

ANNUAL FINANCIAL REPORT
BENTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
BENTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
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This financial report is available at www.comptroller.state.tn.us

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Audit Highlights

Annual Financial Report
Benton County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of Benton County as of and for the year ended June 30, 2005.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include two component units whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in 13 findings and recommendations, which we have reviewed with Benton County management. Detailed findings and recommendations are included in the Single Audit Section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The office did not issue requisitions and purchase orders for some purchases.
- ◆ General Fund expenditures exceeded appropriations approved by the County Commission in the Sheriff's Department major appropriation category (the legal level of control) by \$75,837. Also, the Public Library Fund (a nonmajor special revenue fund) and the Special Purpose Fund (a major special revenue fund) were not budgeted.
- ◆ General Fund general ledger payroll accounts were not reconciled with subsidiary payroll records. Also, receivables at June 30, 2005, were incorrectly posted as revenues for 2005-06.
- ◆ The county entered into a lease-purchase agreement for three Sheriff's Department patrol cars without the prior approval of the County Commission.
- ◆ The county mayor's secretary/bookkeeper signed a contract to receive a donation of four electronic baseball/softball scoreboards. In exchange, the county agreed to purchase only vending products supplied by the donor. This contract was not competitively bid and the secretary/bookkeeper did not have the authority to sign the contract. Also, we could not determine whether the county complied with the statutory provisions granting blind vendors priority in the establishment of vending operations on public property.
- ◆ The office did not document compliance with the Davis-Bacon Act for a Health Department building capital project funded by a federal grant.

OFFICE OF GENERAL SESSIONS COURT CLERK

- ◆ The June 30, 2005, execution docket trial balance did not reconcile with cash journal accounts by a substantial amount.
-

OFFICE OF CLERK AND MASTER

- ◆ The clerk and master did not require a depository holding county funds to pledge securities to protect county funds that exceeded Federal Deposit Insurance Coverage.
-

OFFICE OF SHERIFF

- ◆ The office did not maintain forms and reports required by the Office of the Comptroller of the Treasury to document the administration of confidential drug funds.
 - ◆ The sheriff did not obtain a letter of agreement or file suit in Circuit Court to authorize deputy hires.
 - ◆ The office did not prepare and file an annual financial report with the county mayor and the county clerk as required by state statute.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Benton County Officials

June 30, 2005

Officials:

Jimmy Thornton, County Mayor
Ray Douglas, Road Supervisor
Randall Robertson, Director of Schools
Sherry Beasley, Trustee
Linda Armstrong, Assessor of Property
Rosanne Ward, County Clerk
Terry Hudson, Circuit and General Sessions Courts Clerk
Timothy Burrus, Clerk and Master
Debra Hargis, Register
Cecil Wells, Sheriff

Board of Commissioners:

Jimmy Thornton, Chairman
Mureleane Steinbuck, Chairman Pro-Tem
Barry Barnett
Randall Clark
Dwayne Cole
Deborah Dye
Eddie Griggs
Perry Hensley
Jimmy Hivick

Vickie Howe
Jo Jones
Billy Malin
Robert Pace
Roger Pafford
Randy Patton
Tommy Spence
Stephen Stokes
Allen Webb

Board of Education:

Ruby Evans, Chairman
Joey Cooper, Vice-Chairman
Judy Arnold
Keith Arnold
Barry Carter
Michael Cuthbertson

Mark Hargis
Brent Hedge
Tim Hyatt
Robert Livingston
Mark Winters
James Woodall

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT

SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

January 9, 2006

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

To the County Mayor and Board of County Commissioners:

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 Benton County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Benton County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Benton County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Benton County Electric System (a major fund and the entire business-type activities). Also, we did not audit the financial statements of the Benton County Library (a nonmajor special revenue fund), which represent three percent and 11.2 percent, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Benton County Electric System and the Benton County Library is based on the reports of the other auditors.

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

evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units referred to above do not include the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, discretely presented component units, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Benton County, Tennessee, as of June 30, 2005, and the respective changes in financial position where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, based on our audit and the reports 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, each major fund, and the aggregate remaining fund information of Benton County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2006, on our consideration of Benton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Also, as described in Note V.B., Benton County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The management of Benton County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the

basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 65 through 69 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton 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 Benton County School Department (a discretely presented component unit), miscellaneous schedules, and statistical tables 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 Benton County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Benton County, Tennessee
Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Benton County School Department
<u>ASSETS</u>				
Cash	\$ 45,558	\$ 1,293,003	\$ 1,338,561	\$ 0
Equity in Pooled Cash and Investments	11,141,041	0	11,141,041	1,330,280
Inventories	0	190,105	190,105	0
Accounts Receivable	92,308	1,112,096	1,204,404	0
Allowance for Uncollectibles	0	(7,580)	(7,580)	0
Due from Other Governments	522,830	0	522,830	322,499
Due from Component Units	50,866	0	50,866	0
Property Taxes Receivable	1,977,998	0	1,977,998	3,458,018
Allowance for Uncollectible Property Taxes	(96,986)	0	(96,986)	(168,299)
Prepaid Items	0	1,790,794	1,790,794	0
Notes Receivable	0	169,693	169,693	0
Unamortized Bond Issue Costs	0	196,810	196,810	0
Capital Assets Not Depreciated:				
Land	711,367	178,328	889,695	136,560
Construction in Progress	0	570,731	570,731	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	3,250,848	1,060,179	4,311,027	12,729,932
Infrastructure	338,092	0	338,092	0
Other Capital Assets	634,018	13,353,369	13,987,387	447,148
Total Assets	\$ 18,667,940	\$ 19,907,528	\$ 38,575,468	\$ 18,256,138
<u>LIABILITIES</u>				
Accounts Payable	\$ 44,325	\$ 1,823,700	\$ 1,868,025	\$ 413,603
Accrued Payroll	0	21,216	21,216	0
Payroll Deductions Payable	17,223	0	17,223	0
Contracts Payable	7,500	0	7,500	0
Retainage Payable	1,530	0	1,530	0
Accrued Interest Payable	34,072	21,367	55,439	0
Accrued Leave	0	1,166,167	1,166,167	0
Due to Primary Government	0	0	0	49,689
Due to State of Tennessee	4,033	0	4,033	0
Matured Bonds Payable	10,000	0	10,000	0
Matured Interest on Bonds	1,913	0	1,913	0
Customer Deposits Payable	0	514,666	514,666	0
Other Payables	5,868	0	5,868	0
Deferred Revenue - Current Property Taxes	1,810,902	0	1,810,902	3,169,077
Noncurrent Liabilities:				
Due Within One Year	700,633	255,000	955,633	31,241
Due in More Than One Year	11,247,312	4,191,944	15,439,256	262,332
Total Liabilities	\$ 13,885,311	\$ 7,994,060	\$ 21,879,371	\$ 3,925,942
<u>NET ASSETS</u>				
Invested in Capital Assets, net of related debt	\$ 3,484,349	\$ 10,887,607	\$ 14,371,956	\$ 13,020,067
Restricted for:				
Capital Projects	210,804	0	210,804	13,307
Debt Service	1,787,612	537,989	2,325,601	0
Other Purposes	1,211,042	0	1,211,042	188,262
Unrestricted	(1,911,178)	487,872	(1,423,306)	1,108,560
Total Net Assets	\$ 4,782,629	\$ 11,913,468	\$ 16,696,097	\$ 14,330,196

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

Exhibit B

Benton County, Tennessee
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Benton County School Department	
					Governmental Activities	Business- type Activity		Total
Primary Government:								
Governmental Activities:								
General Government	\$ 717,547	\$ 99,883	\$ 16,380	\$ 12,500	\$ (588,784)	\$ 0	\$ (588,784)	\$ 0
Finance	548,745	346,345	16,741	0	(185,659)	0	(185,659)	0
Administration of Justice	555,141	291,564	0	0	(263,577)	0	(263,577)	0
Public Safety	2,378,684	273,835	125,181	153,990	(1,825,678)	0	(1,825,678)	0
Public Health and Welfare	587,079	589,041	72,543	584,827	659,332	0	659,332	0
Social, Cultural, and Recreational Services	453,351	28,599	114,649	103,932	(206,171)	0	(206,171)	0
Agriculture & Natural Resources	68,560	0	0	0	(68,560)	0	(68,560)	0
Other Operations	324,183	77,070	3,704	0	(243,409)	0	(243,409)	0
Highways/Public Works	2,058,138	14,018	1,564,946	286,548	(192,626)	0	(192,626)	0
Education	168,908	0	0	0	(168,908)	0	(168,908)	0
Interest on Long-term Debt	433,803	635,974	0	0	202,171	0	202,171	0
Other Debt Service	12,365	0	0	0	(12,365)	0	(12,365)	0
Total Governmental Activities	\$ 8,306,504	\$ 2,356,329	\$ 1,914,144	\$ 1,141,797	\$ (2,894,234)	\$ 0	\$ (2,894,234)	\$ 0
Business-type Activity:								
Benton County Public Utility	\$ 14,746,370	\$ 14,849,481	\$ 0	\$ 0	\$ 0	\$ 103,111	\$ 103,111	\$ 0
Total Primary Government	\$ 23,052,874	\$ 17,205,810	\$ 1,914,144	\$ 1,141,797	\$ (2,894,234)	\$ 103,111	\$ (2,791,123)	\$ 0
Component Unit:								
Benton County School Department	\$ 17,394,268	\$ 46,071	\$ 2,329,603	\$ 0	\$ 0	\$ 0	\$ 0	\$ (15,018,594)
Total Component Unit	\$ 17,394,268	\$ 46,071	\$ 2,329,603	\$ 0	\$ 0	\$ 0	\$ 0	\$ (15,018,594)

(Continued)

Exhibit B

Benton County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Benton County School Department	
					Governmental Activities	Business- type Activity		Total
General Revenues:								
Taxes:								
Property taxes levied for general purposes					\$ 1,605,867	\$ 0	\$ 1,605,867	\$ 3,475,719
Property taxes levied for debt service					252,813	0	252,813	0
Local option sales tax					407,001	0	407,001	1,501,692
Other local taxes					540,048	0	540,048	2,755
Grants & Contributions not restricted for specific programs					1,177,109	0	1,177,109	9,785,583
Unrestricted Investment Earnings					270,002	37,169	307,171	0
Miscellaneous					48,043	0	48,043	51,250
Total General Revenues					<u>\$ 4,300,883</u>	<u>\$ 37,169</u>	<u>\$ 4,338,052</u>	<u>\$ 14,816,999</u>
Change in Net Assets					\$ 1,406,649	\$ 140,280	\$ 1,546,929	\$ (201,595)
Net assets, July 1, 2004					<u>3,375,980</u>	<u>11,773,188</u>	<u>15,149,168</u>	<u>14,531,791</u>
Net assets, June 30, 2005					<u>\$ 4,782,629</u>	<u>\$ 11,913,468</u>	<u>\$ 16,696,097</u>	<u>\$ 14,330,196</u>

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

Exhibit C-1

Benton County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2005

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,558	\$ 45,558
Equity in Pooled Cash and Investments	1,233,204	7,197,456	742,782	1,724,745	242,854	11,141,041
Accounts Receivable	56,908	0	38	35,362	0	92,308
Due from Other Governments	200,636	0	315,152	0	7,042	522,830
Due from Other Funds	979	0	0	14,327	0	15,306
Due from Component Units	0	0	1,177	49,689	0	50,866
Property Taxes Receivable	1,502,894	0	217,354	257,750	0	1,977,998
Allowance for Uncollectible Property Taxes	(73,552)	0	(10,576)	(12,858)	0	(96,986)
Total Assets	\$ 2,921,069	\$ 7,197,456	\$ 1,265,927	\$ 2,069,015	\$ 295,454	\$ 13,748,921
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 37,558	\$ 0	\$ 116	\$ 0	\$ 6,651	\$ 44,325
Payroll Deductions Payable	14,743	0	421	0	2,059	17,223
Contracts Payable	0	0	0	0	7,500	7,500
Retainage Payable	0	0	0	0	1,530	1,530
Due to Other Funds	14,327	0	0	0	979	15,306
Due to State of Tennessee	3,865	0	0	0	168	4,033
Matured Bonds Payable	0	0	0	10,000	0	10,000
Matured Interest on Bonds	0	0	0	1,913	0	1,913
Current Liabilities Payable from Restricted Assets:						
Other Payables from Restricted Assets	5,868	0	0	0	0	5,868
Deferred Revenue - Current Property Taxes	1,376,285	0	199,199	235,418	0	1,810,902
Deferred Revenue - Delinquent Property Taxes	47,156	0	6,736	8,421	0	62,313
Other Deferred Revenues	53,454	0	134,084	49,004	0	236,542
Total Liabilities	\$ 1,553,256	\$ 0	\$ 340,556	\$ 304,756	\$ 18,887	\$ 2,217,455

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
LIABILITIES AND FUND BALANCES (Cont.)						
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 12,072	\$ 0	\$ 3,412	\$ 15,484
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	78,488	0	0	0	0	78,488
Reserved for Sexual Offender Registration	600	0	0	0	0	600
Reserved for Other General Purposes	0	0	0	0	16,246	16,246
Unreserved, Reported In:						
General Fund	1,288,725	0	0	0	0	1,288,725
Special Revenue Funds	0	7,197,456	913,299	0	65,763	8,176,518
Debt Service Fund	0	0	0	1,764,259	0	1,764,259
Capital Projects Funds	0	0	0	0	191,146	191,146
Total Fund Balances	<u>\$ 1,367,813</u>	<u>\$ 7,197,456</u>	<u>\$ 925,371</u>	<u>\$ 1,764,259</u>	<u>\$ 276,567</u>	<u>\$ 11,531,466</u>
Total Liabilities and Fund Balances	<u>\$ 2,921,069</u>	<u>\$ 7,197,456</u>	<u>\$ 1,265,927</u>	<u>\$ 2,069,015</u>	<u>\$ 295,454</u>	<u>\$ 13,748,921</u>

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

Exhibit C-2

Benton County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 11,531,466	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Land	\$	711,367	
Buildings and improvements		4,879,716	
Infrastructure		638,252	
Other capital assets		2,862,358	
Depreciation		<u>(4,157,368)</u>	4,934,325
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Deferred revenues - delinquent property taxes	\$	236,542	
Other deferred revenues		<u>62,313</u>	298,855
(3) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Note payable	\$	(776,000)	
Accrued interest on note		(2,758)	
Other loan payable		(622,000)	
Capital lease payable		(51,976)	
Accrued interest on capital lease		(467)	
Bonds payable		(10,395,000)	
Accrued interest on bonds		(30,847)	
Compensated absences		<u>(102,969)</u>	<u>(11,982,017)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 4,782,629</u>

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

Exhibit D-1

Benton County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Funds	
					Other Governmental Funds	Governmental Funds
<u>Revenues</u>						
Local Taxes	\$ 2,430,305	\$ 0	\$ 371,844	\$ 276,628	\$ 0	\$ 3,078,777
Licenses and Permits	4,565	0	0	0	0	4,565
Fines, Forfeitures, and Penalties	74,462	0	0	0	24,985	99,447
Charges for Current Services	610,255	0	4	0	14,378	624,637
Other Local Revenues	217,027	168,136	21,345	69,828	28,089	504,425
Fees Received from County Officials	667,853	0	0	0	0	667,853
State of Tennessee	1,368,114	0	1,896,069	0	284,530	3,548,713
Federal Government	144,128	0	0	0	408,949	553,077
Other Governments and Citizens Groups	21,257	0	0	566,146	47,929	635,332
Total Revenues	\$ 5,537,966	\$ 168,136	\$ 2,289,262	\$ 912,602	\$ 808,860	\$ 9,716,826
<u>Expenditures</u>						
Current:						
General Government	\$ 735,476	\$ 0	\$ 0	\$ 0	\$ 0	\$ 735,476
Finance	445,527	0	0	0	0	445,527
Administration of Justice	395,818	0	0	0	11	395,829
Public Safety	1,922,593	0	0	0	40,878	1,963,471
Public Health and Welfare	326,737	0	0	0	0	326,737
Social, Cultural, and Recreational Services	94,862	0	0	0	243,235	338,097
Agricultural and Natural Resources	61,596	0	0	0	0	61,596
Other Operations	1,011,063	1,636	0	0	2	1,012,701
Highways	0	0	2,115,572	0	0	2,115,572
Instruction	0	168,908	0	0	0	168,908
Debt Service:						
Principal	48,134	0	0	552,000	0	600,134
Interest	1,009	0	0	434,014	0	435,023
Other Debt Service	0	0	0	12,365	0	12,365
Capital Projects	0	0	0	0	882,831	882,831
Total Expenditures	\$ 5,042,815	\$ 170,544	\$ 2,115,572	\$ 998,379	\$ 1,166,957	\$ 9,494,267

(Continued)

Exhibit D-1

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 495,151	\$ (2,408)	\$ 173,690	\$ (85,777)	\$ (358,097)	\$ 222,559
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000
Capital Leases Issued	79,514	0	0	0	0	79,514
Transfers In	0	0	0	71,407	153,313	224,720
Transfers Out	(224,720)	0	0	0	0	(224,720)
Total Other Financing Sources (Uses)	\$ (145,206)	\$ 0	\$ 0	\$ 71,407	\$ 453,313	\$ 379,514
Net Change in Fund Balances	\$ 349,945	\$ (2,408)	\$ 173,690	\$ (14,370)	\$ 95,216	\$ 602,073
Fund Balance, July 1, 2004	1,017,868	7,199,864	751,681	1,778,629	181,351	10,929,393
Fund Balance, June 30, 2005	\$ 1,367,813	\$ 7,197,456	\$ 925,371	\$ 1,764,259	\$ 276,567	\$ 11,531,466

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

Exhibit D-2

Benton 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, 2005

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

Net change in fund balances - total governmental funds (Exhibit D-1)		\$ 602,073
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is itemized as follows:</p>		
Capital outlay	\$ 897,565	
Depreciation expense	<u>(294,768)</u>	602,797
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenues - delinquent property taxes	\$ (21,645)	
Other deferred revenues	<u>17,972</u>	(3,673)
<p>(3) The issuance of long-term debt (e.g. notes, capital 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 of these transactions, however, has any effect on net assets.</p>		
Principal payment on notes	\$ 56,000	
Note proceeds	(300,000)	
Principal payment on other loan	71,000	
Principal payment on capital leases	48,134	
Capital lease issued	(79,514)	
Principal payment on bonds	<u>425,000</u>	220,620
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Net change in accrued interest on note	\$ (497)	
Net change in accrued interest on capital leases	147	
Net change in accrued interest on bonds	1,570	
Net change in compensated absences	<u>(16,388)</u>	<u>(15,168)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,406,649</u>

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

Benton County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Business-type Activities - Major Fund
	<u>Benton County Electric System</u>
<u>ASSETS</u>	
Current Assets:	
Cash on Hand	\$ 3,000
Cash in Bank	1,290,003
Accounts Receivable	1,112,096
Allowance for Uncollectibles	(7,580)
Inventories	190,105
Prepaid Items	1,790,794
Total Current Assets	<u>\$ 4,378,418</u>
Noncurrent Assets:	
Notes Receivable	\$ 169,693
Unamortized Bond Issue Costs	196,810
Capital Assets (Net of Accumulated Depreciation):	
Land	178,328
Construction in Progress	570,731
Buildings and Improvements	1,060,179
Other Capital Assets	13,353,369
Total Noncurrent Assets	<u>\$ 15,529,110</u>
Total Assets	<u>\$ 19,907,528</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 1,823,700
Accrued Payroll	21,216
Accrued Leave	1,166,167
Customer Deposits Payable	514,666
Current Maturities of Long-term Debt	255,000
Accrued Interest Payable	21,367
Total Current Liabilities	<u>\$ 3,802,116</u>

(Continued)

Benton County, Tennessee
Statement of Net Assets
Proprietary Fund (Cont.)

