

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.

Financial Statements
With Supplementary Information

Year Ended June 30, 2010

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Financial Statements
With Supplementary Information
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Independent Auditors' Report

Board of Directors
Douglas-Cherokee Economic Authority, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of Douglas-Cherokee Economic Authority, Inc. (the Agency) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Douglas-Cherokee Economic Authority, Inc. as of June 30, 2010, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of Douglas-Cherokee Economic Authority, Inc.'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of retirement plan funding progress listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Douglas-Cherokee Economic Authority, Inc.'s financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Roderick Moss + Co, PLLC

Greeneville, Tennessee
December 21, 2010

DOUGLAS CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis

Overview of financial statements

The financial statements for Douglas-Cherokee Economic Authority, Inc. (DCEA) include: Fund Balance Sheet/Statement of Net Assets; Schedule Revenue, Expenditures and Changes in Fund Balance for Governmental Funds; Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances; Statement of Capital Assets; Schedule of Expenditures of Federal and State Awards; Statement of Administrative Expenses, Statement of In-Kind Support, and Statement of Individual Grant Funds. In addition to these statements, Notes to the Financial Statements, Required Supplementary and Other Supplementary Information are provided.

The Fund Balance Sheet/Statement of Net Assets shows assets, liabilities, and fund equity accounts. Information is provided for governmental fund types.

In the governmental fund types, all assets, liabilities and fund equity are broken down into the general fund and grant fund. The general fund accounts for all financial resources not accounted for in the grant fund. The grant revenue fund accounts for resources from Federal and State grant agreements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances shows the general fund and grant revenue funds as discussed earlier.

The Notes to the Financial Statement provide detailed explanations that provide information essential to the understanding of the statements.

The supplementary information provided is used as a tool to explain further the financial information of DCEA.

Financial Highlights

Total assets are \$8,032,273 and exceed total liabilities by \$5,968,793. Assets include cash and certificates of deposit, receivables, equipment, land, building, and inventories. Liabilities include payables, advances, deferred revenue, accrued salaries, and accrued leave liability. The following are some of the changes noted in the financial statements.

Fund Balance Sheet/Statement of Net Assts comparison

	<u>2009</u>	<u>2010</u>	<u>Difference</u>
<u>Net Assets</u>	\$ 5,782,956	\$ 5,968,793	\$ 185,837

The difference reflects an increase in assets from new capital outlays of \$409,513 and principal payments of debt of \$49,197. The difference was also affected by corrections, disposals and depreciation of (\$252,349) and the difference in current year expenses over current year revenues of (\$20,524).

<u>Liabilities</u>	\$ 1,830,592	\$ 2,063,480	\$ 232,888
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The addition of new programs increased accrued payroll, accrued employee benefits, and outstanding accounts payable. The balance reflects the amount due to the agency from grantors and is included as an accounts receivable for the agency. The grant liability will be paid in full.

<u>Fixed Assets</u>	\$ 4,059,116	\$ 4,216,280	\$ 157,164
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Difference in capital outlay and the depreciation and deletions made during the year.

DOUGLAS CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis

<u>Cash and Certificates of Deposit</u>	\$ 1,444,176	\$ 1,917,403	\$ 473,227
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The agency had increases in accounts payable, accruals, and deferred revenues.

<u>Receivables</u>	\$ 2,099,077	\$ 1,888,477	\$(210,600)
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The agency was able to do an interim/estimated billing prior to the end of the fiscal year in the LIHEAP fund

<u>Prepaid Expenses/Inventories</u>	\$ 11,180	\$ 10,113	\$ (1,067)
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Decrease in prepaid contracts and materials needed to begin the new fiscal year.

<u>Fund Balance</u>	\$ 2,037,034	\$ 2,016,510	\$ (20,524)
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Rental and other unrestricted income was less than associated expenses for the year.

Statement of Revenues, Expenditures, and Changes in Fund Balance comparison

	<u>2009</u>	<u>2010</u>	<u>Difference</u>
Revenues	\$17,495,772	\$20,009,880	\$2,514,108

The agency received nearly \$2,000,000 additional funds from ARRA as well as growth in the Head Start, CSBG and LIHEAP programs.

Program Expenditures

<u>Federal</u>	<u>2009</u>	<u>2010</u>	<u>Variance</u>
EOC	\$ 215,400	\$ 231,001	\$ 15,601
Upwardbound - Scott/Morgan	351,079	281,753	(69,326)
Upwardbound - Grainger/Hawkins	268,918	230,418	(38,500)
Talent Search	362,324	335,033	(27,291)
Mentoring	42,087	-	(42,087)
21st Century Learning Center	586,775	570,604	(16,171)
Community Based Abstinence	251,577	603,287	351,710
PA-22 FYPD-PA-20 T&TA/CDA	7,019,336	7,434,991	415,655
Body Start	-	5,000	5,000
Assets for Indep. Dem Program	-	6,614	6,614
USDA	18,549	-	(18,549)
CSBG	650,222	730,808	80,586
LIHEAP	3,010,544	3,338,735	328,191
Child Care Certificate Services	346,160	-	(346,160)
Aging Programs	630,312	713,285	82,973
HUD	168,299	180,460	12,161
RHED	78,195	-	(78,195)
Pre-Development Grant	36,669	-	(36,669)
FEMA	124,921	43,443	(81,478)
Commodities	77,839	84,564	6,725
Child and Adult Care Food Program	430,835	510,371	79,536
Workforce Investment Act	<u>256,948</u>	<u>253,043</u>	<u>(3,905)</u>
Total Non ARRA Federal Grants	\$ 14,926,989	\$ 15,553,410	\$ 626,421

DOUGLAS CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis

	<u>2009</u>	<u>2010</u>	<u>Variance</u>
<u>ARRA</u>			
ARRA Head Start/Early	\$ -	\$ 660,942	\$ 660,942
ARRA CSBG	-	764,525	764,525
EFS ARRA	2,241	54,139	51,898
ARRA SNP Congregate	11,711	36,196	24,485
ARRA SNP Home Del	6,466	26,278	19,812
ARRA USDA Commodities	-	33,806	33,806
ARRA Summer Youth	137,302	222,847	85,545
ARRA YouthBuild	-	211,574	211,574
Total ARRA funds	<u>157,720</u>	<u>2,010,307</u>	<u>1,852,587</u>
<u>State</u>			
Early Childhood Education	242,597	-	(242,597)
LEAP - After School	552,721	685,968	133,247
Direct Appropriation	25,000	25,000	-
Senior Center	6,455	6,455	-
Nutrition	87,396	95,320	7,924
Total State Grants	<u>914,169</u>	<u>812,743</u>	<u>(101,426)</u>
General Fund	<u>1,414,434</u>	<u>1,653,942</u>	<u>239,508</u>
Total	<u>\$ 17,413,312</u>	<u>\$ 20,030,402</u>	<u>\$ 2,617,090</u>

Individual Funds

<u>Fund</u>	<u>Beginning Balance</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Ending Balance</u>
21 st Century LC	\$ -	\$ 570,604	\$ 570,604	\$ -
State Appropriation	-	25,000	25,000	-
LEAP	-	685,968	685,968	-
CSBG	-	735,952	735,952	-
LIHEAP	-	3,338,735	3,338,735	-
Commodities	-	84,564	84,564	-
Assets for Indep Dem	-	6,614	6,614	-
Head Start/Early	-	7,434,991	7,434,991	-
Body Start	-	5,000	5,000	-
Child & Adult Food	-	510,371	510,371	-
Comm Based Abstin.	-	603,288	603,288	-
EOC	-	231,001	231,001	-
Upward Bound	-			-
Scott/Morgan	-	281,753	281,753	-
Grainger/Hawkins	-	230,418	230,418	-
Talent Search	-	335,033	335,033	-
HUD	-	180,460	180,460	-
EFSP	-	43,444	43,444	-
Workforce Investment	-	253,044	253,044	-
Aging Programs	-	815,060	815,060	-

