ANNUAL FINANCIAL REPORT
OF
BLEDSOE COUNTY, TENNESSEE
AND
BLEDSOE COUNTY SCHOOL DEPARTMENT

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

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

ANNUAL FINANCIAL REPORT

BLEDSOE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
STEVE REEDER, CPA, CGFM, CFE
Auditor 4s

JUNE ROGERS, CGFM
JENI BOYETTE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

BLEDSOE COUNTY, TENNESSEE
TABLE OF CONTENTS

	Exhibit/Table	Page
Audit Highlights		i
INTRODUCTORY SECTION		
Bledsoe County Officials		1
FINANCIAL SECTION		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	12
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	13
Notes to the Financial Statements		15
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	33
Ambulance Service Fund	D-2	36
Highway/Public Works Fund	D-3	37
Notes to the Required Supplementary Information		39
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	E-1	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	47
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Courthouse and Jail Maintenance Fund	E-3	49
Public Library Fund	E-4	50
Solid Waste/Sanitation Fund	E-5	51
Drug Control Fund	E-6	52
Other Special Revenue Fund	E-7	53
General Debt Service Fund	E-8	54
Education Debt Service Fund	E-9	55

	Exhibit/Table	Page
Fiduciary Funds:		
Combining Statement of Fiduciary Assets and Liabilities	F-1	59
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	F-2	60
Miscellaneous Schedules:		
Schedule of Changes in Long-term Notes and Bonds	G-1	63
Schedule of Bond and Interest Requirements by Year	G-2	64
Schedule of Salaries and Official Bonds of Principal Officials	G-3	65
Schedule of Detailed Revenues – All Governmental Fund Types	G-4	66
Schedule of Detailed Expenditures – All Governmental Fund Types	G-5	74
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	G-6	88

STATISTICAL SECTION

Uncollected Taxes Filed in Chancery Court	1	91
Tax Rates and Assessments – Last Ten Years	2	92

Audit Highlights

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

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Bledsoe County as of and for the year ended June 30, 2005.

Results

Our report on Bledsoe County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in nine findings and recommendations, which we have reviewed with Bledsoe 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:

BLEDSOE COUNTY

- Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF COUNTY MAYOR

- Tax anticipation notes were issued without the approval of the state director of Local Finance.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

- The office had deficiencies in its computer system backup procedures. Daily backups were not stored in a secure location; weekly and fiscal year-end backups were not performed; system backups were not stored off-site; and a backup log was not maintained.
- The office did not develop a disaster recovery plan to assist in re-creating its data processing environment in the event of a disaster.
- The office did not have formal policies and procedures for computer operations.

OFFICE OF SHERIFF

- Collections were not always deposited to the office bank account within three days 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 County Mayor; Highway Superintendent; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.
- The general sessions judge also served as county attorney and delinquent tax attorney, contrary to opinions issued by the state attorney general.

INTRODUCTORY SECTION

Bledsoe County Officials
June 30, 2005

Officials:

Gregg Ridley, County Mayor
Tom Frazier, Highway Superintendent
Deanna Rains, Trustee
Phillip Cagle, Assessor of Property
Carolyn Terry, County Clerk
Jamey Roberson, Circuit, General Sessions, and Juvenile Courts Clerk
Greg Forgey, Clerk and Master
Emma Boynton, Register
Bob Swafford, Sheriff

Board of County Commissioners:

Martin DeWeese, Chairman
Tom Boynton
Tim Campbell
Junior Hankins
Greg Johnson
Craig Mercer
Charles R. Raines, Jr.
Henry Sapp
Ronald Sapp
Roger Simmons
Carlos Smith
Gordon Smith
Perry Swafford

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
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

December 16, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Bledsoe County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 29, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Bledsoe County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Bledsoe County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bledsoe County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Bledsoe County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2005, on our consideration of Bledsoe 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Bledsoe 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 budgetary comparison information on pages 33 through 39 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 Bledsoe County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 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/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor Funds	
	General	Ambulance Service	Highway / Public Works	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS					
Cash	$ 0	$ 55,481	$ 0	$ 8,672	$ 64,153
Equity in Pooled Cash and Investments	244,732	271,156	782,398	155,438	1,453,724
Accounts Receivable	0	596,988	0	821	597,809
Allowance for Uncollectibles	0	(298,494)	0	0	(298,494)
Due from Other Governments	38,039	0	266,478	0	304,517
Due from Other Funds	10,817	0	0	3,750	14,567
Property Taxes Receivable	1,107,175	0	0	236,629	1,343,804
Allowance for Uncollectible Property Taxes	(66,384)	0	0	(15,938)	(82,322)
Total Assets	$ 1,334,379	$ 625,131	$ 1,048,876	$ 389,372	$ 3,397,758
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 0	$ 0	$ 34,879	$ 0	$ 34,879
Payroll Deductions Payable	1,277	924	1	37	2,239
Contracts Payable	0	0	5,178	0	5,178
Due to Other Funds	3,750	0	0	9,064	12,814
Other Current Liabilities	189	166	0	0	355
Deferred Revenue - Current Property Taxes	993,991	0	0	207,980	1,201,971
Deferred Revenue - Delinquent Property Taxes	46,800	0	0	12,711	59,511
Other Deferred Revenues	5,771	298,494	132,053	0	436,318
Total Liabilities	$ 1,051,778	$ 299,584	$ 172,111	$ 229,792	$ 1,753,265
Fund Balances					
Reserved for Encumbrances	$ 1,662	$ 0	$ 172,612	$ 0	$ 174,274
Reserved for Alcohol and Drug Treatment	8,646	0	0	0	8,646
Reserved for Sexual Offender Registration	60	0	0	0	60
Reserved for Computer System - Register	24,025	0	0	0	24,025
Reserved for Automation Purposes - General Sessions Court	1,464	0	0	0	1,464
Unreserved, Reported In:					
General Fund	246,744	0	0	0	246,744
Special Revenue Funds	0	325,547	704,153	152,961	1,182,661
Debt Service Funds	0	0	0	6,069	6,069
Capital Projects Funds	0	0	0	550	550
Total Fund Balances	$ 282,601	$ 325,547	$ 876,765	$ 159,580	$ 1,644,493
Total Liabilities and Fund Balances	$ 1,334,379	$ 625,131	$ 1,048,876	$ 389,372	$ 3,397,758

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

Exhibit B

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

	Major Funds			Nonmajor Funds	
	General	Ambulance Service	Highway / Public Works	Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 1,244,773	$ 0	$ 0	$ 275,174	$ 1,519,947
Licenses and Permits	2,873	0	0	1,317	4,190
Fines, Forfeitures and Penalties	19,601	0	0	9,803	29,404
Charges for Current Services	5,175	503,416	0	1,541	510,132
Other Local Revenues	214,745	10,820	5,329	91,598	322,492
Fees Received from County Officials	303,368	0	0	0	303,368
State of Tennessee	454,203	0	1,718,889	75,847	2,248,939
Federal Government	105,002	0	0	778	105,780
Other Governments and Citizens Groups	300,000	0	0	188,565	488,565
Total Revenues	$ 2,649,740	$ 514,236	$ 1,724,218	$ 644,623	$ 5,532,817
Expenditures					
Current:					
General Government	$ 638,644	$ 0	$ 0	$ 10,395	$ 649,039
Finance	255,710	0	0	0	255,710
Administration of Justice	267,618	0	0	0	267,618
Public Safety	927,809	0	0	156,296	1,084,105
Public Health and Welfare	390,118	454,063	0	169,358	1,013,539
Social, Cultural, and Recreational Services	50,219	0	0	52,308	102,527
Agricultural and Natural Resources	38,408	0	0	0	38,408
Other Operations	7,630	0	0	0	7,630
Highways	0	0	1,723,947	29,700	1,753,647
Debt Service:					
Principal	0	0	0	136,161	136,161
Interest	0	0	0	68,296	68,296
Other Debt Service	0	0	0	668,372	668,372
Total Expenditures	$ 2,576,156	$ 454,063	$ 1,723,947	$ 1,290,886	$ 6,045,052
Excess (Deficiency) of Revenues Over Expenditures	$ 73,584	$ 60,173	$ 271	$ (646,263)	$ (512,235)
Net Change in Fund Balances	$ 73,584	$ 60,173	$ 271	$ (646,263)	$ (512,235)
Fund Balance, July 1, 2004	209,017	265,374	876,494	805,843	2,156,728
Fund Balance, June 30, 2005	$ 282,601	$ 325,547	$ 876,765	$ 159,580	$ 1,644,493

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

Exhibit C

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

	Agency Funds
ASSETS	
Cash	$ 435,211
Due from Other Governments	28,652
Total Assets	$ 463,863
LIABILITIES	
Due to Other Taxing Units	$ 28,652
Due to Litigants, Heirs, and Others	435,211
Total Liabilities	$ 463,863

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bledsoe County's financial statements are not 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.

Bledsoe County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Bledsoe County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Bledsoe County's auditor to issue an adverse opinion on the county's financial statements.

Although Bledsoe County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Bledsoe County is a public municipal corporation governed by an elected 13-member board. As required by GAAP, these financial statements present Bledsoe County (the primary government).

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

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Bledsoe County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The Bledsoe County School Department operates the public school system in the county, and the voters of Bledsoe 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 Bledsoe County Nursing Home provides health care to the citizens of Bledsoe County, and the Bledsoe County Commission appoints its governing body. The nursing home is funded primarily through patient service charges. Before the issuance of most debt instruments, the nursing home must obtain the approval of the County Commission.

The Bledsoe County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Bledsoe County, and the Bledsoe 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 Bledsoe County School Department, the Bledsoe County Nursing Home, and the Bledsoe County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Bledsoe County Nursing Home's and the Bledsoe County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Bledsoe County Nursing Home and the Bledsoe County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Bledsoe County Nursing Home
107 Wheeler Town Avenue
Pikeville, TN 37367

Bledsoe County Emergency Communications District
305 Alan P. Deakins Road
Pikeville, TN 37367

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

Fund financial statements of Bledsoe County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Bledsoe County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Bledsoe 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary 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.

Bledsoe 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.

Ambulance Service Fund – This fund is used to account for the transactions of the county's Ambulance Service.

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

Additionally, Bledsoe County reports the following fund types:

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Fund – The HUD Grants Project Fund is used to account for the HOME investment program.

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 Bledsoe 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.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 Bledsoe County and Bledsoe County School Department 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. Most income from these pooled investments is assigned to the General Debt Service Fund. Bledsoe County and the Bledsoe 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 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. <u>Receivables and Payables</u>

Outstanding balances between funds are reported as due to/from other funds.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.26 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred 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 not material for financial reporting purposes and are thus not 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.

Contracts payable of $5,178 in the Highway/Public Works Fund represent amounts due on highway construction projects at June 30, 2005.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Bledsoe County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Bledsoe County does not present government-wide statements.

4. Compensated Absences

It is the county's policy to not allow for the accumulation of unused vacation beyond year-end. Employees are allowed to accumulate sick leave days equal to the number of days earned in a year; however, the granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds, 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.

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.

6. Fund Equity

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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Public Library Fund (a nonmajor special revenue fund) by $569. Also, expenditures exceeded appropriations approved by the County Commission in the County Attorney major appropriation category (the legal level of control) of the General Fund by $22,003. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance in each fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Bledsoe County and the Bledsoe County School Department participate in an internal cash and investment pool through the Office of Trustee. The Bledsoe County School Department meets the criteria for a discretely presented component unit of Bledsoe County. Since Bledsoe County is presenting fund financial statements only, the financial information for the Bledsoe County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund

accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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.

Bledsoe County had no pooled or nonpooled investments at June 30, 2005.

B. Interfund Receivables and Payables

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 9,064
General	Ambulance Service	1,753
Nonmajor governmental	General	3,750

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.

The receivable in the General Fund ($1,753) was in transit from the Ambulance Service Fund at June 30, 2005.

C. Committed Construction

At June 30, 2005, the Highway/Public Works Fund had uncompleted construction projects of $172,612. Funding for these future expenditures will be provided from current funds.

D. Long-term Debt

Since Bledsoe County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Bledsoe County is not presenting government-wide financial statements.

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 20 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The general obligation bond included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund. Capital outlay notes included in long-term debt will be retired from the General Debt Service Fund ($80,000) and the Solid Waste/Sanitation Fund ($197,839).

The general obligation bond and capital outlay notes outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bond	3.6 to 4.5 %	$ 1,600,000	$ 1,260,000
Capital Outlay Notes	3 to 5.8	694,000	277,839

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

Year Ending June 30	Bond		Notes	
	Principal	Interest	Principal	Interest
2006	$ 65,000	$ 53,096	$ 77,265	$ 9,405
2007	70,000	50,412	78,383	5,977
2008	70,000	47,595	39,535	3,666
2009	75,000	44,631	40,714	2,487
2010	80,000	41,404	41,942	1,258
2011-2015	450,000	152,304	0	0
2016-2019	450,000	41,599	0	0
Totals	$ 1,260,000	$ 431,041	$ 277,839	$ 22,793

There is $6,069 available in the General Debt Service Fund to service long-term debt. Total bonded debt per capita amounted to $102, based on the 2000 federal census. Total debt per capita, including the bond and capital outlay notes, amounted to $124, 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
Balance, July 1, 2004	$ 13,820,000	$ 349,000
Deductions	(12,560,000)	(71,161)
Balance, June 30, 2005	$ 1,260,000	$ 277,839
Balance Due Within One Year	$ 65,000	$ 77,265

During the year, administration of the Education Debt Service Fund transferred from the primary government to the School Department. The deductions in bonds noted in the schedule above include $12,495,000 which was transferred to the long-term debt schedule of the School Department.

E. Short-term Debt

Bledsoe County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund and the General Debt Service Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

Fund	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
General	$ 0	$ 550,000	$ (550,000)	$ 0
General Debt Service	0	100,000	(100,000)	0

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. Bledsoe County, except for the Highway Department, is a member of the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association. Annual premiums are paid to the TSB-RMT for its general liability, property, casualty, and workers' compensation risk coverage. The creation of this pool provides for it to be self-sustaining through member premiums.

Bledsoe County Highway Department's risk of loss relating to general liability, property, casualty, and workers' compensation losses is covered by participation in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The Highway Department pays annual premiums to the pool its general liability, property, casualty, and workers' compensation risk coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding $100,000 for each insured event.

