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# ANNUAL FINANCIAL REPORT GRUNDY COUNTY, TENNESSEE



**FOR THE YEAR ENDED JUNE 30, 2013**



**ANNUAL FINANCIAL REPORT  
GRUNDY COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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Audit Manager***

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Auditor 4***

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

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

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***Audit Highlights***  
Annual Financial Report  
Grundy County, Tennessee  
For the Year Ended June 30, 2013

***Scope***

We have audited the basic financial statements of Grundy County as of and for the year ended June 30, 2013.

***Results***

Our report on Grundy County's financial statements is unmodified.

Our audit resulted in 21 findings and recommendations, which we have reviewed with Grundy County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

***Findings and Best Practices***

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

**OFFICE OF COUNTY MAYOR**

- ◆ The Waste Water Fund required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ Authorizations were not on file to support gross salary amounts for some employees.

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**OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The office did not maintain adequate controls over fuel.
  - ◆ An employee at the Highway Department used department purchased fuel in her personal vehicle.
  - ◆ 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 Highway Department performed work and provided materials for private purposes.
  - ◆ A vehicle assigned to and driven by the highway superintendent was not plainly marked as property of the Highway Department.
  - ◆ The office did not implement adequate controls to protect its information resources.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Material audit adjustments were required for proper financial statement presentation.
  - ◆ The School Federal Projects and Education Capital Projects funds had deficits in unassigned fund balance at June 30, 2013.
  - ◆ The School Federal Projects and Education Capital Projects funds had cash overdrafts at June 30, 2013.
  - ◆ Deficiencies were noted in the administration of the Little Jackets Daycare.
  - ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
  - ◆ The office had deficiencies in budget operations.
  - ◆ The School Department did not comply with management directives from the Office of Tennessee Recovery Act Management.
  - ◆ The School Department had deficiencies in the use of federal grant funds, which resulted in questioned costs.
- 

## **OFFICES OF TRUSTEE 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 PRACTICES**

The Division of Local Government Audit strongly believes that the items noted below are best practices 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.

- ◆ Grundy County should adopt a central system of accounting, budgeting, and purchasing.
- ◆ Grundy County should establish an Audit Committee.

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# INTRODUCTORY SECTION

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# Grundy County Officials

## June 30, 2013

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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 of Deeds  
Brent Myers, Sheriff

### **Board of County Commissioners**

Charles Rollins, Chairman  
Michael Brady  
Kelly Gibbs  
David Griswold  
Wayne Harris  
Dennis Jones  
David Lockhart  
Emily Partin  
Carl Prater

### **Board of Education**

Robert Foster Jr., Chairman  
Willene Campbell  
James Cooper  
Paul Gallagher  
Haskel Meadows  
Gary Melton  
Charles Sanders  
Timothy Spicer  
Michael Yates

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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

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grundy Emergency Communications District, which represent 4.38 percent, 6.52 percent, and 1.68 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grundy Emergency Communications District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of

America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Grundy County, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note V.B., Grundy County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Grundy County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

## ***Other Matters***

### *Required Supplementary Information*

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 schedule of funding progress – pension plan and other postemployment benefit plan on pages 77-79 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grundy County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grundy County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Grundy County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of Grundy County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grundy County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 15, 2014

JPW/yu

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# **BASIC FINANCIAL STATEMENTS**

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Grundy County, Tennessee  
Statement of Net Position  
June 30, 2013

Exhibit A

	Primary Government		Total	Component Units		
	Governmental Activities	Business-type Activities		Grundy County		
				School Department	Emergency Communications District	
\$	600	0	600	0	0	483,199
Cash	7,383,776	75,059	7,458,835	2,460,977	0	0
Equity in Pooled Cash and Investments	1,050	10,254	11,304	8,105	36,509	0
Accounts Receivable	608,388	0	608,388	1,005,356	0	0
Due from Other Governments	68,060	0	68,060	0	0	0
Due from Other Funds	0	0	0	507,569	0	0
Due from Primary Government	1,785,031	0	1,785,031	0	0	0
Due from Component Unit	504,238	0	504,238	0	0	0
Other Loan Proceeds Receivable	4,174,665	0	4,174,665	1,660,072	0	0
Property Taxes Receivable	(167,761)	0	(167,761)	(74,041)	0	0
Allowance for Uncollectible Property Taxes	0	0	0	0	6,368	0
Prepaid Items	0	0	0	0	272	0
Accrued Interest Receivable	0	0	0	0	0	0
Capital Assets:						
Assets Not Depreciated:						
Land	235,273	30,000	265,273	249,084	0	0
Construction in Progress	0	0	0	1,045,900	0	0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	2,298,889	901,357	3,200,246	11,205,372	0	0
Other Capital Assets	501,976	0	501,976	835,940	321,829	0
Intangible Assets	0	0	0	0	18,584	0
Infrastructure	2,465,999	491,268	2,957,267	0	0	0
Total Assets	\$ 19,860,184	\$ 1,507,938	\$ 21,368,122	\$ 18,904,334	\$ 866,761	0

(Continued)



Exhibit B

Grundy County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Primary Government			Component Units	
	Expenses	Changes for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	Grundy County School Department	Grundy County Emergency Communications District
<b>Primary Government:</b>										
Governmental Activities:										
General Government	\$ 728,549	\$ 79,917	\$ 17,705	\$ 0	\$ (630,927)	\$ 0	\$ (630,927)	\$ 0	\$ 0	\$ 0
Finance	477,091	267,287	0	0	(209,804)	0	(209,804)	0	0	0
Administration of Justice	532,389	271,412	9,885	0	(251,092)	0	(251,092)	0	0	0
Public Safety	1,621,776	110,287	14,760	65,605	(1,431,124)	0	(1,431,124)	0	0	0
Public Health and Welfare	881,926	8,549	57,312	0	(816,065)	0	(816,065)	0	0	0
Social, Cultural, and Recreational Services	52,706	0	0	0	(52,706)	0	(52,706)	0	0	0
Agriculture and Natural Resources	96,361	0	14,552	0	(81,809)	0	(81,809)	0	0	0
Other Operations	422,874	0	0	0	(422,874)	0	(422,874)	0	0	0
Highways/Public Works	2,598,555	216,965	1,479,108	679,380	(223,102)	0	(223,102)	0	0	0
Education	951,228	0	0	509,899	(441,329)	0	(441,329)	0	0	0
Interest on Long-term Debt	304,955	0	0	0	(304,955)	0	(304,955)	0	0	0
Other Debt Service	23,583	0	0	0	(23,583)	0	(23,583)	0	0	0
<b>Total Governmental Activities</b>	<b>\$ 8,691,993</b>	<b>\$ 954,417</b>	<b>\$ 1,593,322</b>	<b>\$ 1,254,884</b>	<b>\$ (4,889,370)</b>	<b>\$ 0</b>	<b>\$ (4,889,370)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Business-type Activities:</b>										
Waste Water	\$ 95,807	\$ 54,299	\$ 0	\$ 0	\$ 0	\$ (41,508)	\$ (41,508)	\$ 0	\$ 0	\$ 0
<b>Total Business-type Activities</b>	<b>\$ 95,807</b>	<b>\$ 54,299</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (41,508)</b>	<b>\$ (41,508)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Primary Government</b>	<b>\$ 8,787,800</b>	<b>\$ 1,008,716</b>	<b>\$ 1,593,322</b>	<b>\$ 1,254,884</b>	<b>\$ (4,889,370)</b>	<b>\$ (41,508)</b>	<b>\$ (4,930,878)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Component Units:</b>										
Grundy County School Department	\$ 20,144,138	\$ 416,268	\$ 4,652,070	\$ 1,065,406	\$ 0	\$ 0	\$ 0	\$ (14,010,394)	\$ 0	\$ 0
Grundy County Emergency Communications District	317,307	353,863	0	0	0	0	0	0	0	36,556
<b>Total Component Units</b>	<b>\$ 20,461,445</b>	<b>\$ 770,131</b>	<b>\$ 4,652,070</b>	<b>\$ 1,065,406</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (14,010,394)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 36,556</b>

(Continued)

Exhibit B

Grundy County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position										
	Expenses	Program Revenues				Total	Component Units				
		Changes for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Primary Government Business-type Activities	Grundy County School Department	Grundy County Emergency Communications District	Grundy County School Department	Grundy County Emergency Communications District
General Revenues:											
Taxes:											
Property Taxes Levied for General Purposes				\$ 2,518,329	\$ 0	\$ 2,518,329	\$ 1,513,739	\$ 0	\$ 0	\$ 0	
Property Taxes Levied for Debt Service				27,550	0	27,550	0	0	0	0	
Local Option Sales Taxes				446,308	0	446,308	395,435	0	0	0	
Litigation Tax - General				22,214	0	22,214	0	0	0	0	
Litigation Tax - Special Purpose				40,333	0	40,333	0	0	0	0	
Litigation Tax - Jail, Workhouse, or Courthouse				14,840	0	14,840	0	0	0	0	
Business Tax				18,133	0	18,133	18,133	0	0	0	
Other Local Taxes				539	0	539	1,835	0	0	0	
Grants and Contributions Not Restricted to Specific Programs				243,892	0	243,892	12,862,533	0	0	0	
Unrestricted Investment Earnings				75,415	24	75,439	0	0	2,784	0	
Miscellaneous				15,995	0	15,995	154,392	0	4,005	0	
Total General Revenues				\$ 3,423,548	\$ 24	\$ 3,423,572	\$ 14,946,067	\$ 6,789	\$ 0	\$ 0	
Change in Net Position				\$ (1,465,822)	\$ (41,484)	\$ (1,507,306)	\$ 935,673	\$ 43,345	\$ 793,916	\$ 0	
Net Position, July 1, 2012				8,835,741	0	8,835,741	11,064,066	0	0	0	
Prior-period Adjustment				(1,437,017)	1,437,017	0	0	0	0	0	
Net Position, June 30, 2013				\$ 5,932,902	\$ 1,395,533	\$ 7,328,435	\$ 11,999,739	\$ 837,261	\$ 0	\$ 0	

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

Grundy County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2013

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects	Other Governmental Funds		
<b>ASSETS</b>								
Cash	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	600 \$	600
Equity in Pooled Cash and Investments	742,881	1,531,272	500,174	3,984,016	0	0	625,433	7,383,776
Accounts Receivable	350	0	0	0	0	0	700	1,050
Due from Other Governments	13,156	3,263	514,225	77,744	0	0	0	608,388
Due from Other Funds	69,360	0	0	0	0	0	0	69,360
Other Loan Proceeds Receivable	0	0	0	0	504,238	0	0	504,238
Property Taxes Receivable	3,463,093	423,608	0	287,964	0	0	0	4,174,665
Allowance for Uncollectible Property Taxes	(141,420)	(18,893)	0	(7,448)	0	0	0	(167,761)
<b>Total Assets</b>	<b>\$ 4,147,420 \$</b>	<b>1,939,250 \$</b>	<b>1,014,399 \$</b>	<b>4,342,276 \$</b>	<b>504,238 \$</b>	<b>0 \$</b>	<b>626,733 \$</b>	<b>12,574,316</b>
<b>LIABILITIES</b>								
Accrued Payroll	\$ 3,158 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	3,158
Due to Other Funds	0	0	0	0	0	0	1,300	1,300
Due to Component Units	0	0	0	0	504,238	0	0	504,238
<b>Total Liabilities</b>	<b>\$ 3,158 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>504,238 \$</b>	<b>0 \$</b>	<b>1,300 \$</b>	<b>508,696</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred Current Property Taxes	\$ 3,203,889 \$	387,047 \$	0 \$	279,534 \$	0 \$	0 \$	0 \$	3,870,470
Deferred Delinquent Property Taxes	103,284	15,268	0	582	0	0	0	119,134
Other Deferred/Unavailable Revenue	0	0	244,959	41,244	0	0	0	286,203
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,307,173 \$</b>	<b>402,315 \$</b>	<b>244,959 \$</b>	<b>321,360 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>4,275,807</b>
<b>FUND BALANCES</b>								
Restricted:								
Restricted for General Government	\$ 3,024 \$	0 \$	0 \$	0 \$	0 \$	0 \$	587,036 \$	590,060
Restricted for Finance	1,077	0	0	0	0	0	0	1,077
Restricted for Administration of Justice	260,651	0	0	0	0	0	0	260,651
Restricted for Public Safety	8,239	0	0	0	0	0	38,397	46,636
Restricted for Public Health and Welfare	4,157	1,536,935	0	0	0	0	0	1,541,092
Restricted for Highways/Public Works	0	0	769,440	0	0	0	0	769,440
Restricted for Debt Service	0	0	0	4,020,916	0	0	0	4,020,916
Restricted for Other Purposes	432,052	0	0	0	0	0	0	432,052
Unassigned	127,889	0	0	0	0	0	0	127,889
<b>Total Fund Balances</b>	<b>\$ 837,089 \$</b>	<b>1,536,935 \$</b>	<b>769,440 \$</b>	<b>4,020,916 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>625,433 \$</b>	<b>7,789,813</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,147,420 \$</b>	<b>1,939,250 \$</b>	<b>1,014,399 \$</b>	<b>4,342,276 \$</b>	<b>504,238 \$</b>	<b>0 \$</b>	<b>626,733 \$</b>	<b>12,574,316</b>

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

Exhibit C-2

Grundy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 7,789,813
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 235,273	
Add: buildings and improvements net of accumulated depreciation	2,298,889	
Add: infrastructure net of accumulated depreciation	2,465,999	
Add: other capital assets net of accumulated depreciation	<u>501,976</u>	5,502,137
(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	\$ (6,161,864)	
Less: notes payable	(333,202)	
Less: other loans payable	(2,508,778)	
Add: due from component unit for debt retirement	1,785,031	
Less: compensated absences payable	(25,040)	
Less: other postemployment benefits liability	(82,251)	
Less: landfill closure/postclosure care costs	(389,673)	
Less: accrued interest on bonds and notes	<u>(48,608)</u>	(7,764,385)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>405,337</u>
Net position of governmental activities (Exhibit A)		<u>\$ 5,932,902</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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects	Other Governmental Funds	
<b>Revenues</b>							
Local Taxes	\$ 2,666,633	\$ 413,393	\$ 0	\$ 491,239	\$ 0	\$ 40,333	\$ 3,611,598
Licenses and Permits	25,611	0	0	0	0	0	25,611
Fines, Forfeitures, and Penalties	42,573	0	0	0	0	14,082	56,655
Charges for Current Services	27,367	13	142,403	0	0	15,922	185,706
Other Local Revenues	43,719	8,549	38,328	68,147	0	20,882	179,625
Fees Received from County Officials	527,397	0	0	0	0	0	527,397
State of Tennessee	329,291	38,095	2,107,666	0	0	0	2,475,052
Federal Government	392,174	0	48,684	0	0	0	440,858
Other Governments and Citizens Groups	19,682	0	0	734,754	0	0	754,436
<b>Total Revenues</b>	\$ 4,074,447	\$ 460,050	\$ 2,337,081	\$ 1,294,141	\$ 0	\$ 91,219	\$ 8,256,938
<b>Expenditures</b>							
Current:							
General Government	\$ 601,441	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,101	\$ 618,542
Finance	404,191	0	0	0	0	0	404,191
Administration of Justice	462,112	0	0	0	0	15,922	478,034
Public Safety	1,564,537	0	0	0	0	4,544	1,569,081
Public Health and Welfare	210,489	620,823	0	0	0	0	831,312
Social, Cultural, and Recreational Services	52,706	0	0	0	0	0	52,706
Agriculture and Natural Resources	100,980	0	0	0	0	0	100,980
Other Operations	684,735	8,277	0	0	0	462	693,474
Highways	0	0	2,308,292	0	0	0	2,308,292
Debt Service:							
Principal on Debt	46,049	0	0	1,022,320	0	38,484	1,106,853
Interest on Debt	919	0	0	300,042	0	4,094	305,055
Other Debt Service	0	0	0	7,443	16,140	0	23,583
Capital Projects - Donated	0	0	0	0	1,065,406	0	1,065,406
<b>Total Expenditures</b>	\$ 4,128,159	\$ 629,100	\$ 2,308,292	\$ 1,329,805	\$ 1,081,546	\$ 80,607	\$ 9,557,509
Excess (Deficiency) of Revenues Over Expenditures	\$ (53,712)	\$ (169,050)	\$ 28,789	\$ (35,664)	\$ (1,081,546)	\$ 10,612	\$ (1,300,571)
<b>Other Financing Sources (Uses)</b>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 140,109	\$ 0	\$ 140,109
Other Loans Issued	0	0	0	0	941,437	0	941,437
Proceeds from Sale of Capital Assets	700	0	0	0	0	0	700
<b>Total Other Financing Sources (Uses)</b>	\$ 700	\$ 0	\$ 0	\$ 0	\$ 1,081,546	\$ 0	\$ 1,082,246
<b>Net Change in Fund Balances</b>	\$ (53,012)	\$ (169,050)	\$ 28,789	\$ (35,664)	\$ 0	\$ 10,612	\$ (218,325)
<b>Fund Balance, July 1, 2012</b>	890,101	1,705,985	740,651	4,056,580	0	614,821	8,008,138
<b>Fund Balance, June 30, 2013</b>	\$ 837,089	\$ 1,536,935	\$ 769,440	\$ 4,020,916	\$ 0	\$ 625,433	\$ 7,789,813

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, 2013

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)		\$ (218,325)
(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	\$ 99,051	
Less: current-year depreciation expense	(531,659)	
Add: capital assets depreciation related to the Waste Water Fund	<u>68,845</u>	(363,763)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: loss on disposal of capital assets		(2,597)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: prior-period adjustment to accounts receivable	\$ 7,268	
Add: deferred delinquent property taxes and other deferred June 30, 2013	405,337	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(1,218,517)</u>	(805,912)
(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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (140,109)	
Add: contributions from primary government to School Department for notes	140,109	
Less: other loan proceeds	(941,437)	
Add: principal payments on bonds	797,465	
Add: principal payments on notes	138,924	
Less: contributions from School Department for notes	(92,875)	
Add: principal payments on other loans	170,464	
Less: contributions from School Department for other loans	<u>(131,980)</u>	(59,439)
(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	\$ 100	
Change in compensated absences payable	(8,776)	
Change in other postemployment benefits liability	(10,914)	
Change in landfill closure/postclosure care costs	<u>3,804</u>	(15,786)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (1,465,822)</u></u>