DOUGLAS CHEROKEE ECONOMIC AUTHORITY, INC.
Management's Discussion and Analysis

Individual Funds (Continued)

<u>Fund</u>	<u>Beginning Balance</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Ending Balance</u>
ARRA CSBG	\$ -	\$ 764,525	\$ 764,525	\$ -
ARRA YouthBuild	-	211,574	211,574	-
ARRA EFS	-	54,139	54,139	-
ARRA Commodities	-	33,806	33,806	-
ARRA Nutrition	-	62,474	62,474	-
ARRA Summer Youth	-	222,847	222,847	-
ARRA Head Start/Early	-	660,941	660,941	-

Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 138,850	\$ -	\$ -	\$ 138,850
Capital assets being depreciated				
Buildings and improvements	5,071,733	68,877	-	5,140,610
Other fixed assets	2,687,510	340,636	(43,900)	2,984,246
Total capital assets being depreciated	7,759,243	409,513	(43,900)	8,124,856
Less accumulated depreciation for				
Buildings and improvements	(1,424,831)	-	(156,633)	(1,581,464)
Other fixed assets	(2,414,146)	43,900	(95,716)	(2,465,962)
Total accumulated depreciation	(3,838,977)	43,900	(252,349)	(4,047,426)
Total capital assets being depreciated, net	3,920,266	453,413	(296,249)	4,077,430
Capital assets, net	\$ 4,059,116	\$ 453,413	\$ (296,249)	\$ 4,216,280

Analysis of overall financial position

The majority of Douglas-Cherokee Economic Authority's funding is from Federal and State grants. The agency has also been able to tap into various other local resources for funding dollars as well. With the availability of over \$2,000,000 America Recovery and Reinvestment Act funds for the 2010 fiscal year, DCEA was provided with a temporary growth that enabled the agency to meet the growing needs of families and individuals in our service area. The Agency also had a \$600,000 increase in Federal funds, the majority coming from the Head Start, CSBG, and LIHEAP grants. Funds from other sources such as donations, project income, local government and interest income increased by \$239,000. DCEA continues to grow and outlook for the future of the agency is good. DCEA continues to assess the needs of the communities served and endeavors to find ways to meet those needs.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Fund Balance Sheets and the Statement of Net Assets
June 30, 2010

	General Fund	Special Revenue Fund	Totals	Adjustments	Statement of Net Assets
ASSETS					
Current Assets					
Cash	\$ 1,582,262	\$ -	\$ 1,582,262	\$ -	\$ 1,582,262
Certificate of deposit	335,141	-	335,141	-	335,141
Accounts receivable	245,412	-	245,412	-	245,412
Grants receivable	-	1,643,065	1,643,065	-	1,643,065
Due from grant funds	911,708	-	911,708	(911,708)	-
Inventories	10,113	-	10,113	-	10,113
Total current assets	<u>3,084,636</u>	<u>1,643,065</u>	<u>4,727,701</u>	<u>(911,708)</u>	<u>3,815,993</u>
Capital Assets					
Land	-	-	-	138,850	138,850
Other capital assets, net	-	-	-	4,077,430	4,077,430
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,216,280</u>	<u>4,216,280</u>
Total assets	<u>\$ 3,084,636</u>	<u>\$ 1,643,065</u>	<u>\$ 4,727,701</u>	<u>\$ 3,304,572</u>	<u>\$ 8,032,273</u>
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	\$ 619,347	\$ 619,347	\$ -	\$ 619,347
Accrued payroll and other accruals	564,450	-	564,450	-	564,450
Notes payable	-	-	-	41,672	41,672
Other payable	135,046	-	135,046	-	135,046
Advances	-	31,822	31,822	-	31,822
Deferred revenue	-	80,188	80,188	-	80,188
Due to general fund	-	911,708	911,708	(911,708)	-
Accrued leave	368,630	-	368,630	-	368,630
Total current liabilities	<u>1,068,126</u>	<u>1,643,065</u>	<u>2,711,191</u>	<u>(870,036)</u>	<u>1,841,155</u>
Long-term Liabilities					
Notes Payable	-	-	-	222,325	222,325
NET ASSETS AND FUND BALANCES					
Fund Balances					
Unrestricted	1,983,073	-	1,983,073	(1,983,073)	-
Restricted	33,437	-	33,437	(33,437)	-
Total fund balances	<u>2,016,510</u>	<u>-</u>	<u>2,016,510</u>	<u>(2,016,510)</u>	<u>-</u>
Net Assets					
Investment in capital assets	-	-	-	3,952,283	3,952,283
Restricted	-	-	-	33,437	33,437
Unrestricted	-	-	-	1,983,073	1,983,073
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,968,793</u>	<u>5,968,793</u>
Total liabilities and net assets	<u>\$ 3,084,636</u>	<u>\$ 1,643,065</u>	<u>\$ 4,727,701</u>	<u>\$ 3,304,572</u>	<u>\$ 8,032,273</u>

See accompanying notes to financial statements.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds and the Statement of Activities
Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Totals	Adjustments	Statement of Activities
REVENUES					
Federal financial assistance	\$ -	\$ 17,563,718	\$ 17,563,718	\$ -	\$ 17,563,718
State financial assistance	-	812,743	812,743	-	812,743
Local contributions	259,308	-	259,308	-	259,308
Program income	50,386	-	50,386	-	50,386
Other income	<u>1,323,725</u>	<u>-</u>	<u>1,323,725</u>	<u>-</u>	<u>1,323,725</u>
Total revenues	<u>1,633,419</u>	<u>18,376,461</u>	<u>20,009,880</u>	<u>-</u>	<u>20,009,880</u>
EXPENDITURES					
Salaries and wages	866,054	7,434,260	8,300,314	-	8,300,314
Fringe benefits	222,379	1,915,474	2,137,853	-	2,137,853
Professional services	20,124	148,854	168,978	-	168,978
Supplies	21,308	495,563	516,871	-	516,871
Communications	1,238	192,180	193,418	-	193,418
Postage and shipping	1,127	27,284	28,411	-	28,411
Occupancy	13,182	693,024	706,206	-	706,206
Equipment rental/maintenance	16,085	178,406	194,491	-	194,491
Printing and publications	(804)	77,039	76,235	-	76,235
Travel	6,575	300,693	307,268	-	307,268
Staff development and training	3,536	123,901	127,437	-	127,437
Debt service					
Principal	49,197	-	49,197	(49,197)	-
Interest	4,159	-	4,159	-	4,159
Insurance	20,778	69,640	90,418	-	90,418
Assistance to individuals	61,327	4,739,399	4,800,726	-	4,800,726
Contracted services	-	205,419	205,419	-	205,419
Raw food	171,125	499,341	670,466	-	670,466
Miscellaneous	7,263	49,025	56,288	-	56,288
Capital expenditure	68,877	340,636	409,513	(409,513)	-
Depreciation	-	-	-	252,349	252,349
Indirect costs	<u>100,413</u>	<u>886,323</u>	<u>986,736</u>	<u>-</u>	<u>986,736</u>
Total expenditures	<u>1,653,943</u>	<u>18,376,461</u>	<u>20,030,404</u>	<u>(206,361)</u>	<u>19,824,043</u>
Revenues over (under) expenditures	(20,524)	-	(20,524)	206,361	185,837
Fund balance, beginning of year	2,037,034	-	2,037,034	(2,037,034)	-
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,782,956</u>	<u>5,782,956</u>
Fund balance/Net assets, end of year	<u>\$ 2,016,510</u>	<u>\$ -</u>	<u>\$ 2,016,510</u>	<u>\$ 3,952,283</u>	<u>\$ 5,968,793</u>

See accompanying notes to financial statements.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - The accompanying financial statements present the activities of Douglas-Cherokee Economic Authority, Inc. (the Agency). As required by generally accepted accounting principles, these financial statements present all funds, which comprise the Agency. There are no other component units, entities for which the Agency is considered financially accountable, which should be included.

