1, 2011	\$ 7,726,456	\$ 92,029	\$ 270,225
Reductions	(767,127)	(45,980)	(54,508)
Balance June 30, 2012	\$ 6,959,329	\$ 46,049	\$ 215,717
Balance Due Within One Year	\$ 797,465	\$ 46,049	\$ 55,860

	Other Postemployment Benefits	Landfill Postclosure Care Costs	Compensated Absences
Balance July 1, 2011	\$ 54,988	\$ 395,325	\$ 22,890
Additions	17,865	9,222	15,362
Reductions	(1,516)	(11,070)	(21,988)
Balance June 30, 2012	\$ 71,337	\$ 393,477	\$ 16,264
Balance Due Within One Year	\$ 0	\$ 11,070	\$ 16,264

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 7,702,173
Less: Due Within One Year	<u>(926,708)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,775,465</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 and Other Loans**

Grundy County issues capital outlay notes and other loans 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 and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to five years for notes and 11 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes and other loans included in the long-term debt as of June 30, 2012, will be retired from the General Purpose School Fund.

Capital outlay notes and other loans outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
Capital Outlay Notes	3.25 to 3.69 %	2-14-16	\$ 465,699	\$ 285,968
Other Loans	0	9-11-22	1,583,809	1,583,809

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
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	\$ 285,968	\$ 20,850	\$ 306,818

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2013	\$ 118,782	\$ 0	\$ 118,782
2014	158,376	0	158,376
2015	158,376	0	158,376
2016	158,376	0	158,376
2017	158,376	0	158,376
2018-2022	791,880	0	791,880
2023	39,643	0	39,643
Total	\$ 1,583,809	\$ 0	\$ 1,583,809

Debt per capita totaled \$46, 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, 2012, was as follows:

Governmental Activities:

	Notes	Other Loans
Balance July 1, 2011	\$ 409,003	\$ 0
Additions	0	1,583,809
Reductions	(123,035)	0
Balance June 30, 2012	\$ 285,968	\$ 1,583,809
Balance Due Within One Year	\$ 92,875	\$ 118,782

	Postemployment Benefits	Compensated Absences
Balance July 1, 2011	\$ 245,875	\$ 2,216,480
Additions	216,395	613,857
Reductions	(92,333)	(570,077)
Balance June 30, 2012	<u>\$ 369,937</u>	<u>\$ 2,260,260</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 452,051</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 4,499,974
Less: Due Within One Year	<u>(663,708)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 3,836,266</u>

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

**F. 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, 2012, totaled \$468. 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, 2012, were \$44,518 and \$15,858 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 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 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. Subsequent Events**

On November 7, 2012, Grundy County issued capital outlay notes totaling \$140,109 for two school buses.

On December 7, 2012, Grundy County approved the issuance of another loan totaling \$2,609,000 for improvements to various schools. As of the date of this report, \$80,944 has been drawn.

**C. Contingent Liabilities**

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

**D. Landfill Postclosure Care Costs**

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 \$393,477 reported as landfill postclosure care cost liability at June 30, 2012, 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.

**E. Joint Venture**

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district includes Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general and the sheriffs and police chiefs of the participating law enforcement agencies within the judicial district. Grundy County made no contributions to the DTF for the year ended June 30, 2012, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

**F. Retirement Commitments**

**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, 2012, 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, 2012, the county's annual pension cost of \$385,569 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$385,569	100%	\$0
6-30-11	323,879	100	0
6-30-10	370,646	100	0

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.11 percent funded. The actuarial accrued liability for benefits was \$13.77 million, and the actuarial value of assets was \$13.38 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.33 million, and the ratio of the UAAL to the covered payroll was 11.97 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.

**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. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010, were \$855,575, \$839,104, and \$588,074 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.

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

### **Plan Description**

Grundy County and the School Department participate in the state-administered Local Education Group Insurance Plan and Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees and Section 8-27-207, *TCA*, for local governments. Prior to reaching the age of 65, all members have the option of choosing 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 and School Department retirees' contributions vary depending on the insurance options they select, ranging from \$31 to \$579 per month toward their insurance. Grundy County and the School Department recognized expenditures of \$1,516 and \$92,333, respectively, for postemployment health care during the year ended June 30, 2012.

### Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 217,000	\$ 18,000
Interest on the NPO	9,835	2,200
Adjustment to the ARC	(10,440)	(2,335)
Annual OPEB cost	\$ 216,395	\$ 17,865
Amount of contribution	(92,333)	(1,516)
Increase/decrease in NPO	\$ 124,062	\$ 16,349
Net OPEB obligation, 7-1-11	245,875	54,988
Net OPEB obligation, 6-30-12	\$ 369,937	\$ 71,337

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Adjusted Obligation at Year End
6-30-10	Local Education Group	\$ 148,350	66.54 %	\$ 197,012
6-30-11	"	154,469	68.37	245,875
6-30-12	"	216,395	42.67	369,937
6-30-10	Local Government Group	32,000	12.89	27,873
6-30-11	"	32,066	15.44	54,988
6-30-12	"	17,865	8.49	71,337

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 2,178,000	\$ 172,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,178,000	\$ 172,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 6,611,067	\$ 864,156
UAAL as a % of covered payroll	32.94%	19.90%

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, 2011, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

**H. Purchasing Laws**

Office of County Mayor

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

Office of Highway Superintendent

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

Office of Director of Schools

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

**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, 2012, was \$462,403. The amount of deposits collateralized with securities held by pledging financial institution and federal depository insurance was \$462,403.

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, 2012, 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 7-1-11	Increases	Balance 6-30-12
Capital Assets Depreciated:			
Equipment	\$ 234,211	\$ 275,642	\$ 509,853
Total Capital Assets			
Depreciated	\$ 234,211	\$ 275,642	\$ 509,853

(Continued)

Capital Assets (Cont.)	Balance 7-1-11	Increases	Balance 6-30-12
Less Accumulated Depreciation For: Equipment	\$ 201,783	\$ 33,152	\$ 234,935
Total Accumulated Depreciation	<u>\$ 201,783</u>	<u>\$ 33,152</u>	<u>\$ 234,935</u>
Total Capital Assets Depreciated, Net	<u>\$ 32,428</u>	<u>\$ 242,490</u>	<u>\$ 274,918</u>

**C. Cash and Cash Equivalents**

At June 30, 2012, total cash was \$462,403 of which \$210,155 is held in certificates of deposit with maturities of more than three months, leaving \$252,248 considered as cash and cash equivalents.

**D. Budgeting Procedures**

The official and amended budget for June 30, 2012, was prepared for adoption for the proprietary fund by July 14, 2011.

**E. Compensated Absences**

At June 30, 2012, 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 cooperative 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 cooperative does not obligate any district to any expenditure without express written approval from the applicable county. The cooperative'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. Following 2012, the district and the City of Monteagle have agreed upon a one-year contract ending June 30, 2013.

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 costs 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 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 reimburses 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, 2012, totaled \$177,000.

**H. Grants and Reimbursements**

During the year, the district received a dispatcher training grant totaling \$8,000 and a GIS mapping grant totaling \$34,503 from the Tennessee Emergency Communications Board.

**I. Restatement**

During 2012, material accounts receivable were discovered, which required a restatement to correctly report certain revenue accounts.

The following summarizes the aforementioned adjustments to net assets at July 1, 2012:

Net Assets, Beginning of Year, as Previously Reported	\$ 733,363
Accounts Receivable	<u>26,900</u>
Total Net Assets, Beginning of Year, as Previously Reported	<u><u>\$ 760,263</u></u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,241,132	\$ 2,199,470	\$ 2,199,470	\$ 41,662
Licenses and Permits	37,039	21,500	21,500	15,539
Fines, Forfeitures, and Penalties	50,668	44,775	44,775	5,893
Charges for Current Services	69,779	61,400	61,400	8,379
Other Local Revenues	49,012	36,200	50,073	(1,061)
Fees Received from County Officials	511,928	447,800	447,800	64,128
State of Tennessee	331,897	207,798	208,266	123,631
Federal Government	157,593	640,800	648,787	(491,194)
Other Governments and Citizens Groups	2,000	0	0	2,000
<b>Total Revenues</b>	<b>\$ 3,451,048</b>	<b>\$ 3,659,743</b>	<b>\$ 3,682,071</b>	<b>\$ (231,023)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 22,028	\$ 26,901	\$ 25,901	\$ 3,873
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	141,955	140,648	144,854	2,899
County Attorney	11,067	10,200	13,200	2,133
Election Commission	145,229	154,377	154,377	9,148
Register of Deeds	96,336	98,865	98,865	2,529
County Buildings	137,396	134,166	137,908	512
Other General Administration	468	0	468	0
<u>Finance</u>				
Property Assessor's Office	137,250	141,263	141,263	4,013
County Trustee's Office	106,931	103,700	107,906	975
County Clerk's Office	142,564	143,312	146,312	3,748
<u>Administration of Justice</u>				
Circuit Court	206,111	204,475	206,475	364
General Sessions Judge	91,783	96,141	92,521	738
Drug Court	0	2,000	0	0
Chancery Court	97,618	99,637	99,637	2,019
Juvenile Court	65,917	68,084	68,084	2,167
<u>Public Safety</u>				
Sheriff's Department	758,730	733,463	779,447	20,717
Administration of the Sexual Offender Registry	0	500	500	500
Jail	620,530	531,594	684,740	64,210
Fire Prevention and Control	6,580	13,500	13,500	6,920
Rescue Squad	3,000	3,000	3,000	0
Other Emergency Management	13,038	19,200	19,200	6,162
County Coroner/Medical Examiner	1,200	2,100	2,100	900
Other Public Safety	50,673	65,486	65,486	14,813

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 44,304	\$ 48,509	\$ 48,509	\$ 4,205
Ambulance/Emergency Medical Services	125,000	125,000	125,000	0
Alcohol and Drug Programs	23,919	0	23,919	0
Crippled Children Services	830	830	830	0
Other Local Health Services	22,143	44,418	44,418	22,275
Regional Mental Health Center	3,500	5,000	5,000	1,500
General Welfare Assistance	292	2,500	2,500	2,208
Other Waste Disposal	57,264	59,046	59,081	1,817
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	0	1,500	1,500	1,500
Libraries	51,101	41,799	51,255	154
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	69,762	63,301	70,961	1,199
Soil Conservation	41,916	34,906	43,151	1,235
<u>Other Operations</u>				
Tourism	1,000	1,000	1,000	0
Industrial Development	2,741	4,200	4,200	1,459
Other Economic and Community Development	100,500	600,000	600,500	500,000
Veterans' Services	14,564	14,577	14,577	13
Other Charges	118,669	124,262	125,762	7,093
Contributions to Other Agencies	23,000	24,825	24,825	1,825
Employee Benefits	141,584	172,428	167,393	25,809
Miscellaneous	25,281	22,000	28,500	3,219
<u>Principal on Debt</u>				
General Government	63,140	63,140	63,140	0
<u>Interest on Debt</u>				
General Government	1,888	1,889	1,889	1
Total Expenditures	\$ 3,790,802	\$ 4,250,942	\$ 4,516,854	\$ 726,052
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (339,754)	\$ (591,199)	\$ (834,783)	\$ 495,029
Net Change in Fund Balance				
Fund Balance, July 1, 2011	\$ 1,229,855	\$ 1,026,965	\$ 1,026,965	\$ 202,890
Fund Balance, June 30, 2012				
	\$ 890,101	\$ 435,766	\$ 192,182	\$ 697,919