	Business-type Activities - Major Fund
	Benton County Electric System
<u>LIABILITIES (Cont.)</u>	
Noncurrent Liabilities:	
Advances from Home Insulation Program	\$ 171,944
General Obligation Bonds Payable - Long-term	4,020,000
Total Noncurrent Liabilities	\$ 4,191,944
Total Liabilities	\$ 7,994,060
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 10,887,607
Restricted for Debt Service	537,989
Unrestricted	487,872
Total Net Assets	\$ 11,913,468

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

Benton County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Business-type Activities - Major Fund</u>
	<u>Benton County Electric System</u>
<u>Operating Revenues</u>	
Sale of Electric Energy	\$ 14,522,436
Forfeited Discounts	101,669
Rent from Electric Property	109,106
Other Electric Revenue	42,895
Miscellaneous Service Revenue	73,375
Total Operating Revenues	<u>\$ 14,849,481</u>
<u>Operating Expenses</u>	
Purchased Power	\$ 10,205,930
Distribution Expense:	
Station Expense	25,343
Overhead Line Expense	183,250
Street Lighting and Signal System	4,061
Meter Expense	103,648
Customer Installations Expense	684
Security Lighting	15,689
Rents	12,653
Miscellaneous	82,204
Customer Accounts Expense:	
Meter Reading Expense	106,328
Customer Records and Collection	366,801
Sales Expenses:	
Demonstration and Selling Expense	5,278
Sales Expense	32,734
Administrative Expenses:	
Salaries	236,742
Office Supplies and Expense	47,490
Outside Services Employed	17,773
Insurance	43,859
Injuries and Damages	119,366

(Continued)

Benton County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund (Cont.)

	Business-type Activities - Major Fund
	<u>Benton County Electric System</u>
<u>Operating Expenses (Cont.)</u>	
Administrative Expenses (Cont.):	
Employee Pension and Benefits	\$ 587,975
General Advertising	2,610
Miscellaneous	20,689
Maintenance Expenses:	
Station Equipment	4,128
Overhead Lines	914,720
Underground Lines	3,939
Line Transformers	50,023
Street Lights and Signal System	21,515
Meters	818
Security Lighting	37,792
General Plant and Equipment	17,454
Depreciation and Amortization	811,196
Taxes and Tax Equivalent	540,524
Total Operating Expenses	<u>\$ 14,623,216</u>
Operating Income	<u>\$ 226,265</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 37,169
Interest Expense	(108,551)
Amortization of Debt Expense	(14,603)
Total Nonoperating Revenues (Expenses)	<u>\$ (85,985)</u>
Change in Net Assets	\$ 140,280
Net Assets, July 1, 2004	<u>11,773,188</u>
Net Assets, June 30, 2005	<u>\$ 11,913,468</u>

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

Exhibit E-3

Benton County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Business-type Activities - Major Fund</u>
	<u>Benton County Electric System</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers and users	\$ 14,720,930
Payments to suppliers	(12,727,807)
Payments to employees and for employee benefits	(1,297,846)
Payments for in-lieu of tax payments	(540,524)
Customer deposits received	99,680
Customer deposits refunded	(90,985)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 163,448</u>
<u>Cash Flows from Noncapital and Related Financing Activities</u>	
Repayment of TVA advances	\$ (34,723)
Net Cash Provided By (Used In) Noncapital and Related Financing Activities	<u>\$ (34,723)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Construction and acquisition of plant	\$ (1,230,142)
Plant removal cost	(139,550)
Materials salvaged from retirements	61,272
Bond proceeds	1,225,000
Principal paid on bonds	(135,000)
Interest paid on bonds	(105,534)
Bond issue costs	(21,611)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (345,565)</u>

(Continued)

Benton County, Tennessee
Statement of Cash Flows
Proprietary Fund (Cont.)

	<u>Business-type Activities - Major Fund</u>
	<u>Benton County Electric System</u>
<u>Cash Flows from Investing Activities</u>	
Collection of Notes Receivable	\$ 28,245
Interest Earned	37,301
Net Cash Provided By (Used In) Investing Activities	<u>\$ 65,546</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (151,294)
Cash and Cash Equivalents, July 1, 2004	<u>1,444,297</u>
Cash and Cash Equivalents, June 30, 2005	<u>\$ 1,293,003</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 226,265
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation expense	811,196
Increase in accounts receivable	(128,551)
Increase in materials and supplies	(9,701)
Increase in prepayments and other current assets	(782,310)
Increase in accounts payable and accrued expenses	37,854
Increase in customer deposits	<u>8,695</u>
Net Cash Provided by Operating Activities	<u>\$ 163,448</u>
<u>Cash and Cash Equivalents</u>	
Cash on Hand	\$ 3,000
Cash and Cash Equivalents on Deposit	<u>1,290,003</u>
Total Cash and Cash Equivalents	<u>\$ 1,293,003</u>

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

Exhibit F

Benton County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,006,390
Due from Other Governments	196,455
Cash Shortage	<u>906</u>
Total Assets	<u>\$ 1,203,751</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 196,455
Due to Litigants, Heirs, and Others	<u>1,007,296</u>
Total Liabilities	<u>\$ 1,203,751</u>

The accompanying notes are an integral part of this statement.

BENTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton 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 Benton County:

A. Reporting Entity

Benton County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Benton 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 relationship with the county.

Blended Component Units – There are no legally separate component units of Benton County that meet the criteria for being reported as part of the primary government by the blending method.

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 Benton County School Department operates the public school system in the county, and the voters of Benton County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Benton County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Benton County, and the Benton County Commission appoints its governing body. 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 financial statements for the Benton County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Benton County Industrial Board was formed as an operating agency and instrumentality of Benton County for the purpose of acquiring and developing land for industrial development in the county. The Benton County Commission appoints five members of the nine-member board. The other members are permanent members and consist of the county mayor, the chairman of the Chamber of Commerce, and the mayors of the Cities of Big Sandy and Camden. Also, the county annually provides significant operating subsidies to the board. The financial statements for the Benton County Industrial Board were not available from other auditors in time for inclusion in this report.

The Benton County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Benton County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Board were not available in time for inclusion, as previously mentioned. Complete financial statements of the Benton County Emergency Communications District and the Benton County Industrial Board can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Benton County Emergency
Communications District
P. O. Box 755
Camden, TN 38320

Benton County Industrial Board
P. O. Box 549
Camden, TN 38320

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 Benton 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.

Benton County issues all debt for the discretely presented Benton County School Department.

Separate financial statements are provided for governmental funds, proprietary funds (enterprise), and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements. 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 Benton County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/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. Benton County only reports one proprietary fund, a major enterprise fund. Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The enterprise fund and fiduciary funds in total are reported in single columns by fund type.

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. Benton County considers grant 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 fund and fiduciary fund financial statements are reported using the economic resources 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.

Benton 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.

Special Purpose Fund – This fund is used to account for proceeds received for the sale of the county’s hospital. All interest earned from the investment of the proceeds (net of trustee’s commission) was contributed to the discretely presented Benton County School Department’s General Purpose School Fund.

Highway/Public Works Fund – This fund accounts for transactions of the county’s Highway Department.

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

Benton County reports the following major proprietary fund:

Public Utility Fund – This fund accounts for the operations of the Benton County Electric System.

Additionally, Benton County reports the following fund types:

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital projects.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Benton 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 Benton County School Department reports the following major governmental fund:

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.

Additionally, the School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for financial resources to be used by the School Department for building construction and renovations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's proprietary fund are charges

to customers for the sale of electric energy. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all governmental funds and the discretely presented Benton County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and Special Purpose Funds. Benton County and the Benton County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.59 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable, since they are neither measurable nor available.

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

Trade receivables of the Benton County Electric System result from unpaid billings for electric service to customers and from unpaid billings related to work performed for or materials sold to certain entities. The allowance for uncollectible customer accounts recorded by the system is based on past history of uncollectible accounts and management's analysis of current accounts.

3. Inventories

Material and supplies inventory of the Benton County Electric System are valued at the lower of average cost or market, using the first-in/first-out (FIFO) method.

4. Prepaid Items

Certain payments to vendors by the Benton County Electric System reflects costs applicable to future accounting periods and are recorded as prepaid items in the proprietary fund financial statements.

5. Capital Assets

Governmental Activities:

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. 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:

<u>Assets</u>	<u>Years</u>
Building and Improvements	7-40
Land Improvements	20-30
Vehicles	5-10
Other Capital Assets	5-20
Infrastructure:	
Roads	8-20
Bridges	15-30

Business-type Activities:

Capital assets of the Benton County Electric System, which include property, plant, equipment, and construction in progress, are defined by the system as assets with an initial, individual cost of more than \$500 and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their 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 by the Benton County Electric System. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Benton County Electric System are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
General Plant	5-40
Transmission Plant	28-33
Distribution Plant	16-40

6. Compensated Absences

It is the policy of Benton County's General Fund to permit full-time employees to accumulate a limited amount of earned but unused vacation benefits that will be paid to employees upon separation from service. A liability for the vacation benefits is reported in governmental funds only if the amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual or recording.

The Benton County Highway Department's personnel policy does not provide for employees to accumulate vacation or sick leave days beyond the end of the fiscal year. Therefore, accrual or recording is not required.

It is the policy of the Benton County Electric System to permit employees to accumulate earned but unused vacation and sick pay

benefits. All vacation pay has been accrued and is reflected as a current liability on the financial statements. All sick leave has been accrued at 75 percent of the total value and is reflected as a current liability on the financial statements. In March 1997, the system approved a policy that would permit employees, at their discretion, to give sick leave to another employee involved in a catastrophic illness where such an employee had exhausted all available sick leave and vacation. The leave would be paid at the rate the employee receiving leave is currently earning. The board believes that the 75 percent approximation of sick leave accrued is enough to cover any expenditure for leave under this policy.

The general policy of the School Department permits the unlimited accumulation of unused sick leave days for professional personnel (teachers). There is no provision for accumulating vacation days. The granting of sick leave has no guaranteed payment attached, and therefore, requires no accrual or recording.

7. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities (or proprietary fund type) statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In 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, are recognized to the extent that the liabilities have matured (come due for payment) each period.

For the Benton County Electric System, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds

payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

8. Net Assets and Fund Equity

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

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

As of June 30, 2005, Benton County has \$10,395,000 of outstanding debt for capital purposes for the discretely presented Benton County School Department. The debt is a liability of Benton County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Benton County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county’s capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005:

<u>Fund/Purpose</u>	<u>Amount</u>
Public Library:	
Building Improvements	\$ 4,313
Archives	6,561
Genealogy	11,855

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide statement of net assets.

Discretely Presented Benton County School Department

The discretely presented Benton County School Department's Exhibit K-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide statement of net assets.

B. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

Primary Government

Exhibit D-2 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the changes in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Benton County School Department

The discretely presented Benton County School Department's Exhibit K-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Cash Shortage**

The Office of Sheriff had a cash shortage of \$906 on June 30, 2005. Details of the cash shortage were reflected in the Schedule of Findings and Questioned Costs of the Annual Financial Report for 2001-02.

B. Local Option Sales Tax – Debt Service

In November 1996, the citizens of Benton County voted by public referendum to increase the local sales tax by one-half percent. Benton County began collecting this tax in January 1997. The increase in sales tax was specifically designated for paying the debt service requirements for bonds issued to construct school facilities. Benton County, the Benton County School Department, the City of Camden, and the City of Big Sandy have pledged their portions of the sales tax increase to the county's General Debt Service Fund through December 1, 2021, for the retirement of this school debt. The amount of sales tax collections transferred (Benton County \$71,407, City of Camden \$183,600, and City of Big Sandy \$13,770), and contributed (General Purpose School Fund \$268,776) to the General Debt Service Fund as a result of this sales tax increase amounted to \$537,553 during the year.

C. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Sheriff's Department (\$75,837) major appropriation category (the legal level of control) of the General Fund and the Capital Outlay (\$1,130) major appropriation category of the Highway/Public Works Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

D. The Public Library Fund and the Special Purpose Fund Were Not Budgeted

A budget for the county's Public Library Fund (a nonmajor special revenue fund) and the Special Purpose Fund (a major special revenue fund) were not presented to the County Commission for their approval. This is a violation of state statutes.

E. The County Had Deposits That Were Exposed to Custodial Credit Risk

The clerk and master did not require one depository holding county funds to pledge securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits at this depository exceeded FDIC coverage by \$49,812. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

F. The County Entered Into a Lease-purchase Agreement Without the County Commission's Approval

On April 8, 2005, the county entered into a lease-purchase agreement for three Sheriff's Department vehicles (\$79,514); however, the County

Commission did not approve the lease-purchase agreement until June 20, 2005. Section 7-51-904, Tennessee Code Annotated, requires lease-purchase agreements to first be approved by the County Commission.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Benton County (excluding the Benton County Electric System) and the Benton 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, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and Investments reflected on the balance sheets or statements of net assets represent 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Benton County's deposits may not be returned to it. Benton County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Benton County and the discretely presented Benton County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2005, bank balances of \$49,812 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$49,812</u>
Total	<u><u>\$49,812</u></u>

This \$49,812 consisted of nonpooled bank deposits reported in the fiduciary funds. Uninsured and uncollateralized deposits are a violation of state statutes.

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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Benton County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Benton County and the discretely presented Benton County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	Daily	<u>\$5,111</u>
Total		<u>\$5,111</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Benton County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Benton County has no investment policy that would further limit its investment choices. As of June 30, 2005, Benton County's investment in the State Treasurer's Investment Pool was unrated.

B. Receivables

Accounts receivable of the Benton County Electric System at June 30, 2005, consisted of the following:

	<u>Receivables</u>
Billed Services for Utility Customers	\$ 971,078
Other Receivables for Utility Service	<u>141,018</u>
Total Accounts Receivable	<u>\$ 1,112,096</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 711,367	\$ 0	\$ 0	\$ 711,367
Construction in Progress	<u>208,575</u>	<u>495,290</u>	<u>(703,865)</u>	<u>0</u>
Total Capital Assets Not Depreciated	<u>\$ 919,942</u>	<u>\$ 495,290</u>	<u>\$ (703,865)</u>	<u>\$ 711,367</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,096,457	\$ 79,394	\$ 703,865	\$ 4,879,716
Roads and Bridges	544,768	93,484	0	638,252
Other Capital Assets	<u>2,632,961</u>	<u>229,397</u>	<u>0</u>	<u>2,862,358</u>
Total Capital Assets Depreciated	<u>\$ 7,274,186</u>	<u>\$ 402,275</u>	<u>\$ 703,865</u>	<u>\$ 8,380,326</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,481,231	\$ 147,637	\$ 0	\$ 1,628,868
Roads and Bridges	283,559	16,601	0	300,160
Other Capital Assets	<u>2,097,810</u>	<u>130,530</u>	<u>0</u>	<u>2,228,340</u>
Total Accumulated Depreciation	<u>\$ 3,862,600</u>	<u>\$ 294,768</u>	<u>\$ 0</u>	<u>\$ 4,157,368</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,411,586</u>	<u>\$ 107,507</u>	<u>\$ 703,865</u>	<u>\$ 4,222,958</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,331,528</u>	<u>\$ 602,797</u>	<u>\$ 0</u>	<u>\$ 4,934,325</u>

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

Governmental Activities:

General Administration	\$ 41,193
Finance	2,240
Administration of Justice	5,060
Public Safety	80,890
Public Health and Welfare	30,281
Social, Cultural, and Recreational Services	42,313
Agriculture and Natural Resources	1,854
Other Operations	8,082
Highways/Public Works	<u>82,855</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 294,768</u>

Business-type Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 186,514	\$	\$ (8,186)	\$ 178,328
Construction in Progress	139,733	430,998	0	570,731
Total Capital Assets Not Depreciated	<u>\$ 326,247</u>	<u>\$ 430,998</u>	<u>\$ (8,186)</u>	<u>\$ 749,059</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,284,540	\$ 0	\$ 2,655	\$ 1,287,195
Other Capital Assets	23,065,804	865,166	(593,597)	23,337,373
Total Capital Assets Depreciated	<u>\$ 24,350,344</u>	<u>\$ 865,166</u>	<u>\$ (590,942)</u>	<u>\$ 24,624,568</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$ 199,393	\$ 27,623	\$ 0	\$ 227,016
Other Capital Assets	9,811,815	849,595	(677,406)	9,984,004
Total Accumulated Depreciation	<u>\$ 10,011,208</u>	<u>\$ 877,218</u>	<u>\$ (677,406)</u>	<u>\$ 10,211,020</u>

Business-type Activities: (Cont.)

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Total Capital Assets Depreciated, Net	\$ 14,339,136	\$ (12,052)	\$ 86,464	\$ 14,413,548
Capital Assets, Net	\$ 14,665,383	\$ 418,946	\$ 78,278	\$ 15,162,607

Depreciation expense of \$877,218 was recorded by the electric system.

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

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 136,560	\$ 0	\$ 136,560
Total Capital Assets Not Depreciated	\$ 136,560	\$ 0	\$ 136,560
Capital Assets Depreciated:			
Buildings and Improvements	\$ 18,539,404	\$ 0	\$ 18,539,404
Other Capital Assets	1,043,356	88,380	1,131,736
Total Capital Assets Depreciated	\$ 19,582,760	\$ 88,380	\$ 19,671,140
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 5,362,017	\$ 447,455	\$ 5,809,472
Other Capital Assets	576,444	108,144	684,588
Total Accumulated Depreciation	\$ 5,938,461	\$ 555,599	\$ 6,494,060
Total Capital Assets Depreciated, Net	\$ 13,644,299	\$ (467,219)	\$ 13,177,080
Governmental Activities Capital Assets, Net	\$ 13,780,859	\$ (467,219)	\$ 13,313,640

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

Governmental Activities:

Instruction	\$426,146
Support Services	102,572
Operation of Non-Instructional Services	<u>26,881</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$555,599</u></u>

D. Construction Commitments

At June 30, 2005, the Highway Department had uncompleted construction contracts of approximately \$12,072 for the construction of a bridge. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 979
General Debt Service	General	<u>14,327</u>
Total		<u><u>\$ 15,306</u></u>

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component unit:	
Primary government:	School Department:	
Highway/Public Works	General Purpose School	\$ 1,177
General Debt Service	General Purpose School	<u>49,689</u>
Total		<u><u>\$ 50,866</u></u>

Of these balances, the General Purpose School Fund disbursed \$1,177 that had not been received by the Highway/Public Works Fund at June 30, 2005.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Primary Government

	<u>Transfers In</u>	
	General Debt Service Fund	Nonmajor Governmental Fund
<u>Transfers Out</u>		
General Fund	\$ 71,407	\$ 153,313
Total	<u>\$ 71,407</u>	<u>\$ 153,313</u>

Discretely Presented Benton County School Department

	<u>Transfers In</u>
<u>Transfers Out</u>	General Purpose School Fund
Nonmajor governmental fund	<u>\$32,796</u>
Total	<u>\$32,796</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Capital Leases

Primary Government

On April 8, 2005, Benton County entered into a two-year lease-purchase agreement for three patrol cars. The terms of the agreement require total lease payments of \$79,514 plus interest at 3.95 percent. Title to the patrol cars transfers to Benton County at the end of the lease period.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Fund</u>
2006	\$ 27,538
2007	27,537
Total Minimum Lease Payment	<u>\$ 55,075</u>
Amount Representing Interest	<u>(3,099)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 51,976</u></u>

Discretely Presented Benton County School Department

On July 23, 2003, the Benton County School Department entered into a ten-year lease-purchase agreement for energy-efficient lighting equipment. The terms of the agreement require total lease payments of \$352,035, plus interest at 4.5 percent. Title to the lighting equipment passes to Benton County School Department at the end of the lease period.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Fund</u>
2006	\$ 44,104
2007	44,104
2008	44,104
2009	44,104
2010	44,104
2011-2013	132,315
Total Minimum Lease Payment	<u>\$ 352,835</u>
Amount Representing Interest	<u>(59,262)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 293,573</u></u>

G. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 19 years for bonds, up to 12 years for notes, and up to 15 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, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds - Schools	4.35 to 5.5%	\$11,600,000	\$1,540,000
General Obligation Bond - School Refunding	3.5	9,020,000	8,855,000
Capital Outlay Notes	2.94 and 5.1	1,025,000	776,000
Other Loan	Variable	1,100,000	622,000
Capital Lease	3.95	79,514	51,976

During the 1996-97 year, Benton County entered a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned Benton County \$1,100,000 for jail construction and renovation. This loan is repayable at a variable interest rate based on the remarketing agent's (currently Bank of America) daily or weekly rate. In addition the county pays various other fees (letter of credit, trustee, remarketing, etc.) in connection with this loan. At June 30, 2005, the variable interest rate was 2.34 percent and other fees amounted to approximately .25 percent (letter of credit fee), .08 percent (remarketing fee), and .15 percent (administrative fee) of the outstanding loan principal plus \$1,200 (trustee fee) annually.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 440,000	\$ 371,675	\$ 155,000	\$ 30,191
2007	460,000	352,055	161,000	24,261
2008	485,000	331,203	167,000	18,089
2009	500,000	309,145	68,000	13,210
2010	525,000	288,663	71,000	9,664

Year Ending June 30 (Cont.)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2011-2015	2,925,000	1,148,440	154,000	7,956
2016-2020	3,485,000	589,315	0	0
2021-2022	1,575,000	55,563	0	0
Total	\$ 10,395,000	\$ 3,446,059	\$ 776,000	\$ 103,371

Year Ending June 30	Other Loan (\$1,100,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 75,000	\$ 14,555	\$ 4,186	\$ 93,741
2007	80,000	12,800	3,826	96,626
2008	84,000	10,928	3,442	98,370
2009	88,000	8,962	3,038	100,000
2010	93,000	6,903	2,616	102,519
2011-2012	202,000	7,160	3,868	213,028
Total	\$ 622,000	\$ 61,308	\$ 20,976	\$ 704,284

There is \$1,764,259 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$629, based on the 2000 federal census. Total debt per capita, including bonds, notes, capital leases, and other loans, amounted to \$716, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2004	\$ 10,820,000	\$ 532,000	\$ 20,596
Additions	0	300,000	79,514
Deductions	(425,000)	(56,000)	(48,134)
Balance, June 30, 2005	\$ 10,395,000	\$ 776,000	\$ 51,976
Balance Due Within One Year	\$ 440,000	\$ 155,000	\$ 25,485

Governmental Activities: (Cont.)