B. Accounting Change

During the year, Bledsoe 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. Judgment

In February 2005, a lawsuit involving the Bledsoe County Nursing Home was settled and the Nursing Home was ordered to pay $300,000. Due to current obligations, the Nursing Home was not able to make payment on this judgment at the time the case was settled. In an agreement with the Nursing Home, Bledsoe County paid the judgment from its General Fund and was reimbursed by the Nursing Home prior to June 30, 2005.

D. Subsequent Event

On December 13, 2005, a trial court entered a judgment against the county for unpaid medical expenses incurred by an inmate while in the custody in the Bledsoe County Jail. This judgment was in the amount of $145,000 plus statutory prejudgment interest.

E. Contingent Liabilities

Bledsoe County, the Bledsoe County Highway Department, and various county officials are named as defendants in a lawsuit seeking injunctive relief, in regard to various roads located in multiple subdivisions, and compensatory and punitive damages in excess of $10,000,000. The trial court bifurcated this matter and conducted the injunctive relief portion of this action in November 2003. The court entered an adverse ruling against Bledsoe County and the Bledsoe Highway Department, and granted the requested injunctive relief for a portion of the roads located within one or more developments of Hasty-Greene Investments, Inc. Motions for a new trial and to alter or amend the court's findings have been filed by Bledsoe County. It is the opinion of the attorneys representing the county that the probability of recovery against the county is great; however, compensatory and punitive damages cannot be reasonably estimated.

There are several other pending lawsuits in which the county is involved. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

F. Joint Ventures

The Bledsoe/Sequatchie Landfill Board operates a regional sanitary landfill, which is owned by Bledsoe County, Sequatchie County, the City of Dunlap, and the City of Pikeville. The landfill is governed by a ten-member board, including the county mayor and two members appointed by the County Commission. The remaining seven members are appointed by the other joint owners. Bledsoe County has control over budgeting and financing the joint venture only to the extent of representation by the three board members and is responsible for funding approximately 39 percent of any deficits from operation. Bledsoe County contributed $85,683 to the operation of the board during the year examined. In addition to this contribution, Bledsoe County

also paid $36,161 in principal on a capital outlay note issued in 2004 to finance the closure of the landfill site. Complete financial statements for the Bledsoe/Sequatchie Landfill Board can be obtained from the board's administrative office at the following address:

Bledsoe/Sequatchie Landfill
P. O. Box 149
Pikeville, TN 37367

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district is composed of Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie Counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Bledsoe 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. Complete financial statements for the DTF can be obtained from their administrative office at the following address:

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

G. Retirement Commitments

Plan Description

Employees of Bledsoe 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 Bledsoe 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

Bledsoe 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 7.07 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bledsoe County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Bledsoe County's annual pension cost of $250,245 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. Bledsoe 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 21 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	$250,245	100%	$0
6-30-04	153,939	100	0
6-30-03	145,691	100	0

Required Supplementary Information
Schedule of Funding Progress for Bledsoe County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	$6,429	$6,830	$401	94.13%	$2,973	13.49%
6-30-01	5,738	6,189	451	92.71	2,852	15.81
6-30-99	4,928	4,992	64	98.72	2,483	2.58

H. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Bledsoe County Mayor's Office are governed by the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding $5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by provisions of Chapter 143, Private Acts of 1941, and the Uniform Road Law, Section 54-7-113, TCA, which provide for purchases exceeding $10,000 to be made after public advertisement and solicitation of competitive bids. These statutes also provide for the highway superintendent to purchase all materials and supplies for this department.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit D-1

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 1,244,773	$ 0	$ 1,244,773	$ 1,189,270	$ 1,178,270	$ 66,503
Licenses and Permits	2,873	0	2,873	5,500	5,500	(2,627)
Fines, Forfeitures, and Penalties	19,601	0	19,601	22,800	22,800	(3,199)
Charges for Current Services	5,175	0	5,175	6,750	6,750	(1,575)
Other Local Revenues	214,745	0	214,745	159,450	161,740	53,005
Fees Received from County Officials	303,368	0	303,368	263,500	263,500	39,868
State of Tennessee	454,203	0	454,203	344,980	533,778	(79,575)
Federal Government	105,002	0	105,002	60,000	140,000	(34,998)
Other Governments and Citizens Groups	300,000	0	300,000	0	300,000	0
Total Revenues	$ 2,649,740	$ 0	$ 2,649,740	$ 2,052,250	$ 2,612,338	$ 37,402
Expenditures						
General Government						
County Commission	$ 29,287	$ 0	$ 29,287	$ 39,600	$ 39,600	$ 10,313
Board of Equalization	0	0	0	400	400	400
County Mayor	109,409	0	109,409	103,403	110,916	1,507
County Attorney	49,488	0	49,488	24,200	27,485	(22,003)
Election Commission	73,251	0	73,251	70,675	75,357	2,106
Register of Deeds	74,996	0	74,996	78,091	78,091	3,095
Planning	12,466	0	12,466	13,700	13,700	1,234
County Buildings	49,518	0	49,518	57,400	53,976	4,458
Other General Administration	240,229	0	240,229	270,397	246,519	6,290
Finance						
Property Assessor's Office	93,573	0	93,573	91,666	96,166	2,593
Reappraisal Program	7,199	0	7,199	9,050	9,050	1,851
County Trustee's Office	79,817	0	79,817	79,969	80,956	1,139
County Clerk's Office	75,121	0	75,121	75,816	75,816	695

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Administration of Justice						
Circuit Court	$ 133,165	$ 1,392	$ 134,557	$ 136,286	$ 136,786	$ 2,229
General Sessions Court	59,609	0	59,609	60,980	60,980	1,371
Chancery Court	74,844	0	74,844	75,607	75,607	763
Public Safety						
Sheriff's Department	433,845	0	433,845	419,717	443,117	9,272
Jail	399,725	270	399,995	197,762	404,507	4,512
Fire Prevention and Control	35,490	0	35,490	46,102	37,968	2,478
Civil Defense	346	0	346	2,018	2,018	1,672
Rescue Squad	6,000	0	6,000	6,000	6,000	0
Other Emergency Management	48,353	0	48,353	0	50,000	1,647
County Coroner/Medical Examiner	4,050	0	4,050	8,000	4,050	0
Public Health and Welfare						
Local Health Center	29,806	0	29,806	34,565	34,565	4,759
Nursing Home	300,000	0	300,000	0	300,000	0
Dental Health Program	58,407	0	58,407	92,650	92,650	34,243
Alcohol and Drug Programs	934	0	934	3,000	3,000	2,066
Crippled Children Services	971	0	971	971	971	0
Social, Cultural and Recreational Services						
Senior Citizens Assistance	1,000	0	1,000	1,000	1,000	0
Libraries	38,565	0	38,565	38,565	38,565	0
Parks and Fair Boards	8,331	0	8,331	9,500	9,500	1,169
Other Social, Cultural and Recreational	2,323	0	2,323	0	2,323	0
Agriculture & Natural Resources						
Agriculture Extension Service	38,408	0	38,408	50,369	41,369	2,961
Other Operations						
Other Economic and Community Development	7,630	0	7,630	1,484	7,630	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Other Operations (Cont.)						
Contributions to Other Agencies	$ 0	$ 0	$ 0	$ 1,064	$ 1,064	$ 1,064
Total Expenditures	$ 2,576,156	$ 1,662	$ 2,577,818	$ 2,100,007	$ 2,661,702	$ 83,884
Excess (Deficiency) of Revenues Over Expenditures	$ 73,584	$ (1,662)	$ 71,922	$ (47,757)	$ (49,364)	$ 121,286
Net Change in Fund Balance	$ 73,584	$ (1,662)	$ 71,922	$ (47,757)	$ (49,364)	$ 121,286
Fund Balance, July 1, 2004	209,017	0	209,017	74,935	74,935	134,082
Fund Balance, June 30, 2005	$ 282,601	$ (1,662)	$ 280,939	$ 27,178	$ 25,571	$ 255,368

Exhibit D-2

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 503,416	$ 450,000	$ 450,000	$ 53,416
Other Local Revenues	10,820	0	9,203	1,617
Total Revenues	$ 514,236	$ 450,000	$ 459,203	$ 55,033
Expenditures				
Public Health and Welfare				
Ambulance/Emergency Medical Services	$ 454,063	$ 564,864	$ 574,067	$ 120,004
Total Expenditures	$ 454,063	$ 564,864	$ 574,067	$ 120,004
Excess (Deficiency) of Revenues Over Expenditures	$ 60,173	$ (114,864)	$ (114,864)	$ 175,037
Net Change in Fund Balance	$ 60,173	$ (114,864)	$ (114,864)	$ 175,037
Fund Balance, July 1, 2004	265,374	214,621	214,621	50,753
Fund Balance, June 30, 2005	$ 325,547	$ 99,757	$ 99,757	$ 225,790

Exhibit D-3

Bledsoe 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 Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Other Local Revenues	$ 5,329	$ 0	$ 0	$ 5,329	$ 5,000	$ 5,000	$ 329
State of Tennessee	1,718,889	0	0	1,718,889	1,488,100	1,677,344	41,545
Total Revenues	$ 1,724,218	$ 0	$ 0	$ 1,724,218	$ 1,493,100	$ 1,682,344	$ 41,874
Expenditures							
Highways							
Administration	$ 104,931	$ 0	$ 0	$ 104,931	$ 116,975	$ 116,975	$ 12,044
Highway and Bridge Maintenance	1,092,328	(172,612)	172,612	1,092,328	861,525	1,154,015	61,687
Operation and Maintenance of Equipment	194,657	0	0	194,657	197,500	210,030	15,373
Quarry Operations	1,175	0	0	1,175	2,300	2,300	1,125
Other Charges	75,596	0	0	75,596	88,950	88,950	13,354
Employee Benefits	207,999	0	0	207,999	198,500	214,724	6,725
Capital Outlay	47,261	0	0	47,261	267,079	267,079	219,818
Total Expenditures	$ 1,723,947	$ (172,612)	$ 172,612	$ 1,723,947	$ 1,732,829	$ 2,054,073	$ 330,126
Excess (Deficiency) of Revenues Over Expenditures	$ 271	$ 172,612	$ (172,612)	$ 271	$ (239,729)	$ (371,729)	$ 372,000
Net Change in Fund Balance	$ 271	$ 172,612	$ (172,612)	$ 271	$ (239,729)	$ (371,729)	$ 372,000
Fund Balance, July 1, 2004	876,494	(172,612)	0	703,882	803,185	803,185	(99,303)
Fund Balance, June 30, 2005	$ 876,765	$ 0	$ (172,612)	$ 704,153	$ 563,456	$ 431,456	$ 272,697

BLEDSOE 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, County Mayor, County Attorney, 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 EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the County Attorney major appropriation category (the legal level of control) of the General Fund by $22,003. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by available fund balance.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Public Library Fund – The Public Library Fund is used to account for transactions of the Bledsoe County Public Library.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for the transactions relating to the disposal of solid waste.

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

Other Special Revenue Fund – The Other Special Revenue Fund is used to account for transactions of the Bledsoe County Emergency Communications District.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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.

Education Debt Service Fund – The Education Debt Service Fund is used to account for the accumulation of resources for, and the payment of, education related long-term debt principal, interest, and related costs. During the year, the administration of this fund was transferred to the School Department.

Capital Projects Fund

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

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for the HOME Investment Program.

Exhibit E-1

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

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Other Special Revenue
ASSETS					
Cash	$ 0	$ 0	$ 0	$ 0	$ 0
Equity in Pooled Cash and Investments	560	21,951	103,599	7,000	15,709
Accounts Receivable	0	0	429	0	0
Due from Other Funds	3,750	0	0	0	0
Property Taxes Receivable	0	0	123,231	0	0
Allowance for Uncollectible Property Taxes	0	0	(9,997)	0	0
Total Assets	$ 4,310	$ 21,951	$ 217,262	$ 7,000	$ 15,709
LIABILITIES AND FUND BALANCES					
Liabilities					
Payroll Deductions Payable	$ 0	$ 0	$ 0	$ 0	$ 37
Due to Other Funds	0	0	0	0	0
Deferred Revenue - Current Property Taxes	0	0	103,990	0	0
Deferred Revenue - Delinquent Property Taxes	0	0	9,244	0	0
Total Liabilities	$ 0	$ 0	$ 113,234	$ 0	$ 37
Fund Balances					
Unreserved	$ 4,310	$ 21,951	$ 104,028	$ 7,000	$ 15,672
Total Fund Balances	$ 4,310	$ 21,951	$ 104,028	$ 7,000	$ 15,672
Total Liabilities and Fund Balances	$ 4,310	$ 21,951	$ 217,262	$ 7,000	$ 15,709

(Continued)

Exhibit E-1

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

	Special Revenue Funds (Cont.)		Debt Service Fund	Capital Projects Fund	
	Constitutional Officers - Fees	Total	General Debt Service	HUD Grant Projects	Total Nonmajor Governmental Funds
ASSETS					
Cash	$ 8,672	$ 8,672	$ 0	$ 0	$ 8,672
Equity in Pooled Cash and Investments	0	148,819	6,069	550	155,438
Accounts Receivable	392	821	0	0	821
Due from Other Funds	0	3,750	0	0	3,750
Property Taxes Receivable	0	123,231	113,398	0	236,629
Allowance for Uncollectible Property Taxes	0	(9,997)	(5,941)	0	(15,938)
Total Assets	$ 9,064	$ 275,296	$ 113,526	$ 550	$ 389,372
LIABILITIES AND FUND BALANCES					
Liabilities					
Payroll Deductions Payable	$ 0	$ 37	$ 0	$ 0	$ 37
Due to Other Funds	9,064	9,064	0	0	9,064
Deferred Revenue - Current Property Taxes	0	103,990	103,990	0	207,980
Deferred Revenue - Delinquent Property Taxes	0	9,244	3,467	0	12,711
Total Liabilities	$ 9,064	$ 122,335	$ 107,457	$ 0	$ 229,792
Fund Balances					
Unreserved	$ 0	$ 152,961	$ 6,069	$ 550	$ 159,580
Total Fund Balances	$ 0	$ 152,961	$ 6,069	$ 550	$ 159,580
Total Liabilities and Fund Balances	$ 9,064	$ 275,296	$ 113,526	$ 550	$ 389,372