Government-Wide And Fund Financial Statements - The government-wide statement of net assets and the statement of activities display information about the Agency. These statements include the financial activities of the overall Agency. Governmental activities generally are financed through grantor contributions and local contributions.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred.

The Agency's net assets are reported in three parts - invested in capital assets, net of any related debt, unrestricted net assets, and restricted net assets, as applicable. When both unrestricted and restricted fund resources are available for use, it is the Agency's policy to use restricted resources first.

The government-wide Statement of Activities reports both the gross and net cost of each of the Agency's functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants and contributions. Program revenues are primarily grant revenues and contributions. This government-wide focus is more on the sustainability of the Agency as an entity and the changes in the Agency's net assets resulting from the current year's activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Government Fund Financial Statements - Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Under this method, the Agency considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when the fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The major sources of revenue are grants, local contributed cash, contributed services and other revenues as discussed below:

Federal & State Grant Revenue - Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding Agency and may result in disallowance in subsequent periods.

Deferred revenue is reported on the combined balance sheet. The Federal Emergency Management Agency sends funds in allotments as opposed to the reimbursement method of the majority of the agencies.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Local Contributed Cash - Contributions to grant programs from local governments and other participants are recognized as revenue when grant expenditures are incurred in the case of cost reimbursement grants.

Interest Income - Interest income is recorded as earned since it is measurable and available.

Fund Financial Statements - The financial transactions of the Agency are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures. The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The funds are classified as either general or special revenue in the fund financial statements.

General Fund - The general operating fund accounts for all financial resources that are not required to be accounted for in the special revenue funds.

Special Revenue Fund - The special revenue fund accounts for the proceeds of specific revenue sources, the expenditures for which are legally restricted for purposes specified in grant agreements.

Funding - The primary funding sources for the Agency are federal and state grants. The grant periods may or may not coincide with the Agency's fiscal year. Grants normally are for a twelve month period; however, they may be awarded for periods shorter or longer than twelve months.

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. All governmental funds of the Agency follow FASB Standards issued on or before November 30, 1989, unless those pronouncements conflict with GASB Standards. The more significant of the Agency's accounting policies are included in this note.

Leave Policies - Employees eligible for leave include (1) full-time employees and (2) part-time employees. Employees accrue annual leave on a prorated basis.

During the first five years of employment, an employee accrues twelve (12) days of vacation leave. During the second five years of employment, an employee accrues eighteen (18) days per year. After ten years and up to 20 years of employment, an employee accrues twenty-one (21) days per year, and after twenty years of employment, twenty-four (24) days per year. Upon termination of employment from the Agency, an employee will be paid for unused vacation leave.

The Agency's sick leave policy permits the accumulation of twelve (12) sick days per year. In a year, a maximum of forty (40) days accumulated leave is available for full-time employees. At the time of retirement from the Agency, all unused accumulated sick time is added to the employee's service time for the purpose of calculating retirement benefits. For part-time employees the number of hours is based on a reduced pro-rated basis. Employees are not paid for unused sick days upon termination of employment.

The liability for accrued leave reported in the government-wide statements consists of unpaid, accumulated annual leave. The liability for accrued leave (\$368,630 at June 30, 2010) for governmental fund types, which represents normal accumulations, is all considered to be current.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Depreciation and Amortization - The Agency's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Agency generally capitalizes assets with cost of \$5,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 - 50
Improvements, other than buildings	5 - 50
Equipment	3 - 30
Vehicles	3 - 30

Total Columns - The total columns of the financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

Tax-Exempt Status - The Corporation is qualified as a tax-exempt Agency under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Interfund Transactions - During the course of operations, the Agency may engage in certain transactions between funds. Interfund transactions are generally eliminated in the financial statements, or are reported as transfers in or out of the applicable fund.

Allocation of Indirect Costs - The Agency allocates indirect expenditures primarily comprised of administration of operating functions necessary to support the Agency's many programs. Such expenses include wages and related benefits, office expenses, and other central administrative services.

Concentrations of Credit Risk - Financial instruments that potentially subject the Agency to concentrations of credit risk consists primarily of accounts receivable. Financing sources are primarily grants from federal and state governmental entities. Management does not believe significant credit risk exists at June 30, 2010.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events - The Agency has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2010 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 21, 2010, the date these financial statements were available to be issued.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements

NOTE 2 - CASH & INVESTMENTS

Deposits (cash and certificates of deposit) are carried at cost, which approximates fair value. At June 30, 2010, the value of the certificates of deposit was \$335,141 and the bank balances were \$2,126,356.

All of the Agency's deposits are covered through FDIC insurance or through their Banks' participation in the Tennessee Bank Collateral Pool.

NOTE 3 - INTERFUND RECEIVABLES/PAYABLE

The following is a summary of inter-fund receivables and payable at June 30, 2010:

	Due from Grant Fund	Due to General Fund
General Fund	\$ 911,708	\$ -
Grant Funds	-	911,708
Total	\$ 911,708	\$ 911,708

NOTE 4 - GRANTS RECEIVABLE

Federal and state administered grant receivables consist of receivables for reimbursement of expenditures under various programs and grants. All amounts are expected to be collected within the next year.

NOTE 5 - CAPITAL ASSETS

The Agency's capital assets activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 138,850	\$ -	\$ -	\$ 138,850
Capital assets being depreciated				
Buildings and improvements	5,071,733	68,877	-	5,140,610
Other fixed assets	2,687,510	340,636	(43,900)	2,984,246
Total capital assets being depreciated	7,759,243	409,513	(43,900)	8,124,856
Less accumulated depreciation for				
Buildings and improvements	(1,424,831)	-	(156,633)	(1,581,464)
Other fixed assets	(2,414,146)	43,900	(95,716)	(2,465,962)
Total accumulated depreciation	(3,838,977)	43,900	(252,349)	(4,047,426)
Total capital assets being depreciated, net	3,920,266	453,413	(296,249)	4,077,430
Capital assets, net	\$ 4,059,116	\$ 453,413	\$ (296,249)	\$ 4,216,280

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements

NOTE 6 - DEFERRED REVENUE

Deferred grant revenue at June 30, 2010 consisted of the following:

Emergency Food and Shelter Assistance	\$ 64,021
Head Start Quality Improvement ARRA	1,534
Early Head Start Quality Improvement ARRA	2,676
Assets for Independence Demonstration Project	<u>11,957</u>
	<u>\$ 80,188</u>

NOTE 7 - ADVANCES

The Agency had outstanding advances at June 30, 2010 as follows:

Tennessee Department of Human Services Community Services Block Grant	<u>\$ 31,822</u>
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NOTE 8 - NOTES PAYABLE

The Agency constructed an industrial building in Grainger County, partially financed by Appalachian Electric Cooperative. The loan was for \$235,000 and is payable over 10 years, with interest accruing at 2.25%, and monthly payments of \$2,189. As of June 30, 2010, the note balance was \$127,997.