	<u>Other Loan</u>	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 693,000	\$ 86,581
Additions	0	110,252
Deductions	(71,000)	(93,864)
Balance, June 30, 2005	<u>\$ 622,000</u>	<u>\$ 102,969</u>
Balance Due Within One Year	<u>\$ 75,000</u>	<u>\$ 5,148</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 11,947,945
Less: Balance Due Within One Year	<u>(700,633)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,247,312</u>

Compensated absences are liquidated from the individual funds from which the related salaries and wages are paid.

Defeasance of Prior-year Debt

On June 12, 2003, Benton County defeased certain portions of outstanding general obligation bonds by placing the proceeds of a new bond into an irrevocable trust to provide future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2005, the following outstanding bonds are considered defeased:

	<u>Amount</u>
1996 School Bonds	\$5,420,000
1998 School Bonds	2,380,000

Proprietary Fund Type – Benton County Electric System

The following is a summary of changes in long-term liabilities of the Benton County Electric System for the year ended June 30, 2005:

	Revenue Bonds	Home Insulation Program Advances
Balance, July 1, 2004	\$ 3,185,000	\$ 206,667
Additions	1,225,000	0
Deductions	(135,000)	(34,723)
Balance, June 30, 2005	<u>\$ 4,275,000</u>	<u>\$ 171,944</u>
Balance Due Within One Year	<u>\$ 255,000</u>	<u>\$ 0</u>

During 2005, Benton County issued \$1,225,000 Electric System Revenue Bonds, Series 2005, for the purpose of replacing a substation in Camden, Tennessee. The bonds bear interest at rates from 3.9 percent and mature serially in varying amounts from \$40,000 in fiscal year 2006 to \$85,000 in fiscal year 2025. The bonds are secured by a pledge of revenues by the system. Expenses incurred in the issuance of the bonds are being amortized by equal charges to operations over the life of the bonds.

On April 1, 2004, Benton County Electric System issued at par \$2,275,000 of Electric System Revenue Refunding Bonds, Series 2005, for the purpose of refunding \$2,205,000 of then-outstanding series 1995 and 1998 bonds. The 2005 bonds bear an interest rate varying between 1.1 percent and 3.3 percent and will be repaid in variable amounts, with the final payment due December 1, 2015. The refunded 1995 and 1998 bonds carried an interest rate varying between 3.9 percent and 5.3 percent and also were due in variable amounts, with the final payment due January 1, 2016.

Unamortized debt issuance costs and premium discounts of \$91,047 on the series 1995 and 1998 bonds were rolled into the new debt when the refunding was completed. These costs, along with an additional \$13,650 in premium discounts, and \$53,859 in debt issuance costs on the series 2004 bonds, are now amortized over the new debt issuance.

During 2000, Benton County issued \$1,000,000 Electric System Revenue Bonds, Series 2000, for the purpose of constructing a warehouse in Camden, Tennessee. The bonds bear interest at rates from 4.2 percent to 5.25 percent and mature serially in varying amounts from \$30,000 in fiscal year 2002 to \$80,000 in fiscal year 2020. The bonds are secured by a pledge of revenues by the system. Expenses incurred in the issuance of the bonds are amortized by equal charges to operations over the life of the bonds.

Revenue bonds outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Amount
Electric System Revenue Bonds, Series 2000	4.2 to 5.25%	\$ 875,000
Electric System Revenue Refunding Bonds, Series 2004	1.1 to 3.3	2,175,000
Electric System Revenue Refunding Bonds, Series 2005	3.9	<u>1,225,000</u>
Total		<u>\$ 4,275,000</u>

The scheduled annual requirements for long-term debt at June 30, 2005, including interest payments, are as follows:

Year Ending June 30	Revenue Bonds	
	Principal	Interest
2006	\$ 255,000	\$ 139,139
2007	265,000	135,658
2008	270,000	129,468
2009	270,000	122,534
2010	285,000	114,754
2011-2015	1,555,000	429,146
2016-2020	895,000	182,164
2021-2025	<u>480,000</u>	<u>42,270</u>
Total	<u>\$ 4,275,000</u>	<u>\$ 1,295,133</u>

Debt expense associated with these bond issues was recorded as other assets and is amortized on a straight-line basis over the life of the issue.

The system complied with all significant debt covenants and restrictions as set forth in the bond agreements.

Discretely Presented Benton County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Benton County School Department for the year ended June 30, 2005, was as follows:

	Capital Lease
Balance, July 1, 2004	\$ 323,454
Deductions	<u>(29,881)</u>
Balance, June 30, 2005	<u>\$ 293,573</u>
Balance Due Within One Year	<u>\$ 31,241</u>

H. Net Assets

Restricted net assets of the Benton County Electric System at June 30, 2005, were as follows:

Invested in Capital Assets, Net of Related Debt:	
Net Property, Plant and Equipment in Services	\$ 15,162,607
Less: Revenue Bonds Payable	<u>(4,275,000)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 10,887,607</u>
Restricted for Debt Service:	
Restricted Cash and Cash Equivalents	\$ 158,697
Restricted Investments	400,659
Less: Current Liabilities Payable from Restricted Assets	<u>(21,367)</u>
Total Restricted for Debt Service	<u>\$ 537,989</u>
Unrestricted	<u>\$ 487,872</u>
Total Net Assets	<u><u>\$ 11,913,468</u></u>

V. OTHER INFORMATION

A. Risk Management

Primary Government

Employee Health Insurance (Excluding the Benton County Electric System)

The Benton County General Fund purchases commercial health insurance that provides individual coverage for its employees. Employees may purchase additional family coverage health insurance as well as accident, cancer, and dental insurance for the risk of losses for which they are exposed.

The Benton County Highway Department participates in 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 this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Liability, Property, Casualty, and Workers' Compensation Insurance
(Excluding the Benton County Electric System)

Benton County joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The county pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Benton County Electric System

The Benton County Electric System 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. During the year ended June 30, 2005, the system purchased commercial insurance for all of these risks. Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in the amount of coverage provided.

Discretely Presented Benton County School Department

Employee Health Insurance

The discretely presented Benton County 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 8-27-302, 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.

Workers' Compensation Insurance

The discretely presented Benton County School Department participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, TCA, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

Liability, Property, and Casualty

The discretely presented Benton County School Department carries commercial insurance for risks of loss from general liability, property, and casualty. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Accounting Change

During the year, Benton County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Event

On August 9, 2005, Benton County issued a capital outlay note in the amount of \$350,000 for an airport runway extension project.

D. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Joint Ventures

The Twenty-Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Fourth Judicial District, Benton, Carroll, Decatur, Hardin, and Henry 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, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Benton County made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in this joint venture.

The Benton-Decatur Special Sewer District was created through a joint agreement between Benton and Decatur Counties. The agreement

established the Benton-Decatur Special Sewer District Management Board, which is to plan, construct, and manage a public sewer system for residents of Benton and Decatur Counties. The management board includes six members, three of whom are appointed by the mayor of Benton County and three are appointed by the mayor of Decatur County. Benton County has control over budgeting and financing only to the extent of representation by the three board members appointed and does not have an equity interest in this joint venture.

Complete financial statements for the Twenty-Fourth Judicial District Drug Task Force and for the Benton-Decatur Special Sewer District can be obtained from their administrative offices at the following addresses:

District Attorney General's Office	Benton-Decatur Special Sewer District
24th Judicial District	P. O. Box 370
P. O. Box 686	Parsons, TN 38363
Huntingdon, TN 38344	

F. Power Contract

The Benton County Electric System has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all of its electric power from TVA and is subjected to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging, or otherwise diverting system funds, revenues or property to other operations of the county and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

G. Retirement Commitments

Benton County

Plan Description

Employees of Benton 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 Benton 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Benton County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 6.14 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Benton County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Benton County's annual pension cost of \$320,405 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Benton 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, 2003, was 16 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$320,405	100%	\$0
6-30-04	255,808	100	0
6-30-03	243,626	100	0

Required Supplementary Information
 Schedule of Funding Progress for Benton County
 (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
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$6,939	\$7,459	\$520	93.03%	\$5,081	10.23%
6-30-01	5,954	6,482	528	91.85	4,027	13.11
6-30-99	4,920	5,143	223	95.66	3,672	6.07

SCHOOL TEACHERS

Plan Description

The Benton 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 the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for the Benton County School department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Benton County 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, 2005, 2004, and 2003, were \$452,316, \$274,469, and \$267,528, respectively, equal to the required contributions for each year.

Benton County Electric System

Tennessee Consolidated Retirement System

All employees of the Benton County Electric System hired after November 22, 1988, are included with the employees of Benton County and are covered under the Tennessee Consolidated Retirement System, a multi-employer plan. The system contributed \$41,232 (five percent of covered wages) to the TCRS sponsored pension plan during the year. Additional disclosures for this plan are included under the county's portion of this note.

Central Service Plan (CSA)

The system participates in a multi-employer pension plan sponsored by Central Service Association. Substantially all employees are covered by this trusteed, contributory pension plan. The system funds both the employee and employer portion of the pension plan. Contributions to the plan were \$188,335. The system's payroll for employees covered by the plan for the year ended June 30, 2005, was \$1,264,980, and the total payroll for the year was \$2,089,628.

Plan Description

The following description of the plan is provided for the Central Service Association Employee Retirement Plan in total. Plan net assets and accumulated plan benefit information relative to the system's portion of the multi-employee plan are not determinable.

The plan is a multi-employer defined benefit plan with employees eligible to participate on the date of employment. The employer contributes amounts sufficient to meet the actuarially determined funding requirements of the plan in order to provide for anticipated benefits. The employer has a right to discontinue contributions at any time and terminate the plan. In the event of termination of the plan, the net assets of the plan are to be used to purchase annuities for the participants in a specified manner.

However, the Pension Benefit Guaranty Corporation guarantees the payments of all non-forfeitable basic benefits, subject to certain limitations prescribed by the Employee Retirement Income Security Act of 1974 (ERISA).

Funding Policy

The contributions of the employer are made in amounts sufficient to fund the plan's current service costs on a current basis and to fund the initial past service costs plus interest thereon over 20 years. The plan has met the ERISA minimum funding requirements.

Annual Pension Costs

For the year ended June 30, 2005, the system's annual pension cost of \$188,335 for the plan was equal to the system's required and actual contributions. The required contribution was determined as part of the October 1, 2000, actuarial valuation using the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions included (a) eight percent investment rate of return (net of administrative expenses) and (b) projected salary increases of five percent, including cost of living adjustments. The actuarial value of plan assets was determined using the following. The pension account is maintained in accordance with the group annuity contract between the plan sponsor and Massachusetts Mutual. Assets are assigned to the General Investment Account for the insurance company where investments are composed mainly of bonds and mortgages. For valuation purposes, the unadjusted value of the pension account assigned by the insurance company is used.

For assets held in separate investment accounts the Actuarial Value of Assets is equal to the average market value of assets, with phase-in, as defined in 1.412 (c) (2)-1(b)(7) of the regulations under Section 412 of the Internal Revenue Code. The averaging period is five years. The average

market value is adjusted to be no greater than 120 percent and no less than 80 percent of the market value of assets.

Six-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-03	\$5,611,023	90.34%	\$541,748
9-30-02	4,626,889	93.51	300,253
9-30-01	4,028,231	103.04	(122,583)
9-30-00	4,097,832	97.13	117,687
9-30-99	3,736,944	98.58	52,889
9-30-98	2,434,164	101.37	(33,457)

The information above is presented for all years that information is available. All information shown above includes all entities covered by CSA. Separate information for the system is not available.

H. Post-Employment Health Benefits

In November 1996, the Benton County Electric System approved a policy for post-employment health insurance coverage eligible to those employees retiring after November 26, 1996. This policy entitles all employees who retire from the system on or after attaining age 55 with at least 20 years of service to retain Blue Cross Health Coverage at 100 percent cost to the system until the employee reaches age 65. Additionally, family coverage may also be retained and paid for by the retiring employee, with the electric system paying 75 percent of the cost. Currently, there are four retirees who meet these requirements. Expenditures for this insurance coverage are recognized at the time the employee retires and the premiums for coverage come due.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor’s Office are governed by provisions of Chapter 541, Private Acts of 1939, as amended, and the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). The private act provides for the issuance of requisitions and purchase orders for all purchases of equipment, supplies, and materials. The County Purchasing Law of 1983 provides for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Supervisor

Purchasing procedures for the Highway Department are governed by provisions of Chapter 250, Private Acts of 1943, and the Uniform Road Law, Section 54-7-113, TCA. Provisions of the private act stipulate that after taking bids, all purchases must be approved by the road supervisor, county mayor, and the County Highway Committee. The Uniform Road Law provides 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 Benton County School Department are governed by purchasing laws applicable to 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 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 estimated to exceed \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit G-1

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,430,305	\$ 2,320,185	\$ 2,320,185	\$ 110,120
Licenses and Permits	4,565	4,915	4,915	(350)
Fines, Forfeitures, and Penalties	74,462	69,065	69,065	5,397
Charges for Current Services	610,255	532,235	541,018	69,237
Other Local Revenues	217,027	153,550	177,483	39,544
Fees Received from County Officials	667,853	639,000	639,000	28,853
State of Tennessee	1,368,114	1,512,488	1,520,741	(152,627)
Federal Government	144,128	0	0	144,128
Other Governments and Citizens Groups	21,257	27,000	34,500	(13,243)
Total Revenues	\$ 5,537,966	\$ 5,258,438	\$ 5,306,907	\$ 231,059
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 23,240	\$ 20,850	\$ 24,650	\$ 1,410
Board of Equalization	2,100	2,100	2,100	0
Beer Board	475	725	725	250
County Mayor	189,038	180,968	192,385	3,347
County Attorney	23,510	7,000	24,425	915
Election Commission	110,730	121,727	121,727	10,997
Register of Deeds	106,993	109,421	109,521	2,528
County Buildings	279,390	258,628	285,328	5,938
<u>Finance</u>				
Property Assessor's Office	134,986	135,013	135,763	777
Reappraisal Program	11,828	17,814	25,417	13,589
County Trustee's Office	115,123	117,666	117,666	2,543
County Clerk's Office	183,590	173,043	184,626	1,036
<u>Administration of Justice</u>				
Circuit Court	176,183	165,019	177,997	1,814
General Sessions Judge	85,066	85,210	86,360	1,294
Chancery Court	102,006	103,053	103,253	1,247
Juvenile Court	32,563	35,705	35,735	3,172
<u>Public Safety</u>				
Sheriff's Department	1,010,682	918,367	934,845	(75,837)
Jail	544,155	531,395	554,544	10,389
Juvenile Services	116,662	123,489	123,489	6,827
Fire Prevention and Control	2,000	2,000	2,000	0
Rural Fire Protection	95,000	75,000	95,000	0
Rescue Squad	9,000	9,000	9,000	0
Other Emergency Management	121,423	190,811	191,061	69,638
Inspection and Regulation	250	2,000	2,000	1,750
County Coroner/Medical Examiner	23,421	13,700	24,200	779
<u>Public Health and Welfare</u>				
Local Health Center	41,682	61,017	66,523	24,841

(Continued)

Exhibit G-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Rabies and Animal Control	\$ 32,511	\$ 32,059	\$ 36,359	\$ 3,848
Ambulance/Emergency Medical Services	174,000	174,000	174,000	0
Alcohol and Drug Programs	700	3,000	3,840	3,140
Crippled Children Services	900	900	900	0
Appropriation to State	10,000	15,506	10,000	0
Sanitation Management	34,613	41,590	42,740	8,127
Sanitation Education/Information	32,107	31,737	33,029	922
Other Public Health and Welfare	224	400	400	176
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	90,580	113,124	113,124	22,544
Parks and Fair Boards	4,282	0	4,282	0
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	40,635	37,392	46,617	5,982
Soil Conservation	20,961	20,961	20,961	0
<u>Other Operations</u>				
Tourism	20,000	20,000	20,000	0
Airport	118,424	150,592	150,717	32,293
Veterans' Services	10,593	9,490	11,322	729
Other Charges	80,010	87,900	106,400	26,390
Contributions to Other Agencies	107,294	102,720	108,795	1,501
Employee Benefits	674,742	675,465	675,465	723
<u>Principal</u>				
General Government	48,134	21,994	70,128	21,994
<u>Interest</u>				
General Government	1,009	0	1,009	0
Total Expenditures	\$ 5,042,815	\$ 4,999,551	\$ 5,260,428	\$ 217,613
Excess (Deficiency) of Revenues Over Expenditures	\$ 495,151	\$ 258,887	\$ 46,479	\$ 448,672
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 79,514	\$ 21,994	\$ 21,994	\$ 57,520
Transfers Out	(224,720)	(221,000)	(225,313)	593
Total Other Financing Sources (Uses)	\$ (145,206)	\$ (199,006)	\$ (203,319)	\$ 58,113
Net Change in Fund Balance	\$ 349,945	\$ 59,881	\$ (156,840)	\$ 506,785
Fund Balance, July 1, 2004	1,017,868	886,317	886,317	131,551
Fund Balance, June 30, 2005	\$ 1,367,813	\$ 946,198	\$ 729,477	\$ 638,336

Exhibit G-2

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 371,844	\$ 0	\$ 0	\$ 371,844	\$ 364,273	\$ 364,273	\$ 7,571
Charges for Current Services	4	0	0	4	30	30	(26)
Other Local Revenues	21,345	0	0	21,345	8,200	19,630	1,715
State of Tennessee	1,896,069	0	0	1,896,069	1,513,636	1,706,702	189,367
Federal Government	0	0	0	0	10,500	10,500	(10,500)
Total Revenues	\$ 2,289,262	\$ 0	\$ 0	\$ 2,289,262	\$ 1,896,639	\$ 2,101,135	\$ 188,127
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 128,840	\$ 0	\$ 0	\$ 128,840	\$ 135,568	\$ 137,119	\$ 8,279
Highway and Bridge Maintenance	1,089,610	0	0	1,089,610	1,498,997	1,496,009	406,399
Operation and Maintenance of Equipment	204,822	0	0	204,822	264,269	266,769	61,947
Other Charges	96,684	0	0	96,684	117,000	117,000	20,316
Employee Benefits	243,139	0	0	243,139	269,433	271,478	28,339
Capital Outlay	352,477	(95,480)	12,072	269,069	65,000	267,939	(1,130)
Total Expenditures	\$ 2,115,572	\$ (95,480)	\$ 12,072	\$ 2,032,164	\$ 2,350,267	\$ 2,556,314	\$ 524,150
Excess (Deficiency) of Revenues Over Expenditures	\$ 173,690	\$ 95,480	\$ (12,072)	\$ 257,098	\$ (453,628)	\$ (455,179)	\$ 712,277
Net Change in Fund Balance	\$ 173,690	\$ 95,480	\$ (12,072)	\$ 257,098	\$ (453,628)	\$ (455,179)	\$ 712,277
Fund Balance, July 1, 2004	751,681	(95,480)	0	656,201	549,836	549,836	106,365
Fund Balance, June 30, 2005	\$ 925,371	\$ 0	\$ (12,072)	\$ 913,299	\$ 96,208	\$ 94,657	\$ 818,642

BENTON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 State 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, Beer Board, County Mayor, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Sheriff's Department major appropriation category (the legal level of control) of the General Fund (\$75,837) and the Capital Outlay major appropriation category of the Highway/Public Works (\$1,130). Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

C. SPECIAL PURPOSE FUND WAS NOT BUDGETED

A budget for the county's Special Purpose Fund (a major special revenue fund) was not presented to the County Commission for approval. This is a violation of state statute.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Public Library Fund – The Public Library Fund is used to account for transactions of the Benton County Library, which is jointly funded by Benton County and the City of Camden.