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

Exhibit C-5

Grundy County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,666,633	\$ 2,595,375	\$ 2,595,375	\$ 71,258
Licenses and Permits	25,611	25,900	25,900	(289)
Fines, Forfeitures, and Penalties	42,573	45,450	45,450	(2,877)
Charges for Current Services	27,367	19,100	19,100	8,267
Other Local Revenues	43,719	21,000	48,198	(4,479)
Fees Received from County Officials	527,397	463,000	466,185	61,212
State of Tennessee	329,291	247,200	247,200	82,091
Federal Government	392,174	534,680	575,680	(183,506)
Other Governments and Citizens Groups	19,682	0	5,130	14,552
Total Revenues	\$ 4,074,447	\$ 3,951,705	\$ 4,028,218	\$ 46,229
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 23,587	\$ 27,401	\$ 27,401	\$ 3,814
Board of Equalization	2,000	2,000	2,000	0
Beer Board	0	200	200	200
Other Boards and Committees	0	1,000	0	0
County Mayor/Executive	140,656	146,087	142,637	1,981
County Attorney	8,225	11,200	11,200	2,975
Election Commission	176,880	180,836	182,036	5,156
Register of Deeds	95,632	98,454	98,454	2,822
County Buildings	154,461	156,266	173,861	19,400
<u>Finance</u>				
Property Assessor's Office	151,186	160,714	155,850	4,664
County Trustee's Office	104,211	107,136	108,336	4,125
County Clerk's Office	148,794	147,132	150,317	1,523
<u>Administration of Justice</u>				
Circuit Court	196,121	211,897	203,397	7,276
General Sessions Judge	128,716	126,218	129,033	317
Chancery Court	105,545	101,047	106,967	1,422
Juvenile Court	31,730	30,744	33,360	1,630
<u>Public Safety</u>				
Sheriff's Department	739,162	819,148	741,381	2,219
Administration of the Sexual Offender Registry	100	500	500	400
Jail	726,520	629,855	729,005	2,485
Juvenile Services	5,385	9,000	8,200	2,815
Fire Prevention and Control	10,780	14,000	14,000	3,220
Rescue Squad	3,000	3,000	3,000	0
Other Emergency Management	17,570	18,850	19,900	2,330
County Coroner/Medical Examiner	3,000	2,100	3,300	300
Other Public Safety	59,020	66,665	61,565	2,545
<u>Public Health and Welfare</u>				
Local Health Center	44,234	48,509	48,734	4,500
Ambulance/Emergency Medical Services	125,000	125,000	125,000	0
Alcohol and Drug Programs	16,214	0	16,214	0
Crippled Children Services	830	830	830	0
Other Local Health Services	19,211	34,800	34,800	15,589

(Continued)

Exhibit C-5

Grundy County, Tennessee  
Statement 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 (Cont.)</u>				
Regional Mental Health Center	\$ 5,000	\$ 5,000	\$ 5,000	\$ 0
Other Waste Disposal	0	0	62,712	62,712
<u>Social, Cultural, and Recreational Services</u>				
Libraries	47,576	43,768	47,894	318
Other Social, Cultural, and Recreational	5,130	0	5,130	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	58,878	72,252	60,257	1,379
Soil Conservation	42,102	43,388	43,388	1,286
<u>Other Operations</u>				
Tourism	2,176	2,500	3,374	1,198
Other Economic and Community Development	319,009	500,500	535,000	215,991
Veterans' Services	14,750	14,782	14,782	32
Other Charges	162,537	123,919	162,623	86
Contributions to Other Agencies	16,394	25,850	25,850	9,456
Employee Benefits	147,723	172,528	158,811	11,088
Miscellaneous	22,146	25,000	25,000	2,854
<u>Principal on Debt</u>				
General Government	46,049	63,426	46,050	1
<u>Interest on Debt</u>				
General Government	919	1,603	919	0
Total Expenditures	\$ 4,128,159	\$ 4,375,105	\$ 4,528,268	\$ 400,109
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (53,712)	\$ (423,400)	\$ (500,050)	\$ 446,338
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 700	\$ 0	\$ 0	\$ 700
Total Other Financing Sources	\$ 700	\$ 0	\$ 0	\$ 700
Net Change in Fund Balance	\$ (53,012)	\$ (423,400)	\$ (500,050)	\$ 447,038
Fund Balance, July 1, 2012	890,101	817,475	817,475	72,626
Fund Balance, June 30, 2013	\$ 837,089	\$ 394,075	\$ 317,425	\$ 519,664

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

Exhibit C-6

Grundy County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 413,393	\$ 390,932	\$ 390,932	\$ 22,461
Charges for Current Services	13	0	0	13
Other Local Revenues	8,549	0	0	8,549
State of Tennessee	38,095	39,200	39,200	(1,105)
Total Revenues	<u>\$ 460,050</u>	<u>\$ 430,132</u>	<u>\$ 430,132</u>	<u>\$ 29,918</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 38,096	\$ 39,200	\$ 39,200	\$ 1,104
Convenience Centers	571,657	772,254	773,254	201,597
Landfill Operation and Maintenance	11,070	17,000	15,000	3,930
<u>Other Operations</u>				
Other Charges	8,277	12,500	13,500	5,223
Total Expenditures	<u>\$ 629,100</u>	<u>\$ 840,954</u>	<u>\$ 840,954</u>	<u>\$ 211,854</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (169,050)</u>	<u>\$ (410,822)</u>	<u>\$ (410,822)</u>	<u>\$ 241,772</u>
Net Change in Fund Balance	\$ (169,050)	\$ (410,822)	\$ (410,822)	\$ 241,772
Fund Balance, July 1, 2012	<u>1,705,985</u>	<u>1,691,903</u>	<u>1,691,903</u>	<u>14,082</u>
Fund Balance, June 30, 2013	<u>\$ 1,536,935</u>	<u>\$ 1,281,081</u>	<u>\$ 1,281,081</u>	<u>\$ 255,854</u>

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

Exhibit C-7

Grundy County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 142,403	\$ 55,000	\$ 55,000	\$ 87,403
Other Local Revenues	38,328	43,800	43,800	(5,472)
State of Tennessee	2,107,666	2,139,273	2,139,273	(31,607)
Federal Government	48,684	0	48,684	0
Total Revenues	<u>\$ 2,337,081</u>	<u>\$ 2,238,073</u>	<u>\$ 2,286,757</u>	<u>\$ 50,324</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 117,733	\$ 137,941	\$ 137,941	\$ 20,208
Highway and Bridge Maintenance	876,657	1,158,190	1,158,190	281,533
Operation and Maintenance of Equipment	277,441	345,450	345,450	68,009
Other Charges	111,506	116,000	116,000	4,494
Employee Benefits	229,480	299,500	299,500	70,020
Capital Outlay	695,475	697,200	745,884	50,409
Total Expenditures	<u>\$ 2,308,292</u>	<u>\$ 2,754,281</u>	<u>\$ 2,802,965</u>	<u>\$ 494,673</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 28,789</u>	<u>\$ (516,208)</u>	<u>\$ (516,208)</u>	<u>\$ 544,997</u>
Net Change in Fund Balance	\$ 28,789	\$ (516,208)	\$ (516,208)	\$ 544,997
Fund Balance, July 1, 2012	<u>740,651</u>	<u>543,071</u>	<u>543,071</u>	<u>197,580</u>
Fund Balance, June 30, 2013	<u>\$ 769,440</u>	<u>\$ 26,863</u>	<u>\$ 26,863</u>	<u>\$ 742,577</u>

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

Exhibit D-1

Grundy County, Tennessee  
Statement of Net Position  
Proprietary Fund  
June 30, 2013

	Business-type Activities - Major Enterprise Fund
	Waste Water Fund
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 75,059
Accounts Receivable	10,254
Total Current Assets	<u>\$ 85,313</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 30,000
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	901,357
Infrastructure	491,268
Total Noncurrent Assets	<u>\$ 1,422,625</u>
Total Assets	<u>\$ 1,507,938</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Due to Other Funds	\$ 68,060
Current Portion of Long-term Liabilities	17,592
Total Current Liabilities	<u>\$ 85,652</u>
Noncurrent Liabilities:	
Due in More Than One Year	\$ 26,753
Total Noncurrent Liabilities	<u>\$ 26,753</u>
Total Liabilities	<u>\$ 112,405</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,378,280
Unrestricted	17,253
Total Net Position	<u>\$ 1,395,533</u>

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

Exhibit D-2

Grundy County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2013

	Business-type Activities - Major Enterprise Fund
	Waste Water Fund
<u>Operating Revenues</u>	
User Fees/Vending	\$ 54,299
Total Operating Revenues	<u>\$ 54,299</u>
<u>Operating Expenses</u>	
Part-time Personnel	\$ 5,074
Social Security	315
Employer Medicare	74
Communication	1,301
Postal Charges	315
Other Contracted Services	5,829
Electricity	10,962
Water and Sewer	261
Testing	491
Other Supplies and Materials	1,143
Depreciation	68,845
Other Charges	513
Total Operating Expenses	<u>\$ 95,123</u>
Operating Loss	<u>\$ (40,824)</u>
Nonoperating Revenue/(Expenses)	
Interest Income	\$ 24
Interest on Other Loans Payable	(684)
Total Non-Operating Revenue/(Expenses)	<u>(660)</u>
Change in Net Position	\$ (41,484)
Net Position, July 1, 2012	0
Prior-period Adjustment	<u>1,437,017</u>
Net Position, June 30, 2013	<u><u>\$ 1,395,533</u></u>

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

Exhibit D-3

Grundy County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2013

	Business-type Activities - Major Enterprise Fund <hr/> Waste Water Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 51,313
Payments to Vendors	(20,302)
Payments to Employees	(5,463)
Other Payments	(513)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 25,035</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal Paid on Other Loan	\$ (17,376)
Interest Paid on Other Loan	(684)
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>\$ (18,060)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Contributions from General Fund	\$ 68,060
Net Cash Provided by (Used In) Noncapital Financing Activities	<u>\$ 68,060</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 24
Net Cash Provided by (Used In) Investing Activities	<u>\$ 24</u>
Net Increase (Decrease) in Cash	\$ 75,059
Cash, July 1, 2012	<u>0</u>
Cash, June 30, 2013	<u><u>\$ 75,059</u></u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (40,824)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	68,845
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	<u>(2,986)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 25,035</u></u>

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

Exhibit E

Grundy County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,638,168
Due from Other Governments	<u>98,754</u>
Total Assets	<u>\$ 1,736,922</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 98,754
Due to Litigants, Heirs, and Others	<u>1,638,168</u>
Total Liabilities	<u>\$ 1,736,922</u>

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

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**GRUNDY COUNTY, TENNESSEE**  
**Index of Notes to Financial Statements**

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**GRUNDY COUNTY, TENNESSEE**  
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**GRUNDY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Grundy County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Grundy County:

**A. Reporting Entity**

Grundy County is a public municipal corporation governed by an elected nine-member board. As required by GAAP, these financial statements present Grundy County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Grundy County School Department operates the public school system in the county, and the voters of Grundy County elect its board. The School Department is fiscally dependent on the county because it may not issue debt 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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Grundy County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Grundy County issues all debt for the discretely presented Grundy County School Department. Net debt issues totaling \$1,065,406 were contributed by the county to the School Department during the year ended June 30, 2013.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund 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

proprietary fund and 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, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Grundy County only reports one enterprise fund.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds. Major individual governmental funds and the enterprise fund 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.

Proprietary and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

**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.

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

Grundy County reports the following major enterprise fund:

**Waste Water Fund** – The Waste Water Fund accounts for a waste water system, which treats waste water for various industries and businesses in the county.

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.

**Education Capital Projects Fund** – This fund is used to account for building construction and renovation of the School Department.

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.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one enterprise fund used to account for waste water treatment. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Deposits and Investments**

For purposes of the Statement of Cash Flows, cash includes cash on deposit with the county trustee.

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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 2.42 percent of total taxes levied.

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 inflow of resources 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 as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for

uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

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

### **3. Capital Assets**

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

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

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

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

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

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

**4. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenue, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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 Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for General Purposes for the primary government consists of various restrictions totaling \$709,200, with the primary restrictions being for: (1) capital projects (\$432,052); (2) computer systems for various offices (\$6,103); (3) courthouse and jail maintenance (\$252,774); (4) drug court (\$7,877); and (5) Alcohol and Drug Treatment (\$4,157). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$46,616 primarily consists of restrictions for insurance recovery (\$15,310), the career ladder programs (\$18,813), and the Little Jackets Daycare (\$5,496).

As of June 30, 2013, Grundy County had \$6,901,437 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 position 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 by resolution 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.

**8. Prior-period Adjustment**

A prior-period adjustment totaling \$1,437,017 was posted to the records of the Waste Water Fund. Capital assets, debt, and accounts receivable were restated \$1,491,470, (\$61,721), and \$7,268, respectively, from the prior year due to the establishment of the Waste Water Fund.

**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 Position**

**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 Position.

**Discretely Presented Grundy County School Department**

Exhibit J-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 Position.

**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 position of governmental activities reported in the government-wide Statement of Activities.

**Discretely Presented Grundy County School Department**

Exhibit J-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 position of governmental activities reported in the government-wide Statement of Activities.

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which was not budgeted, and the capital project funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

At June 30, 2013, the Grundy County School Department reported the following significant encumbrances:

Funds	Description	Amount
Major Funds:		
General Purpose School	Software	\$ 9,090
"	Heating and air	8,895
"	Gasoline and diesel	16,744
"	Security upgrades	20,570
"	Activity funds audit	15,000
Education Capital Projects	Additions and	
	improvements	1,302,749
"	Architects	167,726

**B. Fund Deficits**

The discretely presented School Federal Projects Fund had a negative unassigned fund balance of \$11,000 at June 30, 2013. This negative unassigned fund balance resulted from expenditures exceeding restricted and committed balances. The School Federal Projects Fund had a \$200,000

committed fund balance, which was committed to the General Purpose School Fund. The negative unassigned fund balance was liquidated when revenues were recognized after June 30, 2013.

The discretely presented Education Capital Projects Fund had a negative unassigned fund balance of \$47,206 at June 30, 2013. This negative unassigned fund balance resulted from expenditures exceeding restricted and committed balances. The negative unassigned fund balance was liquidated when revenues were recognized after June 30, 2013.

**C. Cash Overdrafts**

The discretely presented School Federal Projects and Education Capital Projects funds had cash overdrafts of \$357,088 and \$447,518, respectively, at June 30, 2013. These cash overdrafts resulted from the issuance of warrants exceeding cash on deposit with the county trustee. These cash overdrafts were liquidated subsequent to June 30, 2013.

**D. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Support Services – Attendance (\$1,593), Support Services – Special Education (\$3,850), and Support Services – Board of Education (\$861) major appropriations categories (the legal level of control) of the discretely presented General Purpose School Fund. Expenditures that exceed appropriations are a violation of state statute. These expenditures in excess of appropriations were funded by appropriations exceeding expenditures in other major categories.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Grundy County and the Grundy County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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. The county had no pooled and nonpooled investments as of June 30, 2013.

### **B. Lease-purchase Receivables**

The Industrial/Economic Development Fund had lease-purchase receivables of \$763,750 on July 22, 2012, from financing lease-purchase agreements on two county industrial buildings. On July 23, 2012, the County Commission agreed to assign the Tag Plastics lease-purchase (\$68,750) to the Grundy County Industrial Development Board. The remaining \$695,000 lease purchase was converted to a lease only and not a lease-purchase because Benchmark Tool and Die has been delinquent on their lease-purchase agreement payments. Thus the county will retain ownership of the property if

the company ever leaves the building. According to the new agreement between the county and Benchmark Tool and Die, the county will receive rent payments of \$500 each month for the period July 1, 2012, through December 1, 2013, and rent payments of \$2,000 each month for the period January 1, 2014, through December 1, 2019. The lease-purchase balance of \$763,750 was written off the financial statements of the Industrial/Economic Development Fund.

**C. Other Loan Proceeds Receivable**

Grundy County's Education Capital Projects Fund had other loan proceeds receivable of \$504,238 on June 30, 2013, from financing projects for the Grundy County School Department. The drawdown was requested on June 28, 2013, and was received on July 5, 2013. This amount is also shown as a Due to Component Unit in Grundy County's Education Capital Projects Fund.

**D. Capital Assets**

Capital assets activity for the year ended June 30, 2013, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases*	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 265,273	\$ 0	\$ (30,000)	\$ 235,273
Total Capital Assets Not Depreciated	<u>\$ 265,273</u>	<u>\$ 0</u>	<u>\$ (30,000)</u>	<u>\$ 235,273</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,308,024	\$ 10,331	\$ (1,654,496)	\$ 3,663,859
Infrastructure	8,343,764	0	(777,646)	7,566,118
Other Capital Assets	2,471,264	88,720	(51,950)	2,508,034
Total Capital Assets Depreciated	<u>\$ 16,123,052</u>	<u>\$ 99,051</u>	<u>\$ (2,484,092)</u>	<u>\$ 13,738,011</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,992,812	\$ 125,297	\$ (753,139)	\$ 1,364,970
Infrastructure	5,121,686	264,812	(286,379)	5,100,119
Other Capital Assets	1,913,860	141,550	(49,352)	2,006,058
Total Accumulated Depreciation	<u>\$ 9,028,358</u>	<u>\$ 531,659</u>	<u>\$ (1,088,870)</u>	<u>\$ 8,471,147</u>

**Governmental Activities (Cont.):**

	Balance 7-1-12	Increases	Decreases*	Balance 6-30-13
Total Capital Assets				
Depreciated, Net	\$ 7,094,694	\$ (432,608)	\$ (1,395,222)	\$ 5,266,864
Governmental Activities				
Capital Assets, Net	\$ 7,359,967	\$ (432,608)	\$ (1,425,222)	\$ 5,502,137

\*Amounts for decreases in Capital Assets Depreciated and Accumulated Depreciation include \$2,462,143 and \$970,673, respectively, as prior-period adjustments for capital assets and the related accumulation depreciation transferred to the Waste Water Fund (enterprise fund).

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

**Governmental Activities:**

General Government	\$ 48,368
Public Safety	56,481
Public Health and Welfare	94,745
Agriculture and Natural Resources	41
Other Operations	2,849
Highways/Public Works	<u>329,175</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 531,659</u>

**Waste Water Fund (enterprise fund)****Business-type Activities:**

	Balance 7-1-12	Increases*	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 0	\$ 30,000	\$ 0	\$ 30,000
Total Capital Assets Not Depreciated	\$ 0	\$ 30,000	\$ 0	\$ 30,000
Capital Assets Depreciated:				
Buildings and Improvements	\$ 0	\$ 1,654,496	\$ 0	\$ 1,654,496
Infrastructure	0	777,647	0	777,647
Total Capital Assets Depreciated	\$ 0	\$ 2,432,143	\$ 0	\$ 2,432,143

**Business-type Activities (Cont.):**

	Balance 7-1-12	Increases*	Decreases	Balance 6-30-13
Less Accumulated Depreciation For: Buildings and Improvements	\$ 0	\$ 753,139	\$ 0	\$ 753,139
Infrastructure	0	286,379	0	286,379
<b>Total Accumulated Depreciation</b>	<b>\$ 0</b>	<b>\$ 1,039,518</b>	<b>\$ 0</b>	<b>\$ 1,039,518</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 0</b>	<b>\$ 1,392,625</b>	<b>\$ 0</b>	<b>\$ 1,392,625</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 0</b>	<b>\$ 1,422,625</b>	<b>\$ 0</b>	<b>\$ 1,422,625</b>

\*Amounts for increases in Capital Assets Depreciated and Accumulated Depreciation include \$2,462,143 and \$970,673, respectively, as prior-period adjustments for capital assets and the related accumulation depreciation transferred to the Waste Water Fund (enterprise fund).