Exhibit E-2

Bledsoe 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					
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Total
Revenues						
Local Taxes	$ 544	$ 0	$ 204,818	$ 0	$ 0	$ 205,362
Licenses and Permits	808	0	370	0	0	1,178
Fines, Forfeitures and Penalties	5,928	0	0	3,875	0	9,803
Charges for Current Services	0	1,541	0	0	0	1,541
Other Local Revenues	3,749	3,864	11,213	9,793	0	28,619
State of Tennessee	0	0	67,681	0	0	67,681
Federal Government	0	778	0	0	0	778
Other Governments and Citizens Groups	0	38,565	0	0	150,000	188,565
Total Revenues	$ 11,029	$ 44,748	$ 284,082	$ 13,668	$ 150,000	$ 503,527
Expenditures						
Current:						
General Government	$ 10,395	$ 0	$ 0	$ 0	$ 0	$ 10,395
Public Safety	0	0	0	21,968	134,328	156,296
Public Health and Welfare	0	0	168,986	372	0	169,358
Social, Cultural, and Recreational Services	0	52,308	0	0	0	52,308
Highways	0	0	29,700	0	0	29,700
Debt Service:						
Principal	0	0	36,161	0	0	36,161
Interest	0	0	7,039	0	0	7,039
Other Debt Service	0	0	0	0	0	0
Total Expenditures	$ 10,395	$ 52,308	$ 241,886	$ 22,340	$ 134,328	$ 461,257
Excess (Deficiency) of Revenues Over Expenditures	$ 634	$ (7,560)	$ 42,196	$ (8,672)	$ 15,672	$ 42,270
Net Change in Fund Balances	$ 634	$ (7,560)	$ 42,196	$ (8,672)	$ 15,672	$ 42,270
Fund Balance, July 1, 2004	3,676	29,511	61,832	15,672	0	110,691
Fund Balance, June 30, 2005	$ 4,310	$ 21,951	$ 104,028	$ 7,000	$ 15,672	$ 152,961

(Continued)

Exhibit E-2

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

	Debt Service Funds			Capital Projects Fund	
	General Debt Service	Education Debt Service	Total	HUD Grant Projects	Total Nonmajor Governmental Funds
Revenues					
Local Taxes	$ 69,812	$ 0	$ 69,812	$ 0	$ 275,174
Licenses and Permits	139	0	139	0	1,317
Fines, Forfeitures and Penalties	0	0	0	0	9,803
Charges for Current Services	0	0	0	0	1,541
Other Local Revenues	62,979	0	62,979	0	91,598
State of Tennessee	8,166	0	8,166	0	75,847
Federal Government	0	0	0	0	778
Other Governments and Citizens Groups	0	0	0	0	188,565
Total Revenues	$ 141,096	$ 0	$ 141,096	$ 0	$ 644,623
Expenditures					
Current:					
General Government	$ 0	$ 0	$ 0	$ 0	$ 10,395
Public Safety	0	0	0	0	156,296
Public Health and Welfare	0	0	0	0	169,358
Social, Cultural, and Recreational Services	0	0	0	0	52,308
Highways	0	0	0	0	29,700
Debt Service:					
Principal	100,000	0	100,000	0	136,161
Interest	61,257	0	61,257	0	68,296
Other Debt Service	2,865	665,507	668,372	0	668,372
Total Expenditures	$ 164,122	$ 665,507	$ 829,629	$ 0	$ 1,290,886
Excess (Deficiency) of Revenues Over Expenditures	$ (23,026)	$ (665,507)	$ (688,533)	$ 0	$ (646,263)
Net Change in Fund Balances	$ (23,026)	$ (665,507)	$ (688,533)	$ 0	$ (646,263)
Fund Balance, July 1, 2004	29,095	665,507	694,602	550	805,843
Fund Balance, June 30, 2005	$ 6,069	$ 0	$ 6,069	$ 550	$ 159,580

Exhibit E-3

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse & Jail Maintenance Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 544	$ 500	$ 500	$ 44
Licenses and Permits	808	800	800	8
Fines, Forfeitures and Penalties	5,928	11,000	11,000	(5,072)
Other Local Revenues	3,749	0	0	3,749
Total Revenues	$ 11,029	$ 12,300	$ 12,300	$ (1,271)
Expenditures				
General Government				
County Buildings	$ 10,315	$ 17,000	$ 17,000	$ 6,685
Other General Administration	80	150	150	70
Total Expenditures	$ 10,395	$ 17,150	$ 17,150	$ 6,755
Excess (Deficiency) of Revenues Over Expenditures	$ 634	$ (4,850)	$ (4,850)	$ 5,484
Net Change in Fund Balance	$ 634	$ (4,850)	$ (4,850)	$ 5,484
Fund Balance, July 1, 2004	3,676	6,283	6,283	(2,607)
Fund Balance, June 30, 2005	$ 4,310	$ 1,433	$ 1,433	$ 2,877

Exhibit E-4

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 1,541	$ 0	$ 0	$ 1,541
Other Local Revenues	3,864	0	0	3,864
Federal Government	778	0	0	778
Other Governments and Citizens Groups	38,565	0	38,565	0
Total Revenues	$ 44,748	$ 0	$ 38,565	$ 6,183
Expenditures				
Social, Cultural and Recreational Services				
Libraries	$ 52,308	$ 48,784	$ 51,739	$ (569)
Total Expenditures	$ 52,308	$ 48,784	$ 51,739	$ (569)
Excess (Deficiency) of Revenues Over Expenditures	$ (7,560)	$ (48,784)	$ (13,174)	$ 5,614
Other Financing Sources (Uses)				
Transfers In	$ 0	$ 38,565	$ 0	$ 0
Total Other Financing Sources (Uses)	$ 0	$ 38,565	$ 0	$ 0
Net Change in Fund Balance	$ (7,560)	$ (10,219)	$ (13,174)	$ 5,614
Fund Balance, July 1, 2004	29,511	18,021	18,021	11,490
Fund Balance, June 30, 2005	$ 21,951	$ 7,802	$ 4,847	$ 17,104

Exhibit E-5

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 204,818	$ 193,872	$ 193,872	$ 10,946
Licenses and Permits	370	500	500	(130)
Other Local Revenues	11,213	5,500	5,500	5,713
State of Tennessee	67,681	51,737	51,737	15,944
Total Revenues	$ 284,082	$ 251,609	$ 251,609	$ 32,473
Expenditures				
Public Health and Welfare				
Convenience Centers	$ 83,303	$ 156,901	$ 113,501	$ 30,198
Landfill Operation and Maintenance	85,683	87,548	87,548	1,865
Highways				
Litter and Trash Collection	29,700	31,737	31,937	2,237
Principal				
General Government	36,161	0	36,161	0
Interest				
General Government	7,039	0	7,039	0
Total Expenditures	$ 241,886	$ 276,186	$ 276,186	$ 34,300
Excess (Deficiency) of Revenues Over Expenditures	$ 42,196	$ (24,577)	$ (24,577)	$ 66,773
Net Change in Fund Balance	$ 42,196	$ (24,577)	$ (24,577)	$ 66,773
Fund Balance, July 1, 2004	61,832	43,024	43,024	18,808
Fund Balance, June 30, 2005	$ 104,028	$ 18,447	$ 18,447	$ 85,581

Exhibit E-6

Bledsoe 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 Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures and Penalties	$ 3,875	$ 10,300	$ 10,300	$ (6,425)
Other Local Revenues	9,793	0	8,500	1,293
Total Revenues	$ 13,668	$ 10,300	$ 18,800	$ (5,132)
Expenditures				
Public Safety				
Sheriff's Department	$ 21,320	$ 15,500	$ 24,000	$ 2,680
Drug Enforcement	648	3,600	3,600	2,952
Public Health and Welfare				
Alcohol and Drug Programs	372	2,000	2,000	1,628
Total Expenditures	$ 22,340	$ 21,100	$ 29,600	$ 7,260
Excess (Deficiency) of Revenues Over Expenditures	$ (8,672)	$ (10,800)	$ (10,800)	$ 2,128
Net Change in Fund Balance	$ (8,672)	$ (10,800)	$ (10,800)	$ 2,128
Fund Balance, July 1, 2004	15,672	12,453	12,453	3,219
Fund Balance, June 30, 2005	$ 7,000	$ 1,653	$ 1,653	$ 5,347

Exhibit E-7

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Other Governments and Citizens Groups	$ 150,000	$ 180,000	$ 180,000	$ (30,000)
Total Revenues	$ 150,000	$ 180,000	$ 180,000	$ (30,000)
Expenditures				
Public Safety				
Other Public Safety	$ 134,328	$ 163,855	$ 163,855	$ 29,527
Total Expenditures	$ 134,328	$ 163,855	$ 163,855	$ 29,527
Excess (Deficiency) of Revenues Over Expenditures	$ 15,672	$ 16,145	$ 16,145	$ (473)
Net Change in Fund Balance	$ 15,672	$ 16,145	$ 16,145	$ (473)
Fund Balance, July 1, 2004	0	0	0	0
Fund Balance, June 30, 2005	$ 15,672	$ 16,145	$ 16,145	$ (473)

Exhibit E-8

Bledsoe 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 Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 69,812	$ 69,746	$ 69,746	$ 66
Licenses and Permits	139	0	0	139
Other Local Revenues	62,979	51,000	51,000	11,979
State of Tennessee	8,166	0	0	8,166
Total Revenues	$ 141,096	$ 120,746	$ 120,746	$ 20,350
Expenditures				
Principal				
General Government	$ 100,000	$ 100,000	$ 100,000	$ 0
Interest				
General Government	61,257	61,256	61,257	0
Other Debt Service				
General Government	2,865	2,030	4,029	1,164
Total Expenditures	$ 164,122	$ 163,286	$ 165,286	$ 1,164
Excess (Deficiency) of Revenues Over Expenditures	$ (23,026)	$ (42,540)	$ (44,540)	$ 21,514
Net Change in Fund Balance	$ (23,026)	$ (42,540)	$ (44,540)	$ 21,514
Fund Balance, July 1, 2004	29,095	72,691	72,691	(43,596)
Fund Balance, June 30, 2005	$ 6,069	$ 30,151	$ 28,151	$ (22,082)

Exhibit E-9

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Total Revenues	$ 0	$ 0	$ 0	$ 0
Expenditures				
Other Debt Service				
Education	$ 665,507	$ 665,507	$ 665,507	$ 0
Total Expenditures	$ 665,507	$ 665,507	$ 665,507	$ 0
Excess (Deficiency) of Revenues Over Expenditures	$ (665,507)	$ (665,507)	$ (665,507)	$ 0
Net Change in Fund Balance	$ (665,507)	$ (665,507)	$ (665,507)	$ 0
Fund Balance, July 1, 2004	665,507	665,507	665,507	0
Fund Balance, June 30, 2005	$ 0	$ 0	$ 0	$ 0

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, general sessions and juvenile courts clerk; clerk and master; register; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit F-1

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

	Agency Funds		
	Cities - Sales Tax	Constitutional Officers - Agency	Total
ASSETS			
Cash	$ 0	$ 435,211	$ 435,211
Due from Other Governments	28,652	0	28,652
Total Assets	$ 28,652	$ 435,211	$ 463,863
LIABILITIES			
Due to Other Taxing Units	$ 28,652	$ 0	$ 28,652
Due to Litigants, Heirs, and Others	0	435,211	435,211
Total Liabilities	$ 28,652	$ 435,211	$ 463,863

Exhibit F-2

Bledsoe 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
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 173,714	$ 173,714	$ 0
Due From Other Governments	30,079	28,652	30,079	28,652
Total Assets	$ 30,079	$ 202,366	$ 203,793	$ 28,652
Liabilities				
Due to Other Taxing Units	$ 30,079	$ 202,366	$ 203,793	$ 28,652
Total Liabilities	$ 30,079	$ 202,366	$ 203,793	$ 28,652
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 235,546	$ 2,035,440	$ 1,835,775	$ 435,211
Total Assets	$ 235,546	$ 2,035,440	$ 1,835,775	$ 435,211
Liabilities				
Due to Litigants, Heirs, and Others	$ 235,546	$ 2,035,440	$ 1,835,775	$ 435,211
Total Liabilities	$ 235,546	$ 2,035,440	$ 1,835,775	$ 435,211
Totals - All Agency Funds				
Assets				
Cash	$ 235,546	$ 2,035,440	$ 1,835,775	$ 435,211
Equity in Pooled Cash and Investments	0	173,714	173,714	0
Due From Other Governments	30,079	28,652	30,079	28,652
Total Assets	$ 265,625	$ 2,237,806	$ 2,039,568	$ 463,863
Liabilities				
Due to Other Taxing Units	$ 30,079	$ 202,366	$ 203,793	$ 28,652
Due to Litigants, Heirs, and Others	235,546	2,035,440	1,835,775	435,211
Total Liabilities	$ 265,625	$ 2,237,806	$ 2,039,568	$ 463,863

MISCELLANEOUS SCHEDULES

Exhibit G-1

Bledsoe County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
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	Paid and/or Matured During Period	Adjustment	Outstanding 6-30-05
NOTES PAYABLE								
Payable through General Debt Service Fund								
Jail Renovations and School Bus	$ 460,000	4 to 5.8 %	8-1-1994	8-1-06	$ 115,000	$ 35,000	$ 0	$ 80,000
Payable through Solid Waste Sanitation Fund								
Bledsoe - Sequatchie Landfill Closure	234,000	3	8-29-03	8-29-09	$ 234,000	$ 36,161	$ 0	$ 197,839
Total Notes Payable					$ 349,000	$ 71,161	$ 0	$ 277,839
BONDS PAYABLE								
Payable through General Debt Service Fund								
Public Improvement Bond-Series 1998	1,600,000	3.6 to 4.5	9-1-1998	9-1-18	$ 1,325,000	$ 65,000	$ 0	$ 1,260,000
Payable through Education Debt Service Fund								
School Bonds Series 2001	7,500,000	3 to 4.7	10-1-01	10-1-26	$ 7,155,000	$ 0	$ 7,155,000 (1)	$ 0
School Refunding Series 2003	5,510,000	2 to 4.25	5-29-03	12-1-22	5,340,000	0	5,340,000 (1)	0
Total Payable through Education Debt Service Fund					$ 12,495,000	$ 0	$ 12,495,000	$ 0
Total Bonds Payable					$ 13,820,000	$ 65,000	$ 12,495,000	$ 1,260,000

(1) Administration of the Education Debt Service Fund transferred from the primary government to the School Department during the year. The transfer to the component unit reflected in this schedule represents the outstanding balances of bonds payable at July 1, 2004.