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 581,270	\$ 555,582	\$ 555,582	\$ 25,688
Other Local Revenues	9,543	0	0	9,543
State of Tennessee	39,914	39,237	39,237	677
Total Revenues	<u>\$ 630,727</u>	<u>\$ 594,819</u>	<u>\$ 594,819</u>	<u>\$ 35,908</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 38,981	\$ 39,237	\$ 39,237	\$ 256
Convenience Centers	542,189	565,200	568,200	26,011
Landfill Operation and Maintenance	11,070	17,000	14,000	2,930
<u>Other Operations</u>				
Other Charges	11,702	12,000	12,000	298
Total Expenditures	<u>\$ 603,942</u>	<u>\$ 633,437</u>	<u>\$ 633,437</u>	<u>\$ 29,495</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 26,785</u>	<u>\$ (38,618)</u>	<u>\$ (38,618)</u>	<u>\$ 65,403</u>
Net Change in Fund Balance	\$ 26,785	(38,618)	(38,618)	65,403
Fund Balance, July 1, 2011	<u>1,679,200</u>	<u>1,646,473</u>	<u>1,646,473</u>	<u>32,727</u>
Fund Balance, June 30, 2012	<u>\$ 1,705,985</u>	<u>\$ 1,607,855</u>	<u>\$ 1,607,855</u>	<u>\$ 98,130</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 25,967	\$ 35,000	\$ 35,000	\$ (9,033)
Total Revenues	\$ 25,967	\$ 35,000	\$ 35,000	\$ (9,033)
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 20	\$ 5,000	\$ 5,000	\$ 4,980
<u>Principal on Debt</u>				
General Government	37,348	37,348	37,348	0
<u>Interest on Debt</u>				
General Government	5,230	5,230	5,230	0
Total Expenditures	\$ 42,598	\$ 47,578	\$ 47,578	\$ 4,980
Excess (Deficiency) of Revenues Over Expenditures	\$ (16,631)	\$ (12,578)	\$ (12,578)	\$ (4,053)
Net Change in Fund Balance	\$ (16,631)	\$ (12,578)	\$ (12,578)	\$ (4,053)
Fund Balance, July 1, 2011	509,111	528,602	528,602	(19,491)
Fund Balance, June 30, 2012	\$ 492,480	\$ 516,024	\$ 516,024	\$ (23,544)

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 104,527	\$ 55,000	\$ 55,000	\$ 49,527
Other Local Revenues	41,647	33,500	33,500	8,147
State of Tennessee	1,488,839	2,115,921	2,115,921	(627,082)
Federal Government	137,119	0	0	137,119
Total Revenues	<u>\$ 1,772,132</u>	<u>\$ 2,204,421</u>	<u>\$ 2,204,421</u>	<u>\$ (432,289)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 117,307	\$ 135,015	\$ 135,015	\$ 17,708
Highway and Bridge Maintenance	1,052,387	973,160	1,286,160	233,773
Operation and Maintenance of Equipment	313,174	361,100	361,100	47,926
Other Charges	109,338	114,000	114,000	4,662
Employee Benefits	242,413	281,500	281,500	39,087
Capital Outlay	138,983	968,200	655,200	516,217
Total Expenditures	<u>\$ 1,973,602</u>	<u>\$ 2,832,975</u>	<u>\$ 2,832,975</u>	<u>\$ 859,373</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (201,470)</u>	<u>\$ (628,554)</u>	<u>\$ (628,554)</u>	<u>\$ 427,084</u>
Net Change in Fund Balance	\$ (201,470)	\$ (628,554)	\$ (628,554)	\$ 427,084
Fund Balance, July 1, 2011	942,121	914,875	914,875	27,246
Fund Balance, June 30, 2012	<u>\$ 740,651</u>	<u>\$ 286,321</u>	<u>\$ 286,321</u>	<u>\$ 454,330</u>

Exhibit E-5

Grundy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Grundy County School Department  
June 30, 2012

(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)
7-1-11	\$ 13,376	\$ 13,774	398	97.11 %	\$ 3,329	11.97 %
7-1-09	11,292	11,811	519	95.60	3,330	15.60
7-1-07	10,831	11,479	648	94.35	3,132	20.69

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, 2012

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll	
								((b-a)/c)
<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	
"	7-1-11	0	172	172	0	864	19.90	
<u>DISCRETELY PRESENTED GRUNDY COUNTY SCHOOL DEPARTMENT</u>								
Local Education Group	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	
"	7-1-11	0	2,178	2,178	0	6,611	32.94	

**GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2012**

**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.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for 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.

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

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

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

Exhibit F-1

Grundy County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

	<u>Special Revenue Funds</u>			Total
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 601	\$ 601
Equity in Pooled Cash and Investments	93,696	28,645	0	122,341
Accounts Receivable	0	0	181	181
Total Assets	<u>\$ 93,696</u>	<u>\$ 28,645</u>	<u>\$ 782</u>	<u>\$ 123,123</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 782	\$ 782
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 782</u>	<u>\$ 782</u>
<u>Fund Balances</u>				
Restricted:				
Restricted for General Government	\$ 93,696	\$ 0	\$ 0	\$ 93,696
Restricted for Public Safety	0	28,645	0	28,645
Total Fund Balances	<u>\$ 93,696</u>	<u>\$ 28,645</u>	<u>\$ 0</u>	<u>\$ 122,341</u>
Total Liabilities and Fund Balances	<u>\$ 93,696</u>	<u>\$ 28,645</u>	<u>\$ 782</u>	<u>\$ 123,123</u>

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, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 48,874	\$ 0	\$ 0	\$ 48,874
Fines, Forfeitures, and Penalties	0	5,869	0	5,869
Charges for Current Services	0	0	6,800	6,800
Total Revenues	<u>\$ 48,874</u>	<u>\$ 5,869</u>	<u>\$ 6,800</u>	<u>\$ 61,543</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 26,974	\$ 0	\$ 0	\$ 26,974
Administration of Justice	0	0	6,800	6,800
Public Safety	0	5,162	0	5,162
Other Operations	489	0	0	489
Total Expenditures	<u>\$ 27,463</u>	<u>\$ 5,162</u>	<u>\$ 6,800</u>	<u>\$ 39,425</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 21,411</u>	<u>\$ 707</u>	<u>\$ 0</u>	<u>\$ 22,118</u>
Net Change in Fund Balances	\$ 21,411	\$ 707	\$ 0	\$ 22,118
Fund Balance, July 1, 2011	72,285	27,938	0	100,223
Fund Balance, June 30, 2012	<u>\$ 93,696</u>	<u>\$ 28,645</u>	<u>\$ 0</u>	<u>\$ 122,341</u>

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 48,874	\$ 40,000	\$ 40,000	\$ 8,874
Total Revenues	\$ 48,874	\$ 40,000	\$ 40,000	\$ 8,874
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 26,974	\$ 30,000	\$ 30,000	\$ 3,026
<u>Other Operations</u>				
Other Charges	489	560	560	71
Total Expenditures	\$ 27,463	\$ 30,560	\$ 30,560	\$ 3,097
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,411	\$ 9,440	\$ 9,440	\$ 11,971
Net Change in Fund Balance	\$ 21,411	\$ 9,440	\$ 9,440	\$ 11,971
Fund Balance, July 1, 2011	72,285	64,697	64,697	7,588
Fund Balance, June 30, 2012	\$ 93,696	\$ 74,137	\$ 74,137	\$ 19,559

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 5,869	\$ 6,000	\$ 6,000	\$ (131)
Total Revenues	\$ 5,869	\$ 6,000	\$ 6,000	\$ (131)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 5,162	\$ 6,100	\$ 6,100	\$ 938
Total Expenditures	\$ 5,162	\$ 6,100	\$ 6,100	\$ 938
Excess (Deficiency) of Revenues Over Expenditures	\$ 707	\$ (100)	\$ (100)	\$ 807
Net Change in Fund Balance	\$ 707	\$ (100)	\$ (100)	\$ 807
Fund Balance, July 1, 2011	27,938	21,022	21,022	6,916
Fund Balance, June 30, 2012	\$ 28,645	\$ 20,922	\$ 20,922	\$ 7,723

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit G

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 710,786	\$ 667,866	\$ 667,866	\$ 42,920
Other Local Revenues	63,692	100,000	100,000	(36,308)
Other Governments and Citizens Groups	500,000	500,000	500,000	0
Total Revenues	<u>\$ 1,274,478</u>	<u>\$ 1,267,866</u>	<u>\$ 1,267,866</u>	<u>\$ 6,612</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 177,127	\$ 177,127	\$ 177,127	\$ 0
Education	590,000	590,000	590,000	0
<u>Interest on Debt</u>				
General Government	23,489	23,490	23,490	1
Education	297,348	297,348	297,348	0
<u>Other Debt Service</u>				
General Government	10,573	11,500	11,500	927
Education	600	700	700	100
Total Expenditures	<u>\$ 1,099,137</u>	<u>\$ 1,100,165</u>	<u>\$ 1,100,165</u>	<u>\$ 1,028</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 175,341</u>	<u>\$ 167,701</u>	<u>\$ 167,701</u>	<u>\$ 7,640</u>
Net Change in Fund Balance	\$ 175,341	\$ 167,701	\$ 167,701	\$ 7,640
Fund Balance, July 1, 2011	<u>3,881,239</u>	<u>3,848,245</u>	<u>3,848,245</u>	<u>32,994</u>
Fund Balance, June 30, 2012	<u>\$ 4,056,580</u>	<u>\$ 4,015,946</u>	<u>\$ 4,015,946</u>	<u>\$ 40,634</u>

# Fiduciary Funds

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

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

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

Exhibit H-1

Grundy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2012

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,076,763	\$ 1,076,763
Accounts Receivable	0	95	95
Due from Other Governments	99,579	0	99,579
Total Assets	<u>\$ 99,579</u>	<u>\$ 1,076,858</u>	<u>\$ 1,176,437</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 99,579	\$ 0	\$ 99,579
Due to Litigants, Heirs, and Others	0	1,076,858	1,076,858
Total Liabilities	<u>\$ 99,579</u>	<u>\$ 1,076,858</u>	<u>\$ 1,176,437</u>

Exhibit H-2

Grundy County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 495,448	\$ 495,448	\$ 0
Due from Other Governments	85,843	99,579	85,843	99,579
Total Assets	\$ 85,843	\$ 595,027	\$ 581,291	\$ 99,579
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 85,843	\$ 595,027	\$ 581,291	\$ 99,579
Total Liabilities	\$ 85,843	\$ 595,027	\$ 581,291	\$ 99,579
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,304,795	\$ 2,108,968	\$ 2,337,000	\$ 1,076,763
Accounts Receivable	0	95		95
Total Assets	\$ 1,304,795	\$ 2,109,063	\$ 2,337,000	\$ 1,076,858
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,304,795	\$ 2,109,063	\$ 2,337,000	\$ 1,076,858
Total Liabilities	\$ 1,304,795	\$ 2,109,063	\$ 2,337,000	\$ 1,076,858
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,304,795	\$ 2,108,968	\$ 2,337,000	\$ 1,076,763
Equity in Pooled Cash and Investments	0	495,448	495,448	0
Accounts Receivable	0	95	0	95
Due from Other Governments	85,843	99,579	85,843	99,579
Total Assets	\$ 1,390,638	\$ 2,704,090	\$ 2,918,291	\$ 1,176,437
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 85,843	\$ 595,027	\$ 581,291	\$ 99,579
Due to Litigants, Heirs, and Others	1,304,795	2,109,063	2,337,000	1,076,858
Total Liabilities	\$ 1,390,638	\$ 2,704,090	\$ 2,918,291	\$ 1,176,437

# Grundy County School Department

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

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

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

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, 2012

Functions/Programs	Program Revenues				Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities		Net (Expense) Revenue and Changes in Net Assets	Total Governmental Activities
Governmental Activities:							
Instruction	\$ 12,780,429	\$ 105,582	\$ 4,789,661	\$ 14,320	\$	\$	\$ (7,870,866)
Support Services	4,223,319	0	0	0			(4,223,319)
Operation of Non-Instructional Services	2,017,183	336,761	1,244,595	0			(435,827)
Capital Outlay	2,090,382	0	0	0			(2,090,382)
Interest on Long-term Debt	12,785	0	0	0			(12,785)
Other Debt Service	500,000	0	0	0			(500,000)
Total Governmental Activities	\$ 21,624,098	\$ 442,343	\$ 6,034,256	\$ 14,320	\$	\$	\$ (15,133,179)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes						\$	\$ 1,530,710
Local Option Sales Taxes							418,612
Business Taxes							20,193
Other Local Taxes							760
Grants and Contributions Not Restricted to Specific Programs							12,780,864
Miscellaneous							59,409
Total General Revenues						\$	\$ 14,810,548
Change in Net Assets						\$	\$ (322,631)
Net Assets, July 1, 2011							11,386,697
Net Assets, June 30, 2012						\$	\$ 11,064,066