The Agency also has an interest free \$100,000 note to the Grainger County Industrial Development Board to construct an industrial building in Grainger County, and an \$80,000 note from Clinch Powell, which bears interest at 2%. Loan payments are due annually, with payment beginning one year after occupancy.

An analysis of the current year's long-term debt activity is as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Notes payable	<u>\$ 313,194</u>	<u>\$ -</u>	<u>\$ 49,197</u>	<u>\$ 263,997</u>

The maturities of notes payable are estimated as follows:

Year ending June 30	Principal	Interest
2011	\$ 41,672	3,713
2012	42,210	3,015
2013	42,760	2,304
2014	43,323	1,582
2015	43,850	1,182
Thereafter	<u>50,182</u>	<u>148</u>
Total	<u>\$ 263,997</u>	<u>\$ 11,944</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements

NOTE 9 - IN-KIND SUPPORT

In-kind support, based on estimated values, is as follows:

Salaries and wages	\$ 1,077,977
Fringe	304,099
Travel	157,932
Food	396,859
Supplies	121,362
Equipment maintenance and rent	1,026,942
Occupancy	14,800
Miscellaneous	<u>147,263</u>
	<u>\$ 3,247,234</u>

NOTE 10 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Agency carries commercial insurance. There have been no reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11 - LITIGATION

The Agency is party to certain legal proceedings which normally occur in governmental operations. Management does not believe that the litigation will have a material adverse impact on the Agency's financial position.

NOTE 12 - FEDERAL AND STATE GRANTS

In the normal course of operations, Douglas-Cherokee Economic Authority, Inc. receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 13 - RECONCILIATION OF FUND BALANCE AND NET ASSETS

Total fund balances of the Agency's governmental funds differ from net assets of governmental activities reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the governmental fund balance sheets.

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets is reported as an expenditure in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Agency as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds. Investment in capital assets is as follows:

Cost of capital assets	\$ 8,263,706
Accumulated depreciation	<u>(4,047,426)</u>
Net capital assets	4,216,280
Less: Long-term debt	<u>(263,997)</u>
Investment in capital assets	<u>\$ 3,952,283</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements

NOTE 13 - RECONCILIATION OF FUND BALANCE AND NET ASSETS (Continued)

The “Net change in fund balances” for governmental funds differs from the “Change in net assets” for governmental activities reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current revenue/spending focus of the governmental funds.

When capital assets that are to be used in the governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, while net assets decreases by the amount of depreciation expense charged for the year, as detailed in the following schedule:

Capital outlay	\$ 409,513
Depreciation expense	(252,349)
Principal payments	<u>49,197</u>
Difference	<u>\$ 206,361</u>

NOTE 14 - PENSION PLAN

Plan Description

Employees of Douglas-Cherokee Economic Authority, Inc. 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, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Douglas-Cherokee Economic Authority, Inc. 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 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

Douglas-Cherokee Economic Authority, Inc. requires employees to contribute 5.0 percent of earnable compensation.

Douglas-Cherokee Economic Authority is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 8.31% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Douglas-Cherokee Economic Authority is established and may be amended by the TCRS Board of Trustees.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements

NOTE 14 - PENSION PLAN (Continued)

Annual Pension Cost

For the year ending June 30, 2010, Douglas-Cherokee Economic Authority's annual pension cost of \$606,616 to TCRS was equal to Douglas-Cherokee Economic Authority's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Douglas-Cherokee Economic Authority's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 5 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 606,616	100.00%	\$ -
June 30, 2009	544,744	100.00%	-
June 30, 2008	645,945	100.00%	-

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 75.82% funded. The actuarial accrued liability for the benefits was \$12.51 million, and the actuarial value of assets was \$9.49 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.41 million, and the ratio of the UAAL to the covered payroll was 47.22%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding status funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan

NOTE 15 - USE OF FACILITY

The Deputy Director of the Agency has made available a former day care facility for the sole use of the Head Start program. The Board voted to accept the donation. The facility was available to Head Start until July 1, 2010. There is no charge for the use of the facility. The owner of the facility will continue to pay all property taxes and insurance.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Notes to Financial Statements

NOTE 16 - LEASES

The Agency leases various buildings and equipment under operating lease agreements to carry out its activities and to administer its various programs. The Agency paid approximately \$74,100 for these leases during the year ended June 30, 2010. The following is a year-by-year schedule of future minimum lease payments required under the existing and extended operating leases:

Year ended June 30:	
2011	\$ 59,325
2012	45,250
2013	30,600
2014	30,600
2015	14,400
Thereafter	<u>14,400</u>
	<u>\$ 194,575</u>

REQUIRED SUPPLEMENTARY INFORMATION

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Retirement Plan Funding Progress (Unaudited)
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<u> </u>	<u>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
July 1, 2009	\$ 9,486	\$ 12,511	\$ 3,025	75.82%	\$6,405	47.22%
July 1, 2007	\$ 8,037	\$ 9,262	\$ 1,225	86.78%	\$6,871	17.81%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

SUPPLEMENTARY INFORMATION

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Grant Number	Due to (from) Grantor at 7/1/2009	Cash Receipts (Payments/ Adjustments)	Expenditures	Due to (from) Grantor at 6/30/2010
United States Department of Education						
Educational Opportunity Centers Program	84.066A	P066A070064	\$ (13,060)	\$ 49,615	\$ (36,555)	\$ -
Trio-Upwardbound	84.047A	P047A080241	(63,891)	63,891	-	-
Trio-Upwardbound	84.047A	P047A070190-08	(57,188)	90,687	(33,499)	-
Trio-Talent Search	84.044A	P044A060580-08	(31,335)	74,845	(43,510)	-
Educational Opportunity Centers Program	84.066A	P066A070064	-	181,900	(194,446)	(12,546)
Trio-Upwardbound M/S	84.047A	P047A080241	-	233,817	(281,753)	(47,936)
Trio-Upwardbound G/H	84.047A	P047A070190-09	-	147,200	(196,919)	(49,719)
Trio-Talent Search	84.044A	P044A060580-09	-	274,300	(291,523)	(17,223)
			<u>(165,474)</u>	<u>1,116,255</u>	<u>(1,078,205)</u>	<u>(127,424)</u>
United States Department of Education Grants Through Tennessee Department of Education						
21st Century Learning Center	84.287C	GR-08-21692	(121,275)	121,275	-	-
21st Century Learning Center	84.287C	GR-08-21692	(45,192)	45,192	-	-
21st Century Learning Center	84.287C	GR-08-21692	(36,504)	36,504	-	-
21st Century Learning Center	84.287C	GR-08-21692	-	401,978	(570,604)	(168,626)
			<u>(202,971)</u>	<u>604,949</u>	<u>(570,604)</u>	<u>(168,626)</u>
United States Department of Health and Human Services						
PA-22 FYPD -PA-20 T&TA/CDA	93.600	04-CH-3009/41	(226,500)	226,500	-	-
Community Based Abstinence	93.010	90AE0327/01	(27,627)	242,083	(214,456)	-
PA-22 FYPD -PA-20 T&TA/CDA	93.600	04-CH-3009/42	-	7,044,855	(7,434,991)	(390,136)
Community Based Abstinence	93.010	90AE0327/02	-	348,847	(388,831)	(39,984)
Head Start Body Start	93.600		-	5,000	(5,000)	-
ARRA Head Start Expansion	93.708	04SH300901	-	26,063	(31,426)	(5,363)
ARRA Head Start COLA	93.708	04SE300901	-	103,790	(115,295)	(11,505)
ARRA Head Start QI/Upper	93.708	04SE300901	-	164,055	(166,427)	(2,372)
ARRA Head Start QI/ Lower	93.708	04SE300901	-	181,027	(179,493)	1,534
ARRA Early HS COLA	93.709	04SE300901	-	9,869	(11,611)	(1,742)
ARRA Early HS QI/UPPER	93.709	04SE300901	-	19,025	(20,009)	(984)