Exhibit G-2

Bledsoe County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	$ 65,000	$ 53,096	$ 118,096
2007	70,000	50,412	120,412
2008	70,000	47,595	117,595
2009	75,000	44,631	119,631
2010	80,000	41,404	121,404
2011	80,000	38,024	118,024
2012	85,000	34,496	119,496
2013	90,000	30,711	120,711
2014	95,000	26,676	121,676
2015	100,000	22,397	122,397
2016	105,000	17,861	122,861
2017	110,000	13,050	123,050
2018	115,000	7,987	122,987
2019	120,000	2,700	122,700
Total	$ 1,260,000	$ 431,040	$ 1,691,040

Exhibit G-3

Bledsoe 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, TCA	$ 55,403	$ 25,000	State Farm Fire and Casualty Company
Highway Superintendent	Section 8-24-102, TCA	52,765	100,000	"
Trustee	Section 8-24-102, TCA	47,969	379,400	"
Assessor of Property	Section 8-24-102, TCA	47,969	10,000	"
County Clerk	Section 8-24-102, TCA	47,969	25,000	"
Circuit Court Clerk	Section 8-24-102, TCA	47,969	25,000	"
Clerk and Master	Section 8-24-102, TCA	47,969	25,000	"
Register	Section 8-24-102, TCA	47,969	15,000	"
Sheriff	Section 8-24-102, TCA	53,284 (1)	25,000	"
Employee Dishonesty Bond Coverage:				
General County			150,000	Tennessee School Boards Risk Management Trust
Highway Department			150,000	Local Government Property and Casualty Fund

(1) Includes law enforcement training supplement of $519.

Exhibit G-4

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

		Special Revenue Funds			
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service
Local Taxes					
County Property Taxes					
Current Property Tax	$ 920,075	$ 0	$ 0	$ 181,759	$ 0
Trustee's Collections - Prior Year	58,965	0	0	10,844	0
Circuit/Clerk & Master Collections - Prior Years	32,845	0	0	6,041	0
Interest and Penalty	9,610	0	0	1,785	0
Payments in Lieu of Taxes - T.V.A.	6,302	0	0	1,230	0
Payments in Lieu of Taxes - Local Utilities	943	0	0	185	0
County Local Option Taxes					
Local Option Sales Tax	60,882	0	0	0	0
Litigation Tax - General	17,019	544	0	0	0
Business Tax	30,458	0	0	0	0
Statutory Local Taxes					
Bank Excise Tax	15,058	0	0	2,974	0
Wholesale Beer Tax	92,616	0	0	0	0
Total Local Taxes	$ 1,244,773	$ 544	$ 0	$ 204,818	$ 0
Licenses and Permits					
Licenses					
Cable TV Franchise	$ 1,875	$ 0	$ 0	$ 370	$ 0
Permits					
Beer Permits	998	808	0	0	0
Total Licenses and Permits	$ 2,873	$ 808	$ 0	$ 370	$ 0
Fines, Forfeitures and Penalties					
Circuit Court					
Fines	$ 1,230	$ 5,928	$ 0	$ 0	$ 0
Officers Costs	1,382	0	0	0	0
Drug Control Fines	0	0	0	0	0
Drug Court Fees	128	0	0	0	0
Jail Fees	105	0	0	0	0
DUI Treatment Fines	190	0	0	0	0
Criminal Court					
Drug Court Fees	133	0	0	0	0

(Continued)

Exhibit G-4

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

		Special Revenue Funds			
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service
Fines, Forfeitures and Penalties (Cont.)					
General Sessions Court					
Fines	$ 6,771	$ 0	$ 0	$ 0	$ 0
Officers Costs	5,388	0	0	0	0
Drug Control Fines	0	0	0	0	0
Drug Court Fees	741	0	0	0	0
Jail Fees	998	0	0	0	0
DUI Treatment Fines	1,308	0	0	0	0
Data Entry Fee - General Sessions Court	772	0	0	0	0
Juvenile Court					
Fines	391	0	0	0	0
Judicial District Drug Program					
Data Entry Fee - Other Courts	64	0	0	0	0
Other Fines, Forfeitures, and Penalties					
Proceeds from Confiscated Property	0	0	0	0	0
Total Fines, Forfeitures and Penalties	$ 19,601	$ 5,928	$ 0	$ 0	$ 0
Charges for Current Services					
General Service Charges					
Patient Charges	$ 0	$ 0	$ 0	$ 0	$ 503,416
Fees					
Copy Fees	0	0	820	0	0
Library Fees	0	0	721	0	0
Vending Machine Collections	227	0	0	0	0
Data Processing Fee - Register	4,888	0	0	0	0
Sexual Offender Registration Fee	60	0	0	0	0
Total Charges for Current Services	$ 5,175	$ 0	$ 1,541	$ 0	$ 503,416
Other Local Revenues					
Recurring Items					
Investment Income	$ 0	$ 0	$ 0	$ 0	$ 0
Lease/Rentals	120,000	0	0	0	0
Sale of Materials and Supplies	0	0	497	0	0
Sale of Recycled Materials	0	0	0	10,142	0

(Continued)

Exhibit G-4

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

		Special Revenue Funds			
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service
Other Local Revenues (Cont.)					
Recurring Items (Cont.)					
Miscellaneous Refunds	$ 89,394	$ 3,749	$ 1,482	$ 0	$ 9,360
Nonrecurring Items					
Insurance Recovery	3,011	0	0	1,071	0
Damages Recovered from Individuals	652	0	0	0	0
Contributions & Gifts	1,400	0	1,885	0	1,460
Other Local Revenues					
Other Local Revenues	288	0	0	0	0
Total Other Local Revenues	$ 214,745	$ 3,749	$ 3,864	$ 11,213	$ 10,820
Fees Received from County Officials					
Fees In Lieu of Salary					
County Clerk	$ 76,464	$ 0	$ 0	$ 0	$ 0
Circuit Court Clerk	12,862	0	0	0	0
General Sessions Court Clerk	29,281	0	0	0	0
Clerk and Master	20,621	0	0	0	0
Juvenile Court Clerk	1,532	0	0	0	0
Register	56,595	0	0	0	0
Sheriff	6,228	0	0	0	0
Trustee	99,785	0	0	0	0
Total Fees Received from County Officials	$ 303,368	$ 0	$ 0	$ 0	$ 0
State of Tennessee					
General Government Grants					
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0
State Reappraisal Grant	10,220	0	0	0	0
Solid Waste Grants	0	0	0	3,119	0
Other General Government Grants	18,402	0	0	22,433	0
Public Safety Grants					
Law Enforcement Training Programs	5,187	0	0	0	0
Health and Welfare Grants					
Other Health and Welfare Grants	62,167	0	0	0	0

(Continued)

Exhibit G-4

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

		Special Revenue Funds			
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service
State of Tennessee (Cont.)					
Public Works Grants					
State Aid Program	$ 0	$ 0	$ 0	$ 0	$ 0
Litter Program	0	0	0	20,353	0
Other State Revenues					
Income Tax	1,922	0	0	0	0
Beer Tax	7,692	0	0	0	0
Alcoholic Beverage Tax	22,555	0	0	0	0
State Revenue Sharing - T.V.A.	110,240	0	0	21,776	0
Contracted Prisoner Boarding	7,098	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	12,285	0	0	0	0
Other State Revenues	187,435	0	0	0	0
Total State of Tennessee	$ 454,203	$ 0	$ 0	$ 67,681	$ 0
Federal Government					
Federal Through State					
Homeland Security Grants	$ 48,281	$ 0	$ 0	$ 0	$ 0
Other Federal through State	7,053	0	778	0	0
Direct Federal Revenue					
Public Safety Partnership and Community Policing - COPS	49,668	0	0	0	0
Total Federal Government	$ 105,002	$ 0	$ 778	$ 0	$ 0
Other Governments and Citizens Groups					
Other Governments					
Contributions	$ 300,000	$ 0	$ 38,565	$ 0	$ 0
Total Other Governments and Citizens Groups	$ 300,000	$ 0	$ 38,565	$ 0	$ 0
Total	$ 2,649,740	$ 11,029	$ 44,748	$ 284,082	$ 514,236

(Continued)

Exhibit G-4

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

	Special Revenue Funds			Debt Service Fund	
	Drug Control	Other Special Revenue	Highway / Public Works	General Debt Service	Total
Local Taxes					
County Property Taxes					
Current Property Tax	$ 0	$ 0	$ 0	$ 68,153	$ 1,169,987
Trustee's Collections - Prior Year	0	0	0	0	69,809
Circuit/Clerk & Master Collections - Prior Years	0	0	0	0	38,886
Interest and Penalty	0	0	0	95	11,490
Payments in Lieu of Taxes - T.V.A.	0	0	0	384	7,916
Payments in Lieu of Taxes - Local Utilities	0	0	0	65	1,193
County Local Option Taxes					
Local Option Sales Tax	0	0	0	0	60,882
Litigation Tax - General	0	0	0	0	17,563
Business Tax	0	0	0	0	30,458
Statutory Local Taxes					
Bank Excise Tax	0	0	0	1,115	19,147
Wholesale Beer Tax	0	0	0	0	92,616
Total Local Taxes	$ 0	$ 0	$ 0	$ 69,812	$ 1,519,947
Licenses and Permits					
Licenses					
Cable TV Franchise	$ 0	$ 0	$ 0	$ 139	$ 2,384
Permits					
Beer Permits	0	0	0	0	1,806
Total Licenses and Permits	$ 0	$ 0	$ 0	$ 139	$ 4,190
Fines, Forfeitures and Penalties					
Circuit Court					
Fines	$ 0	$ 0	$ 0	$ 0	$ 7,158
Officers Costs	0	0	0	0	1,382
Drug Control Fines	224	0	0	0	224
Drug Court Fees	0	0	0	0	128
Jail Fees	0	0	0	0	105
DUI Treatment Fines	0	0	0	0	190
Criminal Court					
Drug Court Fees	0	0	0	0	133

(Continued)

Exhibit G-4

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

	Special Revenue Funds			Debt Service Fund	
	Drug Control	Other Special Revenue	Highway / Public Works	General Debt Service	Total
Fines, Forfeitures and Penalties (Cont.)					
General Sessions Court					
Fines	$ 0	$ 0	$ 0	$ 0	$ 6,771
Officers Costs	0	0	0	0	5,388
Drug Control Fines	3,151	0	0	0	3,151
Drug Court Fees	0	0	0	0	741
Jail Fees	0	0	0	0	998
DUI Treatment Fines	0	0	0	0	1,308
Data Entry Fee - General Sessions Court	0	0	0	0	772
Juvenile Court					
Fines	0	0	0	0	391
Judicial District Drug Program					
Data Entry Fee - Other Courts	0	0	0	0	64
Other Fines, Forfeitures, and Penalties					
Proceeds from Confiscated Property	500	0	0	0	500
Total Fines, Forfeitures and Penalties	$ 3,875	$ 0	$ 0	$ 0	$ 29,404
Charges for Current Services					
General Service Charges					
Patient Charges	$ 0	$ 0	$ 0	$ 0	$ 503,416
Fees					
Copy Fees	0	0	0	0	820
Library Fees	0	0	0	0	721
Vending Machine Collections	0	0	0	0	227
Data Processing Fee - Register	0	0	0	0	4,888
Sexual Offender Registration Fee	0	0	0	0	60
Total Charges for Current Services	$ 0	$ 0	$ 0	$ 0	$ 510,132
Other Local Revenues					
Recurring Items					
Investment Income	$ 0	$ 0	$ 0	$ 62,979	$ 62,979
Lease/Rentals	0	0	0	0	120,000
Sale of Materials and Supplies	0	0	0	0	497
Sale of Recycled Materials	0	0	0	0	10,142

(Continued)

Exhibit G-4

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

	Special Revenue Funds			Debt Service Fund	
	Drug Control	Other Special Revenue	Highway / Public Works	General Debt Service	Total
Other Local Revenues (Cont.)					
Recurring Items (Cont.)					
Miscellaneous Refunds	$ 0	$ 0	$ 5,329	$ 0	$ 109,314
Nonrecurring Items					
Insurance Recovery	9,793	0	0	0	13,875
Damages Recovered from Individuals	0	0	0	0	652
Contributions & Gifts	0	0	0	0	4,745
Other Local Revenues					
Other Local Revenues	0	0	0	0	288
Total Other Local Revenues	$ 9,793	$ 0	$ 5,329	$ 62,979	$ 322,492
Fees Received from County Officials					
Fees In Lieu of Salary					
County Clerk	$ 0	$ 0	$ 0	$ 0	$ 76,464
Circuit Court Clerk	0	0	0	0	12,862
General Sessions Court Clerk	0	0	0	0	29,281
Clerk and Master	0	0	0	0	20,621
Juvenile Court Clerk	0	0	0	0	1,532
Register	0	0	0	0	56,595
Sheriff	0	0	0	0	6,228
Trustee	0	0	0	0	99,785
Total Fees Received from County Officials	$ 0	$ 0	$ 0	$ 0	$ 303,368
State of Tennessee					
General Government Grants					
Juvenile Services Program	$ 0	$ 0	$ 0	$ 0	$ 9,000
State Reappraisal Grant	0	0	0	0	10,220
Solid Waste Grants	0	0	0	0	3,119
Other General Government Grants	0	0	0	0	40,835
Public Safety Grants					
Law Enforcement Training Programs	0	0	0	0	5,187
Health and Welfare Grants					
Other Health and Welfare Grants	0	0	0	0	62,167

(Continued)