Depreciation expense was charged to functions of the enterprise fund as follows:

**Business-type Activities:**

Public Health and Welfare	<u>\$ 68,845</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 68,845</u></u>

**Discretely Presented Grundy County School Department**

**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 249,084	\$ 0	\$ 0	\$ 249,084
Construction in Progress	0	1,045,900	0	1,045,900
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 249,084</b>	<b>\$ 1,045,900</b>	<b>\$ 0</b>	<b>\$ 1,294,984</b>

**Governmental Activities (Cont.):**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Buildings and Improvements	\$ 20,982,391	\$ 96,003	\$ 0	\$ 21,078,394
Other Capital Assets	2,533,850	154,004	(89,216)	2,598,638
Total Capital Assets Depreciated	<u>\$ 23,516,241</u>	<u>\$ 250,007</u>	<u>\$ (89,216)</u>	<u>\$ 23,677,032</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,324,495	\$ 548,527	\$ 0	\$ 9,873,022
Other Capital Assets	1,700,935	146,518	(84,755)	1,762,698
Total Accumulated Depreciation	<u>\$ 11,025,430</u>	<u>\$ 695,045</u>	<u>\$ (84,755)</u>	<u>\$ 11,635,720</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,490,811</u>	<u>\$ (445,038)</u>	<u>\$ (4,461)</u>	<u>\$ 12,041,312</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,739,895</u>	<u>\$ 600,862</u>	<u>\$ (4,461)</u>	<u>\$ 13,336,296</u>

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

**Governmental Activities:**

Instruction	\$ 364,730
Support Services	310,391
Operation of Non-Instructional Services	<u>19,924</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 695,045</u>

**E. Insurance Recoveries****Discretely Presented Grundy County School Department**

During the year, the School Department had lighting damage to the speaker and fire alarm systems at one of its schools. Insurance recovery of \$15,310 was received; however, none of the proceeds were used to repair or replace the speaker and fire alarm systems prior to June 30, 2013.

**F. Construction Commitments**

**Discretely Presented Grundy County School Department**

At June 30, 2013, the School Department had uncompleted construction contracts of approximately \$1,470,475 for various additions and renovation projects at various schools. Funding for these future expenditures is expected to be received from drawdowns of other loan proceeds.

**G. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2013, was as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 1,300
"	Waste Water	68,060
Component Unit:		
School Department:		
General Purpose School	School Federal Projects	11,000
"	Education Capital Projects	58,211

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.

**Due to/from Primary Government and Component Units:**

Receivable Fund	Payable Fund	Amount
Component Unit:		
School Department:		
Education Capital Projects	Primary Government: Education Capital Projects	\$ 504,238
General Purpose School	General	3,331

The receivable in the School Department's General Purpose Fund totaling \$3,331 was in transit from the county's General Fund at June 30, 2013.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2013, consisted of the following amount:

**Discretely Presented Grundy County School Department**

Transfer Out	Transfer In
	General Purpose School Fund
School Federal Projects Fund	\$ 11,000

**H. Long-term Obligations**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

Grundy County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. 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 five years for notes, and up to 13 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 and capital outlay notes included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund. Other loans included in long-term debt as of June 30, 2013, will be retired from the Industrial/Economic Development and General Debt Service funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	3.4 to 4.75%	9-30-14	\$ 2,311,000	\$ 201,864
General Obligation Bond - School Refunding	4.15	5-1-21	9,405,000	5,960,000
Capital Outlay Notes	2.69 to 3.69	8-20-17	605,808	333,202
Other Loans	Various to 3	9-11-22	2,952,985	2,508,778

On December 7, 2012, Grundy County entered into loan agreements with the City of Clarksville, Tennessee, Public Building Authority. This loan agreement provided for the authority to make \$2,690,000 available for loan to Grundy County on an as-needed basis for various school renovation and construction projects. Grundy County had borrowed \$941,437 of this loan as of June 30, 2013. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees in connection with this loan. At June 30, 2013, the variable interest rate was 1.05 percent, and other fees totaled approximately .127 percent of the outstanding loan principal plus \$125 a month.

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 \$115,512, along with interest of \$5,123, will be repaid over the next three 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, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 837,820	\$ 255,818	\$ 1,093,638
2015	679,044	221,002	900,046
2016	700,000	192,768	892,768
2017	725,000	163,718	888,718
2018	755,000	133,630	888,630
2019-21	2,465,000	207,292	2,672,292
Total	<u>\$ 6,161,864</u>	<u>\$ 1,174,228</u>	<u>\$ 7,336,092</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 123,350	\$ 9,577	\$ 132,927
2015	91,659	6,296	97,955
2016	60,242	3,376	63,618
2017	28,589	1,563	30,152
2018	29,362	790	30,152
Total	\$ 333,202	\$ 21,602	\$ 354,804

Year Ending June 30	Other Loans			Total
	Principal	Interest	Fees	
2014	\$ 442,030	\$ 12,808	\$ 3,196	\$ 458,034
2015	449,237	9,040	2,886	461,163
2016	448,373	5,181	2,568	456,122
2017	350,813	2,021	2,244	355,078
2018	158,376	0	0	158,376
2019-23	659,949	0	0	659,949
Total	\$ 2,508,778	\$ 29,050	\$ 10,894	\$ 2,548,722

There is \$4,020,916 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$660, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-13</u>
<u>Notes Payable</u>	
<u>Contributed through General Purpose School Fund</u>	
School Bus	\$ 33,727
School Bus	65,241
School Bus	94,125
School Bus	140,109
<u>Other Loans</u>	
<u>Contributed through General Purpose School Fund</u>	
Energy Efficiency Improvements	<u>1,451,829</u>
Total	<u>\$ 1,785,031</u>

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>	<u>Other Loans</u>
Balance July 1, 2012	\$ 6,959,329	\$ 46,049	\$ 215,717
Reclassification of School Debt	0	285,968	1,583,809
Additions	0	140,109	941,437
Reductions	(797,465)	(138,924)	(170,464)
Transfer to Waste Water Fund	0	0	(61,721)
Balance June 30, 2013	<u>\$ 6,161,864</u>	<u>\$ 333,202</u>	<u>\$ 2,508,778</u>
Balance Due Within One Year	<u>\$ 837,820</u>	<u>\$ 123,350</u>	<u>\$ 442,030</u>

	Other Postemployment Benefits	Landfill Postclosure Care Costs	Compensated Absences
Balance July 1, 2012	\$ 71,337	\$ 393,477	\$ 16,264
Additions	12,824	7,266	19,610
Reductions	(1,910)	(11,070)	(10,834)
Balance June 30, 2013	<u>\$ 82,251</u>	<u>\$ 389,673</u>	<u>\$ 25,040</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 11,070</u>	<u>\$ 25,040</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 9,500,808
Less: Due Within One Year	<u>(1,439,310)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 8,061,498</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.

**Grundy County Waste Water Fund (enterprise fund)**

Other Loans

Other loans outstanding were issued for original terms of up to ten years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All other loans included in long-term debt as of June 30, 2013, will be retired from the Waste Water Fund.

Other loans outstanding as of June 30, 2013, for business-type activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-13</u>
Other Loans	1.26%	12-30-15	\$ 318,980	\$ 44,345

The annual requirements to amortize all other loans outstanding as of June 30, 2013, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 17,592	\$ 468	\$ 18,060
2015	17,820	240	18,060
2016	8,933	36	8,969
Total	\$ 44,345	\$ 744	\$ 45,089

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Business-type Activities:

	Other Loan
Balance July 1, 2012	\$ 0
Reductions	(17,376)
Transfer from General Fund	61,721
Balance June 30, 2013	<u>\$ 44,345</u>
Balance Due Within One Year	<u>\$ 17,592</u>

**Discretely Presented Grundy County School Department**

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Grundy County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Notes	Other Loans
Balance July 1, 2012	\$ 285,968	\$ 1,583,809
Additions	0	0
Reductions	0	0
Reclassification of School Debt	(285,968)	(1,583,809)
Balance June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

	Other	
	Postemployment Benefits	Compensated Absences
Balance July 1, 2012	\$ 369,937	\$ 2,260,260
Additions	245,090	1,028,425
Reductions	(92,002)	(1,059,854)
Balance June 30, 2013	\$ 523,025	\$ 2,228,831
Balance Due Within One Year	\$ 0	\$ 445,766

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 2,751,856
Less: Due Within One Year	<u>(445,766)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,306,090</u>

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

**I. On-Behalf Payments**

**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, 2013, were \$44,274 and \$20,862, 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. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Grundy County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets

and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

**C. Subsequent Events**

Subsequent to June 30, 2013, Grundy County has drawn an additional \$1,989,288 in other loan proceeds for various school renovation and construction projects, which included the receivable amount of \$504,238, which was previously discussed in Note IV.C.

On September 30, 2013, the county's General Debt Service Fund issued a \$180,000 tax anticipation note to the General Fund for temporary operating funds.

**D. 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.

**E. Landfill Postclosure Care Costs**

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

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Although the Grundy County landfill closed in 2001, the county has contracted with a private company for its waste disposal. The Solid Waste/Sanitation Fund (special revenue fund) reports postclosure care costs as expenditures in each period in which they are incurred. The \$389,673 reported as landfill postclosure care cost liability at June 30, 2013, 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.

**F. Joint Venture**

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district includes 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, 2013, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

**G. Retirement Commitments**

**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, 2013, was 10.49 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, 2013, Grundy County's annual pension cost of \$377,390 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 postretirement 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, 2011, was two 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
6-30-13	\$377,390	100%	\$0
6-30-12	385,569	100	0
6-30-11	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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [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, 2013, was 8.88 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, 2013, 2012, and 2011, were \$792,317, \$855,575, and \$839,104, 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.

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

### **Plan Description**

Grundy County and the School Department participate in the state-administered Local Education Group Insurance Plan and Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees and Section 8-27-207, *TCA*, for local governments. Prior to reaching the age of 65, all members have the option of choosing 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 \$696 to \$1,421 per month toward their insurance. Grundy County and the School Department recognized expenditures of \$1,910 and \$92,002, respectively, for postemployment health care during the year ended June 30, 2013.

### Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
	_____	_____
ARC	\$ 246,000	\$ 13,000
Interest on the NOPEBO	14,797	2,853
Adjustment to the ARC	(15,707)	(3,029)
Annual OPEB cost	\$ 245,090	\$ 12,824
Amount of contribution	(92,002)	(1,910)
Increase/decrease in NOPEBO	\$ 153,088	\$ 10,914
Net OPEB obligation, 7-1-12	369,937	71,337
	_____	_____
Net OPEB obligation, 6-30-13	\$ 523,025	\$ 82,251
	=====	=====

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Adjusted Obligation at Year End
6-30-11	Local Education Group	\$ 154,469	68.37 %	\$ 245,875
6-30-12	"	216,395	42.67	369,937
6-30-13	"	245,090	37.54	523,025
6-30-11	Local Government Group	32,066	15.44	54,988
6-30-12	"	17,865	8.49	71,337
6-30-13	"	12,824	14.89	82,251

#### 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 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 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 July 1, 2007.

**I. Purchasing Laws**

Office of County Mayor

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

Office of Highway Superintendent

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

Office of Director of Schools

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

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

**A. Summary of Significant Accounting Policies**

Business Activities

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

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

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

### Fund Financial Statements

The district's proprietary fund financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Fund Net Position; and a Statement of Cash Flows.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The district classifies net position in the proprietary fund financial statements as follows:

- Net Investment in Capital Assets - includes the district's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted Net Position - includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The district typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The district had no restrictions at June 30, 2013.
- Unrestricted Net Position - typically includes unrestricted liquid assets. The Board of Directors has the authority to revisit or alter this designation.

### 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, 2013, was \$483,199. The amount of deposits collateralized with securities held by pledging financial institution and federal depository insurance was \$483,199.

### Utility Plant

Equipment and property additions are recorded at cost. Depreciation 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, 2013, 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:

Capital Assets	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Equipment	\$ 509,853	\$ 101,657	\$ (12,100)	\$ 599,410
Total Capital Assets Depreciated	<u>\$ 509,853</u>	<u>\$ 101,657</u>	<u>\$ (12,100)</u>	<u>\$ 599,410</u>
Less Accumulated Depreciation For:				
Equipment	\$ 234,935	\$ 54,746	\$ (12,100)	\$ 277,581
Total Accumulated Depreciation	<u>\$ 234,935</u>	<u>\$ 54,746</u>	<u>\$ (12,100)</u>	<u>\$ 277,581</u>
Total Capital Assets Depreciated, Net	<u>\$ 274,918</u>	<u>\$ 46,911</u>	<u>\$ 0</u>	<u>\$ 321,829</u>

**C. Cash and Cash Equivalents**

At June 30, 2013, total cash was \$483,199 of which \$212,118 is held in certificates of deposit with maturities of more than three months, leaving \$271,081 considered as cash and cash equivalents.

**D. Budgeting Procedures**

The official and amended budget for June 30, 2013, was prepared for adoption for the proprietary fund by May 10, 2012.

**E. Compensated Absences**

At June 30, 2013, 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 an expenditure without expressed 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. As of the date of this audit report, no current written contract was signed between the district and the City of Monteagle.

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 specifies that the district shall cover all cost the city incurs and other payments are discretionary to the district's Board of Directors.

The city agrees to name the district and its designees as an additional named insurer on city property and liability insurance policies, to cover any loss,

damage or destruction of the PSAP equipment or other property of the district that may result from any cause or peril, or provide an acceptable equivalent guarantee, provided the district reimburses the city any cost relating to premiums, or portions of premiums, that relates to district property.

Payments under this agreement for the year ended June 30, 2013, totaled \$177,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Grundy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Grundy County School Department  
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen 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 F-2

Grundy County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Grundy County School Department  
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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, 2013**

**BUDGETARY INFORMATION**

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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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.

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

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 G-1

Grundy County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Industrial / Economic Development	Drug Control	Constitu- tional Officers - Fees	
\$	0 \$	0 \$	0 \$	600 \$	600
	116,525	470,511	38,397	0	625,433
	0	0	0	700	700
\$	116,525 \$	470,511 \$	38,397 \$	1,300 \$	626,733
<u>ASSETS</u>					
Cash					
Equity in Pooled Cash and Investments					
Accounts Receivable					
Total Assets					
<u>LIABILITIES</u>					
Due to Other Funds					
Total Liabilities					
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	116,525 \$	470,511 \$	0 \$	0 \$	587,036
Restricted for Public Safety	0	0	38,397	0	38,397
Total Fund Balances	116,525 \$	470,511 \$	38,397 \$	0 \$	625,433
Total Liabilities and Fund Balances	116,525 \$	470,511 \$	38,397 \$	1,300 \$	626,733

Exhibit G-2

Grundy County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2013

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Industrial/ Economic Development	Drug Control	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Local Taxes	\$ 40,333	\$ 0	\$ 0	\$ 0	\$ 0	40,333
Fines, Forfeitures, and Penalties	0	0	14,082	0	0	14,082
Charges for Current Services	0	0	0	15,922	0	15,922
Other Local Revenues	0	20,668	214	0	0	20,882
Total Revenues	\$ 40,333	\$ 20,668	\$ 14,296	\$ 15,922	\$ 0	\$ 91,219
<u>Expenditures</u>						
Current:						
General Government	\$ 17,101	\$ 0	\$ 0	\$ 0	\$ 0	17,101
Administration of Justice	0	0	0	15,922	0	15,922
Public Safety	0	0	4,544	0	0	4,544
Other Operations	403	59	0	0	0	462
Debt Service:						
Principal on Debt	0	38,484	0	0	0	38,484
Interest on Debt	0	4,094	0	0	0	4,094
Total Expenditures	\$ 17,504	\$ 42,637	\$ 4,544	\$ 15,922	\$ 0	\$ 80,607
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,829	\$ (21,969)	\$ 9,752	\$ 0	\$ 0	\$ 10,612
Net Change in Fund Balances	\$ 22,829	\$ (21,969)	\$ 9,752	\$ 0	\$ 0	\$ 10,612
Fund Balance, July 1, 2012	93,696	492,480	28,645	0	0	614,821
Fund Balance, June 30, 2013	\$ 116,525	\$ 470,511	\$ 38,397	\$ 0	\$ 0	\$ 625,433

Exhibit G-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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 40,333	\$ 41,000	\$ 41,000	\$ (667)
Total Revenues	\$ 40,333	\$ 41,000	\$ 41,000	\$ (667)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 17,101	\$ 30,000	\$ 29,300	\$ 12,199
<u>Other Operations</u>				
Other Charges	403	0	700	297
Total Expenditures	\$ 17,504	\$ 30,000	\$ 30,000	\$ 12,496
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,829	\$ 11,000	\$ 11,000	\$ 11,829
Net Change in Fund Balance	\$ 22,829	\$ 11,000	\$ 11,000	\$ 11,829
Fund Balance, July 1, 2012	93,696	93,696	93,696	0
Fund Balance, June 30, 2013	\$ 116,525	\$ 104,696	\$ 104,696	\$ 11,829

Exhibit G-4

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 20,668	\$ 30,000	\$ 30,000	\$ (9,332)
Total Revenues	\$ 20,668	\$ 30,000	\$ 30,000	\$ (9,332)
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 59	\$ 1,500	\$ 1,475	\$ 1,416
<u>Principal on Debt</u>				
General Government	38,484	38,484	38,484	0
<u>Interest on Debt</u>				
General Government	4,094	4,094	4,119	25
Total Expenditures	\$ 42,637	\$ 44,078	\$ 44,078	\$ 1,441
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (21,969)	\$ (14,078)	\$ (14,078)	\$ (7,891)
Net Change in Fund Balance				
Fund Balance, July 1, 2012	\$ 492,480	\$ 492,490	\$ 492,490	(10)
Fund Balance, June 30, 2013	\$ 470,511	\$ 478,412	\$ 478,412	\$ (7,901)

Exhibit G-5

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 14,082	\$ 5,500	\$ 5,500	\$ 8,582
Other Local Revenues	214	0	0	214
Total Revenues	<u>\$ 14,296</u>	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 8,796</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 4,544	\$ 6,100	\$ 6,100	\$ 1,556
Total Expenditures	<u>\$ 4,544</u>	<u>\$ 6,100</u>	<u>\$ 6,100</u>	<u>\$ 1,556</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,752</u>	<u>\$ (600)</u>	<u>\$ (600)</u>	<u>10,352</u>
Net Change in Fund Balance	\$ 9,752	\$ (600)	\$ (600)	10,352
Fund Balance, July 1, 2012	<u>28,645</u>	<u>28,645</u>	<u>28,645</u>	<u>0</u>
Fund Balance, June 30, 2013	<u>\$ 38,397</u>	<u>\$ 28,045</u>	<u>\$ 28,045</u>	<u>10,352</u>