Exhibit I-2

Grundy County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Grundy County School Department  
June 30, 2012

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,625,578	\$ 20,795	\$ 437,104	\$ 2,083,477
Accounts Receivable	683	0	0	683
Due from Other Governments	350,424	219,668	72,527	642,619
Property Taxes Receivable	1,611,691	0	0	1,611,691
Allowance for Uncollectible Property Taxes	(45,772)	0	0	(45,772)
<b>Total Assets</b>	<b>\$ 3,542,604</b>	<b>\$ 240,463</b>	<b>\$ 509,631</b>	<b>\$ 4,292,698</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 2,589	\$ 0	\$ 0	\$ 2,589
Deferred Revenue - Current Property Taxes	1,459,437	0	0	1,459,437
Deferred Revenue - Delinquent Property Taxes	99,982	0	0	99,982
Other Deferred Revenues	38,057	0	0	38,057
<b>Total Liabilities</b>	<b>\$ 1,600,065</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,600,065</b>
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 79,239	\$ 40,463	\$ 504,848	\$ 624,550
Committed:				
Committed for Education	0	200,000	0	200,000
Assigned:				
Assigned for Education	73,772	0	4,783	78,555
Unassigned	1,789,528	0	0	1,789,528
<b>Total Fund Balances</b>	<b>\$ 1,942,539</b>	<b>\$ 240,463</b>	<b>\$ 509,631</b>	<b>\$ 2,692,633</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,542,604</b>	<b>\$ 240,463</b>	<b>\$ 509,631</b>	<b>\$ 4,292,698</b>

Exhibit I-3

Grundy County, Tennessee

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

Discretely Presented Grundy County School Department

June 30, 2012

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)		\$ 2,692,633
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 249,084	
Add: buildings and improvements net of accumulated depreciation	11,657,896	
Add: other capital assets net of accumulated depreciation	<u>832,915</u>	12,739,895
(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	\$ (285,968)	
Less: other loans payable	(1,583,809)	
Less: accrued interest on notes	(6,527)	
Less: compensated absences payable	(2,260,260)	
Less: other postemployment benefits liabilities	<u>(369,937)</u>	(4,506,501)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>138,039</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 11,064,066</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, 2012

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 1,959,167	\$ 0	\$ 0	\$ 1,959,167
Licenses and Permits	537	0	0	537
Charges for Current Services	42,573	0	336,761	379,334
Other Local Revenues	113,918	0	60	113,978
State of Tennessee	13,687,155	0	13,362	13,700,517
Federal Government	205,152	3,749,660	1,181,273	5,136,085
Total Revenues	<u>\$ 16,008,502</u>	<u>\$ 3,749,660</u>	<u>\$ 1,531,456</u>	<u>\$ 21,289,618</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,387,475	\$ 3,115,667	\$ 0	\$ 12,503,142
Support Services	5,099,542	610,679	0	5,710,221
Operation of Non-Instructional Services	515,358	0	1,506,447	2,021,805
Capital Outlay	2,090,382	0	0	2,090,382
Debt Service:				
Principal on Debt	123,035	0	0	123,035
Interest on Debt	15,011	0	0	15,011
Other Debt Service	500,000	0	0	500,000
Total Expenditures	<u>\$ 17,730,803</u>	<u>\$ 3,726,346</u>	<u>\$ 1,506,447</u>	<u>\$ 22,963,596</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,722,301)</u>	<u>\$ 23,314</u>	<u>\$ 25,009</u>	<u>\$ (1,673,978)</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 1,583,809	\$ 0	\$ 0	\$ 1,583,809
Proceeds from Sale of Capital Assets	3,700	0	0	3,700
Total Other Financing Sources (Uses)	<u>\$ 1,587,509</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,587,509</u>
Net Change in Fund Balances	\$ (134,792)	\$ 23,314	\$ 25,009	\$ (86,469)
Fund Balance, July 1, 2011	<u>2,077,331</u>	<u>217,149</u>	<u>484,622</u>	<u>2,779,102</u>
Fund Balance, June 30, 2012	<u>\$ 1,942,539</u>	<u>\$ 240,463</u>	<u>\$ 509,631</u>	<u>\$ 2,692,633</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, 2012

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)		\$	(86,469)
(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	\$	1,979,707	
Less: current-year depreciation expense		<u>(596,697)</u>	1,383,010
(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			(4,631)
(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, 2012	\$	138,039	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(126,190)</u>	11,849
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Add: principal payments on notes	\$	123,035	
Less: other loan proceeds		<u>(1,583,809)</u>	(1,460,774)
(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 on notes payable	\$	2,226	
Change in compensated absences payable		(43,780)	
Change in other postemployment benefits liability		<u>(124,062)</u>	<u>(165,616)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(322,631)</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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,959,167	\$ 0	\$ 0	\$ 1,959,167	\$ 1,906,025	\$ 1,906,025	\$ 53,142
Licenses and Permits	537	0	0	537	400	400	137
Charges for Current Services	42,573	0	0	42,573	57,511	57,511	(14,938)
Other Local Revenues	113,918	0	0	113,918	27,000	125,442	(11,524)
State of Tennessee	13,687,155	0	0	13,687,155	13,353,438	13,655,493	31,662
Federal Government	205,152	0	0	205,152	119,437	120,837	84,315
Total Revenues	\$ 16,008,502	\$ 0	\$ 0	\$ 16,008,502	\$ 15,463,811	\$ 15,865,708	\$ 142,794
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,576,326	\$ (6,644)	\$ 7,953	\$ 6,577,635	\$ 6,610,521	\$ 6,646,052	\$ 68,417
Alternative Instruction Program	140,899	0	104	141,003	155,585	155,585	14,582
Special Education Program	2,023,484	(3,308)	104	2,020,280	2,098,695	2,099,077	78,797
Vocational Education Program	632,967	(914)	1,657	633,710	620,417	637,457	3,747
Adult Education Program	13,799	0	168	13,967	21,822	21,822	7,855
<u>Support Services</u>							
Attendance	110,802	0	101	110,903	125,207	125,207	14,304
Health Services	197,846	(1,197)	565	197,214	204,709	206,859	9,645
Other Student Support	352,478	(2,383)	1,303	351,398	336,923	354,245	2,847
Regular Instruction Program	222,388	0	0	222,388	224,508	228,208	5,820
Special Education Program	190,071	(475)	213	189,809	228,359	228,359	38,550
Vocational Education Program	71,358	0	0	71,358	69,468	71,958	600
Adult Programs	53,326	0	0	53,326	56,188	56,188	2,862
Other Programs	60,376	0	0	60,376	0	60,376	0

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 327,456	\$ 0	\$ 0	\$ 327,456	\$ 271,486	\$ 338,372	\$ 10,916
Director of Schools	159,998	0	0	159,998	162,710	164,781	4,783
Office of the Principal	702,727	0	0	702,727	721,465	723,243	20,516
Fiscal Services	124,394	(849)	1,442	124,987	125,466	125,466	479
Operation of Plant	1,161,242	(8,524)	6,561	1,159,279	1,282,734	1,212,591	53,312
Maintenance of Plant	323,627	(46,883)	4,858	281,602	310,745	339,894	58,292
Transportation	777,105	(28,368)	27,989	776,726	800,253	821,445	44,719
Central and Other	264,348	(1,433)	70	262,985	92,869	278,349	15,364
<u>Operation of Non-Instructional Services</u>							
Community Services	80,079	0	0	80,079	79,612	81,885	1,806
Early Childhood Education	435,279	0	0	435,279	369,813	437,928	2,649
<u>Capital Outlay</u>							
Regular Capital Outlay	2,090,382	(365,115)	20,684	1,745,951	403,000	2,118,038	372,087
Principal on Debt							
Education	123,035	0	0	123,035	123,035	123,035	0
Interest on Debt							
Education	15,011	0	0	15,011	515,011	15,011	0
Other Debt Service							
Education	500,000	0	0	500,000	0	500,000	0
Total Expenditures	\$ 17,730,803	\$ (466,093)	\$ 73,772	\$ 17,338,482	\$ 16,010,601	\$ 18,171,431	\$ 832,949
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (1,722,301)	\$ 466,093	\$ (73,772)	\$ (1,329,980)	\$ (546,790)	\$ (2,305,723)	\$ 975,743

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 1,583,809	\$ 0	\$ 0	\$ 1,583,809	\$ 0	\$ 1,583,809	\$ 0
Proceeds from Sale of Capital Assets	3,700	0	0	3,700	0	1,600	2,100
Insurance Recovery	0	0	0	0	0	33,531	(33,531)
Total Other Financing Sources (Uses)	\$ 1,587,509	\$ 0	\$ 0	\$ 1,587,509	\$ 0	\$ 1,618,940	\$ (31,431)
Net Change in Fund Balance	\$ (134,792)	\$ 466,093	\$ (73,772)	\$ 257,529	\$ (546,790)	\$ (686,783)	\$ 944,312
Fund Balance, July 1, 2011	2,077,331	(466,093)	0	1,611,238	2,102,632	2,102,632	(491,394)
Fund Balance, June 30, 2012	\$ 1,942,539	\$ 0	\$ (73,772)	\$ 1,868,767	\$ 1,555,842	\$ 1,415,849	\$ 452,918

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 3,749,660	\$ 0	\$ 3,749,660	\$ 2,496,500	\$ 4,281,507	\$ (531,847)
Total Revenues	\$ 3,749,660	\$ 0	\$ 3,749,660	\$ 2,496,500	\$ 4,281,507	\$ (531,847)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 2,284,859	\$ (58,298)	\$ 2,226,561	\$ 1,286,037	\$ 2,576,834	\$ 350,273
Alternative Instruction Program	4,043	(1,031)	3,012	0	3,012	0
Special Education Program	786,450	(9,655)	776,795	671,096	798,722	21,927
Vocational Education Program	40,315	0	40,315	40,315	40,315	0
<u>Support Services</u>						
Other Student Support	121,308	(379)	120,929	138,165	138,669	17,740
Regular Instruction Program	324,570	(1,483)	323,087	263,617	492,540	169,453
Special Education Program	122,399	(14,489)	107,910	79,993	117,059	9,149
Vocational Education Program	2,400	0	2,400	2,400	2,400	0
Maintenance of Plant	23,636	0	23,636	0	28,465	4,829
Transportation	16,366	0	16,366	14,877	16,366	0
Total Expenditures	\$ 3,726,346	\$ (85,335)	\$ 3,641,011	\$ 2,496,500	\$ 4,214,382	\$ 573,371
Excess (Deficiency) of Revenues Over Expenditures	\$ 23,314	\$ 85,335	\$ 108,649	\$ 0	\$ 67,125	\$ 41,524
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 147,767	\$ 0	\$ 0
Transfers Out	0	0	0	(147,767)	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 23,314	\$ 85,335	\$ 108,649	\$ 0	\$ 67,125	\$ 41,524
Fund Balance, July 1, 2011	217,149	(85,335)	131,814	217,149	217,149	(85,335)
Fund Balance, June 30, 2012	\$ 240,463	\$ 0	\$ 240,463	\$ 217,149	\$ 284,274	\$ (43,811)

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)		Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	Original	Final	
<u>Revenues</u>								
Charges for Current Services	\$ 336,761	\$ 0	\$ 0	\$ 336,761	\$ 867,516	\$ 867,516	\$ (530,755)	
Other Local Revenues	60	0	0	60	0	0	60	
State of Tennessee	13,362	0	0	13,362	14,000	14,000	(638)	
Federal Government	1,181,273	0	0	1,181,273	1,108,932	1,108,932	72,341	
Total Revenues	\$ 1,531,456	\$ 0	\$ 0	\$ 1,531,456	\$ 1,990,448	\$ 1,990,448	\$ (458,992)	
<u>Expenditures</u>								
<u>Operation of Non-Instructional Services</u>								
Food Service	\$ 1,506,447	\$ (1,358)	\$ 4,783	\$ 1,509,872	\$ 1,990,448	\$ 1,990,448	\$ 480,576	
Total Expenditures	\$ 1,506,447	\$ (1,358)	\$ 4,783	\$ 1,509,872	\$ 1,990,448	\$ 1,990,448	\$ 480,576	
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,009	\$ 1,358	\$ (4,783)	\$ 21,584	\$ 0	\$ 0	\$ 21,584	
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 25,009	\$ 1,358	\$ (4,783)	\$ 21,584	\$ 0	\$ 0	\$ 21,584	
	484,622	(1,358)	0	483,264	448,093	448,093	35,171	
Fund Balance, June 30, 2012	\$ 509,631	\$ 0	\$ (4,783)	\$ 504,848	\$ 448,093	\$ 448,093	\$ 56,755	