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Grant Number	Due to (from) Grantor at 7/1/2009	Cash Receipts (Payments/ Adjustments)	Expenditures	Due to (from) Grantor at 6/30/2010
United States Department of Health and Human Services						
ARRA Early HS QI/Lower	93.709	04SE300901	\$ -	\$ 3,920	\$ (1,244)	\$ 2,676
ARRA Early Head Start Expansion Hamblen	93.709	04SA30091	-	110,183	(135,437)	(25,254)
Assets for Independence Demonstration Program	93.602	90EI0379/01	18,571	-	(6,614)	11,957
			<u>(235,556)</u>	<u>8,485,217</u>	<u>(8,710,834)</u>	<u>(461,172)</u>
United States Department of Health and Human Services Grants Through Tennessee Department of Human Services						
Community Services Block Grant	93.569	Z-05-020690-07	(98,655)	93,511	5,144	-
Low-Income Home Energy Assistance	93.568	Z-05-021696	(434,329)	434,329	-	-
Child Care Certificate Services	93.596	GR-09-26312	(16,596)	16,596	-	-
Community Services Block Grant	93.569	Z-10-000107	-	632,661	(735,952)	(103,291)
Low-Income Home Energy Assistance	93.568	Z-10-000206	-	3,148,427	(3,338,735)	(190,308)
ARRA Community Services Block Grant	93.710		-	743,129	(764,525)	(21,396)
			<u>(549,580)</u>	<u>5,068,653</u>	<u>(4,834,068)</u>	<u>(314,995)</u>
United States Department of Health and Human Services Grants Through Tennessee/ETHRA						
Aging Title III-B - OOA	93.044		(3,626)	3,626	-	-
Aging Title III-B-Transportation	93.044		(7,282)	7,282	-	-
Aging Title III-B - Medicaid Waiver	93.044		(7,839)	7,839	-	-
Aging Title III-C - Nutrition	93.045		(74,792)	74,792	-	-
Aging Title III-C-NSIP-Nutrition	93.053		(8,077)	8,077	-	-
Aging Title III-B - OOA	93.044		-	16,627	(21,930)	(5,303)
Aging Title III-B - Transportation	93.045		-	19,805	(27,618)	(7,813)
Aging Title III-B - Medicaid Waiver	93.044		-	87,208	(93,951)	(6,743)
Aging Title III-C - Nutrition	93.045		-	347,458	(470,356)	(122,898)
Aging Title III-C - NSIP - Nutrition	93.053		-	72,698	(96,930)	(24,232)
Aging Title III-D Senior Health	93.043		-	1,667	(2,500)	(833)
Aging Title III-C - Nutrition ARRA	93.707		(11,711)	45,933	(36,196)	(1,974)
Aging Title III-C - ARRA Home Delivered	93.705		(6,466)	31,370	(26,278)	(1,374)
			<u>(119,793)</u>	<u>724,382</u>	<u>(775,759)</u>	<u>(171,170)</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Grant Number	Due to (from) Grantor at 7/1/2009	Cash Receipts (Payments/ Adjustments)	Expenditures	Due to (from) Grantor at 6/30/2010
United States Department of Housing and Urban Development						
Rural Housing and Economic Development	14.250	RH-03-TN-I-0058	\$ (24,099)	\$ 24,099	\$ -	\$ -
CHDO-TA	14.239	TNCH-002-05	(14,904)	66,930	(52,026)	-
Home TA	14.227	TNHM-002-05	(6,644)	16,491	(9,847)	-
Homeless - TA	14.235	TNMV-002-05	(394)	394	-	-
CHDO-TA	14.239	TNCH-00-106	(302)	85,303	(117,756)	(32,755)
Homeless - TA	14.235	TNMV-00-106	(4,741)	4,741	-	-
CHDO/TA/HUD	14.239	TNCH-002-08	-	-	(831)	(831)
			<u>(51,084)</u>	<u>197,958</u>	<u>(180,460)</u>	<u>(33,586)</u>
United States Department of Homeland Security						
Emergency Food and Shelter Program	97.024					
Cocke County		25-7644-00	1,374	11,990	(13,364)	-
Grainger County		25-7674-00	2,233	9,053	(11,286)	-
Jefferson County		25-7708-00	2,348	-	(2,348)	-
Monroe County		25-7746-00	7,787	-	(7,758)	29
Sevier County		25-7780-00	2,358	2,857	(5,215)	-
Emergency Food and Shelter Program	97.024					
Cocke County		27-7644-00	-	11,417	(2,665)	8,752
Grainger County		27-7674-00	-	9,814	-	9,814
Jefferson County		27-7708-00	-	11,873	(532)	11,341
Monroe County		27-7746-00	-	23,232	-	23,232
Sevier County		25-7780-00	-	11,157	(275)	10,882
EFS ARRA Funds	97.114	767400-001 Phase AR	12,919	41,220	(54,139)	-
			<u>29,019</u>	<u>132,613</u>	<u>(97,582)</u>	<u>64,050</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

Federal Grantor/Pass Through <u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	Due to (from) Grantor at <u>7/1/2009</u>	Cash Receipts (Payments/ <u>Adjustments</u>)	<u>Expenditures</u>	Due to (from) Grantor at <u>6/30/2010</u>
United States Department of Agriculture Grants Through Tennessee Department of Agriculture And Tennessee Department of Human Services						
Emergency Food Assistance Program	10.568	Z-09-213325	(20,943)	69,634	(48,691)	-
Emergency Food Assistance Program	10.568	Z-10-000206	-	16,302	(35,873)	(19,571)
ARRA Commodities USDA	10.568	8749 ARRA	-	33,806	(33,806)	-
Child and Adult Care Food Program	10.558	03-47-53308-00-4	(2,932)	2,932	-	-
Child and Adult Care Food Program	10.558	03-47-53308-00-4	-	503,804	(510,371)	(6,567)
USDA /After School Program	93.600	04CH3009/42	(1,249)	1,249	-	-
			<u>(25,124)</u>	<u>627,727</u>	<u>(628,741)</u>	<u>(26,138)</u>
United States Department of Labor Grant Through Walters State Community College						
Workforce Investment Act	17.259	332-96-09-804P	\$ (37,910)	\$ 37,910		\$ -
Summer Youth ARRA Greene	17.259.001	332-96-828P	(68,036)	185,573	(117,537)	-
Summer Youth ARRA Hamblen	17.259.001	332-96-828P	(69,266)	174,577	(105,311)	-
Workforce Investment Act	17.259	332-96-10-804P	-	213,656	(253,043)	(39,387)
			<u>(175,212)</u>	<u>611,716</u>	<u>(475,891)</u>	<u>(39,387)</u>
United States Department of Labor						
Youth Build	17.274	YB1896209604A47	-	177,000	(211,574)	(34,574)
			<u>-</u>	<u>177,000</u>	<u>(211,574)</u>	<u>(34,574)</u>
Total Grants from Federal Allocation			<u>\$ (1,495,775)</u>	<u>\$ 17,746,470</u>	<u>\$ (17,563,718)</u>	<u>\$ (1,313,022)</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Grant Number	Due to (from) Grantor at 7/1/2009	Cash Receipts (Payments/ Adjustments)	Expenditures	Due to (from) Grantor at 6/30/2010
Tennessee Department of Education						
Early Childhood Education Program		GR-07-17875-04	\$ (101,176)	\$ 101,176	\$ -	\$ -
LEAP - After School		Z-09-212292-00	(220,334)	220,334	-	-
LEAP - After School		DGA-C000049	-	450,185	(685,968)	(235,783)
			<u>(321,510)</u>	<u>771,695</u>	<u>(685,968)</u>	<u>(235,783)</u>
Tennessee Department of Human Services						
Child Care Certificate Services		GR-09-26312	(16,596)	16,596	-	-
Direct Appropriation			-	25,000	(25,000)	-
			<u>(16,596)</u>	<u>41,596</u>	<u>(25,000)</u>	<u>-</u>
Tennessee Commission on Aging Grant Through ETHRA						
Senior Center			(944)	944	-	-
Nutrition			(2,561)	2,561	-	-
Options			(5,179)	5,179	-	-
Senior Center			-	5,379	(6,455)	(1,076)
Nutrition			-	22,727	(29,764)	(7,037)
Options			-	59,628	(65,556)	(5,928)
			<u>(8,684)</u>	<u>96,418</u>	<u>(101,775)</u>	<u>(14,041)</u>
Total Grants from State Allocation			<u>(346,790)</u>	<u>909,709</u>	<u>(812,743)</u>	<u>(249,824)</u>
Total Grants			<u>\$ (1,842,565)</u>	<u>\$ 18,656,179</u>	<u>\$ (18,376,461)</u>	<u>\$ (1,562,846)</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Note to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal grant activity of Douglas-Cherokee Economic Authority, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Insurance Coverage
June 30, 2010