Exhibit G-4

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

	Special Revenue Funds			Debt Service Fund	
	Drug Control	Other Special Revenue	Highway / Public Works	General Debt Service	Total
State of Tennessee (Cont.)					
Public Works Grants					
State Aid Program	$ 0	$ 0	$ 181,588	$ 0	$ 181,588
Litter Program	0	0	0	0	20,353
Other State Revenues					
Income Tax	0	0	0	0	1,922
Beer Tax	0	0	0	0	7,692
Alcoholic Beverage Tax	0	0	0	0	22,555
State Revenue Sharing - T.V.A.	0	0	0	8,166	140,182
Contracted Prisoner Boarding	0	0	0	0	7,098
Gasoline and Motor Fuel Tax	0	0	1,527,353	0	1,527,353
Petroleum Special Tax	0	0	9,948	0	9,948
Registrar's Salary Supplement	0	0	0	0	12,285
Other State Revenues	0	0	0	0	187,435
Total State of Tennessee	$ 0	$ 0	$ 1,718,889	$ 8,166	$ 2,248,939
Federal Government					
Federal Through State					
Homeland Security Grants	$ 0	$ 0	$ 0	$ 0	$ 48,281
Other Federal through State	0	0	0	0	7,831
Direct Federal Revenue					
Public Safety Partnership and Community Policing - COPS	0	0	0	0	49,668
Total Federal Government	$ 0	$ 0	$ 0	$ 0	$ 105,780
Other Governments and Citizens Groups					
Other Governments					
Contributions	$ 0	$ 150,000	$ 0	$ 0	$ 488,565
Total Other Governments and Citizens Groups	$ 0	$ 150,000	$ 0	$ 0	$ 488,565
Total	$ 13,668	$ 150,000	$ 1,724,218	$ 141,096	$ 5,532,817

Exhibit G-5

Bledsoe 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	$	25,434		
Data Processing Services		2,863		
Dues and Memberships		990		
Total County Commission			$	29,287
County Mayor				
County Official/Administrative Officer	$	55,403		
Assistant(s)		18,600		
Secretary(s)		13,275		
Other Salaries & Wages		2,639		
Communication		3,694		
Data Processing Services		8,321		
Travel		5,158		
Office Supplies		2,319		
Total County Mayor				109,409
County Attorney				
Legal Services	$	4,271		
Legal Notices, Recording and Court Costs		45,217		
Total County Attorney				49,488
Election Commission				
County Official/Administrative Officer	$	38,375		
Election Commission		5,085		
Election Workers		15,042		
Communication		535		
Legal Notices, Recording and Court Costs		868		
Travel		529		
Data Processing Supplies		10,197		
Office Supplies		2,620		
Total Election Commission				73,251
Register of Deeds				
County Official/Administrative Officer	$	47,969		
Clerical Personnel		17,400		
Communication		1,194		
Data Processing Services		6,032		
Dues and Memberships		357		
Travel		151		
Office Supplies		1,893		
Total Register of Deeds				74,996

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
General Government (Cont.)				
Planning				
Board and Committee Members Fees	$	3,800		
Contracts with Government Agencies		8,500		
Other Contracted Services		166		
Total Planning			$	12,466
County Buildings				
Custodial Personnel	$	12,600		
Communication		600		
Maintenance & Repair Services- Buildings		9,005		
Custodial Supplies		742		
Electricity		22,402		
Water and Sewer		4,158		
Other Supplies and Materials		11		
Total County Buildings				49,518
Other General Administration				
Social Security	$	78,485		
State Retirement		77,217		
Medical Insurance		21,798		
Unemployment Compensation		9,246		
Maintenance & Repair Services- Office Equipment		7,683		
Postal Charges		10,386		
Office Supplies		1,441		
Other Supplies and Materials		27		
Trustee's Commission		24,279		
Liability Claims		6,730		
Other Charges		2,937		
Total Other General Administration				240,229
Finance				
Property Assessor's Office				
County Official/Administrative Officer	$	47,969		
Deputy(ies)		22,640		
Clerical Personnel		14,516		
Communication		1,237		
Contracts with Government Agencies		2,400		
Printing, Stationery and Forms		69		
Other Contracted Services		4,345		
Office Supplies		397		
Total Property Assessor's Office				93,573

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
Finance (Cont.)				
Reappraisal Program				
Data Processing Services	$	644		
Travel		1,452		
Other Contracted Services		4,822		
Other Supplies and Materials		281		
Total Reappraisal Program			$	7,199
County Trustee's Office				
County Official/Administrative Officer	$	47,969		
Clerical Personnel		15,062		
Communication		1,108		
Data Processing Services		9,975		
Dues and Memberships		367		
Legal Notices, Recording and Court Costs		72		
Printing, Stationery and Forms		734		
Travel		400		
Data Processing Supplies		1,598		
Office Supplies		1,244		
Premiums on Corporate Surety Bonds		1,288		
Total County Trustee's Office				79,817
County Clerk's Office				
County Official/Administrative Officer	$	47,969		
Deputy(ies)		23,487		
Communication		1,246		
Dues and Memberships		307		
Office Supplies		2,112		
Total County Clerk's Office				75,121
Administration of Justice				
Circuit Court				
County Official/Administrative Officer	$	47,969		
Deputy(ies)		20,600		
Accountants/Bookkeepers		15,600		
Guards		4,600		
Secretary(s)		10,000		
Clerical Personnel		15,000		
Jury and Witness Fees		9,742		
Communication		2,992		
Dues and Memberships		317		
Travel		348		

(Continued)

Exhibit G-5

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
Circuit Court (Cont.)		
Office Supplies	$ 5,997	
Total Circuit Court		$ 133,165
General Sessions Court		
Judge(s)	$ 59,609	
Total General Sessions Court		59,609
Chancery Court		
County Official/Administrative Officer	$ 47,969	
Deputy(ies)	23,487	
Communication	1,209	
Dues and Memberships	317	
Office Supplies	1,862	
Total Chancery Court		74,844
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 52,765	
Deputy(ies)	198,713	
Youth Service Officer(s)	78,810	
Salary Supplements	5,187	
Overtime Pay	26,937	
In-Service Training	3,792	
Communication	8,090	
Data Processing Services	5,473	
Maintenance & Repair Services- Equipment	3,281	
Maintenance & Repair Services- Vehicles	12,113	
Transportation - Other than Students	1,153	
Gasoline	30,051	
Office Supplies	1,563	
Uniforms	1,992	
Law Enforcement Equipment	3,925	
Total Sheriff's Department		433,845
Jail		
Supervisor/Director	$ 13,460	
Dispatchers/Radio Operators	65,047	
Medical and Dental Services	209,569	
Other Contracted Services	16,192	
Custodial Supplies	1,444	

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
Public Safety (Cont.)				
Jail (Cont.)				
Electricity	$	7,098		
Food Supplies		45,845		
Water and Sewer		7,728		
Other Supplies and Materials		1,869		
Building and Contents Insurance		23,669		
Workers' Compensation Insurance		7,804		
Total Jail			$	399,725
Fire Prevention and Control				
Contributions	$	11,638		
Building and Contents Insurance		15,548		
Workers' Compensation Insurance		7,804		
Other Charges		500		
Total Fire Prevention and Control				35,490
Civil Defense				
Communication	$	271		
Dues and Memberships		25		
Travel		50		
Total Civil Defense				346
Rescue Squad				
Contributions	$	6,000		
Total Rescue Squad				6,000
Other Emergency Management				
Other Supplies and Materials	$	39,469		
Other Charges		8,884		
Total Other Emergency Management				48,353
County Coroner/Medical Examiner				
Medical and Dental Services	$	3,975		
Travel		75		
Total County Coroner/Medical Examiner				4,050
Public Health and Welfare				
Local Health Center				
Custodial Personnel	$	4,720		
Communication		2,906		
Contracts with Government Agencies		11,960		

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
Public Health and Welfare (Cont.)				
Local Health Center (Cont.)				
Dues and Memberships	$	100		
Maintenance & Repair Services- Buildings		552		
Other Contracted Services		699		
Custodial Supplies		3		
Electricity		6,218		
Office Supplies		761		
Utilities		1,887		
Total Local Health Center			$	29,806
Nursing Home				
Judgments	$	300,000		
Total Nursing Home				300,000
Dental Health Program				
Secretary(s)	$	5,600		
Other Salaries & Wages		48,847		
Social Security		3,960		
Total Dental Health Program				58,407
Alcohol and Drug Programs				
Other Supplies and Materials	$	934		
Total Alcohol and Drug Programs				934
Crippled Children Services				
Contracts with Government Agencies	$	971		
Total Crippled Children Services				971
Social, Cultural and Recreational Services				
Senior Citizens Assistance				
Contributions	$	1,000		
Total Senior Citizens Assistance				1,000
Libraries				
Contributions	$	38,565		
Total Libraries				38,565
Parks and Fair Boards				
Contributions	$	3,500		
Electricity		3,331		
Building and Contents Insurance		1,500		
Total Parks and Fair Boards				8,331

(Continued)

Exhibit G-5

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

General Fund (Cont.)			
Social, Cultural and Recreational Services (Cont.)			
Other Social, Cultural and Recreational			
Other Supplies and Materials	$ 2,323		
Total Other Social, Cultural and Recreational		$ 2,323	
Agriculture & Natural Resources			
Agriculture Extension Service			
Salary Supplements	$ 32,662		
Communication	3,256		
Other Supplies and Materials	2,490		
Total Agriculture Extension Service		38,408	
Other Operations			
Other Economic and Community Development			
Contracts with Other Public Agencies	$ 5,157		
Dues and Memberships	2,473		
Total Other Economic and Community Development		7,630	
Total General Fund			$ 2,576,156
Courthouse & Jail Maintenance Fund			
General Government			
County Buildings			
Maintenance & Repair Services- Buildings	$ 3,646		
Other Supplies and Materials	6,669		
Total County Buildings		$ 10,315	
Other General Administration			
Trustee's Commission	$ 80		
Total Other General Administration		80	
Total Courthouse & Jail Maintenance Fund			10,395
Public Library Fund			
Social, Cultural and Recreational Services			
Libraries			
Assistant(s)	$ 7,136		
Librarians	23,487		
Social Security	2,134		
Communication	1,985		
Dues and Memberships	52		
Maintenance & Repair Services- Buildings	185		

(Continued)

Exhibit G-5

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

Public Library Fund (Cont.)			
Social, Cultural and Recreational Services (Cont.)			
Libraries (Cont.)			
Postal Charges	$ 900		
Travel	80		
Other Contracted Services	11,114		
Data Processing Supplies	657		
Library Books/Media	808		
Other Supplies and Materials	1,434		
Other Charges	2,336		
Total Libraries		$ 52,308	
Total Public Library Fund			$ 52,308
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Convenience Centers			
Truck Drivers	$ 13,147		
Other Salaries & Wages	46,574		
Social Security	3,707		
Communication	1,276		
Electricity	1,150		
Equipment and Machinery Parts	7,103		
Water and Sewer	1,004		
Other Supplies and Materials	599		
Building and Contents Insurance	4,401		
Refunds	80		
Trustee's Commission	4,262		
Total Convenience Centers		$ 83,303	
Landfill Operation and Maintenance			
Contracts for Landfill Facilities	$ 85,683		
Total Landfill Operation and Maintenance		85,683	
Highways			
Litter and Trash Collection			
Education Media Personnel	$ 2,912		
Clerical Personnel	4,800		
Other Salaries & Wages	17,876		
Social Security	1,735		
Other Supplies and Materials	2,377		
Total Litter and Trash Collection		29,700	

(Continued)

Exhibit G-5

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

Solid Waste/Sanitation Fund (Cont.)			
Principal			
General Government			
Principal on Notes	$ 36,161		
Total General Government		$ 36,161	
Interest			
General Government			
Interest on Notes	$ 7,039		
Total General Government		7,039	
Total Solid Waste/Sanitation Fund			$ 241,886
Ambulance Service Fund			
Public Health and Welfare			
Ambulance/Emergency Medical Services			
Medical Personnel	$ 247,757		
Part-time Personnel	23,042		
In-Service Training	2,821		
Social Security	19,252		
State Retirement	7,916		
Medical Insurance	33,329		
Communication	2,576		
Consultants	3,000		
Dues and Memberships	130		
Legal Notices, Recording and Court Costs	18		
Licenses	550		
Maintenance & Repair Services- Buildings	1,734		
Maintenance & Repair Services- Equipment	2,407		
Maintenance & Repair Services- Vehicles	10,031		
Postal Charges	319		
Travel	2,398		
Other Contracted Services	2,143		
Data Processing Supplies	499		
Drugs and Medical Supplies	12,128		
Electricity	4,044		
Gasoline	13,464		
Office Supplies	2,485		
Tires and Tubes	1,329		
Uniforms	3,762		
Other Supplies and Materials	2,479		
Liability Insurance	5,464		
Vehicle and Equipment Insurance	1,348		

(Continued)

Exhibit G-5

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

Ambulance Service Fund (Cont.)			
Public Health and Welfare (Cont.)			
Ambulance/Emergency Medical Services (Cont.)			
Workers' Compensation Insurance	$ 24,026		
Other Charges	302		
Motor Vehicles	7,517		
Other Capital Outlay	15,793		
Total Ambulance/Emergency Medical Services		$ 454,063	
Total Ambulance Service Fund			$ 454,063
Drug Control Fund			
Public Safety			
Sheriff's Department			
Uniforms	$ 1,603		
Wood Products	629		
Law Enforcement Equipment	1,854		
Motor Vehicles	17,234		
Total Sheriff's Department		$ 21,320	
Drug Enforcement			
Other Supplies and Materials	$ 610		
Trustee's Commission	38		
Total Drug Enforcement		648	
Public Health and Welfare			
Alcohol and Drug Programs			
Other Supplies and Materials	$ 372		
Total Alcohol and Drug Programs		372	
Total Drug Control Fund			22,340
Other Special Revenue Fund			
Public Safety			
Other Public Safety			
Supervisor/Director	$ 18,523		
Dispatchers/Radio Operators	68,211		
In-Service Training	349		
Social Security	6,580		
State Retirement	1,350		
Evaluation and Testing	1,319		
Travel	3,821		
Other Contracted Services	5,229		

(Continued)