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

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

Capital Projects Funds

Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county. During the current year this fund was used primarily for improvements to county recreational facilities.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for expenditures related to the maintenance of a water storage tank.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for grant proceeds received from a HOME Investment Partnership Grant for housing improvements for low-income households.

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for the acquisition of road signs due to the creation of the Benton County Emergency Communications District.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for grant funds received from the state for the expansion and improvement of the county's health department.

Exhibit H-1

Benton County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Due from Other Governments

 Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable
 Payroll Deductions Payable
 Contracts Payable
 Retainage Payable
 Due to Other Funds
 Due to State of Tennessee
 Total Liabilities

Fund Balances

Reserved for Encumbrances
 Reserved for Other General Purposes
 Unreserved
 Total Fund Balances

Total Liabilities and Fund Balances

Special Revenue Funds				
	Public Library	Drug Control	Constitu - tional Officers - Fees	Total
Cash	\$ 44,579	\$ 0	\$ 979	\$ 45,558
Equity in Pooled Cash and Investments	0	29,415	0	29,415
Due from Other Governments	0	0	0	0
Total Assets	\$ 44,579	\$ 29,415	\$ 979	\$ 74,973
Accounts Payable	\$ 5,106	\$ 898	\$ 0	\$ 6,004
Payroll Deductions Payable	2,059	0	0	2,059
Contracts Payable	0	0	0	0
Retainage Payable	0	0	0	0
Due to Other Funds	0	0	979	979
Due to State of Tennessee	168	0	0	168
Total Liabilities	\$ 7,333	\$ 898	\$ 979	\$ 9,210
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0
Reserved for Other General Purposes	0	0	0	0
Unreserved	37,246	28,517	0	65,763
Total Fund Balances	\$ 37,246	\$ 28,517	\$ 0	\$ 65,763
Total Liabilities and Fund Balances	\$ 44,579	\$ 29,415	\$ 979	\$ 74,973

(Continued)

Exhibit H-1

Benton County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds (Cont.)

	Capital Projects Funds					Total	Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	HUD Grant Projects	Highway Capital Projects	Other Capital Projects		
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	45,558
Equity in Pooled Cash and Investments	195,804	16,246	54	197	1,138	213,439	242,854
Due from Other Governments	7,042	0	0	0	0	7,042	7,042
Total Assets	\$ 202,846	\$ 16,246	\$ 54	\$ 197	\$ 1,138	\$ 220,481	\$ 295,454
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 647	\$ 0	\$ 0	\$ 0	\$ 0	\$ 647	6,651
Payroll Deductions Payable	0	0	0	0	0	0	2,059
Contracts Payable	7,500	0	0	0	0	7,500	7,500
Retainage Payable	1,530	0	0	0	0	1,530	1,530
Due to Other Funds	0	0	0	0	0	0	979
Due to State of Tennessee	0	0	0	0	0	0	168
Total Liabilities	\$ 9,677	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,677	\$ 18,887
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 3,412	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,412	3,412
Reserved for Other General Purposes	0	16,246	0	0	0	16,246	16,246
Unreserved	189,757	0	54	197	1,138	191,146	256,909
Total Fund Balances	\$ 193,169	\$ 16,246	\$ 54	\$ 197	\$ 1,138	\$ 210,804	\$ 276,567
Total Liabilities and Fund Balances	\$ 202,846	\$ 16,246	\$ 54	\$ 197	\$ 1,138	\$ 220,481	\$ 295,454

Exhibit H-2

Benton County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds			
	Public Library	Drug Control	Constitu - tional Officers - Fees	Total
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 0	\$ 24,985	\$ 0	\$ 24,985
Charges for Current Services	14,367	0	11	14,378
Other Local Revenues	20,278	7,600	0	27,878
State of Tennessee	8,093	4,931	0	13,024
Federal Government	0	0	0	0
Other Governments and Citizens Groups	47,929	0	0	47,929
Total Revenues	\$ 90,667	\$ 37,516	\$ 11	\$ 128,194
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 0	\$ 0	\$ 11	\$ 11
Public Safety	0	40,878	0	40,878
Social, Cultural, and Recreational Services	243,235	0	0	243,235
Other Operations	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	\$ 243,235	\$ 40,878	\$ 11	\$ 284,124
Excess (Deficiency) of Revenues Over Expenditures	\$ (152,568)	\$ (3,362)	\$ 0	\$ (155,930)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	153,313	0	0	153,313
Total Other Financing Sources (Uses)	\$ 153,313	\$ 0	\$ 0	\$ 153,313
Net Change in Fund Balances	\$ 745	\$ (3,362)	\$ 0	\$ (2,617)
Fund Balance, July 1, 2004	36,501	31,879	0	68,380
Fund Balance, June 30, 2005	\$ 37,246	\$ 28,517	\$ 0	\$ 65,763

(Continued)

Exhibit H-2

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

	Capital Projects Funds						Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	HUD Grant Projects	Highway Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,985
Charges for Current Services	0	0	0	0	0	0	14,378
Other Local Revenues	0	0	0	0	211	211	28,089
State of Tennessee	95,839	0	175,667	0	0	271,506	284,530
Federal Government	0	0	0	0	408,949	408,949	408,949
Other Governments and Citizens Groups	0	0	0	0	0	0	47,929
Total Revenues	\$ 95,839	\$ 0	\$ 175,667	\$ 0	\$ 409,160	\$ 680,666	\$ 808,860
<u>Expenditures</u>							
Current:							
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11
Public Safety	0	0	0	0	0	0	40,878
Social, Cultural, and Recreational Services	0	0	0	0	0	0	243,235
Other Operations	0	0	0	0	2	2	2
Capital Projects	202,670	8,715	175,707	0	495,739	882,831	882,831
Total Expenditures	\$ 202,670	\$ 8,715	\$ 175,707	\$ 0	\$ 495,741	\$ 882,833	\$ 1,166,957
Excess (Deficiency) of Revenues Over Expenditures							
	\$ (106,831)	\$ (8,715)	\$ (40)	\$ 0	\$ (86,581)	\$ (202,167)	\$ (358,097)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 300,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000
Transfers In	0	0	0	0	0	0	153,313
Total Other Financing Sources (Uses)	\$ 300,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 453,313
Net Change in Fund Balances							
Fund Balance, July 1, 2004	\$ 193,169	\$ (8,715)	\$ (40)	\$ 0	\$ (86,581)	\$ 97,833	\$ 95,216
	0	24,961	94	197	87,719	112,971	181,351
Fund Balance, June 30, 2005	\$ 193,169	\$ 16,246	\$ 54	\$ 197	\$ 1,138	\$ 210,804	\$ 276,567

Exhibit H-3

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 24,985	\$ 21,200	\$ 26,759	\$ (1,774)
Other Local Revenues	7,600	0	7,375	225
State of Tennessee	4,931	0	4,931	0
Total Revenues	<u>\$ 37,516</u>	<u>\$ 21,200</u>	<u>\$ 39,065</u>	<u>\$ (1,549)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 40,878	\$ 28,100	\$ 45,964	\$ 5,086
Total Expenditures	<u>\$ 40,878</u>	<u>\$ 28,100</u>	<u>\$ 45,964</u>	<u>\$ 5,086</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,362)</u>	<u>\$ (6,900)</u>	<u>\$ (6,899)</u>	<u>\$ 3,537</u>
Net Change in Fund Balance	\$ (3,362)	\$ (6,900)	\$ (6,899)	\$ 3,537
Fund Balance, July 1, 2004	<u>31,879</u>	<u>31,997</u>	<u>31,997</u>	<u>(118)</u>
Fund Balance, June 30, 2005	<u>\$ 28,517</u>	<u>\$ 25,097</u>	<u>\$ 25,098</u>	<u>\$ 3,419</u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Exhibit I

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 276,628	\$ 298,440	\$ 298,440	\$ (21,812)
Other Local Revenues	69,828	76,315	76,315	(6,487)
Other Governments and Citizens Groups	566,146	125,000	560,000	6,146
Total Revenues	<u>\$ 912,602</u>	<u>\$ 499,755</u>	<u>\$ 934,755</u>	<u>\$ (22,153)</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 127,000	\$ 127,000	\$ 127,000	\$ 0
Education	425,000	425,000	425,000	0
<u>Interest</u>				
General Government	43,675	63,819	63,820	20,145
Education	390,339	390,339	390,339	0
<u>Other Debt Service</u>				
General Government	9,410	9,500	9,500	90
Education	2,955	6,000	6,000	3,045
Total Expenditures	<u>\$ 998,379</u>	<u>\$ 1,021,658</u>	<u>\$ 1,021,659</u>	<u>\$ 23,280</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (85,777)</u>	<u>\$ (521,903)</u>	<u>\$ (86,904)</u>	<u>\$ 1,127</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 71,407	\$ 510,000	\$ 75,000	\$ (3,593)
Total Other Financing Sources (Uses)	<u>\$ 71,407</u>	<u>\$ 510,000</u>	<u>\$ 75,000</u>	<u>\$ (3,593)</u>
Net Change in Fund Balance	\$ (14,370)	\$ (11,903)	\$ (11,904)	\$ (2,466)
Fund Balance, July 1, 2004	<u>1,778,629</u>	<u>1,768,051</u>	<u>1,768,051</u>	<u>10,578</u>
Fund Balance, June 30, 2005	<u>\$ 1,764,259</u>	<u>\$ 1,756,148</u>	<u>\$ 1,756,147</u>	<u>\$ 8,112</u>

Fiduciary Funds

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

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

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

Exhibit J-1

Benton County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>		
	<u>Cities -</u>	<u>Constitutional</u>	
	<u>Sales</u>	<u>Officers -</u>	
	<u>Tax</u>	<u>Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,006,390	\$ 1,006,390
Due from Other Governments	196,455	0	196,455
Cash Shortage	0	906	906
Total Assets	<u>\$ 196,455</u>	<u>\$ 1,007,296</u>	<u>\$ 1,203,751</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 196,455	\$ 0	\$ 196,455
Due to Litigants, Heirs, and Others	0	1,007,296	1,007,296
Total Liabilities	<u>\$ 196,455</u>	<u>\$ 1,007,296</u>	<u>\$ 1,203,751</u>

Exhibit J-2

Benton County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,089,126	\$ 1,089,126	\$ 0
Due from Other Governments	186,742	196,455	186,742	196,455
Total Assets	<u>\$ 186,742</u>	<u>\$ 1,285,581</u>	<u>\$ 1,275,868</u>	<u>\$ 196,455</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 186,742	\$ 1,285,581	\$ 1,275,868	\$ 196,455
Total Liabilities	<u>\$ 186,742</u>	<u>\$ 1,285,581</u>	<u>\$ 1,275,868</u>	<u>\$ 196,455</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,973,407	\$ 3,054,712	\$ 4,021,729	\$ 1,006,390
Cash Shortage	906	0	0	906
Total Assets	<u>\$ 1,974,313</u>	<u>\$ 3,054,712</u>	<u>\$ 4,021,729</u>	<u>\$ 1,007,296</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,974,313	\$ 3,054,712	\$ 4,021,729	\$ 1,007,296
Total Liabilities	<u>\$ 1,974,313</u>	<u>\$ 3,054,712</u>	<u>\$ 4,021,729</u>	<u>\$ 1,007,296</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,089,126	\$ 1,089,126	\$ 0
Cash	1,973,407	3,054,712	4,021,729	1,006,390
Due from Other Governments	186,742	196,455	186,742	196,455
Cash Shortage	906	0	0	906
Total Assets	<u>\$ 2,161,055</u>	<u>\$ 4,340,293</u>	<u>\$ 5,297,597</u>	<u>\$ 1,203,751</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 186,742	\$ 1,285,581	\$ 1,275,868	\$ 196,455
Due to Litigants, Heirs, and Others	1,974,313	3,054,712	4,021,729	1,007,296
Total Liabilities	<u>\$ 2,161,055</u>	<u>\$ 4,340,293</u>	<u>\$ 5,297,597</u>	<u>\$ 1,203,751</u>

Benton County School Department

This section presents combining and individual fund financial statements for the Benton County School Department, a discretely presented component unit. The School Department uses a General Fund, a Special Revenue Fund, and a Capital Projects Fund.

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of certain school projects.

Exhibit K-1

Benton County, Tennessee
Statement of Activities
Discretely Presented Benton County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 10,774,066	\$ 21,164	\$ 1,326,123	\$ (9,426,779)
Support Services	5,080,302	24,907	78,384	(4,977,011)
Operation of Noninstructional Services	1,156,901	0	925,096	(231,805)
Interest on Long-term Debt	14,223	0	0	(14,223)
Other Debt Service	368,776	0	0	(368,776)
Total Governmental Activities	\$ 17,394,268	\$ 46,071	\$ 2,329,603	\$ (15,018,594)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 3,475,719
Local option sales tax				1,501,692
Other local taxes				2,755
Grants and contributions not restricted for specific programs				9,785,583
Miscellaneous				51,250
Total General Revenues				\$ 14,816,999
Change in net assets				\$ (201,595)
Net assets, July 1, 2004				14,531,791
Net assets, June 30, 2005				\$ 14,330,196

Exhibit K-2

Benton County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Benton County School Department
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,164,109	\$ 166,171	\$ 1,330,280
Due from Other Governments	313,743	8,756	322,499
Property Taxes Receivable	3,458,018	0	3,458,018
Allowance for Uncollectible Property Taxes	(168,299)	0	(168,299)
Total Assets	<u>\$ 4,767,571</u>	<u>\$ 174,927</u>	<u>\$ 4,942,498</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 397,579	\$ 16,024	\$ 413,603
Due to Primary Government	49,689	0	49,689
Deferred Revenue - Current Property Taxes	3,169,077	0	3,169,077
Deferred Revenue - Delinquent Property Taxes	107,225	0	107,225
Other Deferred Revenues	111,849	0	111,849
Total Liabilities	<u>\$ 3,835,419</u>	<u>\$ 16,024</u>	<u>\$ 3,851,443</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 1,904	\$ 0	\$ 1,904
Reserved for Career Ladder Program	40,762	0	40,762
Reserved for Title I Grants to Local Education Agencies	0	76,578	76,578
Reserved for Innovative Education Program Strategies	0	463	463
Reserved for Special Education - Grants to States	0	67,612	67,612
Other Federal Reserves	0	943	943
Unreserved, Reported In:			
General Fund	889,486	0	889,486
Capital Projects Fund	0	13,307	13,307
Total Fund Balances	<u>\$ 932,152</u>	<u>\$ 158,903</u>	<u>\$ 1,091,055</u>
Total Liabilities and Fund Balances	<u>\$ 4,767,571</u>	<u>\$ 174,927</u>	<u>\$ 4,942,498</u>

Exhibit K-3

Benton County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Benton County School Department
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit K-2)		\$ 1,091,055	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Land	\$	136,560	
Buildings and improvements		18,539,404	
Other capital assets		1,131,736	
Depreciation		<u>(6,494,060)</u>	13,313,640
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Deferred revenues - delinquent property taxes	\$	107,225	
Other deferred revenues		<u>111,849</u>	219,074
(3) Long-term capital lease balance is not due in the current period and therefore is not reported in the funds.			<u>(293,573)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 14,330,196</u>

Exhibit K-4

Benton County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Benton County School Department
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 5,019,173	\$ 0	\$ 5,019,173
Licenses and Permits	2,437	0	2,437
Charges for Current Services	54,680	0	54,680
Other Local Revenues	51,250	0	51,250
State of Tennessee	9,231,688	0	9,231,688
Federal Government	986,743	1,640,662	2,627,405
Other Governments and Citizens Groups	168,909	0	168,909
Total Revenues	<u>\$ 15,514,880</u>	<u>\$ 1,640,662</u>	<u>\$ 17,155,542</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,047,257	\$ 1,260,917	\$ 10,308,174
Support Services	4,770,425	275,958	5,046,383
Operation of Non-Instructional Services	919,121	0	919,121
Capital Outlay	194,234	0	194,234
Debt Service:			
Principal	29,881	0	29,881
Interest	14,223	0	14,223
Other Debt Service	368,776	0	368,776
Total Expenditures	<u>\$ 15,343,917</u>	<u>\$ 1,536,875</u>	<u>\$ 16,880,792</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 170,963</u>	<u>\$ 103,787</u>	<u>\$ 274,750</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 32,796	\$ 0	\$ 32,796
Transfers Out	0	(32,796)	(32,796)
Total Other Financing Sources (Uses)	<u>\$ 32,796</u>	<u>\$ (32,796)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 203,759	\$ 70,991	\$ 274,750
Fund Balance, July 1, 2004	728,393	87,912	816,305
Fund Balance, June 30, 2005	<u>\$ 932,152</u>	<u>\$ 158,903</u>	<u>\$ 1,091,055</u>

Exhibit K-5

Benton County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Benton County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit K-4)		\$ 274,750
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays were less than depreciation is itemized as follows:</p>		
Capital outlay	\$ 88,380	
Depreciation expense	<u>(555,599)</u>	(467,219)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenues - delinquent property taxes	\$ (47,490)	
Other deferred revenues	<u>8,483</u>	(39,007)
<p>(3) The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.</p>		
Principal payment on capital lease		<u>29,881</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (201,595)</u>

Benton County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Benton County School Department
June 30, 2005

	Special Revenue Fund School Federal Projects	Capital Projects Fund Education Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 152,864	\$ 13,307	\$ 166,171
Due from Other Governments	8,756	0	8,756
Total Assets	<u>\$ 161,620</u>	<u>\$ 13,307</u>	<u>\$ 174,927</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 16,024	\$ 0	\$ 16,024
Total Liabilities	<u>\$ 16,024</u>	<u>\$ 0</u>	<u>\$ 16,024</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 76,578	\$ 0	\$ 76,578
Reserved for Innovative Education Program Strategies	463	0	463
Reserved for Special Education - Grants to States	67,612	0	67,612
Other Federal Reserves	943	0	943
Unreserved	0	13,307	13,307
Total Fund Balances	<u>\$ 145,596</u>	<u>\$ 13,307</u>	<u>\$ 158,903</u>
Total Liabilities and Fund Balances	<u>\$ 161,620</u>	<u>\$ 13,307</u>	<u>\$ 174,927</u>

Exhibit K-7

Benton County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Benton County School Department
For the Year Ended June 30, 2005