Worker's Compensation Coverage	
Bodily injury by accident	\$1,000,000
Bodily injury by disease	1,000,000
General Liability and Personal Injury Liability Coverage	
Bodily injury or personal injury	300,000/700,000
Medical payments	1,000/10,000
Property damage, as limited by Tort Liability Act	100,000
Catastrophic medical expenses, excess of bodily injury, per occurrence	1,000,000
Fire damage, per occurrence	100,000
Impounded property damage, per occurrence	100,000
E & O Liability, per occurrence	2,000,000
Non-monetary defense costs	100,000
Other Loss	2,000,000
Auto Physical Damage Coverage	
Per person for bodily injury, per person and occurrence	300,000/700,000
Per person or per occurrence for catastrophic medical expenses, excess of bodily injury	1,000,000
Per person and per accident for medical payment	1,000/10,000
Each other loss, per occurrence	2,000,000
Property damage, per occurrence	100,000
Uninsured motorists, bodily injury, per occurrence	300,000
Uninsured motorists, property damage, per occurrence	100,000
Other Property	
Property Location #1	
Building	175,000
Personal Property	70,000
Property Location #2	
Building	170,000
Personal Property	70,000
Employee Dishonesty	250,000
Commercial Property	
Inland Marine (Computers)	225,915
Various Buildings, Improvements, and Personal Property	
Forty-Eight Separate Properties (coverage varies)	
Specific Property - Bean Station, TN	500,000
Blanket Accident Policy	25,000
Specific Property - Rutledge, TN	100,000
Liability - Head Start Students and Volunteers	50,000/500,000
Liability - Talent Search & Upward Bound Students and Volunteers	25,000/250,000
Accident - WIA Students	10,000/250,000
Accident - LEAP program	10,000/250,000
Accident-Senior Nutrition	25,000/250,000
Workers Compensation-Kentucky Talent Search	500,000

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Agency Administrative Expenditures
Year Ended June 30, 2010

Salaries and wages	\$ 629,957
Benefits	149,812
Professional fees	4,219
Supplies	34,258
Communications	9,956
Postage & shipping	6,200
Printing, duplication, & publications	11,761
Occupancy	55,169
Equipment maintenance & rental	5,373
Travel	25,970
Training, seminars, and meetings	12,465
Insurance	29,070
Miscellaneous	<u>12,526</u>
Total Agency Administrative Expenses	<u>\$ 986,736</u>

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2010

	21st Century Learning Center/GC	State Appropriation	LEAP - I After School	Community Services Block Grant	Low-Income Home Energy Assistance	Commodities
REVENUE						
Federal assistance	\$ 570,604	\$ -	\$ -	\$ 735,952	\$ 3,333,591	\$ 35,873
State assistance	<u>-</u>	<u>25,000</u>	<u>685,968</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$ 570,604</u>	<u>\$ 25,000</u>	<u>\$ 685,968</u>	<u>\$ 735,952</u>	<u>\$ 3,333,591</u>	<u>\$ 35,873</u>
EXPENDITURES						
Salaries and wages	358,849	-	391,351	351,964	78,264	-
Fringe benefits	59,966	-	66,238	92,275	17,182	(6)
Professional services	2,514	5,000	3,013	1,474	2,040	-
Supplies	35,102	16,695	59,736	19,964	4,996	-
Communications	6,737	-	5,838	12,560	3,456	-
Postage and shipping	625	-	709	5,415	4,294	-
Occupancy	5,030	-	5,091	32,908	3,753	35,879
Equipment rental/maintenance	435	-	2,710	5,793	137	-
Printing and publications	4,344	-	5,938	1,973	6,724	-
Travel	5,414	-	4,808	19,825	1,521	-
Staff development/training/seminars	592	168	408	250	-	-
Interest	-	-	-	-	-	-
Insurance	731	-	654	1,653	-	-
Assistance to individuals	27,887	2,579	37,060	148,195	3,202,118	-
Contracted services	16,362	500	48,082	-	-	-
Raw food	-	-	-	-	-	-
Miscellaneous	2,491	-	3,358	875	27	-
Capital expenditures	-	-	-	-	-	-
Indirect costs	<u>43,525</u>	<u>58</u>	<u>50,974</u>	<u>40,828</u>	<u>9,079</u>	<u>-</u>
Total expenditures	<u>\$ 570,604</u>	<u>\$ 25,000</u>	<u>\$ 685,968</u>	<u>\$ 735,952</u>	<u>\$ 3,333,591</u>	<u>\$ 35,873</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2010

	Commodities	Assets for Indep Dem	Head Start	Early Head Start	Head Start Training and Technical Assistance	Early Head Start Training and Technical Assistance
REVENUE						
Federal assistance	\$ 48,691	\$ 6,614	\$ 6,697,767	\$ 650,366	\$ 71,082	\$ 15,776
State assistance	-	-	-	-	-	-
Total Revenue	<u>\$ 48,691</u>	<u>\$ 6,614</u>	<u>\$ 6,697,767</u>	<u>\$ 650,366</u>	<u>\$ 71,082</u>	<u>\$ 15,776</u>
EXPENDITURES						
Salaries and wages	10,367	-	3,635,993	411,630	-	-
Fringe benefits	2,906	-	1,008,416	110,166	-	-
Professional services	147	-	52,955	3,666	689	6,146
Supplies	1,800	-	167,022	15,422	-	-
Communications	2,880	-	129,790	2,892	-	-
Postage and shipping	-	-	9,781	510	-	-
Occupancy	27,968	-	461,364	25,018	-	-
Equipment rental/maintenance	-	-	161,823	874	-	-
Printing and publications	1,080	-	36,334	2,394	-	-
Travel	340	-	60,860	7,708	-	73
Staff development/training/seminars	-	-	10,847	-	70,393	9,557
Interest	-	-	-	-	-	-
Insurance	-	-	59,195	3,310	-	-
Assistance to individuals	-	6,614	21,011	4,036	-	-
Contracted services	-	-	-	-	-	-
Raw food	-	-	115,195	13,939	-	-
Miscellaneous	-	-	26,629	1,052	-	-
Capital expenditures	-	-	298,653	-	-	-
Indirect costs	1,203	-	441,899	47,749	-	-
Total expenditures	<u>\$ 48,691</u>	<u>\$ 6,614</u>	<u>\$ 6,697,767</u>	<u>\$ 650,366</u>	<u>\$ 71,082</u>	<u>\$ 15,776</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2010