Exhibit I-9

Grundy County, Tennessee  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
Discretely Presented Grundy County School Department  
June 30, 2012

	<u>Private Purpose Trust Fund</u>	<u>Other Trust Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash with Trustee	\$	18,020
Total Assets	<u>\$</u>	<u>18,020</u>
<u>NET ASSETS</u>		
Funds Held in Trust for Scholarships	<u>\$</u>	<u>18,020</u>
Total Net Assets	<u>\$</u>	<u>18,020</u>

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, 2012

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 190
Contributions and Gifts	3,125
Total Additions	<u>\$ 3,315</u>
<u>DEDUCTIONS</u>	
Awards	\$ 450
Miscellaneous	<u>2</u>
Total Deductions	<u>\$ 452</u>
Change in Net Assets	\$ 2,863
Net Assets, July 1, 2011	<u>15,157</u>
Net Assets, June 30, 2012	<u><u>\$ 18,020</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Grundy County, Tennessee  
 Schedule of Changes in Long-term Other Loans, Bonds, and Notes  
 Primary Government and Discretely Presented Grundy County School Department  
 For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<b>PRIMARY GOVERNMENT</b>								
<b>OTHER LOANS PAYABLE</b>								
Payable through General Fund								
Waste Water System	\$ 318,980	1.26%	Various	12-30-15	\$ 78,881	\$ 0	\$ 17,160	\$ 61,721
Payable through Industrial/Economic Development Fund								
Assumption Agreement - Industrial Building	427,739	2 to 3	9-13-03	6-30-16	191,344	0	37,348	153,996
Total Other Loans Payable					\$ 270,225	\$ 0	\$ 54,508	\$ 215,717
<b>BONDS PAYABLE</b>								
Payable through General Debt Service Fund								
Public Improvements Series 1998	2,220,000	3.4 to 4.15	11-1-1998	5-1-14	\$ 530,000	\$ 0	\$ 170,000	\$ 360,000
School Refunding Series 2006	9,405,000	4.15	5-1-06	5-1-21	7,165,000	0	590,000	6,575,000
General Obligation Bond - Convenience Centers	91,000	4.75	9-30-1999	9-30-14	31,456	0	7,127	24,329
Total Bonds Payable					\$ 7,726,456	\$ 0	\$ 767,127	\$ 6,959,329
<b>NOTES PAYABLE</b>								
Payable through General Fund								
Patrol Cars/Transport Van	92,029	1.99	12-30-10	7-15-12	\$ 92,029	\$ 0	\$ 45,980	\$ 46,049

(Continued)

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 (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<b>DISCRETELY PRESENTED GRUNDY COUNTY SCHOOL DEPARTMENT</b>								
<b>OTHER LOANS PAYABLE</b>								
Payable through General Purpose School Fund								
Energy Efficient Improvements	\$ 1,583,809	0%	8-22-11	9-11-22	\$ 0	\$ 1,583,809	\$ 0	\$ 1,583,809
<b>NOTES PAYABLE</b>								
Payable through General Purpose School Fund								
School Bus	152,384	5.99	1-28-08	1-28-12	\$ 33,272	\$ 0	\$ 33,272	\$ 0
School Bus	158,140	3.69	10-30-08	8-20-13	97,616	0	31,369	66,247
School Bus	155,592	3.49	9-25-09	8-20-14	126,148	0	29,936	96,212
School Bus	151,967	3.25	2-14-11	2-14-16	151,967	0	28,458	123,509
Total Notes Payable					\$ 409,003	\$ 0	\$ 123,035	\$ 285,968

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
2013	\$ 55,860	\$ 4,778	\$ 60,638
2014	57,246	3,391	60,637
2015	58,681	1,957	60,638
2016	43,930	519	44,449
Total	\$ 215,717	\$ 10,645	\$ 226,362

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 797,465	\$ 288,958	\$ 1,086,423
2014	837,820	255,818	1,093,638
2015	679,044	221,003	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	35,482	890,482
Total	\$ 6,959,329	\$ 1,463,187	\$ 8,422,516

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 46,049	\$ 919	\$ 46,968
Total	\$ 46,049	\$ 919	\$ 46,968

(Continued)

Exhibit J-2

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

DISCRETELY PRESENTED GRUNDY  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2013	\$ 118,782	\$ 0	\$ 118,782
2014	158,376	0	158,376
2015	158,376	0	158,376
2016	158,376	0	158,376
2017	158,376	0	158,376
2018	158,376	0	158,376
2019	158,376	0	158,376
2020	158,376	0	158,376
2021	158,376	0	158,376
2022	158,376	0	158,376
2023	39,643	0	39,643
Total	<u>\$ 1,583,809</u>	<u>\$ 0</u>	<u>\$ 1,583,809</u>

Ending June 30	Notes		
	Principal	Interest	Total
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	<u>\$ 285,968</u>	<u>\$ 20,850</u>	<u>\$ 306,818</u>

Exhibit J-3

Grundy County, Tennessee  
Schedule of Leases Receivable  
For the Year Ended June 30, 2012

<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 6-30-12</u>
<u>Industrial/Economic Development Fund</u>					
Lease-purchase of spec building	Tag Plastics	\$ 300,000	9-24-1996	2-28-17	\$ 71,250
"	Benchmark Tool and Die	750,000	3-29-07	5-15-17	695,000 (1)
<b>Total Leases Receivable</b>					<u><u>\$ 766,250</u></u>

(1) Debtor is delinquent in making payments.

Exhibit J-4

Grundys County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Grundys County School Department  
For the Year Ended June 30, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 66,702	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Superintendent	Section 8-24-102, TCA	63,527	100,000	Western Surety Company
Director of Schools	State Board of Education and Grundys County Board of Education	72,959 (1)	100,000	Travelers Casualty and Surety Company of America
Trustee	Section 8-24-102, TCA	57,751	637,200	Western Surety Company
Assessor of Property	Section 8-24-102, TCA	57,751	10,000	"
County Clerk	Section 8-24-102, TCA	57,751	30,000	Travelers Casualty and Surety Company of America
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 (2)	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 (3)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments and School Department			150,000	Local Government Property and Casualty Fund

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

(2) Does not include special commissioner fees of \$6,800.

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

Exhibit J-5

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2012

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control	Constitu- tional Officers - Fees	Highway/ Public Works		
<u>Local Taxes</u>									
County Property Taxes									
Current Property Tax	\$ 1,931,999	\$ 0	\$ 526,911	\$ 0	\$ 0	\$ 0	\$ 0	\$ 253,698	\$ 2,712,608
Trustee's Collections - Prior Year	113,846	0	31,049	0	0	0	0	14,949	159,844
Trustee's Collections - Bankruptcy	4,771	0	1,301	0	0	0	0	625	6,697
Circuit/Clerk & Master Collections - Prior Years	65,121	0	14,223	0	0	0	0	6,848	86,192
Interest and Penalty	21,605	0	5,892	0	0	0	0	2,837	30,334
Payments in-Lieu-of Taxes - T.V.A.	1,040	0	284	0	0	0	0	137	1,461
Payments in-Lieu-of Taxes - Other	5,903	0	1,610	0	0	0	0	775	8,288
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	0	0	0	0	430,917	430,917
Litigation Tax - General	26,911	0	0	0	0	0	0	0	26,911
Litigation Tax - Special Purpose	24	48,874	0	0	0	0	0	0	48,898
Litigation Tax - Jail, Workhouse, or Courthouse	17,266	0	0	0	0	0	0	0	17,266
Business Tax	20,193	0	0	0	0	0	0	0	20,193
<u>Statutory Local Taxes</u>									
Bank Excise Tax	32,085	0	0	0	0	0	0	0	32,085
Interstate Telecommunications Tax	368	0	0	0	0	0	0	0	368
<b>Total Local Taxes</b>	<b>\$ 2,241,132</b>	<b>\$ 48,874</b>	<b>\$ 581,270</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 710,786</b>	<b>\$ 3,582,062</b>
<u>Licenses and Permits</u>									
Licenses									
Marriage Licenses	\$ 537	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 537
Cable TV Franchise	33,887	0	0	0	0	0	0	0	33,887
<u>Permits</u>									
Beer Permits	665	0	0	0	0	0	0	0	665
Other Permits	1,950	0	0	0	0	0	0	0	1,950
<b>Total Licenses and Permits</b>	<b>\$ 37,039</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 37,039</b>
<u>Fines, Forfeitures, and Penalties</u>									
Circuit Court	\$ 1,617	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,617
Fines									

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Total	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial/ Economic Development	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Debt		Total		
								General	Debt			
	\$	2,599	\$	0	\$	0	\$	0	\$	0	\$	2,599
<u>Circuit Court (Cont.)</u>												
Officers Costs		0		0	351							351
Drug Control Fines		522		0	0							522
Drug Court Fees		144		0	0							144
Jail Fees		382		0	0							382
Data Entry Fee - Circuit Court				0	0							
<u>Criminal Court</u>												
DUI Treatment Fines		285		0	0							285
Courtroom Security Fee		4		0	0							4
<u>General Sessions Court</u>												
Fines		13,269		0	0							13,269
Officers Costs		13,410		0	0							13,410
Game and Fish Fines		362		0	0							362
Drug Control Fines		0		0	4,351							4,351
Drug Court Fees		3,315		0	0							3,315
Jail Fees		3,190		0	0							3,190
DUI Treatment Fines		5,490		0	0							5,490
Data Entry Fee - General Sessions Court		3,508		0	0							3,508
Courtroom Security Fee		78		0	0							78
<u>Juvenile Court</u>												
Fines		289		0	0							289
Officers Costs		706		0	0							706
<u>Chancery Court</u>												
Officers Costs		342		0	0							342
Courtroom Security Fee		4		0	0							4
<u>Judicial District Drug Program</u>												
Drug Task Force Forfeitures and Seizures		0		0	1,167							1,167
Data Entry Fee - Other Courts		1,152		0	0							1,152
Total Fines, Forfeitures, and Penalties	\$	50,668	\$	0	\$	5,869	\$	0	\$	0	\$	56,537

(Continued)

Exhibit J-5

Grundey 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>Charges for Current Services</u>								
<u>General Service Charges</u>								
Residential Waste Collection Charge	\$ 48,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,200
Work Release Charges for Board	3,470	0	0	0	0	0	0	3,470
Other General Service Charges	8,199	0	0	0	0	104,527	0	112,726
Service Charges	45	0	0	0	0	0	0	45
<u>Fees</u>								
Archives and Records Management Fee - County Clerk	34	0	0	0	0	0	0	34
Telephone Commissions	2,148	0	0	0	0	0	0	2,148
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	6,800	0	6,800
Data Processing Fee - Register	4,426	0	0	0	0	0	0	4,426
Data Processing Fee - Sheriff	1,386	0	0	0	0	0	0	1,386
Sexual Offender Registration Fees - Sheriff	1,400	0	0	0	0	0	0	1,400
Data Processing Fee - County Clerk	471	0	0	0	0	0	0	471
Total Charges for Current Services	\$ 69,779	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,800	\$ 104,527	\$ 181,106
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,692
Lease/Rentals	0	0	0	25,967	0	0	0	25,967
Sale of Materials and Supplies	74	0	0	0	0	0	718	792
Sale of Gasoline	0	0	0	0	0	0	39,378	39,378
Miscellaneous Refunds	20,664	0	0	0	0	0	1,551	22,215
<u>Nonrecurring Items</u>								
Contributions and Gifts	93	0	0	0	0	0	0	93
<u>Other Local Revenues</u>								
Other Local Revenues	28,181	0	9,543	0	0	0	0	37,724
Total Other Local Revenues	\$ 49,012	\$ 0	\$ 9,543	\$ 25,967	\$ 0	\$ 0	\$ 41,647	\$ 189,861
<u>Fees Received from County Officials</u>								
Fees in-Lieu-of Salary	\$ 99,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,090
County Clerk								