	Special Revenue Fund <u>School Federal Projects</u>	Capital Projects Fund <u>Education Capital Projects</u>	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Federal Government	\$ 1,640,662	\$ 0	\$ 1,640,662
Total Revenues	<u>\$ 1,640,662</u>	<u>\$ 0</u>	<u>\$ 1,640,662</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,260,917	\$ 0	\$ 1,260,917
Support Services	275,958	0	275,958
Total Expenditures	<u>\$ 1,536,875</u>	<u>\$ 0</u>	<u>\$ 1,536,875</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 103,787</u>	<u>\$ 0</u>	<u>\$ 103,787</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (32,796)	\$ 0	\$ (32,796)
Total Other Financing Sources (Uses)	<u>\$ (32,796)</u>	<u>\$ 0</u>	<u>\$ (32,796)</u>
Net Change in Fund Balances	\$ 70,991	\$ 0	\$ 70,991
Fund Balance, July 1, 2004	<u>74,605</u>	<u>13,307</u>	<u>87,912</u>
Fund Balance, June 30, 2005	<u>\$ 145,596</u>	<u>\$ 13,307</u>	<u>\$ 158,903</u>

Exhibit K-8

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Benton County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,019,173	\$ 4,912,013	\$ 4,912,013	\$ 107,160
Licenses and Permits	2,437	2,577	2,577	(140)
Charges for Current Services	54,680	33,000	42,797	11,883
Other Local Revenues	51,250	213,400	50,220	1,030
State of Tennessee	9,231,688	9,121,261	9,284,469	(52,781)
Federal Government	986,743	873,079	1,115,491	(128,748)
Other Governments and Citizens Groups	168,909	0	210,000	(41,091)
Total Revenues	<u>\$ 15,514,880</u>	<u>\$ 15,155,330</u>	<u>\$ 15,617,567</u>	<u>\$ (102,687)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 7,336,893	\$ 7,318,880	\$ 7,425,325	\$ 88,432
Special Education Program	954,529	955,383	974,441	19,912
Vocational Education Program	597,984	590,988	602,987	5,003
Adult Education Program	157,851	160,742	163,048	5,197
<u>Support Services</u>				
Attendance	62,949	62,194	63,065	116
Health Services	35,643	36,213	36,213	570
Other Student Support	318,495	312,275	319,725	1,230
Regular Instruction Program	451,573	449,256	456,442	4,869
Special Education Program	79,828	79,059	80,101	273
Vocational Education Program	113,453	113,630	114,762	1,309
Adult Programs	75,174	77,162	77,163	1,989
Board of Education	320,246	335,125	335,125	14,879
Director of Schools	96,538	107,956	107,956	11,418
Office of the Principal	758,198	753,592	763,742	5,544
Fiscal Services	128,177	128,461	129,257	1,080
Operation of Plant	997,883	1,018,937	1,021,918	24,035
Maintenance of Plant	448,118	441,253	452,285	4,167
Transportation	795,171	694,132	797,684	2,513
Central and Other	88,979	88,503	89,088	109
<u>Operation of Non-Instructional Services</u>				
Food Service	918,721	794,885	1,038,742	120,021
Community Services	400	0	400	0
<u>Capital Outlay</u>				
Regular Capital Outlay	194,234	182,599	196,546	2,312
<u>Principal</u>				
Education	29,881	29,882	29,882	1
<u>Interest</u>				
Education	14,223	14,223	14,223	0
<u>Other Debt Service</u>				
Education	368,776	415,000	415,000	46,224
Total Expenditures	<u>\$ 15,343,917</u>	<u>\$ 15,160,330</u>	<u>\$ 15,705,120</u>	<u>\$ 361,203</u>

(Continued)

Exhibit K-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 170,963	\$ (5,000)	\$ (87,553)	\$ 258,516
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 32,796	\$ 5,000	\$ 32,796	\$ 0
Total Other Financing Sources (Uses)	\$ 32,796	\$ 5,000	\$ 32,796	\$ 0
Net Change in Fund Balance	\$ 203,759	\$ 0	\$ (54,757)	\$ 258,516
Fund Balance, July 1, 2004	728,393	740,172	740,172	(11,779)
Fund Balance, June 30, 2005	\$ 932,152	\$ 740,172	\$ 685,415	\$ 246,737

Exhibit K-9

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Benton County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,640,662	\$ 1,559,690	\$ 1,732,506	\$ (91,844)
Total Revenues	\$ 1,640,662	\$ 1,559,690	\$ 1,732,506	\$ (91,844)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 761,022	\$ 734,583	\$ 864,107	\$ 103,085
Special Education Program	432,043	463,934	501,101	69,058
Vocational Education Program	67,852	65,894	67,852	0
<u>Support Services</u>				
Health Services	13,297	13,267	13,905	608
Other Student Support	108,539	106,605	117,466	8,927
Regular Instruction Program	81,814	67,355	85,505	3,691
Special Education Program	62,096	65,412	76,268	14,172
Vocational Education Program	4,562	5,000	4,562	0
Transportation	5,650	0	5,651	1
Total Expenditures	\$ 1,536,875	\$ 1,522,050	\$ 1,736,417	\$ 199,542
Excess (Deficiency) of Revenues Over Expenditures	\$ 103,787	\$ 37,640	\$ (3,911)	\$ 107,698
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 13,266	\$ 0	\$ 0
Transfers Out	(32,796)	(50,906)	(70,696)	37,900
Total Other Financing Sources (Uses)	\$ (32,796)	\$ (37,640)	\$ (70,696)	\$ 37,900
Net Change in Fund Balance	\$ 70,991	\$ 0	\$ (74,607)	\$ 145,598
Fund Balance, July 1, 2004	74,605	0	74,607	(2)
Fund Balance, June 30, 2005	\$ 145,596	\$ 0	\$ 0	\$ 145,596

MISCELLANEOUS SCHEDULES

Exhibit L-1

Benton County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
Primary Government and Discretely Presented Benton County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Vocational Rehabilitation Center	\$ 725,000	5.1	% 12-30-1999	12-1-11	\$ 532,000	\$ 0	\$ 56,000	\$ 476,000
Recreational Facilities	300,000	2.94	12-30-04	12-1-07	0	300,000	0	300,000
Total Notes Payable					<u>\$ 532,000</u>	<u>\$ 300,000</u>	<u>\$ 56,000</u>	<u>\$ 776,000</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Renovation	1,100,000	Variable	1-8-1997	5-25-12	<u>\$ 693,000</u>	<u>\$ 0</u>	<u>\$ 71,000</u>	<u>\$ 622,000</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff Patrol Cars	61,836	4.9	11-21-02	11-21-04	\$ 20,596	\$ 0	\$ 20,596	\$ 0
Sheriff Patrol Cars	79,514	3.95	4-8-05	4-8-07	0	79,514	27,538	51,976
Total Capital Leases Payable					<u>\$ 20,596</u>	<u>\$ 79,514</u>	<u>\$ 48,134</u>	<u>\$ 51,976</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Bonds Series 1996	8,000,000	4.55 to 5.5	12-1-1996	6-1-09	\$ 1,270,000	\$ 0	\$ 230,000	\$ 1,040,000
School Bonds Series 1998	3,600,000	4.35 to 4.875	5-1-1998	6-1-09	615,000	0	115,000	500,000
School Bonds Series 2003 Refunding	9,020,000	3.5	6-12-03	12-1-21	8,935,000	0	80,000	8,855,000
Total Bonds Payable					<u>\$ 10,820,000</u>	<u>\$ 0</u>	<u>\$ 425,000</u>	<u>\$ 10,395,000</u>
<u>BENTON COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Energy Efficient Lighting Equipment	352,035	4.5	7-23-03	7-1-13	<u>\$ 323,454</u>	<u>\$ 0</u>	<u>\$ 29,881</u>	<u>\$ 293,573</u>

Exhibit L-2

Benton County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 440,000	\$ 371,675	\$ 811,675
2007	460,000	352,055	812,055
2008	485,000	331,203	816,203
2009	500,000	309,145	809,145
2010	525,000	288,663	813,663
2011	545,000	269,938	814,938
2012	565,000	250,513	815,513
2013	585,000	230,388	815,388
2014	605,000	209,563	814,563
2015	625,000	188,038	813,038
2016	645,000	165,813	810,813
2017	675,000	142,713	817,713
2018	695,000	118,738	813,738
2019	725,000	93,888	818,888
2020	745,000	68,163	813,163
2021	775,000	41,563	816,563
2022	800,000	14,000	814,000
Total	\$ 10,395,000	\$ 3,446,059	\$ 13,841,059

Exhibit L-3

Benton County, Tennessee
Schedule of Transfers - All Funds and Discretely Presented
Benton County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Primary Government:			
General	Benton County Public Library	Provide funds for operations	\$ 153,313
General	General Debt Service	Provide funds for retirement of debt	71,407
School Department:			
School Federal Projects	General Purpose School	Indirect costs	<u>32,796</u>
Total Transfers			<u>\$ 257,516</u>

Exhibit L-4

Benton County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 55,403	\$ 25,000	RLI Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	56,201	100,000	"
Director of Schools	State Board of Education and Benton County Board of Education	72,999	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	47,969	675,320	"
Assessor of Property:				
Bob Farmer (7-1-04 through 8-31-04)	Section 8-24-102, <u>TCA</u>	9,225	10,000	"
Linda S. Armstrong (9-1-04 through 6-30-05)	Section 8-24-102, <u>TCA</u>	38,744	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	47,969	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	47,969	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	54,711 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	47,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	52,765	25,000	"
Employee Blanket Bond:				
County Mayor and Road Supervisor:				
All Employees			150,000	Tennessee School Boards Risk Management Trust
Schools Employees' Blanket Bond			10,000	Western Surety Company

(1) Includes special commissioner/special masters fees of \$6,742.

Exhibit L-5

Benton County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2005

	Special Revenue Funds					
	General	Public Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,338,409	\$ 0	\$ 0	\$ 0	\$ 0	191,208
Trustee's Collections - Prior Year	56,148	0	0	0	0	11,728
Circuit/Clerk & Master Collections - Prior Years	9,626	0	0	0	0	3,936
Interest and Penalty	10,717	0	0	0	0	2,061
Payments in Lieu of Taxes - T.V.A.	7,201	0	0	0	0	0
Payments in Lieu of Taxes - Local Utilities	112,228	0	0	0	0	16,033
Payments in Lieu of Taxes - Other	519	0	0	0	0	80
<u>County Local Option Taxes</u>						
Local Option Sales Tax	396,705	0	0	0	0	0
Hotel/Motel Tax	39,584	0	0	0	0	0
Litigation Tax - General	79,600	0	0	0	0	0
Litigation Tax - Special Purpose	22,797	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	20,679	0	0	0	0	0
Business Tax	78,794	0	0	0	0	0
Mineral Severance Tax	69,520	0	0	0	0	146,798
Other County Local Option Taxes	4,285	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	105,494	0	0	0	0	0
Wholesale Beer Tax	75,963	0	0	0	0	0
Interstate Telecommunications Tax	2,036	0	0	0	0	0
Total Local Taxes	\$ 2,430,305	\$ 0	\$ 0	\$ 0	\$ 0	371,844
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 3,315	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>						
Beer Permits	1,250	0	0	0	0	0
Total Licenses and Permits	\$ 4,565	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 4,845	\$ 0	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit L-5

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

	Special Revenue Funds					
	General	Public Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Officers Costs	\$ 4,641	\$ 0	\$ 0	\$ 0	\$ 0	0
Drug Control Fines	0	0	0	3,777	0	0
Jail Fees	8	0	0	0	0	0
DUI Treatment Fines	95	0	0	0	0	0
Data Entry Fee - Circuit Court	336	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	15,500	0	0	0	0	0
Officers Costs	33,438	0	0	0	0	0
Game and Fish Fines	1,614	0	0	0	0	0
Drug Control Fines	0	0	0	4,649	0	0
Jail Fees	151	0	0	0	0	0
DUI Treatment Fines	3,135	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,890	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	3,138	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	2,431	0	0	0	0	0
Data Entry Fee - Chancery Court	240	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	16,559	0	0
Total Fines, Forfeitures and Penalties	\$ 74,462	\$ 0	\$ 0	\$ 24,985	\$ 0	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Surcharge - Host Agency	\$ 589,041	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fees</u>						
Copy Fees	3,026	6,441	0	0	0	4
Library Fees	0	7,926	0	0	0	0
Telephone Commissions	9,707	0	0	0	0	0
Vending Machine Collections	499	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	11	0
Data Processing Fee - Register	7,382	0	0	0	0	0

(Continued)

Exhibit L-5

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

	Special Revenue Funds					
	General	Public Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Sexual Offender Registration Fee	\$ 600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Charges for Current Services	\$ 610,255	\$ 14,367	\$ 0	\$ 0	\$ 11	\$ 4
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 101,866	\$ 215	\$ 168,136	\$ 0	\$ 0	\$ 0
Lease/Rentals	26,260	6,689	0	0	0	0
Sale of Materials and Supplies	931	7,543	0	0	0	9,334
Commissary Sales	5,713	0	0	0	0	0
Sale of Gasoline	49,879	0	0	0	0	4,380
Miscellaneous Refunds	7,564	5,831	0	300	0	64
<u>Nonrecurring Items</u>						
Insurance Recovery	18,399	0	0	0	0	2,959
Sale of Equipment	29	0	0	7,300	0	4,058
Sale of Property	800	0	0	0	0	0
Damages Recovered from Individuals	489	0	0	0	0	250
Contributions & Gifts	4,017	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	1,080	0	0	0	0	300
Total Other Local Revenues	\$ 217,027	\$ 20,278	\$ 168,136	\$ 7,600	\$ 0	\$ 21,345
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 154,204	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	37,928	0	0	0	0	0
General Sessions Court Clerk	113,483	0	0	0	0	0
Clerk and Master	56,174	0	0	0	0	0
Register	84,480	0	0	0	0	0
Sheriff	29,443	0	0	0	0	0
Trustee	192,141	0	0	0	0	0
Total Fees Received from County Officials	\$ 667,853	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit L-5

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

	Special Revenue Funds					
	General	Public Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 117,919	\$ 0	\$ 0	\$ 0	\$ 0	0
Airport Maintenance Program	3,704	0	0	0	0	0
Aging Programs	50,744	0	0	0	0	0
State Reappraisal Grant	16,741	0	0	0	0	0
Solid Waste Grants	9,476	0	0	0	0	0
<u>Public Safety Grants</u>						
Drug Control Grants	4,931	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	11,454	0	0	0	0	0
Other Health and Welfare Grants	12,309	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	150,236
State Aid Program	0	0	0	0	0	136,312
Litter Program	36,250	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	5,076	0	0	0	0	0
Beer Tax	16,778	0	0	0	0	0
Alcoholic Beverage Tax	25,183	0	0	0	0	0
State Revenue Sharing - T.V.A.	816,925	0	0	0	0	50,000
Contracted Prisoner Boarding	211,744	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,546,218
Petroleum Special Tax	0	0	0	0	0	13,303
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	0	8,093	0	4,931	0	0
Other State Revenues	12,500	0	0	0	0	0
Total State of Tennessee	\$ 1,368,114	\$ 8,093	\$ 0	\$ 4,931	\$ 0	\$ 1,896,069
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Homeland Security Grants	115,862	0	0	0	0	0

(Continued)

Exhibit L-5

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

	Special Revenue Funds					
	General	Public Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	\$ 28,266	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	\$ 144,128	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 13,276	\$ 15,000	\$ 0	\$ 0	\$ 0	\$ 0
<u>Citizens Groups</u>						
Donations	7,981	32,929	0	0	0	0
Total Other Governments and Citizens Groups	\$ 21,257	\$ 47,929	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 5,537,966	\$ 90,667	\$ 168,136	\$ 37,516	\$ 11	\$ 2,289,262

(Continued)

Exhibit L-5

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

	Debt	Capital Projects Funds			Total
	Service Fund	General Capital Projects	HUD Grant Projects	Other Capital Projects	
	General Debt Service	General Capital Projects	HUD Grant Projects	Other Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 239,029	\$ 0	\$ 0	\$ 0	\$ 1,768,646
Trustee's Collections - Prior Year	11,463	0	0	0	79,339
Circuit/Clerk & Master Collections - Prior Years	3,936	0	0	0	17,498
Interest and Penalty	2,064	0	0	0	14,842
Payments in Lieu of Taxes - T.V.A.	0	0	0	0	7,201
Payments in Lieu of Taxes - Local Utilities	20,041	0	0	0	148,302
Payments in Lieu of Taxes - Other	95	0	0	0	694
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	396,705
Hotel/Motel Tax	0	0	0	0	39,584
Litigation Tax - General	0	0	0	0	79,600
Litigation Tax - Special Purpose	0	0	0	0	22,797
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	20,679
Business Tax	0	0	0	0	78,794
Mineral Severance Tax	0	0	0	0	216,318
Other County Local Option Taxes	0	0	0	0	4,285
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	105,494
Wholesale Beer Tax	0	0	0	0	75,963
Interstate Telecommunications Tax	0	0	0	0	2,036
Total Local Taxes	\$ 276,628	\$ 0	\$ 0	\$ 0	\$ 3,078,777
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,315
<u>Permits</u>					
Beer Permits	0	0	0	0	1,250
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,565
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,845

(Continued)

Exhibit L-5

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

	Debt	Capital Projects Funds			Total
	Service Fund	General Capital Projects	HUD Grant Projects	Other Capital Projects	
	General Debt Service	General Capital Projects	HUD Grant Projects	Other Capital Projects	
<u>Fines, Forfeitures and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Officers Costs	\$ 0	\$ 0	\$ 0	\$ 0	4,641
Drug Control Fines	0	0	0	0	3,777
Jail Fees	0	0	0	0	8
DUI Treatment Fines	0	0	0	0	95
Data Entry Fee - Circuit Court	0	0	0	0	336
<u>General Sessions Court</u>					
Fines	0	0	0	0	15,500
Officers Costs	0	0	0	0	33,438
Game and Fish Fines	0	0	0	0	1,614
Drug Control Fines	0	0	0	0	4,649
Jail Fees	0	0	0	0	151
DUI Treatment Fines	0	0	0	0	3,135
Data Entry Fee - General Sessions Court	0	0	0	0	4,890
<u>Juvenile Court</u>					
Fines	0	0	0	0	3,138
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	2,431
Data Entry Fee - Chancery Court	0	0	0	0	240
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	16,559
Total Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,447
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Surcharge - Host Agency	\$ 0	\$ 0	\$ 0	\$ 0	\$ 589,041
<u>Fees</u>					
Copy Fees	0	0	0	0	9,471
Library Fees	0	0	0	0	7,926
Telephone Commissions	0	0	0	0	9,707
Vending Machine Collections	0	0	0	0	499
Constitutional Officers' Fees and Commissions	0	0	0	0	11
Data Processing Fee - Register	0	0	0	0	7,382

(Continued)

Exhibit L-5

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

	Debt	Capital Projects Funds			Total
	Service Fund	General Capital Projects	HUD Grant Projects	Other Capital Projects	
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Sexual Offender Registration Fee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 624,637
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	211	\$ 270,428
Lease/Rentals	69,828	0	0	0	102,777
Sale of Materials and Supplies	0	0	0	0	17,808
Commissary Sales	0	0	0	0	5,713
Sale of Gasoline	0	0	0	0	54,259
Miscellaneous Refunds	0	0	0	0	13,759
<u>Nonrecurring Items</u>					
Insurance Recovery	0	0	0	0	21,358
Sale of Equipment	0	0	0	0	11,387
Sale of Property	0	0	0	0	800
Damages Recovered from Individuals	0	0	0	0	739
Contributions & Gifts	0	0	0	0	4,017
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	1,380
Total Other Local Revenues	\$ 69,828	\$ 0	\$ 0	211	\$ 504,425
<u>Fees Received from County Officials</u>					
<u>Fees In Lieu of Salary</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	154,204
Circuit Court Clerk	0	0	0	0	37,928
General Sessions Court Clerk	0	0	0	0	113,483
Clerk and Master	0	0	0	0	56,174
Register	0	0	0	0	84,480
Sheriff	0	0	0	0	29,443
Trustee	0	0	0	0	192,141
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 667,853

(Continued)