	Child & Adult Care Food Program	Community Based Abstinence	Community Based Abstinence	Educational Opportunity Center	Educational Opportunity Center	Upward Bound Scott/Morgan	Upward Bound Grainger/Haw kins
REVENUE							
Federal assistance	\$ 510,371	\$ 388,831	\$ 214,457	\$ 194,446	\$ 36,555	\$ 281,753	\$ 196,919
State assistance	-	-	-	-	-	-	-
Total Revenue	<u>\$ 510,371</u>	<u>\$ 388,831</u>	<u>\$ 214,457</u>	<u>\$ 194,446</u>	<u>\$ 36,555</u>	<u>\$ 281,753</u>	<u>\$ 196,919</u>
EXPENDITURES							
Salaries and wages	160,257	224,314	107,588	116,817	23,095	156,334	93,680
Fringe benefits	61,936	52,481	22,073	33,278	5,664	36,727	22,367
Professional services	-	13,075	111	369	-	550	407
Supplies	-	16,337	22,120	10,386	1,696	(4,592)	1,587
Communications	-	2,442	1,347	2,993	772	2,511	2,932
Postage and shipping	-	733	477	1,651	1,001	142	55
Occupancy	-	3,762	1,770	888	225	362	370
Equipment rental/maintenance	-	2,385	282	469	-	492	679
Printing and publications	-	3,919	769	3,944	544	934	736
Travel	-	8,448	1,642	7,789	757	4,781	1,984
Staff development/training/seminars	-	1,132	-	921	74	173	140
Interest	-	-	-	-	-	-	-
Insurance	-	167	359	-	-	687	687
Assistance to individuals	-	1,556	2,194	-	-	62,572	58,688
Contracted services	-	25,727	38,058	-	-	-	-
Raw food	288,178	-	-	-	-	-	-
Miscellaneous	-	1,063	1,057	1,390	48	1,910	1,740
Capital expenditures	-	-	-	-	-	-	-
Indirect costs	-	31,290	14,610	13,551	2,679	18,170	10,867
Total expenditures	<u>\$ 510,371</u>	<u>\$ 388,831</u>	<u>\$ 214,457</u>	<u>\$ 194,446</u>	<u>\$ 36,555</u>	<u>\$ 281,753</u>	<u>\$ 196,919</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2010

	Upward Bound						CHDO / TA /
	Grainger/Haw kins	Talent Search	Talent Search	CHDO-TA	Home TA	HUD CHDO TA	HUD
REVENUE							
Federal assistance	\$ 33,499	\$ 291,523	\$ 43,510	\$ 52,026	\$ 9,847	\$ 117,756	\$ 831
State assistance	-	-	-	-	-	-	-
Total Revenue	<u>\$ 33,499</u>	<u>\$ 291,523</u>	<u>\$ 43,510</u>	<u>\$ 52,026</u>	<u>\$ 9,847</u>	<u>\$ 117,756</u>	<u>\$ 831</u>
EXPENDITURES							
Salaries and wages	16,435	177,355	30,458	6,389	179	37,120	-
Fringe benefits	4,222	37,536	6,548	2,294	58	11,545	-
Professional services	-	574	-	2,477	-	26,710	-
Supplies	6,082	773	502	-	-	718	718
Communications	418	3,650	792	51	-	371	-
Postage and shipping	5	196	13	-	-	44	-
Occupancy	176	614	171	78	-	278	-
Equipment rental/maintenance	-	113	-	-	-	-	113
Printing and publications	699	1,145	527	5	1	525	-
Travel	950	10,114	459	497	-	4,959	-
Staff development/training/seminars	-	1,538	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Insurance	-	802	-	-	-	-	-
Assistance to individuals	2,450	34,796	267	-	-	-	-
Contracted services	-	250	-	35,388	8,592	27,940	-
Raw food	-	-	-	-	-	-	-
Miscellaneous	120	1,465	240	-	-	-	-
Capital expenditures	-	-	-	-	-	-	-
Indirect costs	1,942	20,602	3,533	4,847	1,017	7,546	-
Total expenditures	<u>\$ 33,499</u>	<u>\$ 291,523</u>	<u>\$ 43,510</u>	<u>\$ 52,026</u>	<u>\$ 9,847</u>	<u>\$ 117,756</u>	<u>\$ 831</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2010

	<u>EFSP</u>	<u>EFSP</u>	<u>WIA-Greene</u>	<u>WIA- Hamblen</u>	<u>Senior Transportation</u>	<u>Office on Aging</u>
REVENUE						
Federal assistance	\$ 3,472	\$ 39,972	\$ 137,574	\$ 115,470	\$ 27,618	\$ 21,930
State assistance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$ 3,472</u>	<u>\$ 39,972</u>	<u>\$ 137,574</u>	<u>\$ 115,470</u>	<u>\$ 27,618</u>	<u>\$ 21,930</u>
EXPENDITURES						
Salaries and wages	-	-	53,130	59,369	13,204	13,548
Fringe benefits	-	-	11,397	12,209	2,540	2,288
Professional services	-	-	228	197	46	34
Supplies	-	-	3,850	946	-	1,427
Communications	-	-	1,517	620	-	334
Postage and shipping	-	-	480	257	-	-
Occupancy	-	-	6,980	1,624	-	1,561
Equipment rental/maintenance	-	-	119	38	-	-
Printing and publications	-	-	279	436	-	345
Travel	-	-	2,349	270	5,016	821
Staff development/training/seminars	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Insurance	-	-	350	350	-	-
Assistance to individuals	3,472	39,972	50,588	32,098	5,280	-
Contracted services	-	-	-	-	-	-
Raw food	-	-	-	-	-	-
Miscellaneous	-	-	144	169	-	-
Capital expenditures	-	-	-	-	-	-
Indirect costs	<u>-</u>	<u>-</u>	<u>6,163</u>	<u>6,887</u>	<u>1,532</u>	<u>1,572</u>
Total expenditures	<u>\$ 3,472</u>	<u>\$ 39,972</u>	<u>\$ 137,574</u>	<u>\$ 115,470</u>	<u>\$ 27,618</u>	<u>\$ 21,930</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2010

	Senior Center	Senior Nutrition	Head Start/ Body Start	ARRA CSBG	ARRA YouthBuild	EFS ARRA
REVENUE						
Federal assistance	\$ 2,500	\$ 661,237	\$ 5,000	\$ 764,525	\$ 211,574	\$ 54,139
State assistance	<u>6,455</u>	<u>95,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$ 8,955</u>	<u>\$ 756,557</u>	<u>\$ 5,000</u>	<u>\$ 764,525</u>	<u>\$ 211,574</u>	<u>\$ 54,139</u>
EXPENDITURES						
Salaries and wages	6,904	333,063	-	26,952	109,663	-
Fringe benefits	1,200	80,382	-	7,180	24,488	-
Professional services	-	1,372	-	1,668	529	-
Supplies	-	57,935	4,901	-	8,793	-
Communications	-	4,406	-	-	746	-
Postage and shipping	-	521	-	-	144	-
Occupancy	-	18,746	99	-	672	-
Equipment rental/maintenance	-	383	-	-	1,561	-
Printing and publications	-	1,058	-	-	1,550	-
Travel	-	131,544	-	-	5,291	-
Staff development/training/seminars	-	-	-	-	1,489	-
Interest	-	-	-	-	-	-
Insurance	-	500	-	-	-	-
Assistance to individuals	-	-	-	725,599	37,539	53,285
Contracted services	-	-	-	-	4,520	-
Raw food	-	44,952	-	-	-	-
Miscellaneous	-	1,077	-	-	1,344	854
Capital expenditures	-	41,983	-	-	-	-
Indirect costs	<u>851</u>	<u>38,635</u>	<u>-</u>	<u>3,126</u>	<u>13,245</u>	<u>-</u>
Total expenditures	<u>\$ 8,955</u>	<u>\$ 756,557</u>	<u>\$ 5,000</u>	<u>\$ 764,525</u>	<u>\$ 211,574</u>	<u>\$ 54,139</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2010