Exhibit G-5

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

Other Special Revenue Fund (Cont.)			
Public Safety (Cont.)			
Other Public Safety (Cont.)			
Electricity	$ 3,611		
Office Supplies	1,879		
Uniforms	424		
Water and Sewer	792		
Building and Contents Insurance	4,000		
Workers' Compensation Insurance	4,250		
Other Charges	11,601		
Data Processing Equipment	2,389		
Total Other Public Safety		$ 134,328	
Total Other Special Revenue Fund			$ 134,328
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 52,765		
Data Processing Personnel	19,300		
Secretary(s)	13,548		
Communication	4,230		
Data Processing Services	3,398		
Dues and Memberships	1,974		
Legal Notices, Recording and Court Costs	292		
Maintenance & Repair Services- Office Equipment	100		
Postal Charges	359		
Travel	66		
Other Contracted Services	556		
Data Processing Supplies	338		
Electricity	4,520		
Office Supplies	448		
Water and Sewer	1,008		
Other Supplies and Materials	447		
Other Charges	1,582		
Total Administration		$ 104,931	
Highway and Bridge Maintenance			
Foremen	$ 27,576		
Equipment Operators	90,200		
Truck Drivers	96,582		
Laborers	112,951		
Overtime Pay	13,094		

(Continued)

Exhibit G-5

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

Highway/Public Works Fund (Cont.)		
Highways (Cont.)		
Highway and Bridge Maintenance (Cont.)		
Freight Expenses	$ 10	
Other Contracted Services	39,284	
Asphalt	504,518	
Concrete	700	
Crushed Stone	179,119	
Ice	354	
Pipe - Metal	24,225	
Propane Gas	1,025	
Road Signs	819	
Other Supplies and Materials	409	
Other Charges	1,462	
Total Highway and Bridge Maintenance		$ 1,092,328
Operation and Maintenance of Equipment		
Mechanic(s)	$ 22,650	
Nightwatchmen	22,760	
Freight Expenses	270	
Maintenance & Repair Services- Equipment	36,538	
Maintenance & Repair Services- Vehicles	5,498	
Other Contracted Services	1,212	
Diesel Fuel	44,529	
Equipment and Machinery Parts	25,614	
Garage Supplies	2,081	
Gasoline	13,590	
Lubricants	3,379	
Propane Gas	2,258	
Small Tools	398	
Tires and Tubes	11,386	
Other Supplies and Materials	490	
Other Charges	2,004	
Total Operation and Maintenance of Equipment		194,657
Quarry Operations		
Other Charges	$ 1,175	
Total Quarry Operations		1,175
Other Charges		
Rentals	$ 1,379	
Building and Contents Insurance	1,735	
Liability Insurance	10,435	

(Continued)

Exhibit G-5

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Other Charges (Cont.)			
Trustee's Commission	$ 15,292		
Vehicle and Equipment Insurance	15,637		
Workers' Compensation Insurance	31,118		
Total Other Charges		$ 75,596	
Employee Benefits			
Social Security	$ 35,911		
State Retirement	31,271		
Employee and Dependent Insurance	136,223		
Unemployment Compensation	4,384		
Other Fringe Benefits	210		
Total Employee Benefits		207,999	
Capital Outlay			
Building Improvements	$ 180		
Highway Equipment	47,081		
Total Capital Outlay		47,261	
Total Highway/Public Works Fund			$ 1,723,947
General Debt Service Fund			
Principal			
General Government			
Principal on Bonds	$ 65,000		
Principal on Notes	35,000		
Total General Government		$ 100,000	
Interest			
General Government			
Interest on Bonds	$ 55,648		
Interest on Notes	5,609		
Total General Government		61,257	
Other Debt Service			
General Government			
Fiscal Agent Charges	$ 1,385		
Trustee's Commission	1,480		
Total General Government		2,865	
Total General Debt Service Fund			164,122

(Continued)

Exhibit G-5

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

Education Debt Service Fund			
Other Debt Service			
Education			
Contributions	$ 665,507		
Total Education		$ 665,507	
Total Education Debt Service Fund			$ 665,507
Total Governmental Funds - Primary Government			$ 6,045,052

Exhibit G-6

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

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 173,714
Cash Disbursements	
Remittance of Revenues Collected	$ 171,977
Trustee's Commission	1,737
Total Cash Disbursements	$ 173,714
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2004	0
Cash Balance, June 30, 2005	$ 0

STATISTICAL SECTION

Table 1

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

Year	Amount
1994	$ 903
1995	1,244
1996	3,999
1997	1,067
1998	2,996
1999	4,086
2000	6,888
2001	19,327
2002	26,546
2003	62,453
Total	$ 129,509

Table 2

Bledsoe County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	$ 1.05	$ 1.05	$ 1.05	$ 1.05	$ 0.67	$ 0.87	$ 0.87	$ 0.87	$ 0.87	$ 0.81
Solid Waste/Sanitation	0.10	0.10	0.10	0.10	0.07	0.05	0.12	0.12	0.16	0.16
General Purpose School	1.39	1.39	1.39	1.39	0.89	0.93	0.93	0.93	0.96	0.96
General Debt Service	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.06
Education Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.09	0.09	0.09
Total Tax Rate	$ 2.55	$ 2.55	$ 2.55	$ 2.55	$ 1.63	$ 1.85	$ 2.01	$ 2.01	$ 2.08	$ 2.08
Assessed Valuations										
Real and Personal	$ 57,502,498	$ 58,626,081	$ 61,314,109	$ 63,382,372	$ 105,501,149	$ 108,329,477	$ 107,195,787	$ 109,866,436	$ 108,919,408	$ 112,507,607
Public Utilities	9,178,624	9,728,451	9,487,654	8,404,466	11,641,858	12,753,793	13,091,800	12,953,394	11,664,057	11,252,212
Total Assessed Valuation	$ 66,681,122	$ 68,354,532	$ 70,801,763	$ 71,786,838	$ 117,143,007	$ 121,083,270	$ 120,287,587	$ 122,819,830	$ 120,583,465	$ 123,759,819

ANNUAL FINANCIAL REPORT

BLEDSOE COUNTY SCHOOL DEPARTMENT

A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
STEVE REEDER, CPA, CGFM, CFE
Auditor 4s

JUNE ROGERS, CGFM
JENI BOYETTE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

BLEDSOE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE
TABLE OF CONTENTS

	Exhibit	Page
Audit Highlights		i
INTRODUCTORY SECTION		
Bledsoe County School Officials		1
FINANCIAL SECTION		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	12
Notes to the Financial Statements		13
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	C	27
Notes to the Required Supplementary Information		29
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	D-1	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D-2	36
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	D-3	37
Central Cafeteria Fund	D-4	38
Other Education Special Revenue Fund	D-5	39

	Exhibit	Page
Major Governmental Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Education Debt Service Fund	E	43
Miscellaneous Schedules:		
Schedule of Changes in Long-term Notes and Bonds	F-1	47
Schedule of Bond and Interest Requirements by Year	F-2	48
Schedule of Transfers – All Funds	F-3	49
Schedule of Salaries and Official Bonds of Principal Officials	F-4	50
Schedule of Detailed Revenues – All Governmental Fund Types	F-5	51
Schedule of Detailed Expenditures – All Governmental Fund Types	F-6	54

Audit Highlights
Annual Financial Report
Bledsoe County School Department
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Bledsoe County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Bledsoe County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in seven findings and recommendations, which we have reviewed with Bledsoe County School Department management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

BLEDSOE COUNTY SCHOOL DEPARTMENT

- Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- Assets had not been properly tagged or clearly identified as School Department property. Also, the School Department's inventory had not been periodically verified.
- The office did not have formal policies and procedures for computer operations.
- The office did not develop a disaster recovery plan for computerized data.
- County officials had not adopted a central system of accounting, budgeting, and purchasing.
- Duties were not segregated adequately among the official and employees at the School Department.
- The general sessions judge also served as the attorney for the Board of Education which does not comply with opinions issued by the state Attorney General's Office.

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

INTRODUCTORY SECTION

Bledsoe County School Officials
June 30, 2005

Official:

Thad Colvard, Director of Schools

Board of Education:

Jeff Smith, Chairman
Michelle Collier
Michael Deakins
Sue Everett
Will Frady
Stephen Alan Smith
Barbara Swafford

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
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

December 16, 2005

Bledsoe County Director of Schools and
Board of Education
Bledsoe County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Bledsoe County School Department, a component unit of Bledsoe County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 24, which collectively comprise a portion of the Bledsoe County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Bledsoe County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the

presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Bledsoe County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require school departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Bledsoe County School Department as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Bledsoe County School Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2005, on our consideration of the Bledsoe County School Department'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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Bledsoe County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the School Department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 27 through 29 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 the Bledsoe County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Bledsoe County, Tennessee
Balance Sheet - Governmental Funds
Bledsoe County School Department
June 30, 2005

	Major Funds		Nonmajor Funds	
	General Purpose School	Education Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS				
Cash	$ 0	$ 0	$ 82,065	$ 82,065
Equity in Pooled Cash and Investments	927,138	385,883	158,806	1,471,827
Accounts Receivable	0	0	797	797
Due from Other Governments	210,557	66,818	147,734	425,109
Due from Other Funds	0	0	39,334	39,334
Property Taxes Receivable	1,252,304	117,423	0	1,369,727
Allowance for Uncollectible Property Taxes	(76,722)	(7,193)	0	(83,915)
Prepaid Items	906	0	0	906
Restricted Assets:				
Customer Deposits	0	0	1,286	1,286
Total Assets	$ 2,314,183	$ 562,931	$ 430,022	$ 3,307,136
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 12,201	$ 0	$ 9,909	$ 22,110
Accrued Payroll	0	0	12,897	12,897
Payroll Deductions Payable	3,640	0	609	4,249
Due to Other Funds	39,334	0	0	39,334
Due to State of Tennessee	136	0	0	136
Current Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	0	0	1,286	1,286
Deferred Revenue - Current Property Taxes	1,120,115	105,030	0	1,225,145
Deferred Revenue - Delinquent Property Taxes	55,467	5,200	0	60,667
Other Deferred Revenues	16,959	36,804	0	53,763
Total Liabilities	$ 1,247,852	$ 147,034	$ 24,701	$ 1,419,587
Fund Balances				
Reserved for Encumbrances	$ 86,976	$ 0	$ 7,350	$ 94,326
Reserved for Career Ladder - Extended Contract	16,203	0	0	16,203
Reserved for Career Ladder Program	2,486	0	0	2,486
Reserved for Title I Grants to Local Education Agencies	0	0	54,687	54,687
Reserved for Special Education - Grants to States	0	0	11,508	11,508
Other Federal Reserves	0	0	34,241	34,241
Unreserved, Reported In:				
General Fund	960,666	0	0	960,666
Special Revenue Funds	0	0	297,535	297,535
Debt Service Funds	0	415,897	0	415,897
Total Fund Balances	$ 1,066,331	$ 415,897	$ 405,321	$ 1,887,549
Total Liabilities and Fund Balances	$ 2,314,183	$ 562,931	$ 430,022	$ 3,307,136

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

Exhibit B

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

	Major Funds		Nonmajor Funds	
	General Purpose School	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues				
Local Taxes	$ 1,403,995	$ 485,492	$ 0	$ 1,889,487
Licenses and Permits	5,136	208	0	5,344
Charges for Current Services	5,181	0	327,927	333,108
Other Local Revenues	64,441	0	1,697	66,138
State of Tennessee	8,771,396	12,249	440,792	9,224,437
Federal Government	366,756	0	1,764,180	2,130,936
Other Governments and Citizens Groups	0	665,507	0	665,507
Total Revenues	$ 10,616,905	$ 1,163,456	$ 2,534,596	$ 14,314,957
Expenditures				
Current:				
Instruction	$ 6,001,841	$ 0	$ 1,169,500	$ 7,171,341
Support Services	3,647,870	0	484,129	4,131,999
Operation of Non-Instructional Services	390,814	0	898,665	1,289,479
Capital Outlay	227,570	0	0	227,570
Debt Service:				
Principal	9,000	380,000	0	389,000
Interest	0	502,195	0	502,195
Other Debt Service	0	15,026	0	15,026
Total Expenditures	$ 10,277,095	$ 897,221	$ 2,552,294	$ 13,726,610
Excess (Deficiency) of Revenues Over Expenditures	$ 339,810	$ 266,235	$ (17,698)	$ 588,347
Other Financing Sources (Uses)				
Transfers In	$ 188,188	$ 325,000	$ 27,000	$ 540,188
Transfers Out	(352,000)	(175,338)	(12,850)	(540,188)
Total Other Financing Sources (Uses)	$ (163,812)	$ 149,662	$ 14,150	$ 0
Net Change in Fund Balances	$ 175,998	$ 415,897	$ (3,548)	$ 588,347
Fund Balance, July 1, 2004	890,333	0	408,869	1,299,202
Fund Balance, June 30, 2005	$ 1,066,331	$ 415,897	$ 405,321	$ 1,887,549

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

BLEDSOE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bledsoe County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the Bledsoe County School Department:

A. Reporting Entity

The Bledsoe County School Department operates the public school system in the county, and the voters of Bledsoe County elect its board. The School Department is a component unit of Bledsoe County, the primary government. 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 Bledsoe 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.

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

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental 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.

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 School Department 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. The School Department 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 School Department receives cash.

The School Department reports the following major governmental funds:

General Purpose School Fund – This is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

Education Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, education related long-term debt principal, interest, and related costs.

Additionally, the School Department reports the following fund type:

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 Bledsoe County and Bledsoe County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Bledsoe County and the Bledsoe 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

Outstanding balances between funds are reported as due to/from other funds.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.26 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred 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 not material for financial reporting purposes and are thus not 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.

3. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

5. Compensated Absences

General policy of the School Department does not allow for the accumulation of vacation days beyond year-end. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

6. Long-term Obligations

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.

7. Fund Equity

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.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

Bledsoe County and the Bledsoe County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer.

Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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.

The School Department had no pooled or nonpooled investments at June 30, 2005.

B. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental	General Purpose School	$ 39,334

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

Interfund Transfers:

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

	Transfers In		
Transfers Out	General Purpose School Fund	Education Debt Service Fund	Nonmajor Govern-mental Funds
General Purpose School Fund	$ 0	$ 325,000	$ 27,000
Education Debt Service Fund	175,338	0	0
Nonmajor governmental funds	12,850	0	0
Total	$ 188,188	$ 325,000	$ 27,000

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.