Exhibit L-5

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

	Debt Service Fund	Capital Projects Funds			Total
		General Debt Service	General Capital Projects	HUD Grant Projects	
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	117,919
Airport Maintenance Program	0	0	0	0	3,704
Aging Programs	0	0	0	0	50,744
State Reappraisal Grant	0	0	0	0	16,741
Solid Waste Grants	0	0	0	0	9,476
<u>Public Safety Grants</u>					
Drug Control Grants	0	0	0	0	4,931
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	11,454
Other Health and Welfare Grants	0	0	175,667	0	187,976
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	150,236
State Aid Program	0	0	0	0	136,312
Litter Program	0	0	0	0	36,250
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	5,076
Beer Tax	0	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	0	25,183
State Revenue Sharing - T.V.A.	0	0	0	0	866,925
Contracted Prisoner Boarding	0	0	0	0	211,744
Gasoline and Motor Fuel Tax	0	0	0	0	1,546,218
Petroleum Special Tax	0	0	0	0	13,303
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	95,839	0	0	108,863
Other State Revenues	0	0	0	0	12,500
Total State of Tennessee	\$ 0	\$ 95,839	\$ 175,667	\$ 0	\$ 3,548,713
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA - Other	\$ 0	\$ 0	\$ 0	408,949	\$ 408,949
Homeland Security Grants	0	0	0	0	115,862

(Continued)

Exhibit L-5

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

	Debt	Capital Projects Funds			Total
	Service Fund	General Capital Projects	HUD Grant Projects	Other Capital Projects	
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,266
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 408,949	\$ 553,077
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 566,146	\$ 0	\$ 0	\$ 0	\$ 594,422
<u>Citizens Groups</u>					
Donations	0	0	0	0	40,910
Total Other Governments and Citizens Groups	\$ 566,146	\$ 0	\$ 0	\$ 0	\$ 635,332
Total	\$ 912,602	\$ 95,839	\$ 175,667	\$ 409,160	\$ 9,716,826

Exhibit L-6

Benton County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Benton County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 3,043,375	\$ 0	\$ 3,043,375
Trustee's Collections - Prior Year	146,030	0	146,030
Circuit/Clerk & Master Collections - Prior Years	50,116	0	50,116
Interest and Penalty	27,290	0	27,290
Payments in Lieu of Taxes - Local Utilities	255,185	0	255,185
Payments in Lieu of Taxes - Other	1,213	0	1,213
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,493,202	0	1,493,202
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	2,762	0	2,762
Total Local Taxes	<u>\$ 5,019,173</u>	<u>\$ 0</u>	<u>\$ 5,019,173</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,786	\$ 0	\$ 1,786
<u>Permits</u>			
Other Permits	651	0	651
Total Licenses and Permits	<u>\$ 2,437</u>	<u>\$ 0</u>	<u>\$ 2,437</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Summer School	\$ 4,664	\$ 0	\$ 4,664
School Based Health Services - FFS	8,609	0	8,609
Receipts from Individual Schools	24,907	0	24,907
<u>Other Charges for Services</u>			
Other Charges for Services	16,500	0	16,500
Total Charges for Current Services	<u>\$ 54,680</u>	<u>\$ 0</u>	<u>\$ 54,680</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Sale of Materials and Supplies	\$ 2,000	\$ 0	\$ 2,000
Miscellaneous Refunds	31,260	0	31,260
<u>Nonrecurring Items</u>			
Insurance Recovery	17,581	0	17,581
Damages Recovered from Individuals	409	0	409
Total Other Local Revenues	<u>\$ 51,250</u>	<u>\$ 0</u>	<u>\$ 51,250</u>

(Continued)

Exhibit L-6

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 8,681,724	\$ 0	\$ 8,681,724
School Food Service	16,504	0	16,504
Other State Education Funds	156,212	0	156,212
Career Ladder Program	170,077	0	170,077
Career Ladder - Extended Contract	57,171	0	57,171
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	150,000	0	150,000
Total State of Tennessee	<u>\$ 9,231,688</u>	<u>\$ 0</u>	<u>\$ 9,231,688</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 502,197	\$ 0	\$ 502,197
Breakfast	330,257	0	330,257
Adult Education State Grant Program	2,767	0	2,767
Vocational Education - Basic Grants to States	0	65,894	65,894
Other Vocational	0	20,000	20,000
Title I Grants to Local Education Agencies	0	696,683	696,683
Innovative Education Program Strategies	0	85,830	85,830
Special Education - Grants to States	0	557,081	557,081
Special Education Preschool Grants	0	20,000	20,000
Eisenhower Professional Development State Grants	0	175,589	175,589
Job Training Partnership Act	44,261	0	44,261
Other Federal through State	107,261	19,585	126,846
Total Federal Government	<u>\$ 986,743</u>	<u>\$ 1,640,662</u>	<u>\$ 2,627,405</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 168,909	\$ 0	\$ 168,909
Total Other Governments and Citizens Groups	<u>\$ 168,909</u>	<u>\$ 0</u>	<u>\$ 168,909</u>
Total	<u>\$ 15,514,880</u>	<u>\$ 1,640,662</u>	<u>\$ 17,155,542</u>

Exhibit L-7

Benton County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 13,950	
In-Service Training	1,304	
Accounting Services	1,250	
Audit Services	3,953	
Travel	2,783	
Total County Commission		\$ 23,240

Board of Equalization

Board and Committee Members Fees	\$ 2,100	
Total Board of Equalization		2,100

Beer Board

Board and Committee Members Fees	\$ 475	
Total Beer Board		475

County Mayor

County Official/Administrative Officer	\$ 55,403	
Accountants/Bookkeepers	22,931	
Secretary(s)	24,143	
Clerical Personnel	21,460	
In-Service Training	255	
Advertising	1,355	
Communication	7,791	
Data Processing Services	5,314	
Dues and Memberships	6,271	
Operating Lease Payments	3,307	
Maintenance & Repair Services- Office Equipment	996	
Postal Charges	19,442	
Printing, Stationery and Forms	1,784	
Travel	1,018	
Data Processing Supplies	796	
Office Supplies	1,408	
Other Charges	5,080	
Data Processing Equipment	9,726	
Office Equipment	558	
Total County Mayor		189,038

County Attorney

Legal Services	\$ 23,510	
Total County Attorney		23,510

(Continued)

Exhibit L-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	38,375	
Deputy(ies)		42,671	
Election Commission		1,100	
Election Workers		6,700	
In-Service Training		1,285	
Advertising		714	
Audit Services		2,000	
Communication		2,197	
Data Processing Services		9,111	
Dues and Memberships		50	
Maintenance & Repair Services- Office Equipment		122	
Postal Charges		500	
Printing, Stationery and Forms		1,527	
Travel		531	
Data Processing Supplies		490	
Office Supplies		748	
Other Charges		1,810	
Data Processing Equipment		149	
Office Equipment		650	
Total Election Commission	\$		110,730

Register of Deeds

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		41,369	
Communication		3,602	
Data Processing Services		8,544	
Dues and Memberships		115	
Maintenance & Repair Services- Office Equipment		1,117	
Printing, Stationery and Forms		302	
Travel		268	
Data Processing Supplies		1,611	
Office Supplies		1,453	
Other Charges		643	
Total Register of Deeds			106,993

County Buildings

Salary Supplements	\$	3,918	
Custodial Personnel		30,433	
Maintenance & Repair Services- Buildings		17,885	
Pest Control		1,525	

(Continued)

Exhibit L-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Custodial Supplies	\$ 2,634	
Electricity	39,993	
Natural Gas	13,359	
Water and Sewer	4,593	
Liability Insurance	148,674	
Other Charges	3,194	
Building Improvements	13,182	
Total County Buildings		\$ 279,390

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 47,969	
Deputy(ies)	21,811	
Clerical Personnel	39,742	
Audit Services	13,130	
Communication	799	
Data Processing Services	8,264	
Dues and Memberships	1,173	
Legal Notices, Recording and Court Costs	65	
Printing, Stationery and Forms	65	
Travel	465	
Office Supplies	524	
Premiums on Corporate Surety Bonds	355	
Other Charges	624	
Total Property Assessor's Office		134,986

Reappraisal Program

Communication	\$ 750	
Data Processing Services	2,734	
Postal Charges	3,553	
Rentals	3,112	
Other Contracted Services	999	
Other Charges	680	
Total Reappraisal Program		11,828

County Trustee's Office

County Official/Administrative Officer	\$ 47,969	
Deputy(ies)	57,287	
In-Service Training	50	
Advertising	497	

(Continued)

Exhibit L-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Communication	\$	1,533	
Data Processing Services		3,154	
Dues and Memberships		200	
Maintenance & Repair Services- Office Equipment		1,500	
Printing, Stationery and Forms		1,199	
Travel		168	
Data Processing Supplies		314	
Office Supplies		284	
Other Charges		21	
Data Processing Equipment		947	
Total County Trustee's Office			\$ 115,123

County Clerk's Office

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		101,777	
In-Service Training		210	
Communication		2,579	
Data Processing Services		22,535	
Dues and Memberships		50	
Operating Lease Payments		1,797	
Maintenance & Repair Services- Office Equipment		495	
Printing, Stationery and Forms		1,294	
Travel		1,376	
Data Processing Supplies		996	
Office Supplies		1,967	
Other Charges		114	
Office Equipment		431	
Total County Clerk's Office			183,590

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		96,778	
Temporary Personnel		3,504	
Board and Committee Members Fees		350	
Jury and Witness Fees		5,433	
In-Service Training		200	
Communication		2,947	
Data Processing Services		10,248	
Dues and Memberships		65	

(Continued)

Exhibit L-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Operating Lease Payments	\$	1,581	
Legal Notices, Recording and Court Costs		468	
Maintenance & Repair Services- Office Equipment		1,355	
Printing, Stationery and Forms		1,136	
Travel		997	
Data Processing Supplies		1,025	
Office Supplies		1,667	
Other Charges		460	
Total Circuit Court			\$ 176,183

General Sessions Judge

Judge(s)	\$	59,276	
Assistant(s)		20,387	
In-Service Training		486	
Communication		773	
Data Processing Services		662	
Dues and Memberships		70	
Printing, Stationery and Forms		1,043	
Travel		1,678	
Office Supplies		96	
Other Charges		195	
Data Processing Equipment		400	
Total General Sessions Judge			85,066

Chancery Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		44,522	
In-Service Training		200	
Communication		1,417	
Data Processing Services		4,627	
Dues and Memberships		65	
Maintenance & Repair Services- Office Equipment		450	
Printing, Stationery and Forms		920	
Travel		744	
Data Processing Supplies		455	
Office Supplies		622	
Other Charges		15	
Total Chancery Court			102,006

(Continued)

Exhibit L-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Youth Service Officer(s)	\$	25,455	
Communication		1,937	
Travel		281	
Office Supplies		694	
Other Charges		4,196	
Total Juvenile Court			\$ 32,563

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	52,765
Supervisor/Director		37,003
Deputy(ies)		261,141
Lieutenant(s)		33,249
Sergeant(s)		64,703
Accountants/Bookkeepers		19,029
Paraprofessionals		20,567
Salary Supplements		71,546
Dispatchers/Radio Operators		89,606
Other Salaries & Wages		89,588
In-Service Training		2,714
Communication		15,973
Data Processing Services		645
Dues and Memberships		1,520
Evaluation and Testing		200
Operating Lease Payments		1,600
Maintenance & Repair Services- Equipment		1,860
Maintenance & Repair Services- Office Equipment		155
Maintenance & Repair Services- Vehicles		24,059
Matching Share		3,678
Postal Charges		777
Printing, Stationery and Forms		1,750
Tow-in Services		2,685
Travel		5,862
Tuition		2,735
Data Processing Supplies		2,313
Duplicating Supplies		1,155
Gasoline		38,038
Law Enforcement Supplies		2,003
Office Supplies		1,257
Tires and Tubes		4,556

(Continued)

Exhibit L-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Uniforms	\$ 2,844	
Other Supplies and Materials	214	
Premiums on Corporate Surety Bonds	1,845	
Other Charges	1,778	
Administration Equipment	93	
Communication Equipment	17,865	
Data Processing Equipment	45,058	
Law Enforcement Equipment	6,739	
Motor Vehicles	79,514	
Total Sheriff's Department	\$ 1,010,682	

Jail

Supervisor/Director	\$ 37,002
Lieutenant(s)	26,701
Sergeant(s)	22,798
Salary Supplements	29,162
Guards	243,554
Cafeteria Personnel	25,077
In-Service Training	75
Architects	5,951
Maintenance & Repair Services- Buildings	11,339
Maintenance & Repair Services- Equipment	1,090
Pest Control	552
Printing, Stationery and Forms	206
Travel	140
Custodial Supplies	5,302
Drugs and Medical Supplies	5,003
Duplicating Supplies	659
Electricity	21,969
Food Preparation Supplies	2,425
Food Supplies	69,827
Law Enforcement Supplies	408
Natural Gas	5,258
Prisoners Clothing	1,132
Uniforms	1,658
Water and Sewer	6,988
Other Supplies and Materials	3,322
Medical Claims	11,049
Administration Equipment	255
Data Processing Equipment	3,528

(Continued)

Exhibit L-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Food Service Equipment	\$ 1,010	
Furniture and Fixtures	325	
Law Enforcement Equipment	390	
Total Jail		\$ 544,155

Juvenile Services

Supervisor/Director	\$ 8,000	
Youth Service Officer(s)	21,107	
Teachers	16,500	
Social Workers	25,704	
Clerical Personnel	21,141	
Other Fringe Benefits	21,538	
Travel	1,551	
Instructional Supplies and Materials	356	
Other Charges	765	
Total Juvenile Services		116,662

Fire Prevention and Control

Contributions	\$ 2,000	
Total Fire Prevention and Control		2,000

Rural Fire Protection

Contributions	\$ 95,000	
Total Rural Fire Protection		95,000

Rescue Squad

Contributions	\$ 9,000	
Total Rescue Squad		9,000

Other Emergency Management

Supervisor/Director	\$ 12,250	
Travel	616	
Other Equipment	108,557	
Total Other Emergency Management		121,423

Inspection and Regulation

Other Per Diem & Fees	\$ 250	
Total Inspection and Regulation		250

(Continued)

Exhibit L-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	1,775	
Contracts with Government Agencies		19,146	
Contracts with Public Carriers		2,500	
Total County Coroner/Medical Examiner			\$ 23,421

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	10,002	
Other Salaries & Wages		4,815	
Other Fringe Benefits		1,922	
Communication		2,422	
Dues and Memberships		100	
Operating Lease Payments		909	
Maintenance & Repair Services- Buildings		842	
Maintenance & Repair Services- Office Equipment		823	
Pest Control		432	
Postal Charges		2,582	
Travel		56	
Custodial Supplies		2,001	
Drugs and Medical Supplies		3,175	
Office Supplies		1,303	
Utilities		7,489	
Other Supplies and Materials		2,809	
Total Local Health Center			41,682

Rabies and Animal Control

Part-time Personnel	\$	4,426	
Other Salaries & Wages		19,259	
Communication		593	
Maintenance & Repair Services- Vehicles		116	
Veterinary Services		2,903	
Animal Food and Supplies		1,622	
Custodial Supplies		169	
Gasoline		1,643	
Office Supplies		27	
Uniforms		505	
Utilities		1,106	
Other Charges		142	
Total Rabies and Animal Control			32,511

(Continued)

Exhibit L-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Contributions	\$ 174,000	
Total Ambulance/Emergency Medical Services		\$ 174,000

Alcohol and Drug Programs

Contracts with Private Agencies	\$ 700	
Total Alcohol and Drug Programs		700

Crippled Children Services

Contributions	\$ 900	
Total Crippled Children Services		900

Appropriation to State

Salary Supplements	\$ 10,000	
Total Appropriation to State		10,000

Sanitation Management

Laborers	\$ 22,339	
Part-time Personnel	767	
Communication	462	
Maintenance & Repair Services- Equipment	108	
Other Contracted Services	7,307	
Gasoline	308	
Uniforms	551	
Utilities	1,612	
Other Charges	1,159	
Total Sanitation Management		34,613

Sanitation Education/Information

Laborers	\$ 20,103	
Maintenance & Repair Services- Vehicles	561	
Gasoline	2,889	
Instructional Supplies and Materials	4,818	
Other Supplies and Materials	2,911	
Other Charges	825	
Total Sanitation Education/Information		32,107

Other Public Health and Welfare

Drugs and Medical Supplies	\$ 224	
Total Other Public Health and Welfare		224

(Continued)

Exhibit L-7

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

General Fund (Cont.)

Social, Cultural and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	22,462	
Deputy(ies)		16,043	
Social Workers		4,732	
Other Salaries & Wages		13,979	
State Retirement		2,325	
Medical Insurance		3,946	
Other Fringe Benefits		4,348	
Communication		2,513	
Contracts with Other Public Agencies		5,724	
Operating Lease Payments		822	
Licenses		810	
Postal Charges		236	
Travel		3,743	
Custodial Supplies		816	
Food Supplies		1,193	
Office Supplies		672	
Other Charges		6,216	
Total Senior Citizens Assistance	\$		90,580

Parks and Fair Boards

Other Contracted Services	\$	4,282	
Total Parks and Fair Boards			4,282

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	20,617	
Clerical Personnel		5,354	
Part-time Personnel		10,395	
Other Fringe Benefits		194	
Advertising		104	
Communication		1,942	
Maintenance & Repair Services- Office Equipment		369	
Travel		323	
Custodial Supplies		172	
Office Supplies		375	
Other Charges		790	
Total Agriculture Extension Service			40,635

Soil Conservation

Clerical Personnel	\$	20,121	
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(Continued)

Exhibit L-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation (Cont.)

Contributions	\$ 840	
Total Soil Conservation		\$ 20,961

Other Operations

Tourism

Contributions	\$ 20,000	
Total Tourism		20,000

Airport

Supervisor/Director	\$ 28,587	
Other Salaries & Wages	5,221	
In-Service Training	199	
Communication	966	
Maintenance Agreements	1,476	
Maintenance & Repair Services- Buildings	452	
Maintenance & Repair Services- Equipment	2,962	
Maintenance & Repair Services- Vehicles	71	
Travel	380	
Other Contracted Services	1,968	
Custodial Supplies	76	
Equipment and Machinery Parts	96	
Gasoline	44,298	
Lubricants	69	
Office Supplies	18	
Uniforms	772	
Utilities	7,836	
Other Charges	4,694	
Maintenance Equipment	185	
Office Equipment	1,431	
Site Development	16,667	
Total Airport		118,424

Veterans' Services

Supervisor/Director	\$ 9,795	
Communication	758	
Travel	40	
Total Veterans' Services		10,593

Other Charges

Rentals	\$ 2,400	
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(Continued)

Exhibit L-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Electricity	\$ 3,498	
Trustee's Commission	38,669	
Workers' Compensation Insurance	35,443	
Total Other Charges		\$ 80,010

Contributions to Other Agencies

Contributions	\$ 107,294	
Total Contributions to Other Agencies		107,294

Employee Benefits

Social Security	\$ 177,176	
State Retirement	130,158	
Medical Insurance	354,227	
Unemployment Compensation	13,181	
Total Employee Benefits		674,742

Principal

General Government

Principal on Capital Leases	\$ 48,134	
Total General Government		48,134

Interest

General Government

Interest on Capital Leases	\$ 1,009	
Total General Government		1,009

Total General Fund \$ 5,042,815

Public Library Fund

Social, Cultural and Recreational Services

Libraries

Assistant(s)	\$ 78,818
Librarians	25,000
Other Per Diem & Fees	2,986
Social Security	6,437
State Retirement	1,407
Medical Insurance	9,162
Unemployment Compensation	484
Employer Medicare	1,505
Advertising	149

(Continued)

Exhibit L-7

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

Public Library Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries (Cont.)