	ARRA Commodities USDA	ARRA SNP ARRA SNP Congregate	ARRA SNP Home Delivered	Summer Summer Youth Greene	Summer Youth Hamblen	ARRA Head Start Expansion	ARRA Head ARRA Head Start COLA
REVENUE							
Federal assistance	\$ 33,806	\$ 36,196	\$ 26,278	\$ 117,536	\$ 105,311	\$ 31,426	\$ 115,295
State assistance	-	-	-	-	-	-	-
Total Revenue	<u>\$ 33,806</u>	<u>\$ 36,196</u>	<u>\$ 26,278</u>	<u>\$ 117,536</u>	<u>\$ 105,311</u>	<u>\$ 31,426</u>	<u>\$ 115,295</u>
EXPENDITURES							
Salaries and wages	-	16,517	2,271	14,386	15,909	12,081	74,171
Fringe benefits	-	2,695	495	1,922	2,054	2,357	22,360
Professional services	-	48	24	302	302	-	-
Supplies	-	1,820	-	274	12	2,743	744
Communications	-	-	-	553	624	345	-
Postage and shipping	-	-	-	-	-	24	-
Occupancy	33,806	-	-	(375)	513	10,148	9,416
Equipment rental/maintenance	-	-	-	-	-	-	-
Printing and publications	-	-	-	25	113	20	-
Travel	-	-	-	2,654	1,280	511	-
Staff development/training/seminars	-	-	-	-	-	954	-
Interest	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Assistance to individuals	-	-	-	95,790	82,323	49	-
Contracted services	-	-	-	-	-	-	-
Raw food	-	13,200	23,225	-	-	-	-
Miscellaneous	-	-	-	336	336	793	-
Capital expenditures	-	-	-	-	-	-	-
Indirect costs	-	1,916	263	1,669	1,845	1,401	8,604
Total expenditures	<u>\$ 33,806</u>	<u>\$ 36,196</u>	<u>\$ 26,278</u>	<u>\$ 117,536</u>	<u>\$ 105,311</u>	<u>\$ 31,426</u>	<u>\$ 115,295</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Individual Grant Fund Revenues and Expenditures
Year Ended June 30, 2010

	ARRA Head Start QI/Upper	ARRA Head Start QI/Lower	ARRA Early Head Start COLA	ARRA Early Head Start QI/Upper	ARRA Early Head Start QI/Lower	ARRA Early Head Start Expansion	Totals
REVENUE							
Federal assistance	\$ 166,427	\$ 179,493	\$ 11,611	\$ 20,009	\$ 1,243	\$ 135,436	\$ 17,563,718
State assistance	-	-	-	-	-	-	812,743
Total Revenue	<u>\$ 166,427</u>	<u>\$ 179,493</u>	<u>\$ 11,611</u>	<u>\$ 20,009</u>	<u>\$ 1,243</u>	<u>\$ 135,436</u>	<u>\$ 18,376,461</u>
EXPENDITURES							
Salaries and wages	101,123	129,135	7,320	13,968	-	43,107	7,434,260
Fringe benefits	31,340	36,912	2,149	4,421	-	13,213	1,915,474
Professional services	-	-	-	-	-	22,187	148,854
Supplies	368	-	1,293	-	-	33,393	495,563
Communications	-	-	-	-	-	603	192,180
Postage and shipping	-	-	-	-	-	207	27,284
Occupancy	-	-	-	-	-	4,129	693,024
Equipment rental/maintenance	-	-	-	-	-	-	178,406
Printing and publications	-	-	-	-	-	678	77,039
Travel	-	-	-	-	-	8,028	300,693
Staff development/training/seminars	21,866	-	-	-	1,243	2,156	123,901
Interest	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	195	69,640
Assistance to individuals	-	-	-	-	-	1,381	4,739,399
Contracted services	-	-	-	-	-	-	205,419
Raw food	-	-	-	-	-	652	499,341
Miscellaneous	-	-	-	-	-	507	49,025
Capital expenditures	-	-	-	-	-	-	340,636
Indirect costs	11,730	13,446	849	1,620	-	5,000	886,323
Total expenditures	<u>\$ 166,427</u>	<u>\$ 179,493</u>	<u>\$ 11,611</u>	<u>\$ 20,009</u>	<u>\$ 1,243</u>	<u>\$ 135,436</u>	<u>\$ 18,376,461</u>

(Continued)

DOUGLAS-CHEROKEE ECONOMIC AUTHORITY, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

2010

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Douglas-Cherokee Economic Authority, Inc.
2. No conditions are disclosed during the audit of financial statements are reported in the 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*.
3. No instances of noncompliance that were considered to be material to the financial statements of Douglas-Cherokee Economic Authority, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for each major federal award program for Douglas-Cherokee Economic Authority, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were Head Start (93.600), ARRA Head Start (93.708), ARRA Early Head Start (93.709), Community Services Block Grant (93.569), ARRA Community Services Block Grant (93.710), Talent Search (84.044), Upward Bound (84.047), Educational Opportunity Centers (84.066), Nutrition (93.045), Support Services (93.044), NSIP (93.053), ARRA Aging Home Delivered Nutrition Services (93.705), ARRA Aging Congregate Nutrition Services (93.707), Community Based Abstinence Education Program (93.010), WIA Youth Activities (17.259), ARRA WIA Summer Youth (17.259.001), and Youth Build (17.274).
8. The threshold for distinguishing Types A and B programs was \$526,000.
9. Douglas-Cherokee Economic Authority, Inc was determined to be a low-risk auditee.
10. There were no questioned costs.

B. Findings - Financial Statement Audit

None.

C. Findings - Major Federal Program Awards Audit

None.

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*

Board of Directors
Douglas-Cherokee Economic Authority, Inc.

We have audited the financial statements of the governmental activities and each major fund of Douglas-Cherokee Economic Authority, Inc. as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 21, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Douglas-Cherokee Economic Authority, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Douglas-Cherokee Economic Authority, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Douglas-Cherokee Economic Authority, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, specified legislative or regulatory bodies, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Rodefer Moss + Co, PLLC

Greeneville, Tennessee
December 21, 2010

Independent Auditors' Report on Compliance with Requirements That Could
Have a Direct and Material Affect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Douglas-Cherokee Economic Authority, Inc.

Compliance

We have audited the compliance of Douglas-Cherokee Economic Authority, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Douglas-Cherokee Economic Authority, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Douglas-Cherokee Economic Authority, Inc.'s management. Our responsibility is to express an opinion on Douglas-Cherokee Economic Authority, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Douglas-Cherokee Economic Authority, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Douglas-Cherokee Economic Authority, Inc.'s compliance with those requirements.

In our opinion, Douglas-Cherokee Economic Authority, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Douglas-Cherokee Economic Authority, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Douglas-Cherokee Economic Authority, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Douglas-Cherokee Economic Authority, Inc.'s internal control over compliance.

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

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

This report is intended solely for the information and use of the board of directors, management, specified legislative or regulatory bodies, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Rodefer Moss + Co, PLLC

Greeneville, Tennessee
December 21, 2010