(Continued)

Exhibit J-5

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	Total		
<u>Fees Received from County Officials (Cont.)</u>											
<u>Fees in-Lieu-of Salary (Cont.)</u>											
Circuit Court Clerk	\$ 38,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,484
General Sessions Court Clerk	94,912	0	0	0	0	0	0	0	0	0	94,912
Clerk and Master	55,218	0	0	0	0	0	0	0	0	0	55,218
Juvenile Court Clerk	6,406	0	0	0	0	0	0	0	0	0	6,406
Register	47,208	0	0	0	0	0	0	0	0	0	47,208
Sheriff	3,630	0	0	0	0	0	0	0	0	0	3,630
Trustee	166,980	0	0	0	0	0	0	0	0	0	166,980
<b>Total Fees Received from County Officials</b>	<b>\$ 511,928</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 511,928</b>
<u>State of Tennessee</u>											
<u>General Government Grants</u>											
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Solid Waste Grants	0	0	771	0	0	0	0	0	0	0	771
On-Behalf Contributions for OPEB	468	0	0	0	0	0	0	0	0	0	468
Other General Government Grants	30,068	0	0	0	0	0	0	0	0	0	30,068
<u>Public Safety Grants</u>											
Law Enforcement Training Programs	8,400	0	0	0	0	0	0	0	0	0	8,400
Health and Welfare Grants											
Other Health and Welfare Grants	21,989	0	0	0	0	0	0	0	0	0	21,989
<u>Public Works Grants</u>											
Litter Program	0	0	39,143	0	0	0	0	0	0	0	39,143
<u>Other State Revenues</u>											
Income Tax	6,765	0	0	0	0	0	0	0	0	0	6,765
Beer Tax	77,532	0	0	0	0	0	0	0	0	0	77,532
Alcoholic Beverage Tax	32,208	0	0	0	0	0	0	0	0	0	32,208
Contracted Prisoner Boarding	115,150	0	0	0	0	0	0	0	0	0	115,150
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	0	1,478,952	0	0	1,478,952
Petroleum Special Tax	0	0	0	0	0	0	0	9,887	0	0	9,887
Registrar's Salary Supplement	18,955	0	0	0	0	0	0	0	0	0	18,955
Other State Grants	7,545	0	0	0	0	0	0	0	0	0	7,545

(Continued)

Exhibit J-5

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>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Other State Revenues	\$ 3,817	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,817
Total State of Tennessee	\$ 331,897	\$ 0	\$ 39,914	\$ 0	\$ 0	\$ 1,488,839	\$ 0	\$ 1,860,650
<u>Federal Government</u>								
<u>Federal Through State</u>								
USDA - Other	\$ 7,487	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,487
Community Development	100,500	0	0	0	0	0	0	100,500
Homeland Security Grants	49,286	0	0	0	0	0	0	49,286
Law Enforcement Grants	320	0	0	0	0	0	0	320
Other Federal through State	0	0	0	0	0	137,119	0	137,119
Total Federal Government	\$ 157,593	\$ 0	\$ 0	\$ 0	\$ 0	\$ 137,119	\$ 0	\$ 294,712
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 502,000
Total Other Governments and Citizens Groups	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 502,000
<u>Total</u>	\$ 3,451,048	\$ 48,874	\$ 630,727	\$ 25,967	\$ 5,869	\$ 1,772,132	\$ 1,274,478	\$ 7,215,895

Exhibit J-6

Grundy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,376,599	\$ 0	\$ 0	\$ 1,376,599
Trustee's Collections - Prior Year	81,119	0	0	81,119
Trustee's Collections - Bankruptcy	3,407	0	0	3,407
Circuit/Clerk & Master Collections - Prior Years	37,158	0	0	37,158
Interest and Penalty	15,396	0	0	15,396
Payments in-Lieu-of Taxes - T.V.A.	741	0	0	741
Payments in-Lieu-of Taxes - Other	4,206	0	0	4,206
<u>County Local Option Taxes</u>				
Local Option Sales Tax	419,588	0	0	419,588
Business Tax	20,193	0	0	20,193
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	760	0	0	760
<b>Total Local Taxes</b>	<b>\$ 1,959,167</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,959,167</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 537	\$ 0	\$ 0	\$ 537
<b>Total Licenses and Permits</b>	<b>\$ 537</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 537</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 42,573	\$ 0	\$ 0	\$ 42,573
Lunch Payments - Children	0	0	112,272	112,272
Lunch Payments - Adults	0	0	58,274	58,274
Income from Breakfast	0	0	19,851	19,851
A la carte Sales	0	0	146,364	146,364
<b>Total Charges for Current Services</b>	<b>\$ 42,573</b>	<b>\$ 0</b>	<b>\$ 336,761</b>	<b>\$ 379,334</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Refund of Telecommunication & Internet Fees (E-Rate)	\$ 63,009	\$ 0	\$ 0	\$ 63,009
Miscellaneous Refunds	44,019	0	0	44,019
<u>Nonrecurring Items</u>				
Sale of Equipment	5,878	0	60	5,938
Contributions and Gifts	1,012	0	0	1,012
<b>Total Other Local Revenues</b>	<b>\$ 113,918</b>	<b>\$ 0</b>	<b>\$ 60</b>	<b>\$ 113,978</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 60,376	\$ 0	\$ 0	\$ 60,376
<u>State Education Funds</u>				
Basic Education Program	12,305,000	0	0	12,305,000
Early Childhood Education	316,657	0	0	316,657
School Food Service	0	0	13,362	13,362
Energy Efficient School Initiative	49,960	0	0	49,960
Driver Education	4,183	0	0	4,183
Other State Education Funds	333,670	0	0	333,670
Family Resource Centers - ARRA	9,124	0	0	9,124

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder Program	\$ 89,392	\$ 0	\$ 0	\$ 89,392
Career Ladder - Extended Contract	34,600	0	0	34,600
Career Ladder - Extended Contract - ARRA	1,167	0	0	1,167
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	454,374	0	0	454,374
Other State Grants	19,200	0	0	19,200
Other State Revenues	9,452	0	0	9,452
Total State of Tennessee	<u>\$ 13,687,155</u>	<u>\$ 0</u>	<u>\$ 13,362</u>	<u>\$ 13,700,517</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 800,219	\$ 800,219
USDA - Commodities	0	0	55,485	55,485
Breakfast	0	0	325,569	325,569
Adult Education State Grant Program	61,998	0	0	61,998
Vocational Education - Basic Grants to States	0	52,015	0	52,015
Other Vocational	0	14,320	0	14,320
Title I Grants to Local Education Agencies	0	1,375,662	0	1,375,662
Special Education - Grants to States	0	889,732	0	889,732
Special Education Preschool Grants	0	51,932	0	51,932
Safe and Drug-free Schools - State Grants	0	2,178	0	2,178
Rural Education	0	54,933	0	54,933
Eisenhower Professional Development State Grants	0	193,058	0	193,058
Race-to-the-Top - ARRA	0	528,029	0	528,029
Other Federal through State	143,154	587,801	0	730,955
Total Federal Government	<u>\$ 205,152</u>	<u>\$ 3,749,660</u>	<u>\$ 1,181,273</u>	<u>\$ 5,136,085</u>
Total	<u>\$ 16,008,502</u>	<u>\$ 3,749,660</u>	<u>\$ 1,531,456</u>	<u>\$ 21,289,618</u>

Exhibit J-7

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 13,300	
Social Security	825	
Employer Medicare	193	
Audit Services	4,111	
Dues and Memberships	1,950	
Printing, Stationery, and Forms	1,649	
Total County Commission		\$ 22,028

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$ 66,702	
Assistant(s)	25,801	
Part-time Personnel	21,477	
Social Security	7,067	
Unemployment Compensation	275	
Employer Medicare	1,653	
Communication	3,825	
Data Processing Services	10,585	
Maintenance and Repair Services - Vehicles	233	
Postal Charges	1,418	
Printing, Stationery, and Forms	108	
Travel	1,000	
Office Supplies	1,811	
Total County Mayor/Executive		141,955

County Attorney

County Official/Administrative Officer	\$ 1,200	
Legal Services	9,867	
Total County Attorney		11,067

Election Commission

County Official/Administrative Officer	\$ 51,976
Clerical Personnel	16,688
Board and Committee Members Fees	4,615
Election Workers	13,080
In-Service Training	2,802
Social Security	4,542

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Unemployment Compensation	\$	228	
Employer Medicare		1,062	
Communication		4,062	
Data Processing Services		11,722	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		5,795	
Maintenance and Repair Services - Equipment		14,534	
Postal Charges		1,993	
Printing, Stationery, and Forms		3,057	
Travel		4,743	
Office Supplies		2,409	
Office Equipment		1,621	
Total Election Commission			\$ 145,229

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		20,791	
Part-time Personnel		2,096	
Social Security		5,000	
Unemployment Compensation		190	
Employer Medicare		1,169	
Communication		1,372	
Data Processing Services		4,300	
Dues and Memberships		448	
Postal Charges		269	
Travel		700	
Other Contracted Services		750	
Office Supplies		1,500	
Total Register of Deeds			96,336

County Buildings

Custodial Personnel	\$	22,001	
Social Security		1,364	
Unemployment Compensation		168	
Employer Medicare		319	
Communication		3,654	
Maintenance and Repair Services - Buildings		23,562	
Other Contracted Services		2,930	
Custodial Supplies		3,498	
Duplicating Supplies		5,469	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Electricity	\$ 47,094	
Natural Gas	17,426	
Water and Sewer	8,977	
Other Supplies and Materials	934	
Total County Buildings		\$ 137,396

Other General Administration

On-Behalf Payments to OPEB	\$ 468	
Total Other General Administration		468

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 57,751	
Secretary(ies)	29,367	
Part-time Personnel	15,672	
Social Security	6,373	
Unemployment Compensation	440	
Employer Medicare	1,490	
Audit Services	4,005	
Communication	3,136	
Data Processing Services	8,109	
Dues and Memberships	400	
Postal Charges	697	
Printing, Stationery, and Forms	488	
Travel	7,989	
Office Supplies	1,333	
Total Property Assessor's Office		137,250

County Trustee's Office

County Official/Administrative Officer	\$ 57,751
Deputy(ies)	20,791
Part-time Personnel	2,339
Social Security	5,015
Unemployment Compensation	203
Employer Medicare	1,173
Communication	1,332
Data Processing Services	9,839
Dues and Memberships	783
Postal Charges	4,517
Printing, Stationery, and Forms	537

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Travel	\$	800	
Office Supplies		<u>1,851</u>	
Total County Trustee's Office	\$		106,931

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		61,147	
Part-time Personnel		2,916	
Social Security		7,552	
Unemployment Compensation		447	
Employer Medicare		1,766	
Communication		3,207	
Dues and Memberships		700	
Postal Charges		2,521	
Travel		1,097	
Office Supplies		<u>3,460</u>	
Total County Clerk's Office			142,564

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		82,161	
Part-time Personnel		1,971	
Jury and Witness Expense		19,360	
Social Security		8,797	
Unemployment Compensation		876	
Employer Medicare		2,057	
Communication		4,563	
Data Processing Services		11,214	
Dues and Memberships		618	
Postal Charges		1,145	
Printing, Stationery, and Forms		4,531	
Travel		57	
Duplicating Supplies		1,323	
Office Supplies		<u>9,687</u>	
Total Circuit Court			206,111

General Sessions Judge

Judge(s)	\$	83,535	
In-Service Training		975	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Social Security	\$	5,179	
Employer Medicare		1,211	
Communication		703	
Office Supplies		180	
Total General Sessions Judge			\$ 91,783

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		20,791	
Part-time Personnel		600	
Social Security		4,907	
Unemployment Compensation		188	
Employer Medicare		1,148	
Communication		1,655	
Data Processing Services		6,414	
Dues and Memberships		668	
Postal Charges		1,072	
Office Supplies		2,424	
Total Chancery Court			97,618