# **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 H

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 491,239	\$ 391,191	\$ 391,191	\$ 100,048
Charges for Current Services	1	0	0	1
Other Local Revenues	68,147	62,000	62,000	6,147
Other Governments and Citizens Groups	734,754	500,000	734,754	0
Total Revenues	<u>\$ 1,294,141</u>	<u>\$ 953,191</u>	<u>\$ 1,187,945</u>	<u>\$ 106,196</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 182,465	\$ 182,466	\$ 182,466	\$ 1
Education	839,855	615,000	839,855	0
<u>Interest on Debt</u>				
General Government	16,096	16,096	16,096	0
Education	283,946	272,863	284,988	1,042
<u>Other Debt Service</u>				
General Government	6,069	11,000	11,000	4,931
Education	1,374	700	1,474	100
Total Expenditures	<u>\$ 1,329,805</u>	<u>\$ 1,098,125</u>	<u>\$ 1,335,879</u>	<u>\$ 6,074</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (35,664)</u>	<u>\$ (144,934)</u>	<u>\$ (147,934)</u>	<u>\$ 112,270</u>
Net Change in Fund Balance	\$ (35,664)	\$ (144,934)	\$ (147,934)	\$ 112,270
Fund Balance, July 1, 2012	<u>4,056,580</u>	<u>4,049,799</u>	<u>4,049,799</u>	<u>6,781</u>
Fund Balance, June 30, 2013	<u>\$ 4,020,916</u>	<u>\$ 3,904,865</u>	<u>\$ 3,901,865</u>	<u>\$ 119,051</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 I-1

Grundy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,638,168	\$ 1,638,168
Due from Other Governments	98,754	0	98,754
Total Assets	<u>\$ 98,754</u>	<u>\$ 1,638,168</u>	<u>\$ 1,736,922</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 98,754	\$ 0	\$ 98,754
Due to Litigants, Heirs, and Others	0	1,638,168	1,638,168
Total Liabilities	<u>\$ 98,754</u>	<u>\$ 1,638,168</u>	<u>\$ 1,736,922</u>

Exhibit I-2

Grundy County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 540,743	\$ 540,743	\$ 0
Due from Other Governments	99,579	98,754	99,579	98,754
<b>Total Assets</b>	<b>\$ 99,579</b>	<b>\$ 639,497</b>	<b>\$ 640,322</b>	<b>\$ 98,754</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 99,579	\$ 639,497	\$ 640,322	\$ 98,754
<b>Total Liabilities</b>	<b>\$ 99,579</b>	<b>\$ 639,497</b>	<b>\$ 640,322</b>	<b>\$ 98,754</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,076,763	\$ 2,792,554	\$ 2,231,149	\$ 1,638,168
Accounts Receivable	95	0	95	0
<b>Total Assets</b>	<b>\$ 1,076,858</b>	<b>\$ 2,792,554</b>	<b>\$ 2,231,244</b>	<b>\$ 1,638,168</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,076,858	\$ 2,792,554	\$ 2,231,244	\$ 1,638,168
<b>Total Liabilities</b>	<b>\$ 1,076,858</b>	<b>\$ 2,792,554</b>	<b>\$ 2,231,244</b>	<b>\$ 1,638,168</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,076,763	\$ 2,792,554	\$ 2,231,149	\$ 1,638,168
Equity in Pooled Cash and Investments	0	540,743	540,743	0
Accounts Receivable	95	0	95	0
Due from Other Governments	99,579	98,754	99,579	98,754
<b>Total Assets</b>	<b>\$ 1,176,437</b>	<b>\$ 3,432,051</b>	<b>\$ 2,871,566</b>	<b>\$ 1,736,922</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 99,579	\$ 639,497	\$ 640,322	\$ 98,754
Due to Litigants, Heirs, and Others	1,076,858	2,792,554	2,231,244	1,638,168
<b>Total Liabilities</b>	<b>\$ 1,176,437</b>	<b>\$ 3,432,051</b>	<b>\$ 2,871,566</b>	<b>\$ 1,736,922</b>

# Grundy County School Department

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

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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building projects for the county school system.

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 J-1

Grundy County, Tennessee  
Statement of Activities  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Expenses	Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total		Governmental Activities	
Governmental Activities:							
Instruction	\$ 12,032,070	\$ 61,334	\$ 2,228,053	\$ 925,297	\$		\$ (8,817,386)
Support Services	5,522,100	45,038	868,736	0			(4,608,326)
Operation of Non-Instructional Services	2,086,596	309,896	1,555,281	140,109			(81,310)
Interest on Long-term Debt	3,372	0	0	0			(3,372)
Other Debt Service	500,000	0	0	0			(500,000)
Total Governmental Activities	\$ 20,144,138	\$ 416,268	\$ 4,652,070	\$ 1,065,406	\$		\$ (14,010,394)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes						\$	1,513,739
Local Option Sales Taxes							395,435
Business Taxes							18,133
Other Local Taxes							1,835
Grants and Contributions Not Restricted to Specific Programs							12,862,533
Miscellaneous							154,392
Total General Revenues						\$	14,946,067
Change in Net Position						\$	935,673
Net Position, July 1, 2012							11,064,066
Net Position, June 30, 2013						\$	11,999,739

Exhibit J-2

Grundy County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Grundy County School Department  
 June 30, 2013

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Education Capital Projects	Central Cafeteria	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 2,047,163	\$ 0	\$ 0	\$ 413,814	\$ 2,460,977
Accounts Receivable	8,105	0	0	0	8,105
Due from Other Governments	353,361	557,088	0	94,907	1,005,356
Due from Other Funds	69,211	0	0	0	69,211
Due from Primary Government	3,331	0	504,238	0	507,569
Property Taxes Receivable	1,660,072	0	0	0	1,660,072
Allowance for Uncollectible Property Taxes	(74,041)	0	0	0	(74,041)
<b>Total Assets</b>	<b>\$ 4,067,202</b>	<b>\$ 557,088</b>	<b>\$ 504,238</b>	<b>\$ 508,721</b>	<b>\$ 5,637,249</b>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 45,715	\$ 0	\$ 45,715
Accrued Payroll	593	0	0	0	593
Cash Overdraft	0	357,088	447,518	0	804,606
Due to Other Funds	0	11,000	58,211	0	69,211
<b>Total Liabilities</b>	<b>\$ 593</b>	<b>\$ 368,088</b>	<b>\$ 551,444</b>	<b>\$ 0</b>	<b>\$ 920,125</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 1,516,794	\$ 0	\$ 0	\$ 0	\$ 1,516,794
Deferred Delinquent Property Taxes	62,737	0	0	0	62,737
Other Deferred/Unavailable Revenue	36,993	0	0	0	36,993
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,616,524</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,616,524</b>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Education	\$ 46,616	\$ 0	\$ 0	\$ 505,716	\$ 552,332
Committed:					
Committed for Education	0	200,000	0	0	200,000
Assigned:					
Assigned for Education	211,387	0	0	3,005	214,392
Unassigned	2,192,082	(11,000)	(47,206)	0	2,133,876
<b>Total Fund Balances</b>	<b>\$ 2,450,085</b>	<b>\$ 189,000</b>	<b>\$ (47,206)</b>	<b>\$ 508,721</b>	<b>\$ 3,100,600</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,067,202</b>	<b>\$ 557,088</b>	<b>\$ 504,238</b>	<b>\$ 508,721</b>	<b>\$ 5,637,249</b>

Exhibit J-3

Grundy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
Discretely Presented Grundy County School Department  
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	3,100,600
(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: construction in progress		1,045,900	
Add: buildings and improvements net of accumulated depreciation		11,205,372	
Add: other capital assets net of accumulated depreciation		<u>835,940</u>	13,336,296
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: principal on notes to be contributed on primary government debt	\$	(333,202)	
Less: principal on other loans to be contributed on primary government debt		(1,451,829)	
Less: compensated absences payable		(2,228,831)	
Less: other postemployment benefits liabilities		<u>(523,025)</u>	(4,536,887)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>99,730</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>11,999,739</u></u>

Exhibit J-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, 2013

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Education Capital Projects	Central Cafeteria	
<u>Revenues</u>					
Local Taxes	\$ 1,967,422	\$ 0	\$ 0	\$ 0	\$ 1,967,422
Licenses and Permits	518	0	0	0	518
Charges for Current Services	45,088	0	0	309,896	354,984
Other Local Revenues	200,821	0	0	0	200,821
State of Tennessee	13,834,801	0	0	13,975	13,848,776
Federal Government	222,067	2,417,829	0	1,140,596	3,780,492
Other Governments and Citizens Groups	164,609	0	925,297	0	1,089,906
<b>Total Revenues</b>	<b>\$ 16,435,326</b>	<b>\$ 2,417,829</b>	<b>\$ 925,297</b>	<b>\$ 1,464,467</b>	<b>\$ 21,242,919</b>
<u>Expenditures</u>					
Current:					
Instruction	\$ 9,412,334	\$ 1,920,186	\$ 0	\$ 0	\$ 11,332,520
Support Services	5,007,717	538,106	0	0	5,545,823
Operation of Non-Instructional Services	546,429	0	0	1,465,377	2,011,806
Capital Outlay	255,056	0	972,503	0	1,227,559
Debt Service:					
Principal on Debt	224,855	0	0	0	224,855
Interest on Debt	9,899	0	0	0	9,899
Other Debt Service	500,000	0	0	0	500,000
<b>Total Expenditures</b>	<b>\$ 15,956,290</b>	<b>\$ 2,458,292</b>	<b>\$ 972,503</b>	<b>\$ 1,465,377</b>	<b>\$ 20,852,462</b>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 479,036	\$ (40,463)	\$ (47,206)	\$ (910)	\$ 390,457
<u>Other Financing Sources (Uses)</u>					
Proceeds from Sale of Capital Assets	\$ 2,200	\$ 0	\$ 0	\$ 0	\$ 2,200
Insurance Recovery	15,310	0	0	0	15,310
Transfers In	11,000	0	0	0	11,000
Transfers Out	0	(11,000)	0	0	(11,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 28,510</b>	<b>\$ (11,000)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 17,510</b>
Net Change in Fund Balances					
Fund Balance, July 1, 2012	\$ 1,942,539	\$ 240,463	\$ 0	\$ 509,631	\$ 2,692,633
<b>Fund Balance, June 30, 2013</b>	<b>\$ 2,450,085</b>	<b>\$ 189,000</b>	<b>\$ (47,206)</b>	<b>\$ 508,721</b>	<b>\$ 3,100,600</b>

Exhibit J-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, 2013

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	407,967
(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	\$	1,295,907	
Less: current-year depreciation expense		<u>(695,045)</u>	600,862
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: loss on disposal of capital assets			(4,461)
(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, 2013	\$	99,730	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(138,039)</u>	(38,309)
(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 position. Also, governmental funds report the effect of 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 contributions on notes for primary government	\$	92,875	
Add: principal contributions on other loans for primary government		131,980	
Less: note proceeds contributed from primary government		<u>(140,109)</u>	84,746
(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	\$	6,527	
Change in compensated absences payable		31,429	
Change in other postemployment benefits liability		<u>(153,088)</u>	<u>(115,132)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 935,673</u>

Exhibit J-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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,967,422	\$ 0	\$ 0	\$ 1,967,422	\$ 1,906,025	\$ 1,906,025	\$ 61,397
Licenses and Permits	518	0	0	518	400	400	118
Charges for Current Services	45,088	0	0	45,088	47,500	47,500	(2,412)
Other Local Revenues	200,821	0	0	200,821	89,900	138,635	62,186
State of Tennessee	13,834,801	0	0	13,834,801	13,678,935	13,817,991	16,810
Federal Government	222,067	0	0	222,067	114,687	228,968	(6,901)
Other Governments and Citizens Groups	164,609	0	0	164,609	0	190,500	(25,891)
Total Revenues	\$ 16,435,326	\$ 0	\$ 0	\$ 16,435,326	\$ 15,537,447	\$ 16,330,019	\$ 105,307
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,525,191	\$ (7,953)	\$ 20,195	\$ 6,537,433	\$ 6,569,016	\$ 6,584,862	\$ 47,429
Alternative Instruction Program	152,348	(104)	0	152,244	156,457	156,457	4,213
Special Education Program	2,088,562	(104)	132	2,088,590	2,177,249	2,177,249	88,659
Vocational Education Program	637,071	(1,657)	0	635,414	720,466	707,966	72,552
Adult Education Program	9,162	(168)	0	8,994	21,822	9,434	440
<u>Support Services</u>							
Attendance	130,774	(101)	0	130,673	130,948	129,080	(1,593)
Health Services	193,638	(565)	804	193,877	195,724	204,085	10,208
Other Student Support	349,565	(1,303)	0	348,262	342,630	350,626	2,364
Regular Instruction Program	205,302	0	0	205,302	210,818	216,817	11,515
Special Education Program	185,361	(213)	0	185,148	181,298	181,298	(3,850)
Vocational Education Program	77,682	0	0	77,682	81,700	81,700	4,018
Adult Programs	46,831	0	0	46,831	56,437	49,019	2,188
Other Programs	65,136	0	0	65,136	0	65,136	0
Board of Education	298,906	0	15,400	314,306	294,730	313,445	(861)
Director of Schools	153,508	0	0	153,508	167,126	154,014	506
Office of the Principal	708,403	0	0	708,403	722,084	714,195	5,792

(Continued)

Exhibit J-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 149,019	\$ (1,442)	\$ 112	\$ 147,689	\$ 124,911	\$ 149,091	\$ 1,402
Operation of Plant	1,081,065	(6,561)	15,627	1,090,131	1,145,528	1,113,233	23,102
Maintenance of Plant	273,780	(4,858)	18,551	287,473	329,871	363,115	75,642
Transportation	815,860	(27,989)	38,740	826,611	827,649	847,216	20,605
Central and Other	272,887	(70)	2,195	275,012	93,369	291,321	16,309
<u>Operation of Non-Instructional Services</u>							
Community Services	85,695	0	7,193	92,888	79,612	117,612	24,724
Early Childhood Education	460,734	0	0	460,734	450,226	463,267	2,533
<u>Capital Outlay</u>							
Regular Capital Outlay	255,056	(20,684)	32,617	266,989	155,000	331,237	64,248
Principal on Debt							
Education	224,855	0	0	224,855	242,876	228,376	3,521
Interest on Debt							
Education	9,899	0	0	9,899	9,900	9,900	1
Other Debt Service							
Education	500,000	0	0	500,000	500,000	500,000	0
Total Expenditures	\$ 15,956,290	\$ (73,772)	\$ 151,566	\$ 16,034,084	\$ 15,987,447	\$ 16,509,751	\$ 475,667
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 479,036	\$ 73,772	\$ (151,566)	\$ 401,242	\$ (150,000)	\$ (179,732)	\$ 580,974
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,000	\$ 0	\$ 0
Proceeds from Sale of Capital Assets	2,200	0	0	2,200	0	0	2,200
Insurance Recovery	15,310	0	0	15,310	0	25,254	(9,944)
Transfers In	11,000	0	0	11,000	0	7,990	3,010
Transfers Out	0	0	0	0	0	(3,925)	3,925
Total Other Financing Sources	\$ 28,510	\$ 0	\$ 0	\$ 28,510	\$ 150,000	\$ 29,319	\$ (809)

(Continued)

Exhibit J-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 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 507,546	\$ 73,772	\$ (151,566)	\$ 429,752	\$ 0	\$ (150,413)	\$ 580,165
Fund Balance, July 1, 2012	1,942,539	(73,772)	0	1,868,767	1,566,729	1,566,729	302,038
Fund Balance, June 30, 2013	\$ 2,450,085	\$ 0	\$ (151,566)	\$ 2,298,519	\$ 1,566,729	\$ 1,416,316	\$ 882,203

Exhibit J-7

Grundy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Grundy County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 0	\$ 0	\$ 2,461	\$ (2,461)
Federal Government	2,417,829	2,171,523	2,985,062	(567,233)
Total Revenues	\$ 2,417,829	\$ 2,171,523	\$ 2,987,523	\$ (569,694)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,244,787	\$ 963,647	\$ 1,480,272	\$ 235,485
Special Education Program	636,858	645,403	658,719	21,861
Vocational Education Program	38,541	40,315	40,315	1,774
<u>Support Services</u>				
Other Student Support	121,250	222,206	218,896	97,646
Regular Instruction Program	270,737	203,250	471,981	201,244
Special Education Program	119,413	66,826	119,724	311
Vocational Education Program	2,294	2,400	2,400	106
Transportation	24,412	27,476	24,926	514
Total Expenditures	\$ 2,458,292	\$ 2,171,523	\$ 3,017,233	\$ 558,941
Excess (Deficiency) of Revenues Over Expenditures	\$ (40,463)	\$ 0	\$ (29,710)	\$ (10,753)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 153,550	\$ 154,837	\$ (154,837)
Transfers Out	(11,000)	(153,550)	(166,502)	155,502
Total Other Financing Sources	\$ (11,000)	\$ 0	\$ (11,665)	\$ 665
Net Change in Fund Balance	\$ (51,463)	\$ 0	\$ (41,375)	\$ (10,088)
Fund Balance, July 1, 2012	240,463	41,375	41,375	199,088
Fund Balance, June 30, 2013	\$ 189,000	\$ 41,375	\$ 0	\$ 189,000

Exhibit J-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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 309,896	\$ 0	\$ 0	\$ 309,896	\$ 963,057	\$ 963,057	\$ (653,161)
Other Local Revenues	0	0	0	0	500	500	(500)
State of Tennessee	13,975	0	0	13,975	15,000	15,000	(1,025)
Federal Government	1,140,596	0	0	1,140,596	1,230,000	1,230,000	(89,404)
Total Revenues	\$ 1,464,467	\$ 0	\$ 0	\$ 1,464,467	\$ 2,208,557	\$ 2,208,557	\$ (744,090)
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,465,377	\$ (4,783)	\$ 3,005	\$ 1,463,599	\$ 2,208,557	\$ 2,208,557	\$ 744,958
Total Expenditures	\$ 1,465,377	\$ (4,783)	\$ 3,005	\$ 1,463,599	\$ 2,208,557	\$ 2,208,557	\$ 744,958
Excess (Deficiency) of Revenues Over Expenditures	\$ (910)	\$ 4,783	\$ (3,005)	\$ 868	\$ 0	\$ 0	\$ 868
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (910)	\$ 4,783	\$ (3,005)	\$ 868	\$ 0	\$ 0	\$ 868
Fund Balance, July 1, 2012	509,631	(4,783)	0	504,848	423,671	423,671	81,177
Fund Balance, June 30, 2013	\$ 508,721	\$ 0	\$ (3,005)	\$ 505,716	\$ 423,671	\$ 423,671	\$ 82,045