Audit Services	\$	2,550	
Communication		6,383	
Data Processing Services		5,089	
Dues and Memberships		275	
Janitorial Services		702	
Maintenance Agreements		5,402	
Maintenance & Repair Services- Buildings		3,951	
Pest Control		240	
Postal Charges		3,084	
Other Contracted Services		362	
Custodial Supplies		2,636	
Data Processing Supplies		5,668	
Electricity		14,161	
Library Books/Media		21,336	
Office Supplies		5,890	
Water and Sewer		380	
Other Supplies and Materials		6,779	
In Service/Staff Development		675	
Building Improvements		13,260	
Communication Equipment		60	
Data Processing Equipment		7,209	
Furniture and Fixtures		5,118	
Other Equipment		6,077	
Total Libraries			\$ 243,235

Total Public Library Fund \$ 243,235

Special Purpose Fund

Other Operations

Miscellaneous

Trustee's Commission	\$	1,636	
Total Miscellaneous			\$ 1,636

Instruction

Regular Instruction Program

Contributions	\$	168,908	
Total Regular Instruction Program			168,908

Total Special Purpose Fund 170,544

(Continued)

Exhibit L-7

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

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	1,778	
Confidential Drug Enforcement Payments		3,500	
Maintenance Agreements		2,085	
Maintenance & Repair Services- Vehicles		3,155	
Printing, Stationery and Forms		281	
Tow-in Services		3,515	
Veterinary Services		296	
Animal Food and Supplies		1,090	
Gasoline		3,712	
Law Enforcement Supplies		1,377	
Tires and Tubes		947	
Uniforms		183	
Trustee's Commission		254	
Other Charges		280	
Law Enforcement Equipment		14,425	
Other Capital Outlay		4,000	
Total Drug Enforcement			\$ 40,878

Total Drug Control Fund \$ 40,878

Constitutional Officers - Fees Fund

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$	11	
Total Circuit Court Clerk			\$ 11

Total Constitutional Officers - Fees Fund 11

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	56,201	
Accountants/Bookkeepers		22,985	
Secretary(s)		22,985	
Other Salaries & Wages		2,933	
Advertising		392	
Communication		4,079	
Data Processing Services		5,263	
Dues and Memberships		1,853	
Maintenance & Repair Services- Office Equipment		823	

(Continued)

Exhibit L-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Pest Control	\$	160	
Postal Charges		376	
Printing, Stationery and Forms		99	
Travel		174	
Data Processing Supplies		1,197	
Drugs and Medical Supplies		60	
Electricity		3,241	
Natural Gas		3,107	
Office Supplies		217	
Water and Sewer		544	
Other Supplies and Materials		826	
Other Charges		726	
Data Processing Equipment		599	
Total Administration			\$ 128,840

Highway and Bridge Maintenance

Equipment Operators	\$	290,541	
Truck Drivers		233,353	
Other Salaries & Wages		15,796	
Medical and Dental Services		618	
Permits		930	
Asphalt		487,019	
Concrete		631	
Crushed Stone		38,283	
Pipe - Metal		17,921	
Road Signs		788	
Wood Products		2,166	
Other Supplies and Materials		1,564	
Total Highway and Bridge Maintenance			1,089,610

Operation and Maintenance of Equipment

Mechanic(s)	\$	72,309	
Other Salaries & Wages		2,336	
Tow-in Services		100	
Penalties		2,500	
Diesel Fuel		43,655	
Equipment and Machinery Parts		44,012	
Garage Supplies		2,757	
Gasoline		21,862	
Lubricants		4,364	

(Continued)

Exhibit L-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Small Tools	\$ 846	
Tires and Tubes	9,861	
Other Charges	220	
Total Operation and Maintenance of Equipment	\$ 204,822	

Other Charges

Trustee's Commission	\$ 21,841	
Workers' Compensation Insurance	74,843	
Total Other Charges	96,684	

Employee Benefits

Social Security	\$ 54,820	
State Retirement	36,420	
Employee and Dependent Insurance	145,654	
Unemployment Compensation	6,245	
Total Employee Benefits	243,139	

Capital Outlay

Engineering Services	\$ 10,056	
Bridge Construction	150,236	
Highway Equipment	55,873	
State Aid Projects	136,312	
Total Capital Outlay	352,477	

Total Highway/Public Works Fund \$ 2,115,572

General Debt Service Fund

Principal

General Government

Principal on Notes	\$ 56,000	
Principal on Other Loans Payable	71,000	
Total General Government	\$ 127,000	

Education

Principal on Bonds	\$ 425,000	
Total Education	425,000	

Interest

General Government

Interest on Notes	\$ 29,403	
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(Continued)

Exhibit L-7

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

General Debt Service Fund (Cont.)

Interest (Cont.)

General Government (Cont.)

Interest on Other Loans Payable	\$ 14,272	
Total General Government		\$ 43,675

Education

Interest on Bonds	\$ 390,339	
Total Education		390,339

Other Debt Service

General Government

Bank Charges	\$ 3,491	
Trustee's Commission	5,919	
Total General Government		9,410

Education

Bank Charges	\$ 2,955	
Total Education		2,955

Total General Debt Service Fund		\$ 998,379
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General Capital Projects Fund

Capital Projects

Social, Cultural and Recreation Projects

Advertising	\$ 40	
Legal Services	522	
General Construction Materials	22,620	
Other Supplies and Materials	291	
Other Charges	19,600	
Other Equipment	53,700	
Other Construction	105,897	
Total Social, Cultural and Recreation Projects		\$ 202,670

Total General Capital Projects Fund		202,670
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Community Development/Industrial Park Fund

Capital Projects

Public Health and Welfare Projects

Maintenance Agreements	\$ 8,715	
Total Public Health and Welfare Projects		\$ 8,715

Total Community Development/Industrial Park Fund		8,715
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(Continued)

Exhibit L-7

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

HUD Grant Projects Fund

Capital Projects

Public Health and Welfare Projects

Advertising	\$ 94	
Other Charges	12,208	
Other Construction	163,405	
Total Public Health and Welfare Projects	<u>175,707</u>	\$ 175,707

Total HUD Grant Projects Fund \$ 175,707

Other Capital Projects Fund

Other Operations

Other Charges

Trustee's Commission	\$ 2	
Total Other Charges	<u>2</u>	\$ 2

Capital Projects

Public Health and Welfare Projects

Architects	\$ 8,143	
Building Construction	487,596	
Total Public Health and Welfare Projects	<u>495,739</u>	

Total Other Capital Projects Fund 495,741

Total Governmental Funds - Primary Government \$ 9,494,267

Exhibit L-8

Benton County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Benton County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,998,550	
Career Ladder Program	97,550	
Career Ladder Extended Contracts	61,839	
Homebound Teachers	3,904	
Clerical Personnel	18,783	
Educational Assistants	195,808	
Other Salaries & Wages	6,407	
Certified Substitute Teachers	62,370	
Social Security	323,423	
State Retirement	293,929	
Medical Insurance	806,236	
Unemployment Compensation	4,061	
Employer Medicare	75,640	
Other Fringe Benefits	972	
Legal Notices, Recording and Court Costs	312	
Other Contracted Services	13,720	
Instructional Supplies and Materials	84,027	
Textbooks	141,600	
Fee Waivers	19,991	
Other Charges	1,197	
Regular Instruction Equipment	126,574	
Total Regular Instruction Program		\$ 7,336,893

Special Education Program

Teachers	\$ 659,799
Career Ladder Program	9,000
Homebound Teachers	13,929
Educational Assistants	45,572
Certified Substitute Teachers	4,765
Social Security	44,046
State Retirement	39,935
Medical Insurance	113,912
Unemployment Compensation	546
Employer Medicare	10,301
Other Fringe Benefits	108
Communication	853
Legal Notices, Recording and Court Costs	35
Maintenance & Repair Services- Equipment	1,566
Other Contracted Services	9,897

(Continued)

Exhibit L-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Charges	\$	7	
Special Education Equipment		258	
Total Special Education Program			\$ 954,529

Vocational Education Program

Teachers	\$	432,261	
Career Ladder Program		6,000	
Certified Substitute Teachers		6,750	
Social Security		26,573	
State Retirement		24,123	
Medical Insurance		66,204	
Unemployment Compensation		262	
Employer Medicare		6,215	
Other Fringe Benefits		108	
Maintenance & Repair Services- Equipment		3,142	
Instructional Supplies and Materials		18,881	
Vocational Instruction Equipment		7,465	
Total Vocational Education Program			597,984

Adult Education Program

Teachers	\$	99,963	
Career Ladder Program		1,000	
Paraprofessionals		13,466	
Social Security		7,276	
State Retirement		4,424	
Medical Insurance		9,255	
Unemployment Compensation		197	
Employer Medicare		1,702	
Communication		1,125	
Maintenance & Repair Services- Equipment		570	
Postal Charges		200	
Other Contracted Services		1,750	
Instructional Supplies and Materials		14,729	
Other Charges		98	
Regular Instruction Equipment		1,996	
Other Equipment		100	
Total Adult Education Program			157,851

(Continued)

Exhibit L-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	49,740	
Career Ladder Program		1,000	
Social Security		3,053	
State Retirement		2,791	
Medical Insurance		4,627	
Unemployment Compensation		24	
Employer Medicare		714	
Travel		1,000	
Total Attendance			\$ 62,949

Health Services

Medical Personnel	\$	30,808	
Social Security		1,910	
Unemployment Compensation		48	
Employer Medicare		447	
Travel		1,436	
Drugs and Medical Supplies		895	
Other Supplies and Materials		99	
Total Health Services			35,643

Other Student Support

Career Ladder Program	\$	6,500	
Guidance Personnel		237,983	
Social Security		14,295	
State Retirement		13,447	
Medical Insurance		29,813	
Unemployment Compensation		143	
Employer Medicare		3,343	
Evaluation and Testing		12,763	
Travel		208	
Total Other Student Support			318,495

Regular Instruction Program

Supervisor/Director	\$	82,184
Career Ladder Program		8,000
Librarians		195,354
Instructional Computer Personnel		47,411
Social Security		18,905
State Retirement		18,224

(Continued)

Exhibit L-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	47,165	
Unemployment Compensation		167	
Employer Medicare		4,421	
Legal Notices, Recording and Court Costs		49	
Postal Charges		999	
Travel		5,277	
Library Books/Media		19,997	
In Service/Staff Development		2,735	
Other Charges		685	
Total Regular Instruction Program			\$ 451,573

Special Education Program

Supervisor/Director	\$	24,806	
Career Ladder Program		1,000	
Psychological Personnel		37,766	
Social Security		3,729	
State Retirement		3,497	
Medical Insurance		6,941	
Unemployment Compensation		24	
Employer Medicare		872	
Travel		1,193	
Total Special Education Program			79,828

Vocational Education Program

Supervisor/Director	\$	52,856	
Career Ladder Program		1,000	
Secretary(s)		19,421	
Social Security		4,464	
State Retirement		3,982	
Medical Insurance		10,675	
Unemployment Compensation		48	
Employer Medicare		1,001	
Travel		9,142	
Custodial Supplies		10,474	
Gasoline		140	
Other Supplies and Materials		250	
Total Vocational Education Program			113,453

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	53,081	
Career Ladder Program		1,000	
Social Security		3,291	
State Retirement		3,147	
Medical Insurance		4,277	
Unemployment Compensation		24	
Employer Medicare		813	
Travel		9,541	
Total Adult Programs			\$ 75,174

Board of Education

Secretary to Board	\$	425	
Board and Committee Members Fees		7,088	
Social Security		466	
State Retirement		26	
Employer Medicare		109	
Audit Services		7,200	
Dues and Memberships		6,059	
Legal Services		62	
Legal Notices, Recording and Court Costs		259	
Travel		692	
Building and Contents Insurance		88,973	
Trustee's Commission		112,928	
Workers' Compensation Insurance		92,723	
In Service/Staff Development		1,095	
Criminal Investigation of Applicants - TBI		48	
Refund to Applicant for Criminal Investigation		624	
Other Charges		1,469	
Total Board of Education			320,246

Director of Schools

County Official/Administrative Officer	\$	72,999	
Social Security		4,452	
State Retirement		4,015	
Life Insurance		802	
Medical Insurance		6,922	
Unemployment Compensation		24	
Employer Medicare		1,041	
Communication		435	

(Continued)

Exhibit L-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Dues and Memberships	\$	1,163	
Postal Charges		2,500	
Travel		2,185	
Total Director of Schools			\$ 96,538

Office of the Principal

Principals	\$	309,719	
Career Ladder Program		10,000	
Assistant Principals		153,501	
Secretary(s)		93,698	
Social Security		34,103	
State Retirement		31,780	
Medical Insurance		78,150	
Unemployment Compensation		357	
Employer Medicare		7,976	
Communication		36,914	
Postal Charges		2,000	
Total Office of the Principal			758,198

Fiscal Services

Accountants/Bookkeepers	\$	25,518	
Clerical Personnel		62,014	
Social Security		5,327	
State Retirement		5,374	
Medical Insurance		18,510	
Unemployment Compensation		95	
Employer Medicare		1,246	
Data Processing Services		4,983	
Office Supplies		3,999	
Administration Equipment		1,111	
Total Fiscal Services			128,177

Operation of Plant

Custodial Personnel	\$	252,644	
Social Security		15,530	
State Retirement		13,012	
Medical Insurance		93,837	
Unemployment Compensation		610	
Employer Medicare		3,632	

(Continued)

Exhibit L-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Fringe Benefits	\$	108	
Janitorial Services		10,101	
Disposal Fees		10,095	
Permits		150	
Custodial Supplies		52,990	
Electricity		345,480	
Natural Gas		141,577	
Water and Sewer		37,452	
Other Supplies and Materials		8,216	
Other Charges		486	
Plant Operation Equipment		11,963	
Total Operation of Plant			\$ 997,883

Maintenance of Plant

Supervisor/Director	\$	34,474	
Maintenance Personnel		225,672	
Social Security		16,108	
State Retirement		14,654	
Medical Insurance		52,548	
Unemployment Compensation		308	
Employer Medicare		3,767	
Other Fringe Benefits		610	
Maintenance & Repair Services- Equipment		34,794	
Maintenance & Repair Services- Vehicles		1,999	
Other Contracted Services		399	
Equipment and Machinery Parts		12,929	
Gasoline		4,128	
Other Supplies and Materials		35,837	
Other Charges		482	
Maintenance Equipment		9,409	
Total Maintenance of Plant			448,118

Transportation

Other Fringe Benefits	\$	2,518	
Communication		4,945	
Contracts with Vehicle Owners		669,643	
Maintenance & Repair Services- Equipment		5,375	
Travel		1,000	
Other Contracted Services		19,187	

(Continued)

Exhibit L-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Diesel Fuel	\$	10,408	
Other Charges		13,543	
Transportation Equipment		68,552	
Total Transportation			\$ 795,171

Central and Other

Computer Programmer(s)	\$	28,153	
Data Processing Personnel		42,269	
Social Security		4,280	
State Retirement		4,324	
Medical Insurance		8,904	
Unemployment Compensation		48	
Employer Medicare		1,001	
Total Central and Other			88,979

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	3,435	
Social Security		213	
State Retirement		211	
Medical Insurance		79,859	
Employer Medicare		50	
Payments to Schools - Breakfast		330,257	
Payments to Schools - Lunch		502,197	
Travel		617	
Office Supplies		232	
In Service/Staff Development		1,650	
Total Food Service			918,721

Community Services

Contributions	\$	400	
Total Community Services			400

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	3,000	
Building Improvements		74,200	
Site Development		117,034	
Total Regular Capital Outlay			194,234

(Continued)

Exhibit L-8

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

General Purpose School Fund (Cont.)

Principal

Education

Principal on Capital Leases	\$ 29,881	
Total Education		\$ 29,881

Interest

Education

Interest on Capital Leases	\$ 14,223	
Total Education		14,223

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 368,776	
Total Education		<u>368,776</u>

Total General Purpose School Fund		\$ 15,343,917
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 393,845	
Educational Assistants	72,030	
Certified Substitute Teachers	6,952	
Social Security	28,473	
State Retirement	25,616	
Medical Insurance	91,899	
Unemployment Compensation	606	
Employer Medicare	6,659	
Consultants	5,229	
Evaluation and Testing	1,374	
Maintenance & Repair Services- Equipment	965	
Tuition	13,185	
Other Contracted Services	26,559	
Instructional Supplies and Materials	76,458	
Textbooks	142	
In Service/Staff Development	8,154	
Criminal Investigation of Applicants - TBI	1,152	
Refund to Applicant for Criminal Investigation	192	
Other Charges	180	
Regular Instruction Equipment	<u>1,352</u>	
Total Regular Instruction Program		\$ 761,022

(Continued)

Exhibit L-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	54,833	
Educational Assistants		213,631	
Certified Substitute Teachers		225	
Social Security		16,387	
State Retirement		13,524	
Medical Insurance		110,581	
Unemployment Compensation		862	
Employer Medicare		3,833	
Other Fringe Benefits		144	
Maintenance & Repair Services- Equipment		922	
Instructional Supplies and Materials		15,492	
Other Charges		696	
Special Education Equipment		913	
Total Special Education Program			\$ 432,043

Vocational Education Program

Travel	\$	9,745	
Other Contracted Services		13,400	
Instructional Supplies and Materials		6,134	
Other Supplies and Materials		2,528	
Other Charges		1,299	
Vocational Instruction Equipment		34,746	
Total Vocational Education Program			67,852

Support Services

Health Services

Medical Personnel	\$	12,323	
Social Security		764	
Unemployment Compensation		31	
Employer Medicare		179	
Total Health Services			13,297

Other Student Support

Secretary(s)	\$	18,464	
Other Salaries & Wages		46,246	
Social Security		3,963	
State Retirement		3,691	
Medical Insurance		9,255	
Unemployment Compensation		62	

(Continued)

Exhibit L-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	927	
Communication		25	
Maintenance & Repair Services- Equipment		1,774	
Postal Charges		74	
Travel		12,443	
Other Contracted Services		2,080	
Instructional Supplies and Materials		1,515	
Office Supplies		336	
Other Supplies and Materials		791	
In Service/Staff Development		1,950	
Other Charges		4,943	
Total Other Student Support			\$ 108,539

Regular Instruction Program

Supervisor/Director	\$	26,337	
Other Salaries & Wages		2,000	
Social Security		1,970	
State Retirement		1,552	
Medical Insurance		2,314	
Unemployment Compensation		31	
Employer Medicare		461	
Consultants		362	
Maintenance & Repair Services- Equipment		1,098	
Postal Charges		964	
Travel		8,207	
Other Contracted Services		6,040	
Instructional Supplies and Materials		655	
Other Supplies and Materials		52	
In Service/Staff Development		21,443	
Other Charges		1,032	
Other Equipment		7,296	
Total Regular Instruction Program			81,814

Special Education Program

Supervisor/Director	\$	24,340	
Secretary(s)		14,494	
Social Security		2,377	
State Retirement		2,104	
Medical Insurance		6,941	

(Continued)

Exhibit L-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	35	
Employer Medicare		556	
Travel		3,974	
Other Contracted Services		6,778	
Other Charges		497	
Total Special Education Program			\$ 62,096

Vocational Education Program

Travel	\$	1,888	
Other Charges		2,674	
Total Vocational Education Program			4,562

Transportation

Maintenance & Repair Services- Vehicles	\$	4,088	
Diesel Fuel		1,562	
Total Transportation			<u>5,650</u>

Total School Federal Projects Fund \$ 1,536,875

Total Governmental Funds - Benton County School Department \$ 16,880,792

Exhibit L-9

Benton County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,089,126
Total Cash Receipts	<u>\$ 1,089,126</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 882,192
Trustee's Commission	10,891
Contributions	<u>196,043</u>
Total Cash Disbursements	<u>\$ 1,089,126</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<u>0</u>
Cash Balance, June 30, 2005	<u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

Benton County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

<u>Year</u>	<u>Amount</u>
1994	\$ 8
1995	18,857
1996	18,105
1997	20,240
1998	19,916
1999	19,561
2000	25,348
2001	38,560
2002	37,906
2003	<u>105,769</u>
Total	<u>\$ 304,270</u>

Table 2

Benton County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.89	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.58	\$ 0.59	\$ 0.50	\$ 0.42	\$ 0.72	\$ 0.84
Solid Waste/Sanitation	0.10	0.10	0.10	0.10	0.04	0.03	0.00	0.00	0.00	0.00
Highway/Public Works	0.15	0.15	0.15	0.15	0.10	0.10	0.10	0.08	0.15	0.12
General Debt Service	0.24	0.56	0.71	0.71	0.45	0.45	0.42	0.15	0.15	0.15
General Purpose School	2.00	1.84	1.84	1.84	1.65	1.65	1.80	1.77	1.91	1.91
Total Tax Rates	\$ 3.38	\$ 3.38	\$ 3.53	\$ 3.53	\$ 2.82	\$ 2.82	\$ 2.82	\$ 2.42	\$ 2.93	\$ 3.02
<u>Assessed Valuation</u>										
Real and Personal	\$ 83,849,110	\$ 89,260,286	\$ 91,346,326	\$ 95,747,951	\$ #####	\$ 130,369,675	\$ 133,225,567	\$ 157,848,639	\$ 158,696,213	\$ 161,403,412
Public Utilities	7,612,744	7,049,490	6,649,278	6,214,731	12,897,818	8,268,318	8,181,525	8,539,506	8,640,510	8,032,981
Total Assessed Valuation	\$ 91,461,854	\$ 96,309,776	\$ 97,995,604	\$ 101,962,682	\$ #####	\$ 138,637,993	\$ 141,407,092	\$ 166,388,145	\$ 167,336,723	\$ 169,436,393

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

January 9, 2006

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

To the County Mayor and Board of County Commissioners:

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 Benton County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Benton County's basic financial statements and have issued our report thereon dated January 9, 2006. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable

conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Benton County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03, 05.06(A), 05.12, and 05.13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05.06(A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.02, 05.04, 05.05, 05.06(B), 05.07, 05.08, 05.09, 05.10, and 05.11.