Juvenile Court

Youth Service Officer(s)	\$	26,802	
Part-time Personnel		13,166	
Social Security		2,478	
Unemployment Compensation		360	
Employer Medicare		580	
Communication		2,857	
Postal Charges		936	
Rentals		4,500	
Travel		802	
Other Contracted Services		1,530	
Office Supplies		2,987	
Other Supplies and Materials		5,134	
Other Charges		3,785	
Total Juvenile Court			65,917

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Deputy(ies)		392,107	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Part-time Personnel	\$	591	
School Resource Officer		22,400	
In-Service Training		12,288	
Social Security		30,084	
Unemployment Compensation		3,182	
Employer Medicare		7,036	
Communication		2,991	
Maintenance and Repair Services - Vehicles		22,998	
Postal Charges		980	
Printing, Stationery, and Forms		1,813	
Tow-in Services		3,153	
Other Contracted Services		6,940	
Gasoline		107,276	
Office Supplies		5,154	
Tires and Tubes		3,960	
Uniforms		2,911	
Other Supplies and Materials		1,017	
Liability Insurance		13,434	
Vehicle and Equipment Insurance		16,211	
Workers' Compensation Insurance		32,077	
Other Charges		3,669	
Other Equipment		2,931	
Total Sheriff's Department			\$ 758,730

Jail

Accountants/Bookkeepers	\$	24,516
Guards		201,138
Cafeteria Personnel		12,505
Part-time Personnel		457
Social Security		14,794
Unemployment Compensation		2,748
Employer Medicare		3,460
Architects		38,041
Communication		13,285
Medical and Dental Services		150,583
Other Contracted Services		41,970
Custodial Supplies		455
Electricity		15,250
Food Supplies		84,361
Natural Gas		5,357

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Water and Sewer	\$ 8,458	
Other Supplies and Materials	<u>3,152</u>	
Total Jail		\$ 620,530

Fire Prevention and Control

Contracts with Other Public Agencies	\$ <u>6,580</u>	
Total Fire Prevention and Control		6,580

Rescue Squad

Contributions	\$ <u>3,000</u>	
Total Rescue Squad		3,000

Other Emergency Management

Assistant(s)	\$ 6,475	
Social Security	495	
Communication	164	
Maintenance and Repair Services - Vehicles	48	
Rentals	4,800	
Gasoline	372	
Other Charges	<u>684</u>	
Total Other Emergency Management		13,038

County Coroner/Medical Examiner

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

Other Public Safety

Deputy(ies)	\$ 301	
Social Security	19	
Employer Medicare	4	
Other Equipment	<u>50,349</u>	
Total Other Public Safety		50,673

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 8,599	
Social Security	533	
Unemployment Compensation	172	
Employer Medicare	125	
Communication	<u>6,453</u>	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Contracts with Government Agencies	\$ 11,816	
Dues and Memberships	200	
Other Contracted Services	1,000	
Electricity	6,517	
Natural Gas	4,586	
Office Supplies	1,244	
Water and Sewer	385	
Other Supplies and Materials	<u>2,674</u>	
Total Local Health Center		\$ 44,304

Ambulance/Emergency Medical Services

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

Alcohol and Drug Programs

Contracts with Other Public Agencies	\$ <u>23,919</u>	
Total Alcohol and Drug Programs		23,919

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$ 17,156	
Social Security	1,064	
Unemployment Compensation	189	
Employer Medicare	249	
Travel	3,285	
Other Contracted Services	<u>200</u>	
Total Other Local Health Services		22,143

Regional Mental Health Center

Contributions	\$ <u>3,500</u>	
Total Regional Mental Health Center		3,500

General Welfare Assistance

Contracts with Other Public Agencies	\$ <u>292</u>	
Total General Welfare Assistance		292

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal

Assistant(s)	\$	7,941	
Accountants/Bookkeepers		5,000	
Part-time Personnel		8,996	
Social Security		1,318	
Employer Medicare		308	
Communication		1,456	
Maintenance and Repair Services - Vehicles		251	
Postal Charges		405	
Other Contracted Services		14,421	
Electricity		11,088	
Gasoline		965	
Office Supplies		107	
Water and Sewer		292	
Testing		638	
Other Supplies and Materials		4,078	
Total Other Waste Disposal	\$		57,264

Social, Cultural, and Recreational Services

Libraries

Librarians	\$	39,863	
Social Security		2,472	
Unemployment Compensation		718	
Employer Medicare		578	
Other Supplies and Materials		7,470	
Total Libraries			51,101

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	63,633	
Social Security		449	
Unemployment Compensation		65	
Employer Medicare		105	
Communication		3,948	
Duplicating Supplies		1,562	
Total Agriculture Extension Service			69,762

Soil Conservation

Clerical Personnel	\$	19,799	
Part-time Personnel		15,168	
Social Security		2,168	

(Continued)

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation (Cont.)

Unemployment Compensation	\$ 483	
Employer Medicare	507	
Communication	1,384	
Travel	583	
Other Supplies and Materials	1,311	
Other Charges	513	
Total Soil Conservation		\$ 41,916

Other Operations

Tourism

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

Industrial Development

Contributions	\$ 2,741	
Total Industrial Development		2,741

Other Economic and Community Development

Contracts with Government Agencies	\$ 100,000	
Other Supplies and Materials	500	
Total Other Economic and Community Development		100,500

Veterans' Services

Supervisor/Director	\$ 9,899	
Social Security	614	
Employer Medicare	144	
Dues and Memberships	25	
Postal Charges	402	
Travel	3,480	
Total Veterans' Services		14,564

Other Charges

Building and Contents Insurance	\$ 11,539	
Liability Insurance	29,017	
Premiums on Corporate Surety Bonds	2,734	
Trustee's Commission	46,202	
Workers' Compensation Insurance	29,177	
Total Other Charges		118,669

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Contributions	\$ 23,000	
Total Contributions to Other Agencies		\$ 23,000

Employee Benefits

Social Security	\$ 42	
State Retirement	91,883	
Medical Insurance	47,182	
Unemployment Compensation	2,467	
Employer Medicare	10	
Total Employee Benefits		141,584

Miscellaneous

Other Charges	\$ 25,281	
Total Miscellaneous		25,281

Principal on Debt

General Government

Principal on Notes	\$ 45,980	
Principal on Other Loans	17,160	
Total General Government		63,140

Interest on Debt

General Government

Interest on Notes	\$ 988	
Interest on Other Loans	900	
Total General Government		1,888

Total General Fund		\$ 3,790,802
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Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 26,974	
Total County Buildings		\$ 26,974

Other Operations

Other Charges

Trustee's Commission	\$ 489	
Total Other Charges		489

Total Courthouse and Jail Maintenance Fund		27,463
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(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Laborers	\$ 23,496	
Social Security	1,798	
Gasoline	1,373	
Instructional Supplies and Materials	6,000	
Other Supplies and Materials	6,314	
Total Waste Pickup		\$ 38,981

Convenience Centers

Truck Drivers	\$ 63,270	
Maintenance Personnel	32,000	
Part-time Personnel	117,200	
Social Security	16,254	
Communication	8,726	
Maintenance and Repair Services - Vehicles	29,602	
Disposal Fees	189,180	
Diesel Fuel	50,401	
Electricity	7,263	
Water and Sewer	1,582	
Other Supplies and Materials	8,171	
Solid Waste Equipment	18,540	
Total Convenience Centers		542,189

Landfill Operation and Maintenance

Contracts with Private Agencies	\$ 11,070	
Total Landfill Operation and Maintenance		11,070

Other Operations

Other Charges

Trustee's Commission	\$ 11,702	
Total Other Charges		11,702

Total Solid Waste/Sanitation Fund \$ 603,942

Industrial/Economic Development Fund

Other Operations

Industrial Development

Other Charges	\$ 20	
Total Industrial Development		\$ 20

(Continued)

Exhibit J-7

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

Industrial/Economic Development Fund (Cont.)

Principal on Debt

General Government

Principal on Other Loans	\$ 37,348	
Total General Government		\$ 37,348

Interest on Debt

General Government

Interest on Other Loans	\$ 5,230	
Total General Government		<u>5,230</u>

Total Industrial/Economic Development Fund		\$ 42,598
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Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$ 5,000	
Trustee's Commission	<u>162</u>	
Total Drug Enforcement		<u>\$ 5,162</u>

Total Drug Control Fund		5,162
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Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 6,800	
Total Chancery Court		<u>\$ 6,800</u>

Total Constitutional Officers - Fees Fund		6,800
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,527
Accountants/Bookkeepers	32,255
Advertising	791
Communication	4,432
Data Processing Services	3,945
Dues and Memberships	483
Evaluation and Testing	600
Maintenance and Repair Services - Office Equipment	355
Postal Charges	358
Printing, Stationery, and Forms	515

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Rentals	\$	44	
Travel		1,696	
Electricity		4,095	
Office Supplies		389	
Water and Sewer		481	
Other Charges		3,117	
Office Equipment		224	
Total Administration			\$ 117,307

Highway and Bridge Maintenance

Supervisor/Director	\$	32,255	
Foremen		32,255	
Equipment Operators - Heavy		78,926	
Truck Drivers		193,349	
Laborers		68,597	
Asphalt - Liquid		348,179	
Crushed Stone		263,964	
Ice		126	
Pipe		31,171	
Road Signs		540	
Small Tools		87	
Other Supplies and Materials		1,792	
Other Charges		1,146	
Total Highway and Bridge Maintenance			1,052,387

Operation and Maintenance of Equipment

Mechanic(s)	\$	59,508	
Nightwatchmen		15,254	
Maintenance and Repair Services - Equipment		2,065	
Diesel Fuel		149,684	
Equipment and Machinery Parts		34,430	
Garage Supplies		1,172	
Gasoline		32,345	
Lubricants		3,007	
Propane Gas		667	
Small Tools		49	
Tires and Tubes		10,330	
Other Supplies and Materials		882	
Other Charges		3,781	
Total Operation and Maintenance of Equipment			313,174

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Liability Insurance	\$ 32,221	
Trustee's Commission	15,836	
Workers' Compensation Insurance	61,281	
Total Other Charges		\$ 109,338

Employee Benefits

Social Security	\$ 33,384	
State Retirement	52,583	
Employee and Dependent Insurance	145,772	
Employer Medicare	10,674	
Total Employee Benefits		242,413

Capital Outlay

Engineering Services	\$ 24,240	
Other Contracted Services	12,300	
Bridge Construction	300	
Communication Equipment	50	
Highway Construction	63,210	
Highway Equipment	2,000	
Motor Vehicles	36,883	
Total Capital Outlay		<u>138,983</u>

Total Highway/Public Works Fund \$ 1,973,602

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 177,127	
Total General Government		\$ 177,127

Education

Principal on Bonds	\$ 590,000	
Total Education		590,000

Interest on Debt

General Government

Interest on Bonds	\$ 23,489	
Total General Government		23,489

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education</u>		
Interest on Bonds	<u>\$ 297,348</u>	
Total Education		\$ 297,348
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	<u>\$ 10,573</u>	
Total General Government		10,573
 <u>Education</u>		
Other Debt Service	<u>\$ 600</u>	
Total Education		<u>600</u>
 Total General Debt Service Fund		 <u>\$ 1,099,137</u>
 Total Governmental Funds - Primary Government		 <u><u>\$ 7,549,506</u></u>

Exhibit J-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,383,049	
Career Ladder Program	52,498	
Career Ladder Extended Contracts	34,618	
Homebound Teachers	12,160	
Clerical Personnel	1,589	
Educational Assistants	145,657	
Other Salaries and Wages	47,359	
Non-certified Substitute Teachers	134,118	
Social Security	284,202	
State Retirement	415,686	
Life Insurance	495	
Medical Insurance	535,396	
Employer Medicare	66,467	
Communication	620	
Travel	2,741	
Other Contracted Services	35,581	
Instructional Supplies and Materials	104,680	
Textbooks	224,495	
Other Charges	16,893	
Regular Instruction Equipment	78,022	
Total Regular Instruction Program		\$ 6,576,326