Exhibit J-9

Grundy County, Tennessee  
Statement of Fiduciary Net Position  
Fiduciary Fund  
Discretely Presented Grundy County School Department  
June 30, 2013

	<u>Private Purpose Trust Fund</u>	<u>Other Trust Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash with Trustee	\$	21,442
Total Assets	<u>\$</u>	<u>21,442</u>
<u>NET POSITION</u>		
Funds Held in Trust for Scholarships	<u>\$</u>	<u>21,442</u>
Total Net Position	<u>\$</u>	<u>21,442</u>

Exhibit J-10

Grundy County, Tennessee  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2013

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 247
Contributions and Gifts	3,800
Total Additions	<u>\$ 4,047</u>
<u>DEDUCTIONS</u>	
Awards	<u>\$ 625</u>
Total Deductions	<u>\$ 625</u>
Change in Net Position	\$ 3,422
Net Position, July 1, 2012	<u>18,020</u>
Net Position, June 30, 2013	<u><u>\$ 21,442</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Grundy County, Tennessee  
 Schedule of Changes in Long-term Other Loans, Bonds, and Notes  
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Matured During Period	Transferred During Period	Outstanding 6-30-13
<b>GOVERNMENTAL ACTIVITIES</b>									
<b>OTHER LOANS PAYABLE</b>									
<u>Payable through General Fund</u>									
Waste Water System	\$ 318,980	1.26%	Various	7-1-12	\$ 61,721	0 \$	0 \$	(61,721) \$	0
Total Payable through General Water Fund					\$ 61,721	0 \$	0 \$	(61,721) \$	0
<u>Payable through Industrial/Economic Development Fund</u>									
Assumption Agreement - Industrial Building	427,739	2 to 3	9-13-03	6-30-16	\$ 153,996	0 \$	38,484 \$	0 \$	115,512
Total Payable through Industrial/Economic Development Fund					\$ 153,996	0 \$	38,484 \$	0 \$	115,512
<u>Payable through General Debt Service Fund</u>									
School Renovations	(1)	Various	Various	6-1-17	0 \$	941,437 \$	0 \$	0 \$	941,437
Total Payable through General Debt Service Fund					0 \$	941,437 \$	0 \$	0 \$	941,437
<u>Payable by School Department Contributions from the General Purpose School Fund to the General Debt Service Fund</u>									
Energy Efficient Improvements	1,583,809	0	8-22-11	9-11-22	\$ 1,583,809	0 \$	131,980 \$	0 \$	1,451,829
Total Payable by School Department through General Purpose School Fund					\$ 1,583,809	0 \$	131,980 \$	0 \$	1,451,829
Total Other Loans Payable					\$ 1,799,526	941,437 \$	170,464 \$	(61,721) \$	2,508,778
<b>BONDS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
Public Improvements Series 1998	2,220,000	3.4 to 4.15	11-1-1998	5-1-14	\$ 360,000	0 \$	175,000 \$	0 \$	185,000
School Refunding Series 2006	9,405,000	4.15	5-1-06	5-1-21	6,575,000	0	615,000	0	5,960,000
General Obligation Bond - Convenience Centers	91,000	4.75	9-30-1999	9-30-14	24,329	0	7,465	0	16,864
Total Bonds Payable					\$ 6,959,329	0 \$	797,465 \$	0 \$	6,161,864
<b>NOTES PAYABLE</b>									
<u>Payable through General Fund</u>									
Patrol Cars/Transport Van	92,029	1.99	12-30-10	7-15-12	\$ 46,049	0 \$	46,049 \$	0 \$	0
Total Payable through General Fund					\$ 46,049	0 \$	46,049 \$	0 \$	0
<u>Payable by School Department Contributions from the General Purpose School Fund to the General Debt Service Fund</u>									
School Bus	158,140	3.69	10-30-08	8-20-13	\$ 66,247	0 \$	32,520 \$	0 \$	33,727
School Bus	155,592	3.49	9-25-09	8-20-14	96,212	0	30,971	0	65,241
School Bus	151,967	3.25	2-14-11	2-14-16	123,509	0	29,384	0	94,125
School Bus	140,109	2.69	11-7-12	8-20-17	0	140,109	0	0	140,109
Total Payable by School Department through General Purpose School Fund					\$ 285,968	140,109 \$	92,875 \$	0 \$	333,202
Total Notes Payable					\$ 332,017	140,109 \$	138,924 \$	0 \$	333,202

(Continued)

Exhibit K-1

Grundy County, Tennessee  
 Schedule of Changes in Long-term Other Loans, Bonds, and Notes (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or		Outstanding 6-30-13
							Matured During Period	Transferred During Period	
<b>BUSINESS-TYPE ACTIVITIES</b>									
<b>OTHER LOANS PAYABLE</b>									
Payable through Waste Water Fund									
Waste Water System	\$ 318,980	1.26%	Various	12-30-15	\$	0 \$	17,376 \$	61,721 \$	44,345
Total Payable through Waste Water Fund					\$	0 \$	17,376 \$	61,721 \$	44,345

(1) Total amount approved was \$2,690,000, of which \$1,748,563 remains available for draws as of June 30, 2013.

Exhibit K-2

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

GOVERNMENTAL ACTIVITIES:

Year Ending June 30	Other Loans			
	Principal	Interest	Fees	Total
2014	\$ 442,030	\$ 12,808	\$ 3,196	\$ 458,034
2015	449,237	9,040	2,886	461,163
2016	448,373	5,181	2,568	456,122
2017	350,813	2,021	2,244	355,078
2018	158,376	0	0	158,376
2019	158,376	0	0	158,376
2020	158,376	0	0	158,376
2021	158,376	0	0	158,376
2022	158,376	0	0	158,376
2023	26,445	0	0	26,445
Total	\$ 2,508,778	\$ 29,050	\$ 10,894	\$ 2,548,722

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 837,820	\$ 255,818	\$ 1,093,638
2015	679,044	221,002	900,046
2016	700,000	192,768	892,768
2017	725,000	163,718	888,718
2018	755,000	133,630	888,630
2019	790,000	102,298	892,298
2020	820,000	69,512	889,512
2021	855,000	35,482	890,482
Total	\$ 6,161,864	\$ 1,174,228	\$ 7,336,092

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 123,350	\$ 9,577	\$ 132,927
2015	91,659	6,296	97,955
2016	60,242	3,376	63,618
2017	28,589	1,563	30,152
2018	29,362	790	30,152
Total	\$ 333,202	\$ 21,602	\$ 354,804

BUSINESS-TYPE ACTIVITIES

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2014	\$ 17,592	\$ 468	\$ 18,060
2015	17,820	240	18,060
2016	8,933	36	8,969
Total	\$ 44,345	\$ 744	\$ 45,089

Exhibit K-3

Grundy County, Tennessee  
Schedule of Transfers  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 11,000
Total Transfers Discretely Presented Grundy County School Department			<u>\$ 11,000</u>

Exhibit K-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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 67,843	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Superintendent	Section 8-24-102, TCA	64,613	100,000	Western Surety Company
Director of Schools	State Board of Education and Grundys County Board of Education	74,601 (1)	100,000	Travelers Casualty and Surety Company of America
Trustee	Section 8-24-102, TCA	58,739	637,200	Western Surety Company
Assessor of Property	Section 8-24-102, TCA	58,739	10,000	"
County Clerk	Section 8-24-102, TCA	58,739	30,000	Travelers Casualty and Surety Company of America
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	58,739	50,000	"
Clerk and Master	Section 8-24-102, TCA	58,739 (2)	25,000	Western Surety Company
Register of Deeds	Section 8-24-102, TCA	58,739	15,000	Travelers Casualty and Surety Company of America
Sheriff	Section 8-24-102, TCA	64,613 (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 \$15,922.

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

Exhibit K-5

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2013

	Special Revenue Funds							Debt Service Fund		Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<b>Local Taxes</b>										
County Property Taxes										
Current Property Tax	\$ 2,379,963	\$ 0	\$ 357,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,961	\$ 2,757,047	
Trustee's Collections - Prior Year	118,117	0	30,632	0	0	0	0	13,982	162,731	
Trustee's Collections - Bankruptcy	2,219	0	403	0	0	0	0	89	2,711	
Circuit/Clerk & Master Collections - Prior Years	66,937	0	18,256	0	0	0	0	8,790	93,983	
Interest and Penalty	22,482	0	5,390	0	0	0	0	2,209	30,081	
Payments in-Lieu-of Taxes - T.V.A.	1,261	0	189	0	0	0	0	11	1,461	
Payments in-Lieu-of Taxes - Other	8,371	0	1,400	0	0	0	0	214	9,985	
County Local Option Taxes										
Local Option Sales Tax	0	0	0	0	0	0	0	445,983	445,983	
Litigation Tax - General	22,214	0	0	0	0	0	0	0	22,214	
Litigation Tax - Special Purpose	0	40,333	0	0	0	0	0	0	40,333	
Litigation Tax - Jail, Workhouse, or Courthouse	14,840	0	0	0	0	0	0	0	14,840	
Business Tax	18,133	0	0	0	0	0	0	0	18,133	
Statutory Local Taxes										
Bank Excise Tax	11,557	0	0	0	0	0	0	0	11,557	
Interstate Telecommunications Tax	539	0	0	0	0	0	0	0	539	
Total Local Taxes	\$ 2,666,633	\$ 40,333	\$ 413,393	\$ 0	\$ 0	\$ 0	\$ 0	\$ 491,239	\$ 3,611,598	
<b>Licenses and Permits</b>										
Licenses										
Marriage Licenses	\$ 518	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 518	
Cable TV Franchise	23,761	0	0	0	0	0	0	0	23,761	
Permits										
Beer Permits	332	0	0	0	0	0	0	0	332	
Other Permits	1,000	0	0	0	0	0	0	0	1,000	
Total Licenses and Permits	\$ 25,611	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,611	
<b>Fines, Forfeitures, and Penalties</b>										
Circuit Court										
Fines	\$ 815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 815	
Officers Costs	3,854	0	0	0	0	0	0	0	3,854	
Drug Control Fines	0	0	0	0	4,275	0	0	0	4,275	
Drug Court Fees	276	0	0	0	0	0	0	0	276	
Data Entry Fee - Circuit Court	1,203	0	0	0	0	0	0	0	1,203	
Criminal Court										
DUI Treatment Fines	475	0	0	0	0	0	0	0	475	

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<b>Fines, Forfeitures, and Penalties (Cont.)</b>									
<u>General Sessions Court</u>									
Fines	\$ 10,007	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,007
Officers Costs	9,592	0	0	0	0	0	0	0	9,592
Game and Fish Fines	185	0	0	0	0	0	0	0	185
Drug Control Fines	0	0	0	0	2,232	0	0	0	2,232
Drug Court Fees	1,392	0	0	0	0	0	0	0	1,392
Jail Fees	1,816	0	0	0	0	0	0	0	1,816
DUI Treatment Fines	3,614	0	0	0	0	0	0	0	3,614
Data Entry Fee - General Sessions Court	5,227	0	0	0	0	0	0	0	5,227
Courtroom Security Fee	11	0	0	0	0	0	0	0	11
<u>Juvenile Court</u>									
Fines	412	0	0	0	0	0	0	0	412
Officers Costs	1,283	0	0	0	0	0	0	0	1,283
Data Entry Fee - Juvenile Court	498	0	0	0	0	0	0	0	498
<u>Chancery Court</u>									
Officers Costs	507	0	0	0	0	0	0	0	507
Courtroom Security Fee	2	0	0	0	0	0	0	0	2
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	0	0	1,325	0	0	0	1,325
Data Entry Fee - Other Courts	1,404	0	0	0	0	0	0	0	1,404
Other Fines, Forfeitures, and Penalties									
Proceeds from Confiscated Property	0	0	0	0	6,250	0	0	0	6,250
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 42,573</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 14,082</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 56,655</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Work Release Charges for Board	\$ 2,430	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,430
Other General Service Charges	12,320	0	0	0	0	0	142,403	0	154,723
Service Charges	45	0	0	0	0	0	0	0	45
<u>Fees</u>									
Archives and Records Management Fee - County Clerk	16	0	0	0	0	0	0	0	16
Greenbelt Late Application Fee	86	0	13	0	0	0	0	1	100
Telephone Commissions	3,481	0	0	0	0	0	0	0	3,481
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	15,922	0	0	15,922
Data Processing Fee - Register	4,442	0	0	0	0	0	0	0	4,442
Data Processing Fee - Sheriff	2,001	0	0	0	0	0	0	0	2,001
Sexual Offender Registration Fees - Sheriff	1,940	0	0	0	0	0	0	0	1,940

(Continued)

Exhibit K-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	Fund		Total		
								General	Debt Service			
<u>Charges for Current Services (Cont.)</u>												
<u>Fees (Cont.)</u>												
Data Processing Fee - County Clerk	606	0	0	0	0	0	0	0	0	0	0	606
Total Charges for Current Services	\$ 27,367	\$ 0	\$ 13	\$ 0	\$ 0	\$ 15,922	\$ 142,403	\$ 0	\$ 0	\$ 1	\$ 0	\$ 185,706
<u>Other Local Revenues</u>												
<u>Recurring Items</u>												
Investment Income	0	0	0	0	0	0	0	0	0	0	0	0
Lease/Rentals	0	0	0	20,668	0	0	0	0	0	0	0	68,147
Sale of Materials and Supplies	36	0	0	0	0	0	716	0	0	0	0	20,668
Sale of Gasoline	0	0	0	0	0	0	37,575	0	0	0	0	752
Miscellaneous Refunds	15,244	0	0	0	214	0	37	0	0	0	0	37,575
<u>Nonrecurring Items</u>												
Sale of Equipment	500	0	0	0	0	0	0	0	0	0	0	500
Contributions and Gifts	1,074	0	0	0	0	0	0	0	0	0	0	1,074
<u>Other Local Revenues</u>												
Total Other Local Revenues	\$ 26,865	\$ 0	\$ 8,549	\$ 20,668	\$ 214	\$ 0	\$ 38,328	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,414
\$ 43,719	\$ 0	\$ 8,549	\$ 20,668	\$ 214	\$ 0	\$ 0	\$ 38,328	\$ 68,147	\$ 0	\$ 1	\$ 0	\$ 179,625
<u>Fees Received from County Officials</u>												
<u>Fees in-Lieu-of-Salary</u>												
County Clerk	99,844	0	0	0	0	0	0	0	0	0	0	99,844
Circuit Court Clerk	71,895	0	0	0	0	0	0	0	0	0	0	71,895
General Sessions Court Clerk	79,527	0	0	0	0	0	0	0	0	0	0	79,527
Clerk and Master	46,494	0	0	0	0	0	0	0	0	0	0	46,494
Juvenile Court Clerk	8,494	0	0	0	0	0	0	0	0	0	0	8,494
Register	49,783	0	0	0	0	0	0	0	0	0	0	49,783
Sheriff	3,933	0	0	0	0	0	0	0	0	0	0	3,933
Trustee	167,427	0	0	0	0	0	0	0	0	0	0	167,427
Total Fees Received from County Officials	\$ 527,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 527,397
<u>State of Tennessee</u>												
<u>General Government Grants</u>												
Juvenile Services Program	4,500	0	0	0	0	0	0	0	0	0	0	4,500
<u>Health and Welfare Grants</u>												
Other Health and Welfare Grants	19,217	0	0	0	0	0	0	0	0	0	0	19,217

(Continued)

Exhibit K-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>State of Tennessee (Cont.)</u>									
<u>Public Works Grants</u>									
Bridge Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 138,083	\$ 0	\$ 138,083
State Aid Program	0	0	0	0	0	0	492,613	0	492,613
Litter Program	0	0	38,095	0	0	0	0	0	38,095
<u>Other State Revenues</u>									
Income Tax	112,331	0	0	0	0	0	0	0	112,331
Beer Tax	80,515	0	0	0	0	0	0	0	80,515
Alcoholic Beverage Tax	33,302	0	0	0	0	0	0	0	33,302
Contracted Prisoner Boarding	49,136	0	0	0	0	0	0	0	49,136
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,468,731	0	1,468,731
Petroleum Special Tax	0	0	0	0	0	0	8,239	0	8,239
Registrar's Salary Supplement	11,373	0	0	0	0	0	0	0	11,373
Other State Grants	5,385	0	0	0	0	0	0	0	5,385
Other State Revenues	13,532	0	0	0	0	0	0	0	13,532
Total State of Tennessee	\$ 329,291	\$ 0	\$ 38,095	\$ 0	\$ 0	\$ 0	\$ 2,107,666	\$ 0	\$ 2,475,052
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 319,009	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 319,009
Homeland Security Grants	65,605	0	0	0	0	0	0	0	65,605
Law Enforcement Grants	7,560	0	0	0	0	0	0	0	7,560
Other Federal through State	0	0	0	0	0	0	48,684	0	48,684
Total Federal Government	\$ 392,174	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,684	\$ 0	\$ 440,858
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 14,552	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 734,754	\$ 749,306
Other	5,130	0	0	0	0	0	0	0	5,130
Total Other Governments and Citizens Groups	\$ 19,682	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 734,754	\$ 754,436
Total	\$ 4,074,447	\$ 40,333	\$ 460,050	\$ 20,668	\$ 14,296	\$ 15,922	\$ 2,337,081	\$ 1,294,141	\$ 8,256,938