C. Commitment

The Tennessee Department of Environment and Conservation performed assessment and remediation activities on a leaking underground gas storage tank at the Bledsoe County Bus Garage. The state department incurred total costs for cleaning up the site of $308,316 as specified in an Amended Agreed Final Order between the county and the state department dated July 20, 2004. Bledsoe County agreed to pay back all costs of these activities to the state department at a rate of $500 a month. The county made payments of $6,000 to the department during the year from the Education Debt Service Fund. On June 30, 2005, the outstanding balance owed by the School Department was $240,316, which has been included in the School Department's schedule of long-term debt in this report.

D. Long-term Debt

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

General Obligation Bonds and Notes

The county issues general obligation bonds and provides the funds to the School Department 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 issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 25 years for bonds and ten years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2005, will be retired from the Education Debt Service Fund. The capital outlay note outstanding at June 30, 2005, will be retired from the General Purpose School Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	3 to 4.7 %	$ 7,500,000	$ 6,955,000
General Obligation Bonds - Refunding	2 to 4.25	5,510,000	5,160,000
Capital Outlay Note	0	90,000	45,000

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

Year Ending June 30	Bonds Principal	Bonds Interest	Note Principal
2006	$ 390,000	$ 491,245	$ 9,000
2007	405,000	479,445	9,000
2008	425,000	466,045	9,000
2009	440,000	450,970	9,000
2010	450,000	435,445	9,000
2011-2015	2,575,000	1,903,439	0
2016-2020	3,200,000	1,324,342	0
2021-2025	3,230,000	563,777	0
2026-2027	1,000,000	47,705	0
Total	$ 12,115,000	$ 6,162,413	$ 45,000

There is $415,897 available in the Education Debt Service Fund to service long-term debt. General bonded debt per capita amounted to $980, based on the 2000 federal census. Total debt per capita, including bonds and notes amounted to $983, 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
Balance, July 1, 2004	$ 0	$ 54,000
Additions	12,495,000	0
Deductions	(380,000)	(9,000)
Balance, June 30, 2005	$ 12,115,000	$ 45,000
Balance Due Within One Year	$ 390,000	$ 9,000

	Other Long-term Liabilities
Balance, July 1, 2004	$ 246,316
Deductions	(6,000)
Balance, June 30, 2005	$ 240,316
Balance Due Within One Year	$ 6,000

During the year, the administration of the Education Debt Service Fund was transferred from the primary government to the School Department. The addition to bonds noted in the schedule above represents the outstanding

balance of bonds payable on July 1, 2004, which was transferred from the primary government to the School Department. No new bonds were issued during the year.

III. OTHER INFORMATION

A. Risk Management

The School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School Department provides health insurance coverage to their employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were 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 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.

B. Accounting Change

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department'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. Contingent Liabilities

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

D. Retirement Commitments

Plan Description

Employees of Bledsoe County, including the School Department, 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 Bledsoe 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/.

Since the Bledsoe County School Department participates in Bledsoe County's plan, retirement information for the Bledsoe County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.G. of the Annual Financial Report of Bledsoe County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Bledsoe County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by

the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.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 salaries to the plan. The employer contribution rate for the Bledsoe 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 Bledsoe 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 $335,805, $190,537, and $174,625, respectively, equal to the required contributions for each year.

E. Purchasing Law

Purchasing procedures for the Bledsoe County School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the 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 exceeding $5,000.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit C

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Bledsoe County School Department
General Purpose School 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 Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 1,403,995	$ 0	$ 0	$ 1,403,995	$ 1,393,712	$ 1,393,712	$ 10,283
Licenses and Permits	5,136	0	0	5,136	5,016	5,016	120
Charges for Current Services	5,181	0	0	5,181	5,000	5,000	181
Other Local Revenues	64,441	0	0	64,441	66,620	66,620	(2,179)
State of Tennessee	8,771,396	0	0	8,771,396	8,391,675	8,814,614	(43,218)
Federal Government	366,756	0	0	366,756	91,476	291,070	75,686
Total Revenues	$ 10,616,905	$ 0	$ 0	$ 10,616,905	$ 9,953,499	$ 10,576,032	$ 40,873
Expenditures							
Instruction							
Regular Instruction Program	$ 4,637,168	$ 0	$ 0	$ 4,637,168	$ 4,563,238	$ 4,672,729	$ 35,561
Alternative Instruction Program	58,515	0	0	58,515	58,939	60,315	1,800
Special Education Program	1,160,441	0	11,376	1,171,817	1,185,961	1,193,437	21,620
Vocational Education Program	61,905	0	0	61,905	100,801	62,651	746
Adult Education Program	83,812	0	0	83,812	99,290	98,103	14,291
Support Services							
Attendance	80,550	0	0	80,550	85,333	82,562	2,012
Health Services	80,239	0	0	80,239	79,874	80,351	112
Other Student Support	290,183	0	0	290,183	273,606	290,846	663
Regular Instruction Program	383,234	0	0	383,234	405,114	407,591	24,357
Alternative Instruction Program	632	0	0	632	0	800	168
Special Education Program	123,586	0	0	123,586	126,927	127,189	3,603
Adult Programs	78,244	0	0	78,244	70,688	79,311	1,067
Board of Education	201,051	0	0	201,051	214,931	223,380	22,329
Director of Schools	110,637	0	0	110,637	116,744	113,003	2,366
Office of the Principal	422,701	0	0	422,701	423,424	424,652	1,951

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Support Services (Cont.)							
Fiscal Services	$ 86,496	$ 0	$ 0	$ 86,496	$ 90,322	$ 90,322	$ 3,826
Operation of Plant	753,836	0	0	753,836	769,120	772,127	18,291
Maintenance of Plant	227,738	(13,894)	0	213,844	213,715	213,932	88
Transportation	808,743	(187,131)	75,600	697,212	601,189	712,096	14,884
Operation of Non-Instructional Services							
Food Service	53,159	0	0	53,159	54,058	54,058	899
Community Services	337,655	0	0	337,655	76,470	338,422	767
Capital Outlay							
Regular Capital Outlay	227,570	(79,999)	0	147,571	0	150,000	2,429
Principal							
Education	9,000	0	0	9,000	9,000	9,000	0
Total Expenditures	$ 10,277,095	$ (281,024)	$ 86,976	$ 10,083,047	$ 9,618,744	$ 10,256,877	$ 173,830
Excess (Deficiency) of Revenues Over Expenditures	$ 339,810	$ 281,024	$ (86,976)	$ 533,858	$ 334,755	$ 319,155	$ 214,703
Other Financing Sources (Uses)							
Transfers In	$ 188,188	$ 0	$ 0	$ 188,188	$ 12,000	$ 12,000	$ 176,188
Transfers Out	(352,000)	0	0	(352,000)	(352,000)	(352,000)	0
Total Other Financing Sources (Uses)	$ (163,812)	$ 0	$ 0	$ (163,812)	$ (340,000)	$ (340,000)	$ 176,188
Net Change in Fund Balance	$ 175,998	$ 281,024	$ (86,976)	$ 370,046	$ (5,245)	$ (20,845)	$ 390,891
Fund Balance, July 1, 2004	890,333	(281,024)	0	609,309	1,041,678	1,041,678	(432,369)
Fund Balance, June 30, 2005	$ 1,066,331	$ 0	$ (86,976)	$ 979,355	$ 1,036,433	$ 1,020,833	$ (41,478)

BLEDSOE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

BUDGETARY INFORMATION

The School Department 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 Bledsoe 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 Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Bledsoe County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department'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.

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.

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

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

Other Education Special Revenue Fund – The Other Education Special Revenue Fund is used to account for general operations of the Bledsoe/Sequatchie Vocational School.

Exhibit D-1

Bledsoe County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Bledsoe County School Department
June 30, 2005

	Special Revenue Funds			
	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 0	$ 82,065	$ 0	$ 82,065
Equity in Pooled Cash and Investments	38,372	85,448	34,986	158,806
Accounts Receivable	0	797	0	797
Due from Other Governments	69,705	78,029	0	147,734
Due from Other Funds	0	0	39,334	39,334
Restricted Assets:				
Customer Deposits	0	1,286	0	1,286
Total Assets	$ 108,077	$ 247,625	$ 74,320	$ 430,022
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 0	$ 0	$ 9,909	$ 9,909
Accrued Payroll	0	12,897	0	12,897
Payroll Deductions Payable	291	118	200	609
Current Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	0	1,286	0	1,286
Total Liabilities	$ 291	$ 14,301	$ 10,109	$ 24,701
Fund Balances				
Reserved for Encumbrances	$ 7,350	$ 0	$ 0	$ 7,350
Reserved for Title I Grants to Local Education Agencies	54,687	0	0	54,687
Reserved for Special Education - Grants to States	11,508	0	0	11,508
Other Federal Reserves	34,241	0	0	34,241
Unreserved	0	233,324	64,211	297,535
Total Fund Balances	$ 107,786	$ 233,324	$ 64,211	$ 405,321
Total Liabilities and Fund Balances	$ 108,077	$ 247,625	$ 74,320	$ 430,022

Exhibit D-2

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

	Special Revenue Funds			
	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Total Nonmajor Governmental Funds
Revenues				
Charges for Current Services	$ 0	$ 327,927	$ 0	$ 327,927
Other Local Revenues	0	1,697	0	1,697
State of Tennessee	0	63,878	376,914	440,792
Federal Government	1,225,552	538,628	0	1,764,180
Total Revenues	$ 1,225,552	$ 932,130	$ 376,914	$ 2,534,596
Expenditures				
Current:				
Instruction	$ 867,329	$ 0	$ 302,171	$ 1,169,500
Support Services	376,093	0	108,036	484,129
Operation of Non-Instructional Services	0	898,665	0	898,665
Total Expenditures	$ 1,243,422	$ 898,665	$ 410,207	$ 2,552,294
Excess (Deficiency) of Revenues Over Expenditures	$ (17,870)	$ 33,465	$ (33,293)	$ (17,698)
Other Financing Sources (Uses)				
Transfers In	$ 0	$ 0	$ 27,000	$ 27,000
Transfers Out	(12,850)	0	0	(12,850)
Total Other Financing Sources (Uses)	$ (12,850)	$ 0	$ 27,000	$ 14,150
Net Change in Fund Balances	$ (30,720)	$ 33,465	$ (6,293)	$ (3,548)
Fund Balance, July 1, 2004	138,506	199,859	70,504	408,869
Fund Balance, June 30, 2005	$ 107,786	$ 233,324	$ 64,211	$ 405,321

Exhibit D-3

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Bledsoe County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
State of Tennessee	$ 0	$ 0	$ 0	$ 28,047	$ 0	$ 0
Federal Government	1,225,552	0	1,225,552	1,416,144	1,466,541	(240,989)
Total Revenues	$ 1,225,552	$ 0	$ 1,225,552	$ 1,444,191	$ 1,466,541	$ (240,989)
Expenditures						
Instruction						
Regular Instruction Program	$ 383,123	$ 0	$ 383,123	$ 422,602	$ 400,900	$ 17,777
Special Education Program	426,415	7,350	433,765	602,450	603,642	169,877
Vocational Education Program	57,791	0	57,791	56,265	57,723	(68)
Support Services						
Other Student Support	58,955	0	58,955	65,075	62,694	3,739
Regular Instruction Program	247,768	0	247,768	321,473	359,202	111,434
Special Education Program	59,607	0	59,607	68,715	82,370	22,763
Transportation	9,763	0	9,763	25,945	18,649	8,886
Total Expenditures	$ 1,243,422	$ 7,350	$ 1,250,772	$ 1,562,525	$ 1,585,180	$ 334,408
Excess (Deficiency) of Revenues Over Expenditures	$ (17,870)	$ (7,350)	$ (25,220)	$ (118,334)	$ (118,639)	$ 93,419
Other Financing Sources (Uses)						
Transfers Out	$ (12,850)	$ 0	$ (12,850)	$ (20,175)	$ (19,870)	$ 7,020
Total Other Financing Sources (Uses)	$ (12,850)	$ 0	$ (12,850)	$ (20,175)	$ (19,870)	$ 7,020
Net Change in Fund Balance	$ (30,720)	$ (7,350)	$ (38,070)	$ (138,509)	$ (138,509)	$ 100,439
Fund Balance, July 1, 2004	138,506	0	138,506	138,509	138,509	(3)
Fund Balance, June 30, 2005	$ 107,786	$ (7,350)	$ 100,436	$ 0	$ 0	$ 100,436

Exhibit D-4

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Bledsoe County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 327,927	$ 467,595	$ 467,595	$ (139,668)
Other Local Revenues	1,697	4,400	4,400	(2,703)
State of Tennessee	63,878	91,155	91,155	(27,277)
Federal Government	538,628	565,650	565,650	(27,022)
Total Revenues	$ 932,130	$ 1,128,800	$ 1,128,800	$ (196,670)
Expenditures				
Operation of Non-Instructional Services				
Food Service	$ 836,597	$ 1,037,645	$ 1,037,645	$ 201,048
Community Services	62,068	91,155	91,155	29,087
Total Expenditures	$ 898,665	$ 1,128,800	$ 1,128,800	$ 230,135
Excess (Deficiency) of Revenues Over Expenditures	$ 33,465	$ 0	$ 0	$ 33,465
Net Change in Fund Balance	$ 33,465	$ 0	$ 0	$ 33,465
Fund Balance, July 1, 2004	199,859	199,262	199,262	597
Fund Balance, June 30, 2005	$ 233,324	$ 199,262	$ 199,262	$ 34,062