Alternative Instruction Program

Teachers	\$ 78,376	
Career Ladder Program	2,000	
Educational Assistants	20,273	
Social Security	8,174	
State Retirement	12,367	
Life Insurance	66	
Medical Insurance	15,759	
Employer Medicare	1,912	
Other Supplies and Materials	997	
Other Charges	975	
Total Alternative Instruction Program		140,899

Special Education Program

Teachers	\$ 1,314,785
Career Ladder Program	19,699
Homebound Teachers	6,100

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$ 100,475	
Speech Pathologist	142,166	
Non-certified Substitute Teachers	1,174	
Social Security	95,188	
State Retirement	138,201	
Life Insurance	825	
Medical Insurance	153,812	
Employer Medicare	22,262	
Evaluation and Testing	290	
Other Contracted Services	25,246	
Instructional Supplies and Materials	1,294	
Other Supplies and Materials	1,267	
Fee Waivers	100	
Special Education Equipment	600	
Total Special Education Program		\$ 2,023,484

Vocational Education Program

Teachers	\$ 454,397	
Educational Assistants	15,372	
Social Security	27,730	
State Retirement	42,789	
Life Insurance	33	
Medical Insurance	72,465	
Employer Medicare	6,485	
Instructional Supplies and Materials	10,828	
Vocational Instruction Equipment	2,868	
Total Vocational Education Program		632,967

Adult Education Program

Teachers	\$ 11,106	
Social Security	689	
State Retirement	1,204	
Employer Medicare	161	
Instructional Supplies and Materials	639	
Total Adult Education Program		13,799

Support Services

Attendance

Supervisor/Director	\$ 54,972	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Career Ladder Program	\$	1,000	
Other Salaries and Wages		26,119	
Social Security		5,090	
State Retirement		7,897	
Life Insurance		33	
Employer Medicare		1,190	
Postal Charges		1,320	
Travel		1,951	
Other Contracted Services		5,909	
Other Supplies and Materials		4,268	
Other Charges		360	
Attendance Equipment		693	
Total Attendance			\$ 110,802

Health Services

Medical Personnel	\$	45,896	
Other Salaries and Wages		103,802	
Social Security		9,068	
State Retirement		15,406	
Life Insurance		99	
Medical Insurance		7,767	
Employer Medicare		2,121	
Travel		1,296	
Other Contracted Services		4,430	
Drugs and Medical Supplies		5,916	
Other Charges		2,045	
Total Health Services			197,846

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		125,304	
Social Workers		51,756	
Secretary(ies)		25,430	
School Resource Officer		28,181	
Other Salaries and Wages		14,053	
Social Security		13,030	
State Retirement		19,152	
Life Insurance		33	
Medical Insurance		21,761	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	3,047	
Evaluation and Testing		2,731	
Travel		9,810	
Other Contracted Services		370	
Other Supplies and Materials		8,617	
Other Charges		27,203	
Total Other Student Support			\$ 352,478

Regular Instruction Program

Supervisor/Director	\$	67,267	
Career Ladder Program		2,000	
Librarians		91,635	
Social Security		9,555	
State Retirement		14,562	
Medical Insurance		25,342	
Employer Medicare		2,235	
Travel		785	
Library Books/Media		2,996	
In Service/Staff Development		6,011	
Total Regular Instruction Program			222,388

Special Education Program

Supervisor/Director	\$	57,923	
Career Ladder Program		1,000	
Psychological Personnel		44,502	
Assessment Personnel		18,371	
Other Salaries and Wages		4,095	
Social Security		7,728	
State Retirement		11,182	
Medical Insurance		15,868	
Employer Medicare		1,807	
Communication		11,185	
Postal Charges		436	
Travel		10,711	
Other Contracted Services		3,758	
Other Supplies and Materials		589	
In Service/Staff Development		466	
Other Charges		450	
Total Special Education Program			190,071

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	53,016	
Career Ladder Program		1,000	
Social Security		3,201	
State Retirement		4,888	
Medical Insurance		6,899	
Employer Medicare		749	
Travel		1,605	
Total Vocational Education Program			\$ 71,358

Adult Programs

Supervisor/Director	\$	40,034	
Social Security		2,322	
State Retirement		3,623	
Medical Insurance		5,934	
Employer Medicare		543	
Communication		683	
Postal Charges		44	
Travel		143	
Total Adult Programs			53,326

Other Programs

On-Behalf Payments to OPEB	\$	60,376	
Total Other Programs			60,376

Board of Education

Board and Committee Members Fees	\$	9,050	
Social Security		561	
State Retirement		121	
Unemployment Compensation		49,133	
Employer Medicare		131	
Audit Services		11,650	
Dues and Memberships		7,729	
Legal Services		76,482	
Other Contracted Services		3,000	
Liability Insurance		34,463	
Premiums on Corporate Surety Bonds		798	
Trustee's Commission		77,062	
Workers' Compensation Insurance		55,315	
Refund to Applicant for Criminal Investigation		336	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Charges	\$ 1,625	
Total Board of Education		\$ 327,456

Director of Schools

County Official/Administrative Officer	\$ 72,959	
Career Ladder Program	1,000	
Clerical Personnel	21,748	
Social Security	5,367	
State Retirement	9,051	
Life Insurance	33	
Medical Insurance	9,471	
Employer Medicare	1,255	
Communication	33,585	
Dues and Memberships	1,602	
Postal Charges	500	
Travel	3,069	
Other Charges	358	
Total Director of Schools		159,998

Office of the Principal

Principals	\$ 414,220	
Career Ladder Program	5,000	
Assistant Principals	54,091	
Secretary(ies)	34,989	
Clerical Personnel	42,015	
Social Security	32,446	
State Retirement	50,485	
Life Insurance	231	
Medical Insurance	61,662	
Employer Medicare	7,588	
Total Office of the Principal		702,727

Fiscal Services

Accountants/Bookkeepers	\$ 30,621
Secretary(ies)	22,178
Clerical Personnel	30,036
Social Security	5,136
State Retirement	8,979
Life Insurance	132

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Employer Medicare	\$	1,201	
Postal Charges		1,001	
Travel		328	
Other Contracted Services		17,734	
Office Supplies		5,837	
Other Charges		75	
Administration Equipment		1,136	
Total Fiscal Services			\$ 124,394

Operation of Plant

Custodial Personnel	\$	259,618	
Social Security		15,384	
State Retirement		22,243	
Life Insurance		563	
Employer Medicare		3,598	
Maintenance and Repair Services - Equipment		9,923	
Other Contracted Services		17,672	
Custodial Supplies		122,453	
Electricity		424,661	
Natural Gas		162,217	
Water and Sewer		48,627	
Boiler Insurance		275	
Building and Contents Insurance		46,594	
Other Charges		18,466	
Plant Operation Equipment		8,948	
Total Operation of Plant			1,161,242

Maintenance of Plant

Maintenance Personnel	\$	127,217	
Social Security		7,478	
State Retirement		12,763	
Life Insurance		132	
Employer Medicare		1,749	
Maintenance and Repair Services - Equipment		31,625	
Other Supplies and Materials		124,752	
Other Charges		17,911	
Total Maintenance of Plant			323,627

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	37,537	
Mechanic(s)		43,723	
Bus Drivers		255,105	
Social Security		20,164	
State Retirement		31,854	
Life Insurance		639	
Employer Medicare		4,863	
Communication		2,212	
Medical and Dental Services		1,080	
Travel		2,405	
Other Contracted Services		4,671	
Diesel Fuel		127,342	
Gasoline		33,120	
Tires and Tubes		11,088	
Vehicle Parts		80,650	
Other Supplies and Materials		5,020	
Vehicle and Equipment Insurance		18,625	
Administration Equipment		1,225	
Transportation Equipment		<u>95,782</u>	
Total Transportation	\$		777,105

Central and Other

Supervisor/Director	\$	20,160	
Other Salaries and Wages		149,750	
Social Security		10,534	
State Retirement		12,566	
Life Insurance		63	
Employer Medicare		2,464	
Communication		578	
Travel		21,836	
Other Supplies and Materials		39,774	
In Service/Staff Development		5,500	
Other Charges		<u>1,123</u>	
Total Central and Other			264,348

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	20,255	
Other Salaries and Wages		24,975	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Social Security	\$	907	
State Retirement		1,833	
Employer Medicare		212	
Communication		652	
Postal Charges		101	
Travel		5,419	
Instructional Supplies and Materials		66	
Other Supplies and Materials		6,868	
Indirect Cost		4,500	
Other Charges		14,291	
Total Community Services			\$ 80,079

Early Childhood Education

Supervisor/Director	\$	34,054	
Teachers		139,438	
Clerical Personnel		4,093	
Educational Assistants		40,692	
Non-certified Substitute Teachers		4,339	
Social Security		13,364	
State Retirement		20,109	
Life Insurance		82	
Medical Insurance		25,577	
Employer Medicare		3,125	
Communication		2,666	
Postal Charges		21	
Travel		26,447	
Instructional Supplies and Materials		66,774	
Other Supplies and Materials		3,319	
Other Charges		6,305	
Other Equipment		44,874	
Total Early Childhood Education			435,279

Capital Outlay

Regular Capital Outlay

Architects	\$	134,047	
Other Contracted Services		1,583,809	
Building Construction		9,150	
Building Improvements		363,376	
Total Regular Capital Outlay			2,090,382

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Notes	\$ 123,035	
Total Education		\$ 123,035

Interest on Debt

Education

Interest on Notes	\$ 15,011	
Total Education		15,011

Other Debt Service

Education

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

Total General Purpose School Fund		\$ 17,730,803
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,124,229	
Educational Assistants	106,263	
Other Salaries and Wages	960	
Non-certified Substitute Teachers	9,831	
Social Security	72,969	
State Retirement	110,095	
Life Insurance	393	
Medical Insurance	156,963	
Employer Medicare	17,065	
Instructional Supplies and Materials	191,146	
Other Supplies and Materials	18,538	
Regular Instruction Equipment	<u>476,407</u>	
Total Regular Instruction Program		\$ 2,284,859

Alternative Instruction Program

Instructional Supplies and Materials	\$ 3,528	
Other Supplies and Materials	<u>515</u>	
Total Alternative Instruction Program		4,043

Special Education Program

Educational Assistants	\$ 289,142	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries and Wages	\$ 263,747	
Non-certified Substitute Teachers	591	
Social Security	33,885	
State Retirement	47,693	
Medical Insurance	14,344	
Employer Medicare	7,925	
Other Contracted Services	65,166	
Instructional Supplies and Materials	15,994	
Other Supplies and Materials	6,885	
Fee Waivers	333	
Other Charges	250	
Special Education Equipment	40,495	
Total Special Education Program		\$ 786,450

Vocational Education Program

Instructional Supplies and Materials	\$ 6,508	
Vocational Instruction Equipment	33,807	
Total Vocational Education Program		40,315

Support Services

Other Student Support

Guidance Personnel	\$ 18,371	
Other Salaries and Wages	34,235	
Social Security	3,276	
State Retirement	5,239	
Employer Medicare	766	
Travel	11,836	
Other Supplies and Materials	19,267	
In Service/Staff Development	7,372	
Other Charges	6,626	
Other Equipment	14,320	
Total Other Student Support		121,308

Regular Instruction Program

Supervisor/Director	\$ 51,684
Secretary(ies)	38,237
Other Salaries and Wages	112,349
Social Security	12,468
State Retirement	19,438

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	10,894	
Employer Medicare		2,916	
Communication		1,753	
Operating Lease Payments		6,216	
Travel		1,883	
Other Supplies and Materials		4,591	
In Service/Staff Development		45,888	
Other Charges		1,146	
Other Equipment		15,107	
Total Regular Instruction Program			\$ 324,570

Special Education Program

Clerical Personnel	\$	16,599	
Other Salaries and Wages		27,664	
Social Security		2,742	
State Retirement		4,794	
Employer Medicare		641	
Travel		7,464	
Other Contracted Services		22,368	
Other Supplies and Materials		10,429	
In Service/Staff Development		7,100	
Other Charges		2,205	
Other Equipment		20,393	
Total Special Education Program			122,399