Exhibit K-6

Grundy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Grundy County School Department  
 For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Capital	Total
		School Federal Projects	Central Cafeteria	Projects Fund Education Capital Projects	
<b>Local Taxes</b>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,399,152	\$ 0	\$ 0	\$ 0	1,399,152
Trustee's Collections - Prior Year	82,380	0	0	0	82,380
Trustee's Collections - Bankruptcy	1,376	0	0	0	1,376
Circuit/Clerk & Master Collections - Prior Years	47,694	0	0	0	47,694
Interest and Penalty	15,265	0	0	0	15,265
Payments in-Lieu-of Taxes - T.V.A.	741	0	0	0	741
Payments in-Lieu-of Taxes - Other	5,067	0	0	0	5,067
<u>County Local Option Taxes</u>					
Local Option Sales Tax	396,499	0	0	0	396,499
Business Tax	18,133	0	0	0	18,133
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	1,115	0	0	0	1,115
<b>Total Local Taxes</b>	<b>\$ 1,967,422</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>1,967,422</b>
<b>Licenses and Permits</b>					
<u>Licenses</u>					
Marriage Licenses	\$ 518	\$ 0	\$ 0	\$ 0	518
<b>Total Licenses and Permits</b>	<b>\$ 518</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>518</b>
<b>Charges for Current Services</b>					
<u>Fees</u>					
Greenbelt Late Application Fee	\$ 50	\$ 0	\$ 0	\$ 0	50
<u>Education Charges</u>					
Tuition - Other	45,038	0	0	0	45,038
Lunch Payments - Children	0	0	99,861	0	99,861
Lunch Payments - Adults	0	0	51,555	0	51,555
Income from Breakfast	0	0	21,306	0	21,306
A la carte Sales	0	0	137,174	0	137,174
<b>Total Charges for Current Services</b>	<b>\$ 45,088</b>	<b>\$ 0</b>	<b>\$ 309,896</b>	<b>\$ 0</b>	<b>354,984</b>
<b>Other Local Revenues</b>					
<u>Recurring Items</u>					
Refund of Telecommunication & Internet Fees (E-Rate)	\$ 61,334	\$ 0	\$ 0	\$ 0	61,334
Miscellaneous Refunds	138,374	0	0	0	138,374
<u>Nonrecurring Items</u>					
Sale of Equipment	708	0	0	0	708
Contributions and Gifts	405	0	0	0	405
<b>Total Other Local Revenues</b>	<b>\$ 200,821</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>200,821</b>
<b>State of Tennessee</b>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 65,136	\$ 0	\$ 0	\$ 0	65,136
<u>State Education Funds</u>					
Basic Education Program	12,527,155	0	0	0	12,527,155
Early Childhood Education	321,098	0	0	0	321,098
School Food Service	0	0	13,975	0	13,975
Driver Education	2,088	0	0	0	2,088
Other State Education Funds	328,391	0	0	0	328,391
Career Ladder Program	92,290	0	0	0	92,290
Career Ladder - Extended Contract	21,900	0	0	0	21,900
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	449,323	0	0	0	449,323
Other State Grants	26,700	0	0	0	26,700
Other State Revenues	720	0	0	0	720
<b>Total State of Tennessee</b>	<b>\$ 13,834,801</b>	<b>\$ 0</b>	<b>\$ 13,975</b>	<b>\$ 0</b>	<b>13,848,776</b>

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds		Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	741,052	\$ 0	\$ 741,052
USDA - Commodities	0	0	73,758	0	73,758
Breakfast	0	0	325,786	0	325,786
Adult Education State Grant Program	50,273	0	0	0	50,273
Vocational Education - Basic Grants to States	0	48,711	0	0	48,711
Title I Grants to Local Education Agencies	0	1,015,121	0	0	1,015,121
Special Education - Grants to States	73,715	653,093	0	0	726,808
Special Education Preschool Grants	0	33,260	0	0	33,260
Safe and Drug-free Schools - State Grants	0	670	0	0	670
Rural Education	0	37,386	0	0	37,386
Eisenhower Professional Development State Grants	0	203,730	0	0	203,730
Race-to-the-Top - ARRA	0	346,481	0	0	346,481
Other Federal through State	98,079	79,377	0	0	177,456
Total Federal Government	\$ 222,067	\$ 2,417,829	\$ 1,140,596	\$ 0	\$ 3,780,492
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 140,109	\$ 0	\$ 0	\$ 925,297	\$ 1,065,406
<u>Other</u>					
Other	24,500	0	0	0	24,500
Total Other Governments and Citizens Groups	\$ 164,609	\$ 0	\$ 0	\$ 925,297	\$ 1,089,906
Total	\$ 16,435,326	\$ 2,417,829	\$ 1,464,467	\$ 925,297	\$ 21,242,919

Exhibit K-7

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	14,700	
Social Security		911	
Unemployment Compensation		202	
Employer Medicare		213	
Audit Services		4,111	
Dues and Memberships		1,350	
Printing, Stationery, and Forms		2,100	
Total County Commission			\$ 23,587

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	67,843	
Assistant(s)		25,801	
Part-time Personnel		21,432	
Social Security		7,135	
Unemployment Compensation		288	
Employer Medicare		1,669	
Communication		4,710	
Data Processing Services		7,581	
Maintenance and Repair Services - Vehicles		929	
Postal Charges		1,199	
Printing, Stationery, and Forms		200	
Travel		150	
Office Supplies		1,719	
Total County Mayor/Executive			140,656

County Attorney

County Official/Administrative Officer	\$	1,200	
Legal Services		7,025	
Total County Attorney			8,225

Election Commission

County Official/Administrative Officer	\$	52,865	
Clerical Personnel		20,182	
Board and Committee Members Fees		4,752	
Election Workers		26,319	
In-Service Training		4,819	
Social Security		4,758	
Unemployment Compensation		222	
Employer Medicare		1,113	
Communication		4,890	
Data Processing Services		7,149	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		9,000	
Maintenance and Repair Services - Equipment		19,839	
Postal Charges		2,491	
Printing, Stationery, and Forms		3,960	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Travel	\$	9,698	
Office Supplies		2,500	
Office Equipment		2,023	
Total Election Commission			\$ 176,880

Register of Deeds

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		20,791	
Part-time Personnel		2,010	
Social Security		5,055	
Unemployment Compensation		155	
Employer Medicare		1,182	
Communication		1,073	
Data Processing Services		4,109	
Dues and Memberships		507	
Postal Charges		250	
Travel		700	
Other Contracted Services		800	
Office Supplies		261	
Total Register of Deeds			95,632

County Buildings

Custodial Personnel	\$	22,001	
Social Security		1,364	
Unemployment Compensation		263	
Employer Medicare		319	
Communication		3,415	
Maintenance and Repair Services - Buildings		33,238	
Other Contracted Services		2,360	
Custodial Supplies		4,022	
Duplicating Supplies		8,390	
Electricity		38,904	
Natural Gas		12,567	
Water and Sewer		15,208	
Other Supplies and Materials		12,410	
Total County Buildings			154,461

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,739	
Secretary(ies)		20,791	
Part-time Personnel		34,030	
Social Security		7,041	
Unemployment Compensation		519	
Employer Medicare		1,647	
Audit Services		3,200	
Communication		4,453	
Data Processing Services		8,027	
Dues and Memberships		400	
Postal Charges		1,173	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Printing, Stationery, and Forms	\$	1,364	
Travel		8,346	
Office Supplies		1,456	
Total Property Assessor's Office			\$ 151,186

County Trustee's Office

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		20,791	
Part-time Personnel		4,197	
Social Security		5,191	
Unemployment Compensation		209	
Employer Medicare		1,214	
Communication		1,443	
Data Processing Services		5,270	
Dues and Memberships		782	
Postal Charges		3,896	
Printing, Stationery, and Forms		175	
Travel		767	
Office Supplies		1,537	
Total County Trustee's Office			104,211

County Clerk's Office

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		62,354	
Part-time Personnel		2,416	
Social Security		7,657	
Unemployment Compensation		567	
Employer Medicare		1,791	
Communication		3,355	
Data Processing Services		3,000	
Dues and Memberships		934	
Postal Charges		3,595	
Travel		947	
Office Supplies		3,439	
Total County Clerk's Office			148,794

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		84,978	
Jury and Witness Expense		12,386	
Social Security		8,910	
Unemployment Compensation		802	
Employer Medicare		2,084	
Communication		4,008	
Data Processing Services		9,992	
Dues and Memberships		467	
Postal Charges		1,925	
Printing, Stationery, and Forms		468	
Travel		129	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Duplicating Supplies	\$	1,000	
Office Supplies		9,473	
Other Charges		760	
Total Circuit Court			\$ 196,121

General Sessions Judge

Judge(s)	\$	86,208	
Youth Service Officer(s)		30,000	
Social Security		7,205	
Unemployment Compensation		144	
Employer Medicare		1,685	
Communication		2,546	
In Service/Staff Development		928	
Total General Sessions Judge			128,716

Chancery Court

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		20,791	
Part-time Personnel		600	
Social Security		4,935	
Unemployment Compensation		179	
Employer Medicare		1,155	
Communication		1,406	
Data Processing Services		12,718	
Dues and Memberships		702	
Legal Notices, Recording, and Court Costs		52	
Postal Charges		926	
Office Supplies		3,342	
Total Chancery Court			105,545

Juvenile Court

Part-time Personnel	\$	13,356	
Social Security		763	
Unemployment Compensation		123	
Employer Medicare		258	
Communication		2,793	
Postal Charges		1,185	
Rentals		4,500	
Travel		265	
Office Supplies		4,884	
Other Charges		3,603	
Total Juvenile Court			31,730

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,613	
Deputy(ies)		348,391	
School Resource Officer		22,040	
In-Service Training		7,225	
Social Security		27,419	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Unemployment Compensation	\$	3,041	
Employer Medicare		6,413	
Communication		2,734	
Maintenance and Repair Services - Vehicles		18,276	
Postal Charges		1,443	
Printing, Stationery, and Forms		620	
Towing Services		6,456	
Other Contracted Services		38,430	
Gasoline		93,723	
Office Supplies		9,211	
Tires and Tubes		4,620	
Uniforms		1,641	
Other Supplies and Materials		980	
Liability Insurance		14,865	
Vehicle and Equipment Insurance		21,401	
Workers' Compensation Insurance		36,097	
In Service/Staff Development		3,321	
Other Charges		2,175	
Other Equipment		4,027	
Total Sheriff's Department			\$ 739,162

Administration of the Sexual Offender Registry

Communication	\$	100	
Total Administration of the Sexual Offender Registry			100

Jail

Accountants/Bookkeepers	\$	23,648	
Guards		222,189	
Cafeteria Personnel		10,978	
Social Security		15,923	
Unemployment Compensation		3,055	
Employer Medicare		3,724	
Communication		11,048	
Medical and Dental Services		245,409	
Other Contracted Services		62,354	
Electricity		15,164	
Food Supplies		94,044	
Natural Gas		7,045	
Water and Sewer		8,815	
Other Supplies and Materials		3,124	
Total Jail			726,520

Juvenile Services

Other Supplies and Materials	\$	5,385	
Total Juvenile Services			5,385

Fire Prevention and Control

Contracts with Other Public Agencies	\$	8,280	
Contributions		2,500	
Total Fire Prevention and Control			10,780

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

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

Other Emergency Management

Assistant(s)	\$	10,050	
Social Security		769	
Unemployment Compensation		156	
Communication		165	
Maintenance and Repair Services - Vehicles		111	
Rentals		5,300	
Gasoline		818	
Other Charges		201	
Total Other Emergency Management			17,570

County Coroner/Medical Examiner

Pauper Burials	\$	3,000	
Total County Coroner/Medical Examiner			3,000

Other Public Safety

Deputy(ies)	\$	7,164	
Social Security		444	
Employer Medicare		104	
Contributions		2,000	
Other Equipment		49,308	
Total Other Public Safety			59,020

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	8,599	
Social Security		533	
Unemployment Compensation		138	
Employer Medicare		125	
Communication		6,392	
Contracts with Government Agencies		12,816	
Dues and Memberships		200	
Postal Charges		79	
Other Contracted Services		1,200	
Electricity		5,937	
Natural Gas		4,974	
Office Supplies		977	
Water and Sewer		518	
Other Supplies and Materials		1,746	
Total Local Health Center			44,234

Ambulance/Emergency Medical Services

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

Alcohol and Drug Programs

Contracts with Other Public Agencies	\$	16,214	
Total Alcohol and Drug Programs			16,214

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$ 16,458	
Social Security	1,020	
Unemployment Compensation	210	
Employer Medicare	239	
Travel	1,284	
Total Other Local Health Services		19,211

Regional Mental Health Center

Contributions	\$ 5,000	
Total Regional Mental Health Center		5,000

Social, Cultural, and Recreational Services

Libraries

Librarians	\$ 39,863	
Social Security	2,471	
Unemployment Compensation	638	
Employer Medicare	578	
Data Processing Services	4,026	
Total Libraries		47,576

Other Social, Cultural, and Recreational

Other Supplies and Materials	\$ 5,130	
Total Other Social, Cultural, and Recreational		5,130

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 52,583	
Social Security	451	
Unemployment Compensation	87	
Employer Medicare	106	
Communication	3,680	
Data Processing Services	1,106	
Duplicating Supplies	865	
Total Agriculture Extension Service		58,878

Soil Conservation

Clerical Personnel	\$ 19,799	
Part-time Personnel	15,168	
Social Security	2,168	
Unemployment Compensation	315	
Employer Medicare	507	
Communication	1,399	
Travel	683	
Other Supplies and Materials	723	
Other Charges	1,340	
Total Soil Conservation		42,102

(Continued)

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

General Fund (Cont.)

Other Operations

Tourism

Other Supplies and Materials	\$	2,176	
Total Tourism			\$ 2,176

Other Economic and Community Development

Contracts with Government Agencies	\$	282,537	
Other Supplies and Materials		472	
Other Charges		36,000	
Total Other Economic and Community Development			319,009

Veterans' Services

Supervisor/Director	\$	9,899	
Social Security		614	
Employer Medicare		143	
Dues and Memberships		25	
Postal Charges		409	
Travel		3,660	
Total Veterans' Services			14,750

Other Charges

Building and Contents Insurance	\$	12,160	
Liability Insurance		21,973	
Premiums on Corporate Surety Bonds		11,016	
Trustee's Commission		55,974	
Workers' Compensation Insurance		35,483	
Other Capital Outlay		25,931	
Total Other Charges			162,537

Contributions to Other Agencies

Contributions	\$	16,394	
Total Contributions to Other Agencies			16,394

Employee Benefits

Social Security	\$	33	
State Retirement		97,056	
Medical Insurance		50,509	
Unemployment Compensation		118	
Employer Medicare		7	
Total Employee Benefits			147,723

Miscellaneous

Other Charges	\$	22,146	
Total Miscellaneous			22,146

Principal on Debt

General Government

Principal on Notes	\$	46,049	
Total General Government			46,049

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Interest on Debt

General Government

Interest on Notes

\$ 919

Total General Government

\$ 919

Total General Fund

\$ 4,128,159

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings

\$ 17,101

Total County Buildings

\$ 17,101

Other Operations

Other Charges

Trustee's Commission

\$ 403

Total Other Charges

403

Total Courthouse and Jail Maintenance Fund

17,504

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Laborers

\$ 23,315

Social Security

1,784

Unemployment Compensation

144

Gasoline

2,783

Instructional Supplies and Materials

6,000

Other Supplies and Materials

4,070

Total Waste Pickup

\$ 38,096

Convenience Centers

Truck Drivers

\$ 64,061

Maintenance Personnel

35,520

Part-time Personnel

132,550

Social Security

17,758

Unemployment Compensation

1,800

Communication

8,723

Maintenance and Repair Services - Vehicles

26,256

Disposal Fees

188,425

Diesel Fuel

51,436

Electricity

8,936

Water and Sewer

1,469

Other Supplies and Materials

26,341

Solid Waste Equipment

8,382

Total Convenience Centers

571,657

Landfill Operation and Maintenance

Contracts with Private Agencies

\$ 11,070

Total Landfill Operation and Maintenance

11,070

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 8,277	
Total Other Charges		\$ 8,277

Total Solid Waste/Sanitation Fund \$ 629,100

Industrial/Economic Development Fund

Other Operations

Industrial Development

Other Charges	\$ 59	
Total Industrial Development		\$ 59

Principal on Debt

General Government

Principal on Other Loans	\$ 38,484	
Total General Government		38,484

Interest on Debt

General Government

Interest on Other Loans	\$ 4,094	
Total General Government		4,094

Total Industrial/Economic Development Fund 42,637

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$ 4,024	
Trustee's Commission	520	
Total Drug Enforcement		\$ 4,544

Total Drug Control Fund 4,544

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 15,922	
Total Chancery Court		\$ 15,922

Total Constitutional Officers - Fees Fund 15,922

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,613
Accountants/Bookkeepers	33,295
Advertising	615
Communication	4,857
Data Processing Services	4,275
Dues and Memberships	483
Evaluation and Testing	600

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Maintenance and Repair Services - Office Equipment	\$	260	
Postal Charges		184	
Printing, Stationery, and Forms		64	
Rentals		46	
Travel		1,087	
Electricity		3,792	
Office Supplies		225	
Water and Sewer		269	
Other Charges		3,068	
Total Administration			\$ 117,733

Highway and Bridge Maintenance

Supervisor/Director	\$	33,295	
Foremen		33,295	
Equipment Operators - Heavy		56,265	
Truck Drivers		176,706	
Laborers		72,074	
Asphalt - Liquid		185,034	
Crushed Stone		289,442	
Ice		74	
Pipe		28,790	
Road Signs		45	
Small Tools		63	
Other Supplies and Materials		778	
Other Charges		796	
Total Highway and Bridge Maintenance			876,657

Operation and Maintenance of Equipment

Mechanic(s)	\$	61,332	
Nightwatchmen		15,254	
Overtime Pay		401	
Maintenance and Repair Services - Equipment		6,672	
Diesel Fuel		115,502	
Equipment and Machinery Parts		28,011	
Garage Supplies		1,129	
Gasoline		22,448	
Lubricants		8,276	
Propane Gas		514	
Tires and Tubes		16,772	
Other Supplies and Materials		105	
Other Charges		1,025	
Total Operation and Maintenance of Equipment			277,441

Other Charges

Liability Insurance	\$	30,776	
Trustee's Commission		15,931	
Workers' Compensation Insurance		64,799	
Total Other Charges			111,506

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	32,555	
State Retirement		50,204	
Employee and Dependent Insurance		137,464	
Employer Medicare		9,257	
Total Employee Benefits			\$ 229,480

Capital Outlay

Engineering Services	\$	9,287	
Other Contracted Services		3,000	
Bridge Construction		144,154	
Communication Equipment		150	
Highway Construction		532,834	
Motor Vehicles		6,050	
Total Capital Outlay			695,475

Total Highway/Public Works Fund \$ 2,308,292

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	182,465	
Total General Government			\$ 182,465

Education

Principal on Bonds	\$	615,000	
Principal on Notes		92,875	
Principal on Other Loans		131,980	
Total Education			839,855

Interest on Debt

General Government

Interest on Bonds	\$	16,096	
Total General Government			16,096

Education

Interest on Bonds	\$	272,863	
Interest on Notes		9,899	
Interest on Other Loans		1,184	
Total Education			283,946

Other Debt Service

General Government

Trustee's Commission	\$	6,069	
Total General Government			6,069

Education

Other Debt Service	\$	1,374	
Total Education			1,374

Total General Debt Service Fund 1,329,805

(Continued)

Exhibit K-7

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

<u>Education Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>Education</u>		
Other Debt Issuance Charges	\$ 16,140	
Total Education		\$ 16,140
<u>Capital Projects - Donated</u>		
<u>Capital Projects Donated to School Department</u>		
Contributions	\$ 1,065,406	
Total Capital Projects Donated to School Department		<u>1,065,406</u>
Total Education Capital Projects Fund		<u>\$ 1,081,546</u>
Total Governmental Funds - Primary Government		<u><u>\$ 9,557,509</u></u>

Exhibit K-8

Grundy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Grundy County School Department  
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,335,352	
Career Ladder Program		46,134	
Career Ladder Extended Contracts		6,350	
Homebound Teachers		20,965	
Clerical Personnel		1,557	
Educational Assistants		148,446	
Other Salaries and Wages		127,253	
Non-certified Substitute Teachers		128,223	
Social Security		281,763	
State Retirement		402,907	
Life Insurance		477	
Medical Insurance		567,914	
Employer Medicare		66,831	
Communication		1,937	
Travel		1,788	
Other Contracted Services		33,986	
Instructional Supplies and Materials		100,211	
Textbooks		187,881	
Other Charges		12,461	
Regular Instruction Equipment		52,755	
Total Regular Instruction Program			\$ 6,525,191

Alternative Instruction Program

Teachers	\$	91,284	
Career Ladder Program		1,000	
Educational Assistants		23,290	
Social Security		6,973	
State Retirement		10,638	
Life Insurance		67	
Medical Insurance		17,124	
Employer Medicare		1,631	
Other Charges		341	
Total Alternative Instruction Program			152,348

Special Education Program

Teachers	\$	1,295,051
Career Ladder Program		18,699
Homebound Teachers		6,035
Educational Assistants		173,249
Speech Pathologist		146,433
Certified Substitute Teachers		270
Non-certified Substitute Teachers		1,164
Social Security		98,307
State Retirement		139,677
Life Insurance		787
Medical Insurance		167,212
Employer Medicare		22,991
Evaluation and Testing		580
Other Contracted Services		12,588

(Continued)

Exhibit K-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.)