We have also noted certain other matters that we reported to the management of Benton County in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 9, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Benton County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Benton County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Benton County's management. Our responsibility is to express an opinion on Benton County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 Benton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Benton County's compliance with those requirements.

As described in items 05.06 and 05.14 in the accompanying Schedule of Findings and Questioned Costs, Benton County did not comply with requirements regarding the Davis-Bacon Act that are applicable to its Rural Development, Forestry, and Communities grant. Compliance with such requirements is necessary, in our opinion, for Benton County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Benton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Benton County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Benton County's internal control over compliance with 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 the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Benton County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as items 05.06 and 05.14.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above (items 05.06 and 05.14) to be a material weakness.

Schedule of Federal Awards

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 Benton County, Tennessee, as of and for the year

ended June 30, 2005, and have issued our report thereon dated January 9, 2006. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rd

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

For the Benton County Library

Board of Trustees
Benton County Library
Camden, Tennessee

We have audited the financial statements of the Benton County Library, a special revenue fund of Benton County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon. 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 the library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Recommendations as items 2005-01 and 2005-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal controls over financial reporting that we have reported to management in a separate letter.

Compliance

As part of obtaining reasonable assurance about whether the library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings and Recommendations as item 2005-02. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter.

This report is intended solely for the information and use of management, Board of Trustees, Benton County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Schedule of Prior Audit Findings – Status

Government Auditing Standards require auditors to report on the status of uncorrected findings from prior audits. Presented below is the summarized data related to the prior year's (June 30, 2004) audit findings. The uncorrected findings noted below have also been reported in the current year's Schedule of Findings and Recommendations.

Finding 2004-01 Purchasing laws were not followed relating to the use of purchase orders.

Current Status: Uncorrected - Finding will be repeated for current year.

Finding 2004-02 Budgets were not amended until after expenditures had exceeded original appropriations and budget amendments were not filed with the County Commission.

Current Status: Uncorrected – Finding will be repeated for current year.

Finding 2004-03 Internal control weaknesses relating to segregation of duties.

Current Status: Uncorrected – Finding will be repeated for current year.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

The findings and recommendations, as a result of the audit of the Benton County Library, are presented below. These findings and recommendations have been reviewed with management.

FINDING 2005-01 **USE OF PURCHASE ORDERS**

(Internal Control – Reportable Condition; Immaterial Noncompliance Under Government Auditing Standards)

The Benton County Library is a blended special revenue fund of the primary government of Benton County, Tennessee. Purchasing procedures for this department fall under procedures as applied to general government purchases. Purchasing procedures are governed by provisions of Chapter 541, Private Acts of 1939, as amended and the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated. The private act provides for the issuance of requisitions and purchase orders for all purchases of equipment, supplies, and materials. The county purchasing law addresses the procedures and when competitive bids are required. During the audit, we noted that requisition and purchase orders had not been used.

RECOMMENDATION

Although in the situation of the library where the use of requisition/purchase orders may seem redundant or unnecessary for the size of your organization, it is our responsibility to bring this noncompliance to your attention. The use of requisition and purchase orders are internal control procedures to control who has the authority to make purchases and document purchasing commitments. Requisition and purchase orders should be issued in all applicable instances.

FINDING 2005-02 **BUDGETARY APPROVAL**

(Material Noncompliance Under Government Auditing Standards)

Though the original budget was approved by the Library Board and a copy provided to the County Commission, we could not obtain documentation of when the amended budget was approved by the Library Board and was informed that a copy of the amended budget was not provided to the County Commission. In addition, any amendments should take place prior to actual expenditures exceeding any originally budgeted amounts.

RECOMMENDATION

The library should adopt its annual budget and present it to the county mayor on or before April 1 of each year so the Benton County Commission will have sufficient time to review the budget and take appropriate action. Any amendments to a budget during the year should be submitted to the county mayor immediately so that the mayor may bring the amendment before the County Commission.

MANAGEMENT'S RESPONSE (PARAPHRASED)

The library approves an estimated budget and submits the budget to the County Commission at the beginning of each year. Once the budget is approved and monies are received and expended for the fiscal year, any amended budgets are approved by the Library Board of Trustees. The final budget (amendment) does not go back to the County Commission, as it reflects only changes in the budget because of donations, grants, or fundraising and does not involve county or city funds.

FINDING 2005-03 **SEGREGATION OF DUTIES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

During the period under examination, accounting duties were not adequately segregated among employees of the library. Examples, of the functions that would need to be segregated to the extent possible include collections and the issuing of receipts, preparing bank deposits, taking deposits to the bank, posting of the daily cash record, and reconciling the bank statements. Also purchase ordering/payroll calculations, check writing and posting of expenses should be segregated to the extent possible. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to your attention.

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

For the Benton County Electric System

Board of Directors
Benton County Electric System
Camden, Tennessee

We have audited the financial statements of the Benton County Electric System, an enterprise fund of Benton County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon. 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 the system's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinions on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the system's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 and State of Tennessee, Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Benton County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture: Food Donation (Noncash Assistance)	10.550	(2)	\$ 76,138
Passed-through State Department of Education: Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	330,257
National School Lunch Program	10.555	(2)	502,197
Passed-through Delta Regional Authority: Rural Development, Forestry, and Communities	10.672	TN-2117	408,949
Total U.S. Department of Agriculture			<u>\$ 1,317,541</u>
U. S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency: HOME Investment Partnerships Program	14.239	HM-03-03	\$ 175,667
Total U. S. Department of Housing and Urban Development			<u>\$ 175,667</u>
U. S. Department of Justice:			
Passed-through State Commission on Children and Youth: Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-05-020352-00	\$ 9,000
Direct Federal Programs:			
Byrne Formula Grant Program	16.579	N/A	28,266
Bulletproof Vest Partnership Program	16.607	N/A	4,931
Total U. S. Department of Justice			<u>\$ 42,197</u>
U. S. Department of Labor:			
Passed-through Southwest Human Resources Agency: WIA Youth Activities	17.259	05-11-005-002-20-82	\$ 44,261
Passed-through State Department of Labor and Workforce Development:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-04-019470-00	2,042 (3)
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-05-022194-00	2,767 (3)
Total U.S. Department of Labor			<u>\$ 49,070</u>
U. S. Institute of Museum and Library Services:			
Passed-through State Department of State:			
State Library Program	45.310	Z-04-021838-00	\$ 3,093
State Library Program	45.310	(2)	5,000
State Library Program	45.310	Z-04-021057-00	6,000
Total U. S. Institute of Museum and Library Services			<u>\$ 14,093</u>
U. S. Department of Education:			
Passed-through the University of Tennessee:			
Adult Education - State Grant Program	84.002	(2)	\$ 8,100 (4)
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-04-016642-00	4,575 (4)
Adult Education - State Grant Program	84.002	Z-05-022194-00	86,089 (4)

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U. S. Department of Education (Cont.):			
Passed-through the State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 647,802
Special Education Cluster:			
Special Education - Grants to State	84.027	N/A	498,093
Special Education - Preschool Grants	84.173	N/A	16,615
Vocational Education - Basic Grants to States	84.048	N/A	65,894
Safe and Drug-Free Schools and Communities - National Programs	84.184	(2)	13,765 (5)
Safe and Drug-Free Schools and Communities - National Programs	84.184	Z-05-0021781-00	18,920 (5)
Safe and Drug-Free Schools - State Grants	84.186	(2)	26,731
State Grants for Innovative Programs	84.298	N/A	104,226
Improving Teacher Quality State Grants	84.367	N/A	190,310
Total U. S. Department of Education			\$ 1,681,120
U. S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 50,744
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-04-016487-00	23,188
Total U. S. Department of Health and Human Services			\$ 73,932
U. S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020069-00	\$ 47,996 (6)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022417-00	39,852 (6)
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017724-00	20,514 (6)
Emergency Management Performance Grants	97.042	Z-04-020248-00	3,000 (7)
Emergency Management Performance Grants	97.042	Z-05-025402-00	4,500 (7)
Total U. S. Department of Homeland Security			\$ 115,862
Total Federal Grants			\$ 3,469,482
State Grants:			
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	\$ 108,919
Airport Maintenance Program - State Department of Transportation	N/A	Z-04-018069	3,704
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	16,741
Waste Tire Option Grant - State Department of Environment and Conservation	N/A	Z-03-011326-00	9,476
Local Health Services - State Department of Health	N/A	(2)	23,763
Litter Grant - State Department of Transportation	N/A	Z-05-021472-00	31,713
Litter Grant - State Department of Transportation	N/A	GG-04-11056-00	4,537
Recreational Grant - State Department of Environment and Conservation	N/A	Z-05-022794-00	95,839
Incentive Award Program - State Department of Education	N/A	(2)	20,000
Total State Grants			\$ 314,692

(Continued)

Benton 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
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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 WIA Incentive Grants - Section 503 Grants to States (CFDA No. 17.267) from the U. S. Department of Labor \$4,809.
- (4) Total Adult Education - State Grant Program (CFDA No. 84.002) from the U. S. Department of Education \$98,764.
- (5) Total Safe and Drug-Free Schools and Communities - National Programs (CFDA No. 84.184) from the U. S. Department of Education \$32,685.
- (6) Total State Domestic Preparedness Equipment Support Program (CFDA No. 97.004) from the U. S. Department of Homeland Security \$108,362.
- (7) Total Emergency Management Performance Grants (CFDA No. 97.042) from the U. S. Department of Homeland Security \$7,500.

Benton County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Benton County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	158	Requisitions and purchase orders were not issued for some purchases
04.02	158	Accounting deficiencies were noted in funds administered by the county mayor

OFFICE OF GENERAL SESSIONS COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.10	162	The execution docket trial balance did not reconcile with cash journal accounts

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.12	164	The office had deficiencies in the administration of drug control funds

OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.14	165	A central system of accounting, budgeting, and purchasing had not been adopted
04.15	165	Duties were not segregated adequately in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

BENTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Benton County disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance which were material to the financial statements of Benton County.
4. The audit disclosed one reportable condition in internal control over major programs. This condition was also considered to be a material weakness.
5. A qualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is 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), Rural Development, Forestry, and Communities (CFDA No. 10.672), and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Benton 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. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF COUNTY MAYOR

FINDING 05.01 REQUISITIONS AND PURCHASE ORDERS WERE NOT ISSUED FOR SOME PURCHASES
(Noncompliance Under Government Auditing Standards)

The office did not issue requisitions and purchase orders for some purchases. Requisitions and purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. Chapter 541, Private Acts of 1939, as amended, provides for the issuance of requisitions and purchase orders for all general county purchases of equipment, supplies, and materials.

RECOMMENDATION

Requisitions and purchase orders should be issued for all applicable purchases in accordance with controlling statutes.

FINDING 05.02 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(A. Noncompliance Under Government Auditing Standards; B. Material Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. General Fund expenditures exceeded appropriations approved by the County Commission in the Sheriff's Department (\$75,837) major appropriation category (the legal level of control).
- B. The Public Library Fund (nonmajor special revenue fund) and the Special Purpose Fund (major special revenue fund) were not budgeted. Expenditures for the year totaled \$243,235 and \$170,544, respectively.

Section 5-9-401, Tennessee Code Annotated, states that "All funds ... including, but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county government shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. The Public Library Fund and the Special Purpose Fund should be budgeted as required by state statute.

FINDING 05.03 **ACCOUNTING DEFICIENCIES WERE NOTED IN FUNDS ADMINISTERED BY THE COUNTY MAYOR** (Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following weaknesses:

- A. General Fund general ledger payroll deduction accounts were not reconciled with subsidiary payroll records. As a result, unidentified balances were allowed to accumulate in numerous withholding accounts. Routine reconciliation procedures would have identified problems quickly and allowed for correction. Management has approved and posted our audit adjustments to properly reflect the payroll deduction accounts in the financial statements of this report.

- B. Receivables were established in the General Fund at June 30, 2005. However, when these receivables were received subsequent to the end of the fiscal year, they were erroneously recorded on the books as revenues of 2005-06. Management has approved and posted our audit adjustments to correct the improper recording of the receivables.

RECOMMENDATION

Payroll deduction accounts should be reconciled with subsidiary payroll records routinely. Also, transactions reflecting the receipt of receivables should be recorded in the proper fiscal year.

FINDING 05.04 **THE OFFICE ENTERED INTO A LEASE-PURCHASE AGREEMENT WITHOUT THE COUNTY COMMISSION'S APPROVAL** (Noncompliance Under Government Auditing Standards)

On April 8, 2005, the county entered into a lease-purchase agreement for three Sheriff's Department vehicles (\$79,514); however, the County Commission did not approve the lease-purchase agreement until June 20, 2005. Section 7-51-904, Tennessee Code Annotated, requires lease-purchase agreements to first be approved by the County Commission.

RECOMMENDATION

Lease-purchase agreements should be approved by the County Commission as required by state statute.

FINDING 05.05 **THE OFFICE HAD DEFICIENCIES IN A SPONSORSHIP/
VENDING CONCESSIONS CONTRACT**
(Noncompliance Under Government Auditing Standards)

In April 2005, the county mayor's secretary/bookkeeper signed a contract with Pepsi MidAmerica that provided for the vendor to supply four electronic baseball/softball scoreboards with controls and illuminated sponsor's panels to Benton County. The county mayor estimated the value of the scoreboards at \$15,000. In exchange, Benton County agreed to purchase, display, and dispense only products provided by Pepsi MidAmerica in all county locations. In addition, Pepsi MidAmerica agreed to provide product donations in the amount of \$500 per year, not to exceed \$5,000 over the ten year term of the contract. The sponsorship/vending contract had not been competitively bid; therefore, the county does not know if it received the maximum economic benefit available. Also, the secretary/bookkeeper did not have the authority to sign the contract. Section 5-6-108, Tennessee Code Annotated, (TCA), provides that the county mayor is the chief financial officer of the county and has the care and custody of all county property. Furthermore, it could not be determined if Benton County had complied with provisions of Section 71-4-501 et seq. TCA, vocational services to the blind, which grants blind individuals priority in the establishment and operation of vending facilities on public property.

RECOMMENDATION

Competitive bids should be solicited for all sponsorship/vending contracts not operated by the state vocational services to the blind. All contracts obligating Benton County should be signed by the county mayor.

FINDING 05.06 **THE OFFICE DID NOT DOCUMENT COMPLIANCE WITH THE
DAVIS-BACON ACT**
(A. Internal Control – Material Weakness Under Government Auditing Standards and OMB Circular A-133; B. Material Noncompliance Under OMB Circular A-133)

Our examination noted the following weaknesses:

- A. The office did not document its compliance with the Davis-Bacon Act for a capital project totaling \$662,797 that was funded by a federal Rural Development, Forestry, and Communities Grant.

- B. The county's contract with a vendor for the construction of a new Health Department building did not contain a clause indicating that the contractor would be required to comply with the provisions of the Davis-Bacon Act.

Federal regulations require that contractors and subcontractors pay prevailing wages on any construction contract that exceeds \$2,000 and is financed either wholly or partially by federal funds. As a result of the failure to document its compliance with the Davis-Bacon Act and failure to include the provisions of the Davis-Bacon Act as a part of the building construction contract, we were unable to determine that the contractors and subcontractors paid their employees prevailing wage rates on this construction project.

RECOMMENDATION

The office should implement procedures to comply with provisions of the Davis-Bacon Act by including prevailing wage rate clauses in all future federally funded construction contracts and by monitoring and reviewing contractors' and subcontractors' payrolls for compliance with prevailing wage rate requirements.

OFFICE OF GENERAL SESSIONS COURT CLERK

FINDING 05.07 **THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS** (Noncompliance Under Government Auditing Standards)

At June 30, 2005, the general sessions court clerk had prepared a trial balance of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated, (TCA). However, the trial balance did not reconcile with cash journal accounts by a substantial amount. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

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

OFFICE OF CLERK AND MASTER

FINDING 05.08 **THE CLERK DID NOT REQUIRE A DEPOSITORY TO COLLATERALIZE FUNDS THAT EXCEEDED FDIC COVERAGE**

(Noncompliance Under Government Auditing Standards)

The clerk and master did not require a depository holding county funds to pledge securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, funds on deposit exceeded FDIC coverage by \$49,812. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of the funds that exceed FDIC coverage. When this condition was brought to the attention of the clerk and master in November 2005, the depository pledged securities sufficient to protect all county funds.

RECOMMENDATION

County officials should require all depositories to pledge sufficient securities to protect county funds exceeding FDIC coverage as required by state statute.

OFFICE OF SHERIFF

FINDING 05.09 **THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF DRUG CONTROL FUNDS**

(Noncompliance Under Government Auditing Standards)

The office did not maintain forms and reports required by the Office of the Comptroller of the Treasury. These forms and reports are necessary to document the administration of confidential funds and to account for cash transactions related to undercover investigative operations.

RECOMMENDATION

The office should maintain drug control forms and reports as required by the Office of the Comptroller of the Treasury.

FINDING 05.10 **THE SHERIFF DID NOT FILE A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES**

(Noncompliance Under Government Auditing Standards)

The sheriff did not obtain a letter of agreement or file suit in Circuit Court to authorize the number and salaries of his deputies. Section 8-20-101, Tennessee Code Annotated, permits

the sheriff to enter into a letter of agreement with the county mayor concerning the number and the salaries of deputies or to file suit in Circuit Court.

RECOMMENDATION

The sheriff should obtain a letter of agreement with the county mayor or petition Circuit Court for the number and salaries of deputies as required by state statute.

FINDING 05.11 **THE OFFICE DID NOT PREPARE AND FILE AN ANNUAL FINANCIAL REPORT**
(Noncompliance Under Government Auditing Standards)

The office did not prepare and file an annual financial report with the county mayor and county clerk. Section 5-8-505, Tennessee Code Annotated, requires that, “all appointive or elective county public officials, official county boards, committees, and commissions ... having in their charge and custody public funds or moneys are required to file with the county mayor and with the county clerk ... an annual financial report ...”

RECOMMENDATION

The office should prepare and file an annual financial report with the county mayor and county clerk as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.12 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

County officials should consider adopting either 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.

FINDING 05.13

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records in these offices were also involved in receipting, depositing, disbursing funds, posting receipts to the cash journal, reconciling bank statements, reconciling receipts with cash, and/or preparing bank deposits. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U. S. Department of Agriculture: Passed-through Delta Regional Authority: Rural Development, Forestry, and Communities	05.14	10.672	Circular A-133 Section 300(b), and Compliance Supplement Part 3(D)	Material Weakness in Internal Control and Material Noncompliance, see Finding No. 05.06: The County Mayor's Office Did Not Document Compliance with the Davis-Bacon Act	\$0

BENTON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs.

County Mayor – Corrective Action Plan for Current-year Findings

FINDINGS 05.06 and 05.14

We will implement procedures to comply with the provisions of the Davis-Bacon Act, including adding prevailing wage rate clauses in all future federally funded construction contracts and monitoring contractor's and subcontractor's payrolls for compliance with prevailing wage rate requirements.