Vocational Education Program

Travel	\$	2,400	
Total Vocational Education Program			2,400

Maintenance of Plant

Maintenance Personnel	\$	21,751	
Social Security		1,349	
State Retirement		221	
Employer Medicare		315	
Total Maintenance of Plant			23,636

Transportation

Other Salaries and Wages	\$	14,084	
Social Security		873	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

State Retirement	\$ 1,205	
Employer Medicare	204	
Total Transportation		<u>\$ 16,366</u>

Total School Federal Projects Fund \$ 3,726,346

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 29,988	
Clerical Personnel	8,806	
Cafeteria Personnel	548,620	
In-Service Training	2,721	
Social Security	36,040	
State Retirement	51,032	
Life Insurance	1,464	
Employer Medicare	8,560	
Communication	4,131	
Maintenance and Repair Services - Equipment	1,666	
Postal Charges	1,469	
Travel	2,204	
Other Contracted Services	8,461	
Food Preparation Supplies	2,572	
Food Supplies	666,917	
Office Supplies	10,597	
Uniforms	908	
USDA - Commodities	55,485	
In Service/Staff Development	540	
Other Charges	11,419	
Food Service Equipment	52,847	
Total Food Service		<u>\$ 1,506,447</u>

Total Central Cafeteria Fund 1,506,447

Total Governmental Funds - Grundy County School Department \$ 22,963,596

Exhibit J-9

Grundy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2012

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 495,448
Total Cash Receipts	<u>\$ 495,448</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 490,493
Trustee's Commission	4,955
Total Cash Disbursements	<u>\$ 495,448</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<u>0</u>
Cash Balance, June 30, 2012	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT 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*

January 7, 2013

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, 2012, which collectively comprise Grundy County's basic financial statements and have issued our report thereon dated January 7, 2013. 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

The management of Grundy County is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 12.02(A,B), 12.03, 12.04, 12.06, 12.07(B), 12.08, 12.09(A), 12.10, 12.11, 12.13, 12.14, and 12.15. 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.

## 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 12.01, 12.02(C), 12.05, 12.07(A), 12.09(B), and 12.12.

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

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
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PHONE (615) 401-7841

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

January 7, 2013

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, 2012. 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 January 7, 2013, 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.

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, 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 prominent vertical stroke on the left side.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
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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

Independent Auditor's Report

January 7, 2013

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Grundy County's compliance 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, 2012. 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, 2012.

#### 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 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.

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

Yours very truly,

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

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, 2012

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 55,485 (3)
Emergency Watershed Protection Program	10.923	N/A	137,119
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	325,569
National School Lunch Program	10.555	N/A	800,219 (3)
Passed-through State Housing Development Agency:			
Community Facilities Loans and Grants	10.766	N/A	7,487
Rural Business Enterprise Grants	10.769	N/A	500
Total U.S. Department of Agriculture			<u>\$ 1,326,379</u>
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	(2)	\$ 37,154
Total U.S. Department of Labor			<u>\$ 37,154</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 320
Total U.S. Department of Transportation			<u>\$ 320</u>
U.S. Department of Energy:			
Passed-through State Department of Economic and Community Development:			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	(2)	\$ 100,000
Total U.S. Department of Energy			<u>\$ 100,000</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	\$ 1,172,817
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	208,962
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	833,474
Special Education - Preschool Grants	84.173	N/A	51,931
Special Education - Grants to States, Recovery Act	84.391	N/A	43,272
Special Education - Preschool Grants, Recovery Act	84.392	N/A	79
Career and Technical Education - Basic Grants to States	84.048	N/A	66,335
Special Education - Grants for Infants and Families	84.181	N/A	56,000
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	5,335
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	11,871
Education Technology State Grants, Recovery Act	84.386	N/A	8,093
Rural Education	84.358	N/A	52,230
Improving Teacher Quality State Grants	84.367	N/A	186,487
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	528,029
Education Jobs Funds	84.410	N/A	557,431
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	61,998
Total U.S. Department of Education			<u>\$ 3,844,344</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 Mental Health and Developmental Disabilities:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(2)	\$ 50,000
Total U.S. Department of Health and Human Services			\$ 50,000
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 49,286
Total U.S. Department of Homeland Security			\$ 49,286
Total Expenditures of Federal Awards			\$ 5,407,483
<u>State Grants</u>			
Juvenile Services Program - State Department of Children's Services	N/A	Contract Number <hr style="width: 100px; margin: 0 auto;"/>	\$ 9,000
Rural Juvenile Court Intervention Strategy Grant - State Administrative Office of the Courts	N/A	(2)	7,545
Rural Local Health Services - State Department of Health	N/A	(2)	21,989
Early Childhood Education - State Department of Education	N/A	(2)	316,657
Energy Efficient Schools Initiative - State Department of Education	N/A	(2)	49,960
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	12,500
Art Grant - State Arts Commission	N/A	(2)	1,200
High Schools that Work - State Department of Education	N/A	(2)	5,500
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	771
Litter Program - State Department of Transportation	N/A	(2)	39,143
Total State Grants			\$ 464,265

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$855,704.

Grundy County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2012

*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, 2011, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
11.01	153	The office did not account for transactions of the county-owned sewer system in an enterprise fund
11.02(A,B,D)	153	The office had deficiencies in purchasing procedures
11.05	155	Payments are not being received currently on lease payments in the Industrial/Economic Development Fund
11.06	156	Authorizations were not on file to support gross salary amounts for several employees
11.07	156	Grundy County has a material recurring audit finding

**OFFICE OF HIGHWAY SUPERINTENDENT**

Finding Number	Page Number	Subject
11.08	157	The office did not maintain adequate controls over fuel
11.09	157	The office did not implement adequate controls to protect its information resources

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
11.12(A,C)	159	Deficiencies were noted in the administration of the Little Jackets Daycare

**OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS  
COURTS CLERK**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
11.22	166	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, AND SHERIFF**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
11.23	167	Duties were not segregated adequately

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**GRUNDY COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2012**

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**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 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. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Grundy County.
4. Our audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program 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); the State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act CFDA No. 84.395); and the Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Grundy County did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

### OFFICE OF COUNTY MAYOR

**FINDING 12.01      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.

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**FINDING 12.02      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

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

Our examination of purchasing procedures revealed the following deficiencies. These deficiencies are the result of a lack of management oversight and managements failure to correct the deficiencies noted in the prior-year audit report.

- 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. Competitive bids were not solicited for the purchase of food at the jail (\$84,361). 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. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute.

---

FINDING 12.03      **PAYMENTS ARE NOT BEING RECEIVED CURRENTLY ON A LEASE RECEIVABLE IN THE INDUSTRIAL/ECONOMIC DEVELOPMENT FUND**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Industrial/Economic Development Fund had a delinquent lease-purchase receivable of \$695,000 on June 30, 2012, from financing a lease-purchase agreement on a county industrial building. Generally, the terms of the lease-purchase agreement call for fixed monthly payments to be made by the lessee until the amount of the lease-purchase is paid in full. Ownership of the industrial building transfers to the lessee when the lease-purchase agreement is paid in full. The lessee can purchase the building at any time during the lease period by paying the balance due on the lease-purchase. Benchmark Tool and Die is delinquent on its lease-purchase payments and made no payments during this fiscal year or the prior fiscal year. This deficiency can be attributed to a lack of collection efforts by management and management's failure to correct the finding noted in the prior-year audit report.

### RECOMMENDATION

Management should make every effort to collect delinquent lease payments on this building and hold the lessee to the terms of the agreement.

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**FINDING 12.04      AUTHORIZATIONS WERE NOT ON FILE TO SUPPORT GROSS SALARY AMOUNTS FOR SEVERAL 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 employees' salaries. This deficiency is the result of the lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

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

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**FINDING 12.05      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>
12.01, 11.01, 10.01	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.

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## **OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 12.06**      **THE OFFICE DID NOT MAINTAIN ADEQUATE CONTROLS OVER FUEL**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Highway Department dispenses gasoline from a pump located at its Tracy City facility. The Highway Department did not maintain inventory records documenting the receipt, usage, and storage of fuel. Generally accepted accounting principles require accountability for all consumable assets. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The failure to maintain adequate records of a consumable asset such as fuel weakens controls over assets and increases the risk of inventory loss.

### **RECOMMENDATION**

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

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**FINDING 12.07**      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(A. – Noncompliance Under *Government Auditing Standards*; B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

- A. Competitive bids were not solicited for tile purchased for road repairs totaling \$16,275. Chapter 435, Private Acts of 1939, and the Uniform Road Law, Section 54-7-113, *Tennessee Code Annotated*, provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids. The failure to solicit competitive bids could result in the Highway Department paying more than the most competitive price.
- B. The dollar amounts of purchases were not listed on some purchase orders. The dollar amounts of items on purchase orders are necessary to quantify purchasing commitments.

## RECOMMENDATION

Purchases exceeding \$10,000 should be competitively bid as required by state statutes. Purchase orders should include the dollar amounts of items to be purchased.

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**FINDING 12.08      THE OFFICE HAD DEFICIENCIES RELATED TO EMPLOYEE TRAVEL**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination of employee travel revealed the following deficiencies. These deficiencies are the result of management's failure to implement adequate internal control procedures over employee travel.

- A. Grundy County has adopted formal policies and procedures governing business-related travel for general government employees. However, the Highway Department does not follow the county's policies and procedures or have its own policies and procedures governing employee travel. Without formal travel policies and procedures, employees have no limitations placed on their business-related mileage, lodging, and meal expenses.
- B. Officials did not provide documentation to support credit card charges totaling \$798. Most of these credit card transactions appear to be employee travel related expenses for hotels and restaurants.

## RECOMMENDATION

The Highway Department should adhere to the formal policies and procedures for payment of employee business-related travel expenses adopted by Grundy County or submit its own policies and procedures to the County Commission for its consideration. The office should require documentation for all credit card charges before payment is made to the credit card vendor or travel expenses are reimbursed to employees.

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**FINDING 12.09      DEFICIENCIES EXIST RELATED TO WORK PREFORMED FOR OTHER GOVERNMENTAL ENTITIES**  
(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

The Highway Department performs road repairs for the cities of Coalmont, Gruetli-Laager, and Palmer, Tennessee. We noted the following deficiencies related to this work:

- A. The Highway Department did not have formal written contracts with the cities for the repair work performed. Without formal written contracts, the

Highway Department and the cities have no formal guidance of their responsibilities.

- B. The Highway Department is reimbursed only the costs of the materials used on the city projects. Section 54-7-202(d), *Tennessee Code Annotated*, provides that the County Commission has the authority to authorize the Highway Department to perform work for other governmental entities; provided, that the cost of the projects so authorized is reimbursed to the Highway Department. Without charging the cities for the Highway Department's costs of providing men and equipment, the department is not recovering its actual costs.

#### RECOMMENDATION

The Highway Department should enter into formal written contracts approved by the County Commission with all cities for which work is performed. The Highway Department should recover the actual costs of performing work for other governmental entities.

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#### FINDING 12.10      **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**

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

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

#### RECOMMENDATION

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

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## OFFICE OF DIRECTOR OF SCHOOLS

**FINDING 12.11      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 management's 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. 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, 2012.

### RECOMMENDATION

Officials should segregate duties to the extent possible using available resources, and supervisory personnel should closely monitor and review daycare employees. Bank statements should be reconciled with cash controls monthly.

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**FINDING 12.12      THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM  
BACKUP PROCEDURES**  
(Noncompliance Under *Government Auditing Standards*)

System backups were not regularly stored off-site. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. This weakness was corrected during the fiscal year when brought to the attention of management.

## RECOMMENDATION

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

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## OFFICE OF CLERK AND MASTER

### FINDING 12.13      **USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES**

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

Although each employee had been assigned a unique username and password for accessing the office's accounting software, this information was shared with other employees. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other's username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight.

## RECOMMENDATION

Each employee should access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared among employees.

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## OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK

### FINDING 12.14      **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 and Circuit and General Sessions Courts Clerk. 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. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Management should assign each employee their own cash drawer.

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

**FINDING 12.15      **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, 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.

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**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 Local Government 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, 2012**

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