Instructional Supplies and Materials	\$	682	
Other Supplies and Materials		2,258	
Fee Waivers		118	
Other Charges		2,461	
Total Special Education Program			\$ 2,088,562

Vocational Education Program

Teachers	\$	471,240	
Educational Assistants		16,580	
Social Security		29,483	
State Retirement		43,585	
Life Insurance		33	
Medical Insurance		52,511	
Employer Medicare		6,895	
Instructional Supplies and Materials		12,869	
Other Charges		3,406	
Vocational Instruction Equipment		469	
Total Vocational Education Program			637,071

Adult Education Program

Teachers	\$	7,578	
Social Security		470	
State Retirement		795	
Employer Medicare		110	
Instructional Supplies and Materials		209	
Total Adult Education Program			9,162

Support Services

Attendance

Supervisor/Director	\$	56,316	
Career Ladder Program		1,000	
Clerical Personnel		10,500	
Other Salaries and Wages		26,119	
Social Security		5,775	
State Retirement		8,931	
Life Insurance		33	
Medical Insurance		4,041	
Employer Medicare		1,351	
Postal Charges		3,142	
Travel		1,925	
Other Contracted Services		8,384	
Other Supplies and Materials		3,257	
Total Attendance			130,774

Health Services

Medical Personnel	\$	47,534	
Other Salaries and Wages		99,757	
Social Security		8,900	
State Retirement		14,364	

(Continued)

Exhibit K-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.)

Health Services (Cont.)

Life Insurance	\$	103	
Medical Insurance		8,361	
Employer Medicare		2,081	
Travel		1,087	
Other Contracted Services		4,664	
Drugs and Medical Supplies		4,282	
Other Charges		2,505	
Total Health Services			\$ 193,638

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		127,083	
Social Workers		52,987	
Secretary(ies)		33,951	
School Resource Officer		26,865	
Other Salaries and Wages		8,579	
Social Security		13,509	
State Retirement		19,120	
Life Insurance		31	
Medical Insurance		21,534	
Employer Medicare		3,160	
Evaluation and Testing		13,098	
Travel		5,668	
Other Contracted Services		303	
Other Supplies and Materials		8,245	
Other Charges		13,432	
Total Other Student Support			349,565

Regular Instruction Program

Supervisor/Director	\$	48,221	
Career Ladder Program		2,000	
Librarians		94,070	
Social Security		8,504	
State Retirement		12,813	
Medical Insurance		27,051	
Employer Medicare		1,989	
Travel		534	
Library Books/Media		2,826	
In Service/Staff Development		7,294	
Total Regular Instruction Program			205,302

Special Education Program

Supervisor/Director	\$	59,291	
Career Ladder Program		1,000	
Psychological Personnel		46,210	
Other Salaries and Wages		12,847	
Social Security		7,346	
State Retirement		10,805	
Medical Insurance		11,326	

(Continued)

Exhibit K-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.)

Special Education Program (Cont.)

Employer Medicare	\$	1,718	
Communication		10,588	
Postal Charges		414	
Travel		11,195	
Other Contracted Services		1,257	
Other Supplies and Materials		5,021	
In Service/Staff Development		5,041	
Other Charges		1,302	
Total Special Education Program			\$ 185,361

Vocational Education Program

Supervisor/Director	\$	58,962	
Career Ladder Program		1,000	
Social Security		3,561	
State Retirement		5,325	
Medical Insurance		7,369	
Employer Medicare		833	
Travel		632	
Total Vocational Education Program			77,682

Adult Programs

Supervisor/Director	\$	33,362	
Social Security		1,920	
State Retirement		2,963	
Medical Insurance		5,546	
Employer Medicare		449	
Communication		668	
In Service/Staff Development		1,923	
Total Adult Programs			46,831

Other Programs

On-Behalf Payments to OPEB	\$	65,136	
Total Other Programs			65,136

Board of Education

Board and Committee Members Fees	\$	10,875	
Social Security		674	
State Retirement		111	
Unemployment Compensation		59,069	
Employer Medicare		158	
Consultants		8,910	
Dues and Memberships		7,047	
Legal Services		28,066	
Liability Insurance		35,356	
Premiums on Corporate Surety Bonds		798	
Trustee's Commission		74,332	
Workers' Compensation Insurance		69,108	
Refund to Applicant for Criminal Investigation		336	
Other Charges		4,066	
Total Board of Education			298,906

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	74,601	
Career Ladder Program		1,000	
Clerical Personnel		9,454	
Social Security		5,217	
State Retirement		7,465	
Life Insurance		672	
Medical Insurance		10,678	
Employer Medicare		1,220	
Communication		33,180	
Dues and Memberships		6,518	
Travel		3,118	
Other Charges		385	
Total Director of Schools			\$ 153,508

Office of the Principal

Principals	\$	412,607	
Career Ladder Program		5,000	
Assistant Principals		54,401	
Secretary(ies)		34,370	
Clerical Personnel		46,067	
Social Security		32,467	
State Retirement		49,907	
Life Insurance		231	
Medical Insurance		65,760	
Employer Medicare		7,593	
Total Office of the Principal			708,403

Fiscal Services

Accountants/Bookkeepers	\$	52,119	
Secretary(ies)		22,838	
Clerical Personnel		23,303	
Social Security		6,092	
State Retirement		10,117	
Life Insurance		100	
Employer Medicare		1,425	
Postal Charges		998	
Travel		1,358	
Other Contracted Services		14,226	
Office Supplies		7,875	
Administration Equipment		8,568	
Total Fiscal Services			149,019

Operation of Plant

Custodial Personnel	\$	250,194	
Other Salaries and Wages		300	
Social Security		15,262	
State Retirement		24,234	
Life Insurance		426	
Employer Medicare		3,569	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Maintenance and Repair Services - Equipment	\$	9,228	
Other Contracted Services		29,700	
Custodial Supplies		92,078	
Electricity		404,501	
Natural Gas		127,344	
Water and Sewer		42,418	
Boiler Insurance		175	
Building and Contents Insurance		50,782	
Other Charges		30,854	
Total Operation of Plant			\$ 1,081,065

Maintenance of Plant

Maintenance Personnel	\$	121,844	
Social Security		7,446	
State Retirement		11,447	
Life Insurance		134	
Employer Medicare		1,742	
Communication		2,618	
Maintenance and Repair Services - Equipment		16,370	
Other Supplies and Materials		101,333	
Other Charges		10,846	
Total Maintenance of Plant			273,780

Transportation

Supervisor/Director	\$	39,884	
Mechanic(s)		46,170	
Bus Drivers		253,613	
Social Security		20,463	
State Retirement		31,307	
Life Insurance		699	
Employer Medicare		4,925	
Communication		2,432	
Medical and Dental Services		1,125	
Travel		1,402	
Other Contracted Services		4,046	
Diesel Fuel		99,946	
Gasoline		30,038	
Tires and Tubes		13,863	
Vehicle Parts		78,672	
Other Supplies and Materials		4,119	
Vehicle and Equipment Insurance		20,897	
Other Charges		855	
Transportation Equipment		161,404	
Total Transportation			815,860

Central and Other

Supervisor/Director	\$	20,160	
Other Salaries and Wages		166,549	
Social Security		11,554	

(Continued)

Exhibit K-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.)

Central and Other (Cont.)

State Retirement	\$	13,299	
Life Insurance		67	
Employer Medicare		2,700	
Communication		1,015	
Travel		22,615	
Other Supplies and Materials		27,832	
In Service/Staff Development		5,918	
Other Charges		1,178	
Total Central and Other			\$ 272,887

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	20,255	
Other Salaries and Wages		29,324	
Social Security		904	
State Retirement		1,829	
Employer Medicare		211	
Communication		423	
Postal Charges		78	
Printing, Stationery, and Forms		470	
Travel		4,530	
Other Contracted Services		2,000	
Other Supplies and Materials		1,465	
Other Charges		23,921	
Other Equipment		285	
Total Community Services			85,695

Early Childhood Education

Supervisor/Director	\$	42,621	
Teachers		145,948	
Clerical Personnel		4,294	
Educational Assistants		44,531	
Non-certified Substitute Teachers		2,385	
Social Security		14,062	
State Retirement		21,004	
Life Insurance		134	
Medical Insurance		29,089	
Employer Medicare		3,289	
Communication		3,015	
Postal Charges		1,005	
Travel		15,484	
Instructional Supplies and Materials		59,860	
Other Supplies and Materials		5,814	
Other Charges		14,514	
Other Equipment		53,685	
Total Early Childhood Education			460,734

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	53,016	
Building Construction		29,874	
Building Improvements		137,461	
Site Development		15,544	
Other Capital Outlay		19,161	
Total Regular Capital Outlay			\$ 255,056

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	224,855	
Total Education			224,855

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$	9,899	
Total Education			9,899

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	500,000	
Total Education			500,000

Total General Purpose School Fund \$ 15,956,290

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	572,720	
Educational Assistants		107,139	
Other Salaries and Wages		300	
Non-certified Substitute Teachers		21,955	
Social Security		41,732	
State Retirement		60,955	
Life Insurance		373	
Medical Insurance		89,519	
Employer Medicare		9,760	
Other Contracted Services		119,436	
Instructional Supplies and Materials		74,830	
Other Supplies and Materials		2,658	
Regular Instruction Equipment		143,410	
Total Regular Instruction Program			\$ 1,244,787

Special Education Program

Teachers	\$	960	
Educational Assistants		240,311	
Other Salaries and Wages		261,970	
Non-certified Substitute Teachers		608	
Social Security		30,721	
State Retirement		41,263	

(Continued)

Exhibit K-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.)

Medical Insurance	\$	21,548	
Employer Medicare		7,185	
Other Contracted Services		2,977	
Instructional Supplies and Materials		5,460	
Other Supplies and Materials		3,400	
Fee Waivers		490	
Other Charges		687	
Special Education Equipment		19,278	
Total Special Education Program			\$ 636,858

Vocational Education Program

Instructional Supplies and Materials	\$	5,005	
Vocational Instruction Equipment		33,536	
Total Vocational Education Program			38,541

Support Services

Other Student Support

Guidance Personnel	\$	41,345	
Other Salaries and Wages		32,278	
Social Security		4,534	
State Retirement		6,968	
Medical Insurance		5,709	
Employer Medicare		1,060	
Travel		10,008	
Other Supplies and Materials		4,337	
In Service/Staff Development		3,087	
Other Charges		10,642	
Other Equipment		1,282	
Total Other Student Support			121,250

Regular Instruction Program

Supervisor/Director	\$	53,136	
Other Salaries and Wages		122,300	
Social Security		11,150	
State Retirement		16,328	
Medical Insurance		23,531	
Employer Medicare		2,483	
Communication		2,599	
Operating Lease Payments		2,520	
Travel		1,679	
Other Supplies and Materials		3,015	
In Service/Staff Development		26,985	
Other Equipment		5,011	
Total Regular Instruction Program			270,737

Special Education Program

Clerical Personnel	\$	13,685	
Other Salaries and Wages		16,299	
Social Security		1,918	

(Continued)

Exhibit K-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.)

Special Education Program (Cont.)

State Retirement	\$	3,142	
Employer Medicare		449	
Travel		1,449	
Other Contracted Services		67,908	
Other Supplies and Materials		5,289	
In Service/Staff Development		5,660	
Other Charges		805	
Other Equipment		2,809	
Total Special Education Program			\$ 119,413

Vocational Education Program

Travel	\$	2,294	
Total Vocational Education Program			2,294

Transportation

Other Salaries and Wages	\$	15,364	
Social Security		929	
State Retirement		1,402	
Employer Medicare		217	
Other Charges		6,500	
Total Transportation			24,412

Total School Federal Projects Fund \$ 2,458,292

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	20,667	
Clerical Personnel		37,475	
Cafeteria Personnel		531,418	
In-Service Training		1,986	
Social Security		36,088	
State Retirement		49,953	
Life Insurance		1,405	
Employer Medicare		8,577	
Communication		4,645	
Maintenance and Repair Services - Equipment		1,315	
Travel		1,447	
Other Contracted Services		7,560	
Food Preparation Supplies		322	
Food Supplies		665,027	
Office Supplies		5,097	
USDA - Commodities		73,758	
Other Charges		2,684	
Food Service Equipment		14,606	
Other Equipment		1,347	
Total Food Service			\$ 1,465,377

Total Central Cafeteria Fund 1,465,377

(Continued)

Exhibit K-8

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

<u>Education Capital Projects Fund</u>			
<u>Capital Outlay</u>			
<u>Regular Capital Outlay</u>			
Architects	\$	58,211	
Building Construction		<u>914,292</u>	
Total Regular Capital Outlay			<u>\$ 972,503</u>
Total Education Capital Projects Fund			<u>\$ 972,503</u>
Total Governmental Funds - Grundy County School Department			<u><u>\$ 20,852,462</u></u>

Exhibit K-9

Grundy County, Tennessee  
Schedule of Detailed Revenues and Expenses  
All Proprietary Fund Types  
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund <u>Waste Water Fund</u>
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
User Fees	\$ 54,299
Total Operating Revenues	<u>\$ 54,299</u>
 <u>Nonoperating Revenue</u>	
<u>Recurring Items</u>	
Interest Income	\$ 24
Total Nonoperating Revenue	<u>\$ 24</u>
 Total Revenue	 <u><u>\$ 54,323</u></u>
 <u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Other Waste Disposal</u>	
Part-time Personnel	\$ 5,074
Social Security	315
Employer Medicare	74
Communication	1,301
Postal Charges	315
Other Contracted Services	5,829
Electricity	10,962
Water and Sewer	261
Testing	491
Other Supplies and Materials	1,143
Depreciation	68,845
Other Charges	513
Total Operating Expenses	<u>\$ 95,123</u>
 <u>Nonoperating Expenses</u>	
Interest on Other Loans Payable	\$ 684
Total Non-Operating Expenses	<u>\$ 684</u>
 Total Expenses	 <u><u>\$ 95,807</u></u>

Exhibit K-10

Grundy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2013

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 540,743
Total Cash Receipts	<u>\$ 540,743</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 535,336
Trustee's Commission	<u>5,407</u>
Total Cash Disbursements	<u>\$ 540,743</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
Cash Balance, June 30, 2013	<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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise Grundy County's basic financial statements, and have issued our report thereon dated January 15, 2014. Our report includes a reference to other auditors who audited the financial statements of the Grundy County Emergency Communications District, as described in our report on Grundy County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Grundy County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Grundy County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2013-001, 2013-012, and 2013-014.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-002(A,B,C,D), 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, 2013-008(A), 2013-011, 2013-013, 2013-015, 2013-020, and 2013-021.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Grundy County's financial statements are free from 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: 2013-002(E), 2013-008(B), 2013-009, 2013-010, 2013-016, 2013-017, 2013-018, and 2013-019.

## **Grundy County's Responses to Findings**

Grundy County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Grundy County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering

Grundy County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 15, 2014

JPW/yu



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 Compliance for Each Major Federal Program; Report on Internal Control  
Over Compliance; and Report on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Grundy County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Grundy County's major federal programs for the year ended June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Grundy County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Grundy County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Grundy County's complied, in all material respects, with the types of compliance 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-022 and 2013-023. Our opinion on each major federal program is not modified with respect to these matters.

Grundy County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Grundy County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of Grundy County's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grundy County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal

control over compliance, yet important enough to merit attention by those charged with governance.

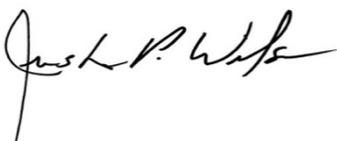
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise Grundy County's basic financial statements. We issued our report thereon dated January 15, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 15, 2014

JPW/yu

Grundy County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2013

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Rural Business Enterprise Grants	10.769	N/A	\$ 472
Emergency Watershed Protection Program, Recovery Act	10.923	N/A	48,684
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	73,758 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	325,786
National School Lunch Program	10.555	N/A	741,052 (3)
Total U.S. Department of Agriculture			<u>\$ 1,189,752</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/Special Purpose Grants/Insular Area	14.227	(2)	\$ 36,000
Passed-through State Department of Housing and Urban Development:			
HOME Investment Partnerships Program	14.239	(2)	282,537
Total U.S. Department of Housing and Urban Development			<u>\$ 318,537</u>
U.S. Department of Justice:			
Passed-through Tennessee Bureau of Investigation:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(2)	\$ 537
Total U.S. Department of Justice			<u>\$ 537</u>
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	13-06-061-306-YOUTH	\$ 37,148
Total U.S. Department of Labor			<u>\$ 37,148</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(4)	\$ 7,023
Total U.S. Department of Transportation			<u>\$ 7,023</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	\$ 1,027,879
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	448
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	821,139
Special Education - Preschool Grants	84.173	N/A	33,260
Career and Technical Education - Basic Grants to States	84.048	N/A	54,629
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	670
Rural Education	84.358	N/A	40,117
Improving Teacher Quality State Grants	84.367	N/A	207,685
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	346,481
Education Jobs Funds, Recovery Act	84.410	N/A	16,617
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	50,273
Total U.S. Department of Education			<u>\$ 2,599,198</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 Human Services:			
Temporary Assistance for Needy Families	93.558	(2)	\$ 5,013
Passed-through State Department of Mental Health and Substance Abuse Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(2)	<u>50,000</u>
Total U.S. Department of Health and Human Services			<u>\$ 55,013</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 6,891
Homeland Security Grant Program	97.067	(2)	<u>58,714</u>
Total U.S. Department of Homeland Security			<u>\$ 65,605</u>
Total Expenditures of Federal Awards			<u>\$ 4,272,813</u>
<u>State Grants</u>		<u>Contract Number</u>	
Litter Program - State Department of Transportation	N/A	Z-13-LIT031-00	\$ 38,095
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	4,500
Local Health Services Grant - State Department of Health	N/A	(2)	19,217
Rural Juvenile Court Intervention Strategy Grant - State Administrative Office of the Courts	N/A	(2)	5,385
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	12,500
Lottery for Education After School Programs - State Department of Education	N/A	(2)	185,479
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	321,098
Coordinated School Health - State Department of Education	N/A	(2)	100,000
Family Resource Grants - State Department of Education	N/A	(2)	29,612
Safe Schools Act - State Department of Education	N/A	(2)	<u>14,200</u>
Total State Grants			<u>\$ 730,086</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$814,810.
- (4) Z-12-GHS122-00: \$4,678; Z-13-GHS131-00: \$2,345.

Grundy County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2013

*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, 2012, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.02	151	The office had deficiencies in purchasing procedures
12.04	153	Authorizations were not on file to support gross salary amounts for several employees

**OFFICE OF HIGHWAY SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.06	154	The office did not maintain adequate controls over fuel
12.07(B)	154	The office had deficiencies in purchasing procedures
12.08	155	The office had deficiencies related to employee travel
12.09	155	Deficiencies exist related to work performed for other governmental entities
12.10	156	The office did not implement adequate controls to protect its information resources

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.11	157	Deficiencies were noted in the administration of the Little Jackets Daycare

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
12.14	158	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>
12.15	159	Duties were not segregated adequately

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**GRUNDY COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2013**

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

1. Our report on the financial statements of Grundy County is unmodified.
2. The audit of the financial statements of Grundy County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instance of noncompliance that is material to the financial statements of Grundy County.
4. Our audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed two 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 HOME Investment Partnership Program (CFDA No. 14.239), 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), and the State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Grundy County did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The director of schools provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### OFFICE OF COUNTY MAYOR

FINDING 2013-001                    **THE WASTE WATER FUND REQUIRED MATERIAL  
AUDIT ADJUSTMENTS FOR PROPER FINANCIAL  
STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under *Government  
Auditing Standards*)

At June 30, 2013, certain general ledger account balances in the Waste Water Fund were not materially correct. Audit adjustments totaling \$1,320,474 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Grundy County to have adequate controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correctly post capital asset balances and depreciation transactions for the year. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### RECOMMENDATION

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

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FINDING 2013-002                    **THE OFFICE HAD DEFICIENCIES IN PURCHASING  
PROCEDURES**  
(A., B., C., D. – Internal Control – Significant Deficiency  
Under *Government Auditing Standards*; E. – Noncompliance  
Under *Government Auditing Standards*)

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 48 disbursements totaling \$126,713 from a population of 2,746 vendor checks totaling \$4,636,440. Our examination revealed the following deficiencies, which are the result of a lack of management oversight and management's failure to correct the deficiencies noted in the prior-year audit report.

- A. Our sample revealed that a purchase order was not issued in one of seven 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.
- B. In six of seven applicable instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than approval of the purchase.
- C. Invoices were paid without documentation that goods had been received and/or services had been rendered in 13 of 40 applicable purchases. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.
- D. In six of 45 applicable instances, invoices were not on file to support the total amount of purchases, and in five of these six instances payments made were for the Election Office. Sound business practices dictate that invoices should be on file to support all purchases. The absence of invoices increases the risks of fraud and unauthorized purchases. We extended our audit procedures and determined that these disbursements were for the benefit of the county.
- E. Our sample revealed that competitive bids were not solicited in two of three applicable purchases. Competitive bids were not solicited for the purchase of food at the jail (\$94,044). Section 5-14-201 et seq., *Tennessee Code Annotated*, requires competitive bids to be solicited through public advertisement for purchases exceeding \$10,000. We were unable to determine if the county received the most competitive price for food at the jail. The failure to solicit competitive bids could result in the department paying more than the most competitive price.

## RECOMMENDATION

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

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## FINDING 2013-003

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

During our examination of payroll transactions, we selected a sample of 13 disbursements from a population of 2,350 payroll checks to obtain reasonable assurance that payroll was

properly documented. Management was unable to provide supporting documentation for the gross salary of ten employees in our sample 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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### OFFICE OF HIGHWAY SUPERINTENDENT

#### FINDING 2013-004

#### **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 2013-005

#### **AN EMPLOYEE AT THE HIGHWAY DEPARTMENT USED DEPARTMENT PURCHASED FUEL IN HER PERSONAL VEHICLE**

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

During our audit, we received an allegation that the Highway Department bookkeeper was seen putting gasoline into her personal vehicle from the Highway Department fuel pumps. When we asked the Highway Superintendent about this, he stated that it was the practice of the department to provide the bookkeeper with two gallons of department purchased fuel for each trip she makes from the Highway Department to the courthouse on Highway Department business. However, on a least one occasion, the bookkeeper was observed at the courthouse arriving in a Highway Department vehicle rather than her personal vehicle.

It should be noted that the fuel purchased by the Highway Department is tax exempt and both state and federal regulations strictly prohibit the use of government purchased non-taxed fuel in personal vehicles. As we have disclosed in the prior-year's findings, the Highway Department does not maintain any inventory records documenting the receipt, usage, and storage of fuel. Because the department maintains no fuel usage records, we are unable to ascertain how much gasoline was actually provided to employees.

### RECOMMENDATION

Management should ensure that employees do not place Highway Department purchased fuel in their personal vehicles. Instead, employees should either use Highway Department vehicles for department business or should be reimbursed for the use of their personal vehicles based upon the actual miles driven through a department approved employee travel reimbursement plan.

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### FINDING 2013-006

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

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

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 60 disbursements totaling \$271,356 from a population of 349 vendor checks totaling \$1,882,546. Our examination revealed the following deficiencies, which are the result of a lack of management oversight and management's failure to correct the deficiency noted in the prior-year audit report.

- A. The dollar amounts of purchases were not listed on nine of 12 applicable purchase orders. The dollar amounts of items on purchase orders are necessary to quantify purchasing commitments.
- B. Invoices were paid without documentation that goods had been received and/or services had been rendered in six of 46 applicable purchases. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.
- C. In five of 50 applicable instances, the office paid invoices without canceling or marking them paid. This deficiency is the result of management's oversight and could result in the office paying invoices more than once.

### RECOMMENDATION

Purchase orders should include the dollar amounts of items to be purchased. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. Also, all invoices should be canceled when paid.

FINDING 2013-007

**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, which are the result of management’s failure to implement adequate internal control procedures over travel and credit card transactions and management’s failure to correct the finding noted in the prior-year audit report.

- 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 \$565. Most of these credit card transactions appear to be travel related expenses for hotels and restaurants.

RECOMMENDATION

The Highway Department should adhere to the formal policies and procedures for payment of employee-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 the employees.

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FINDING 2013-008

**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, which are the result of management’s failure to correct the finding noted in the prior-year audit report.

- 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, 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 that have work performed. The Highway Department should recover the actual costs of performing work for other governmental entities.

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### FINDING 2013-009

### **THE HIGHWAY DEPARTMENT PERFORMED WORK AND PROVIDED MATERIALS FOR PRIVATE PURPOSES**

(Noncompliance Under *Government Auditing Standards*)

We received an allegation that the Highway Department had torn down an old house located on private property. We were told by the Highway Superintendent that they did tear down an old house in the City of Palmer while they were repairing the road next to where the house was located. The highway superintendent further stated that he thought the City of Palmer paid the Highway Department to tear down the house and that the City of Palmer does not have the equipment to do this kind of work. However, we were not provided with any documentation regarding the City of Palmer paying for tearing down the house. On June 25, 2013, we spoke with the City of Palmer bookkeeper about the house that was torn down. The bookkeeper stated that the city did not ask the Highway Department to tear down the house, and the city had made no payments to Grundy County for tearing it down. However, the bookkeeper did state that the house was only about three feet from the road being paved, had been vacant for several years, and that several trees had fallen on it. She further stated she felt the house was a hazard and could have easily fallen out in the road.

### RECOMMENDATION

The Highway Department should enter into formal written contracts with all cities that have work performed and should recover the actual costs of performing this work. These contracts should also be approved by the County Commission.

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FINDING 2013-010

**A VEHICLE ASSIGNED TO AND DRIVEN BY THE  
HIGHWAY SUPERINTENDENT WAS NOT PLAINLY  
MARKED AS PROPERTY OF THE HIGHWAY  
DEPARTMENT**

(Noncompliance Under *Government Auditing Standards*)

The county-owned pickup truck assigned to and driven by the highway superintendent was not plainly marked as property of the Highway Department. The County Uniform Road Law, Section 54-7-112(b), *Tennessee Code Annotated*, requires that “all machinery, equipment, and tools shall be plainly marked as property of the county road department and each item shall be numbered ...”

RECOMMENDATION

The county-owned pickup truck assigned to the highway superintendent should be plainly marked and identified as property of the Highway Department as required by state statute.

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FINDING 2013-011

**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 2013-012

#### **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**

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

At June 30, 2013, certain general ledger account balances of the Education Capital Projects Fund were not materially correct. Audit adjustments totaling \$160,646 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the School Department to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### RECOMMENDATION

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

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### FINDING 2013-013

#### **THE SCHOOL FEDERAL PROJECTS AND EDUCATION CAPITAL PROJECTS FUNDS HAD DEFICITS IN UNASSIGNED FUND BALANCE AT JUNE 30, 2013**

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

The School Federal Projects and the Education Capital Projects funds had deficits in unassigned fund balance of \$11,000 and \$47,206, respectively, at June 30, 2013. Generally accepted accounting principles dictate that expenditures be held within available funding. The deficit in unassigned fund balance in the School Federal Projects Fund existed because management failed to submit a request for reimbursement for indirect cost as of June 30, 2013. The deficit in unassigned fund balance in the Education Capital Projects Fund existed because liabilities exceeded total assets. These deficits in unassigned fund balance were liquidated subsequent to June 30, 2013.

### RECOMMENDATION

Steps should be taken to ensure that expenditures are held within available funding.

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FINDING 2013-014

**THE SCHOOL FEDERAL PROJECTS AND THE EDUCATION CAPITAL PROJECTS FUNDS HAD CASH OVERDRAFTS AT JUNE 30, 2013**

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

At June 30, 2013, the School Federal Projects and the Educational Capital Projects funds had cash overdrafts of \$357,088 and \$447,518, respectively. Sound business practices dictate that expenditures be held within available funds. These overdrafts resulted from the issuance of warrants exceeding cash on deposit with the trustee. These cash overdrafts were liquidated subsequent to June 30, 2013.

RECOMMENDATION

Officials should not issue warrants exceeding cash on deposit with the county trustee.

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FINDING 2013-015

**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, which can be attributed to the failure of management to adequately monitor and review the daycare operations and the failure to correct the findings noted in the prior-year audit report.

- A. The duties of the daycare employees were not segregated adequately. The site director took roll, calculated tuition, collected funds, and prepared the deposit. These duties were performed without effective monitoring or review by supervisory personnel. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations.
- B. 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, 2013.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources, and these duties should be closely monitored and reviewed by supervisory personnel. Bank statements should be reconciled with receipts monthly.

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FINDING 2013-016

**AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**

(Noncompliance Under *Government Auditing Standards*)

The office did not deposit amounts withheld from contractor payments into an escrow account. Section 66-34-104, *Tennessee Code Annotated*, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. Management advised that they were not aware that amounts withheld from contractor payments had to be deposited into an escrow account. This noncompliance could result in the loss of interest earnings for the contractor.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

FINDING 2013-017

**THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**

(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in the budget operations:

- A. Three payroll expenditure line-items exceeded appropriations ranging from \$535 to \$9,452.
- B. During the year, several budget amendments were posted to the General Purpose School Fund but had not been approved by the County Commission. Accurate budgetary statements are necessary to provide county officials and departments with available spending limits. We have recognized only those budget amendments that were properly approved by the County Commission in the financial statements of this report.
- C. Expenditures exceeded appropriations in the following major appropriation categories (the legal level of control) of the General Purpose School Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Support Services - Attendance	\$ 1,593
Support Services - Special Education	3,850
Support Services - Board of Education	861

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

commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

#### RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. Budget amendments should be accurately posted to the accounting records after approval by the Board of Education and County Commission.

#### FINDING 2013-018

#### **THE SCHOOL DEPARTMENT DID NOT COMPLY WITH MANAGEMENT DIRECTIVES FROM THE OFFICE OF TENNESSEE RECOVERY ACT MANAGEMENT**

(Noncompliance Under *Government Auditing Standards* and  
OMB Circular A-133)

During the year examined, the School Department received an American Recovery and Reinvestment Act (ARRA) – State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grant (CFDA No. 84.395). The Office of Tennessee Recovery Act Management (TRAM) established directives for county governments that receive ARRA grants. These directives are intended to promote transparency and accountability for ARRA grants. The School Department did not adopt a risk assessment process or prepare an action plan for the ARRA – Race-to-the-Top Grant, which details how the department is going to accomplish the goals and objectives of the grant. TRAM Directive No. 8 requires school departments to adopt a risk assessment process for each ARRA grant it receives, and TRAM Directive No. 9 requires school departments to prepare an action plan for each ARRA grant it receives. The failure to adopt a risk assessment process and to prepare an action plan for the ARRA – Race-to-the-Top Grant increases the risks that the school system will not meet the goals and objectives of the grant. When ARRA grant requirements are not followed, the Office of Management and Budget can terminate the grants; suspend or debar the county from receiving grants; or, in serious cases, may apply civil or criminal penalties.

#### RECOMMENDATION

The School Department’s designated official for the Race-to-the-Top Grant should ensure compliance with the TRAM directives to ensure transparency and accountability.

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

The American Recovery and Reinvestment Act (ARRA) Race-to-the-Top Grant (CFDA No. 84.395) will conclude at the end of fiscal year 2014. However, a protocol will be established for future grants to be in compliance with the TRAM directives. The School Department’s designated official will be given a time line to report the accountability to the director of schools as well as to the office of TRAM. The protocol will include the adoption of a risk assessment process as well as an action plan for any future grants.

FINDING 2013-019

**THE SCHOOL DEPARTMENT HAD DEFICIENCIES IN THE USE OF FEDERAL GRANT FUNDS, WHICH RESULTED IN QUESTIONED COSTS**

(Noncompliance Under *Government Auditing Standards* and OMB Circular A-133)

The Grundy County School Department was awarded a federal Prevention and Treatment of Substance Abuse Grant (CFDA No. 93.959) for the fiscal year ending June 30, 2013. The coordinator of this grant, whose duties include working with students and the community in preventing substance abuse, is a part-time employee of the Grundy County Sheriff's Department hired by the School Department as an independent consultant on a part-time basis for this grant.

The coordinator maintained time sheets/billing statements documenting hours purportedly spent working on each grant. The coordinator signed his time sheets and submitted the time sheets to the School Department's bookkeeper on a bi-monthly basis. These time sheets/billing statements included hours worked at a rate of \$14.42 per hour. These time sheets/billing statements were submitted to the School Department for payment; however, the approving signature for the time sheets/billing statements was from an individual not employed by the School Department.

We noted the following deficiencies in the coordinator's time sheets/billing statements:

- A. Two statements reflected totals of 40 and 56 hours worked at \$14.42 per hour for total payments of \$1,384. The statements did not document the actual hours worked, but only documented that he was out-of-town.
- B. A statement reflected no hours worked on December 25, 2012 (Christmas Day); however he was paid for eight hours on that day at \$14.42 per hour for total payment of \$115.
- C. Five statements reflected a total of 20 hours worked at \$14.42 per hour for total payments of \$288; however, an examination of time submitted for work at the Sheriff's Department over-lapped those 20 hours he documented working on the grant.

We noted the following deficiencies in grant expenditures for the coordinator:

- D. An overpayment of \$17 for mileage incurred on May 1 and May 12, 2013.
- E. There was supporting documentation for a travel reimbursement for a trip to Washington, D.C.; however, there was no supporting documentation other than a hand-written statement for \$85 for an airline ticket. Also, there was an additional error that resulted in an overpayment to the coordinator of \$59.

The \$1,948 in questioned costs noted above occurred primarily because of the lack of management oversight.

## RECOMMENDATION

Management should review this grant program and the questioned costs with the grantor agency. Time sheets of all employees should be reviewed by supervisory personnel and should reflect actual hours worked. Time periods should not overlap. The county's travel policy should be followed for calculating employee reimbursements. The office should maintain sufficient documentation to support all purchases.

## MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Prevention and Treatment of Substance Abuse (CFDA No. 93.959) ended June 30, 2013. However, any future grants of this nature will have a designated official from the School Department collaborating with the grantor agencies. There will be clearly defined guidelines for communication and accountability to make sure time sheets and travel don't have conflicting workloads. The School Department will follow the travel policy of the system. The department will also maintain invoice documentation to support all purchases that are consistent with our policy.

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

### FINDING 2013-020

### **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 Trustee 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 2013-021**

**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 PRACTICES**

The Division of Local Government Audit strongly believes that the items noted below are best practices 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.

**ITEM 1. 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. 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.

**ITEM 2. GRUNDY COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Grundy County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: State Fiscal Stabilization Fund (SFSF) - Race-to-the Top Incentive Grant, Recovery Act	2013-022	84.395	Circular A-133 Section 500(d)(1)	Noncompliance - See finding 2013-018 The School Department did not comply with management directives from the Office of Tennessee Recovery Act Management	\$ 0
U.S. Department of Health and Human Services: Passed-through State Department of Mental Health and Substance Abuse Services: Block Grants for Prevention and Treatment of Substance Abuse	2013-023	93.959	Circular A-133 Section 500(d)(1)	Noncompliance - See finding 2013-019 The School Department had deficiencies in the use of federal grant funds, which resulted in questioned costs	1,948

**GRUNDY COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2013**

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

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

**FINDING 2103-022**

Contact person: Joel Hargis

Corrective action planned: The American Recovery and Reinvestment Act (ARRA) Race-to-the-Top Grant (CFDA No. 84.395) will conclude at the end of fiscal year 2014. However, a protocol will be established for future grants to be in compliance with the TRAM directives. The School Department's designated official will be given a time line to report the accountability to the director of schools as well as the office of TRAM. The protocol will include the adoption of a risk assessment process as well as an action plan for any future grants.

Anticipated completion date: 2013-14

**FINDING 2103-023**

Contact person: Joel Hargis

Corrective action planned: The Prevention and Treatment of Substance Abuse (CFDA No. 93.959) ended June 30, 2013. However, any future grants of this nature will have a designated official from the School Department collaborating with the grantor agencies. There will be clearly defined guidelines for communication and accountability to make sure time sheets and travel don't have conflicting workloads. The School Department will follow the travel policy of the system. The department will also maintain invoice documentation to support all purchases that are consistent with our policy.

Anticipated completion date: 2013-14