Exhibit D-5

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Bledsoe County School Department
Other Education Special Revenue Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 0	$ 14,173	$ 14,173	$ (14,173)
State of Tennessee	376,914	376,913	376,913	1
Total Revenues	$ 376,914	$ 391,086	$ 391,086	$ (14,172)
Expenditures				
Instruction				
Vocational Education Program	$ 302,171	$ 293,527	$ 303,946	$ 1,775
Support Services				
Office of the Principal	45,407	64,905	50,277	4,870
Operation of Plant	38,988	35,259	38,988	0
Transportation	23,641	24,395	24,875	1,234
Total Expenditures	$ 410,207	$ 418,086	$ 418,086	$ 7,879
Excess (Deficiency) of Revenues Over Expenditures	$ (33,293)	$ (27,000)	$ (27,000)	$ (6,293)
Other Financing Sources (Uses)				
Transfers In	$ 27,000	$ 27,000	$ 27,000	$ 0
Total Other Financing Sources (Uses)	$ 27,000	$ 27,000	$ 27,000	$ 0
Net Change in Fund Balance	$ (6,293)	$ 0	$ 0	$ (6,293)
Fund Balance, July 1, 2004	70,504	63,089	63,089	7,415
Fund Balance, June 30, 2005	$ 64,211	$ 63,089	$ 63,089	$ 1,122

Major Governmental Fund

Education Debt Service Fund

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

Exhibit E

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 485,492	$ 477,917	$ 477,917	$ 7,575
Licenses and Permits	208	350	350	(142)
State of Tennessee	12,249	11,506	11,506	743
Other Governments and Citizens Groups	665,507	0	665,507	0
Total Revenues	$ 1,163,456	$ 489,773	$ 1,155,280	$ 8,176
Expenditures				
Principal				
Education	$ 380,000	$ 386,000	$ 386,000	$ 6,000
Interest				
Education	502,195	502,195	502,195	0
Other Debt Service				
Education	15,026	12,500	12,500	(2,526)
Total Expenditures	$ 897,221	$ 900,695	$ 900,695	$ 3,474
Excess (Deficiency) of Revenues Over Expenditures	$ 266,235	$ (410,922)	$ 254,585	$ 11,650
Other Financing Sources (Uses)				
Transfers In	$ 325,000	$ 325,000	$ 325,000	$ 0
Transfers Out	(175,338)	0	(175,338)	0
Total Other Financing Sources (Uses)	$ 149,662	$ 325,000	$ 149,662	$ 0
Net Change in Fund Balance	$ 415,897	$ (85,922)	$ 404,247	$ 11,650
Fund Balance, July 1, 2004	0	304,967	304,967	(304,967)
Fund Balance, June 30, 2005	$ 415,897	$ 219,045	$ 709,214	$ (293,317)

MISCELLANEOUS SCHEDULES

Exhibit F-1

Bledsoe County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
Bledsoe 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	Adjustment	Paid and/or Matured During Period	Outstanding 6-30-05
NOTES PAYABLE								
Payable through General Purpose School Fund								
Computer Lab Equipment	$ 90,000	0 %	6-30-00	6-30-10	$ 54,000	$ 0	$ 9,000	$ 45,000
BONDS PAYABLE								
Payable through Education Debt Service Fund								
School Bonds Series 2001	7,500,000	3 to 4.7	10-1-01	10-1-26	$ 0	$ 7,155,000 (1)	$ 200,000	$ 6,955,000
School Refunding Series 2003	5,510,000	2 to 4.25	5-29-03	12-1-22	0	5,340,000 (1)	180,000	5,160,000
Total Bonds Payable					$ 0	$ 12,495,000	$ 380,000	$ 12,115,000

(1) Administration of the Education Debt Service Fund transferred from the primary government to the School Department during the year. The transfer from the primary government reflected in this schedule represents the outstanding balances of bonds payable at July, 1, 2004.

Exhibit F-2

Bledsoe County, Tennessee
Schedule of Bond and Interest Requirements by Year
Bledsoe County School Department

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	$ 390,000	$ 491,245	$ 881,245
2007	405,000	479,445	884,445
2008	425,000	466,045	891,045
2009	440,000	450,970	890,970
2010	450,000	435,445	885,445
2011	470,000	418,795	888,795
2012	495,000	400,733	895,733
2013	515,000	381,756	896,756
2014	535,000	361,753	896,753
2015	560,000	340,402	900,402
2016	585,000	317,505	902,505
2017	610,000	293,010	903,010
2018	635,000	266,693	901,693
2019	665,000	238,562	903,562
2020	705,000	208,572	913,572
2021	740,000	176,669	916,669
2022	775,000	143,032	918,032
2023	820,000	107,423	927,423
2024	435,000	78,843	513,843
2025	460,000	57,810	517,810
2026	485,000	35,602	520,602
2027	515,000	12,103	527,103
Total	$ 12,115,000	$ 6,162,413	$ 18,277,413

Exhibit F-3

Bledsoe County, Tennessee
Schedule of Transfers - All Funds
Bledsoe County School Department
For the Year Ended June 30, 2005

From Fund	To Fund	Purpose	Amount
School Federal Projects	General Purpose School	Indirect costs	$ 12,850
Education Debt Service	General Purpose School	Reimbursement - bus purchase	175,338
General Purpose School	Other Education Special Revenue	Operating expenses	27,000
General Purpose School	Education Debt Service	Debt retirement	325,000
Total Transfers			$ 540,188

Exhibit F-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and local Board of Education	$ 83,494 (1)	(2)	
Employee Dishonesty Bond Coverage School Employees			$ 100,000	Utica National Insurance Group

(1) Includes chief executive officer training supplement of $1,000 and travel allowance of $3,600.
(2) The director of schools is covered under the employee dishonesty bond.

Exhibit F-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Debt Service	Total
Local Taxes						
County Property Taxes						
Current Property Tax	$ 1,090,461	$ 0	$ 0	$ 0	$ 92,444	$ 1,182,905
Trustee's Collections - Prior Year	61,327	0	0	0	6,100	67,427
Circuit/Clerk & Master Collections - Prior Years	36,243	0	0	0	3,398	39,641
Interest and Penalty	10,708	0	0	0	1,003	11,711
Payments in Lieu of Taxes - T.V.A.	7,378	0	0	0	692	8,070
Payments in Lieu of Taxes - Local Utilities	1,112	0	0	0	104	1,216
County Local Option Taxes						
Local Option Sales Tax	174,818	0	0	0	380,078	554,896
Statutory Local Taxes						
Bank Excise Tax	17,847	0	0	0	1,673	19,520
Interstate Telecommunications Tax	4,101	0	0	0	0	4,101
Total Local Taxes	$ 1,403,995	$ 0	$ 0	$ 0	$ 485,492	$ 1,889,487
Licenses and Permits						
Licenses						
Marriage Licenses	$ 826	$ 0	$ 0	$ 0	$ 0	$ 826
Cable TV Franchise	4,310	0	0	0	208	4,518
Total Licenses and Permits	$ 5,136	$ 0	$ 0	$ 0	$ 208	$ 5,344
Charges for Current Services						
Education Charges						
Lunch Payments - Children	$ 0	$ 0	$ 155,032	$ 0	$ 0	$ 155,032
Lunch Payments - Adults	0	0	35,857	0	0	35,857
Income from Breakfast	0	0	21,714	0	0	21,714
A la carte Sales	0	0	115,324	0	0	115,324
Contract for Instructional Services with Other LEA's	3,438	0	0	0	0	3,438
School Based Health Services - FFS	411	0	0	0	0	411
Other Charges for Services						
Other Charges for Services	1,332	0	0	0	0	1,332
Total Charges for Current Services	$ 5,181	$ 0	$ 327,927	$ 0	$ 0	$ 333,108
Other Local Revenues						
Recurring Items						
Investment Income	$ 0	$ 0	$ 1,697	$ 0	$ 0	$ 1,697
Lease/Rentals	780	0	0	0	0	780

(Continued)

Exhibit F-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Debt Service	Total
Other Local Revenues (Cont.)						
Recurring Items (Cont.)						
Miscellaneous Refunds	$ 34,208	$ 0	$ 0	$ 0	$ 0	$ 34,208
Nonrecurring Items						
Insurance Recovery	6,085	0	0	0	0	6,085
Sale of Equipment	2,324	0	0	0	0	2,324
Damages Recovered from Individuals	133	0	0	0	0	133
Contributions & Gifts	20,646	0	0	0	0	20,646
Other Local Revenues						
Other Local Revenues	265	0	0	0	0	265
Total Other Local Revenues	$ 64,441	$ 0	$ 1,697	$ 0	$ 0	$ 66,138
State of Tennessee						
State Education Funds						
Basic Education Program	$ 8,203,494	$ 0	$ 0	$ 369,559	$ 0	$ 8,573,053
School Food Service	11,134	0	0	0	0	11,134
Other State Education Funds	129,837	0	0	0	0	129,837
Career Ladder Program	109,896	0	0	7,355	0	117,251
Career Ladder - Extended Contract	44,659	0	0	0	0	44,659
Other State Revenues						
State Revenue Sharing - T.V.A.	130,655	0	0	0	12,249	142,904
Other State Grants	141,721	0	63,878	0	0	205,599
Total State of Tennessee	$ 8,771,396	$ 0	$ 63,878	$ 376,914	$ 12,249	$ 9,224,437
Federal Government						
Federal Through State						
USDA School Lunch Program	$ 0	$ 0	$ 387,878	$ 0	$ 0	$ 387,878
Breakfast	0	0	150,750	0	0	150,750
Adult Education State Grant Program	84,440	0	0	0	0	84,440
Vocational Education - Basic Grants to States	0	96,390	0	0	0	96,390
Title I Grants to Local Education Agencies	0	487,920	0	0	0	487,920
Innovative Education Program Strategies	0	71,436	0	0	0	71,436
Special Education - Grants to States	16,629	372,493	0	0	0	389,122
Special Education Preschool Grants	0	55,437	0	0	0	55,437
Eisenhower Professional Development State Grants	0	129,880	0	0	0	129,880
Other Federal through State	265,687	11,996	0	0	0	277,683
Total Federal Government	$ 366,756	$ 1,225,552	$ 538,628	$ 0	$ 0	$ 2,130,936

(Continued)

Exhibit F-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Debt Service	Total
Other Governments and Citizens Groups						
Other Governments						
Contributions	$ 0	$ 0	$ 0	$ 0	$ 665,507	$ 665,507
Total Other Governments and Citizens Groups	$ 0	$ 0	$ 0	$ 0	$ 665,507	$ 665,507
Total	$ 10,616,905	$ 1,225,552	$ 932,130	$ 376,914	$ 1,163,456	$ 14,314,957

Exhibit F-6

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

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 3,366,820	
Career Ladder Program	48,688	
Career Ladder Extended Contracts	29,000	
Homebound Teachers	6,545	
Educational Assistants	190,541	
Certified Substitute Teachers	55,226	
Social Security	215,164	
State Retirement	201,868	
Life Insurance	385	
Medical Insurance	281,782	
Employer Medicare	50,321	
Maintenance & Repair Services- Equipment	178	
Other Contracted Services	1,670	
Instructional Supplies and Materials	73,334	
Textbooks	89,240	
Regular Instruction Equipment	26,406	
Total Regular Instruction Program		$ 4,637,168
Alternative Instruction Program		
Teachers	$ 44,551	
Career Ladder Program	1,000	
Social Security	2,425	
State Retirement	2,505	
Medical Insurance	6,004	
Employer Medicare	567	
Instructional Supplies and Materials	423	
Other Capital Outlay	1,040	
Total Alternative Instruction Program		58,515
Special Education Program		
Teachers	$ 711,546	
Career Ladder Program	15,000	
Homebound Teachers	3,450	
Clerical Personnel	21,572	
Educational Assistants	159,569	
Other Salaries & Wages	26,512	
Social Security	54,647	
State Retirement	54,169	
Medical Insurance	69,529	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)				
Instruction (Cont.)				
Special Education Program (Cont.)				
Employer Medicare	$	12,780		
Maintenance & Repair Services- Equipment		4,038		
Travel		109		
Other Contracted Services		5,957		
Instructional Supplies and Materials		10,504		
Other Supplies and Materials		3,316		
Special Education Equipment		5,637		
Health Equipment		2,106		
Total Special Education Program			$	1,160,441
Vocational Education Program				
Teachers	$	48,150		
Certified Substitute Teachers		1,480		
Social Security		2,806		
State Retirement		2,648		
Medical Insurance		5,865		
Employer Medicare		656		
Instructional Supplies and Materials		300		
Total Vocational Education Program				61,905
Adult Education Program				
Teachers	$	42,357		
Career Ladder Program		1,000		
Temporary Personnel		880		
Other Salaries & Wages		23,429		
Social Security		4,025		
State Retirement		3,508		
Medical Insurance		179		
Employer Medicare		941		
Travel		144		
Instructional Supplies and Materials		7,349		
Total Adult Education Program				83,812
Support Services				
Attendance				
Supervisor/Director	$	55,056		
Career Ladder Program		1,000		
Social Security		3,574		
State Retirement		3,188		

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Attendance (Cont.)				
Employer Medicare	$	836		
Travel		1,900		
Other Contracted Services		13,245		
Other Supplies and Materials		1,751		
Total Attendance			$	80,550
Health Services				
Medical Personnel	$	67,267		
Social Security		4,159		
State Retirement		3,700		
Employer Medicare		973		
Travel		708		
Other Contracted Services		270		
Other Supplies and Materials		3,162		
Total Health Services				80,239
Other Student Support				
Career Ladder Program	$	5,574		
Guidance Personnel		128,313		
Psychological Personnel		68,247		
School Resource Officer		26,625		
Social Security		13,389		
State Retirement		12,448		
Medical Insurance		18,379		
Employer Medicare		3,131		
Evaluation and Testing		9,651		
Other Contracted Services		1,900		
Other Supplies and Materials		2,526		
Total Other Student Support				290,183
Regular Instruction Program				
Supervisor/Director	$	65,580		
Career Ladder Program		10,000		
Career Ladder Extended Contracts		4,000		
Librarians		114,644		
Materials Supervisor		29,398		
Instructional Computer Personnel		47,329		
Other Salaries & Wages		32,491		
Social Security		18,016		

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Regular Instruction Program (Cont.)				
State Retirement	$	17,199		
Medical Insurance		15,954		
Employer Medicare		4,213		
Travel		6,571		
Other Contracted Services		2,333		
Library Books/Media		5,132		
Other Supplies and Materials		3,127		
In Service/Staff Development		7,247		
Total Regular Instruction Program			$	383,234
Alternative Instruction Program				
Travel	$	495		
Other Supplies and Materials		137		
Total Alternative Instruction Program				632
Special Education Program				
Supervisor/Director	$	60,738		
Career Ladder Program		2,000		
Career Ladder Extended Contracts		2,000		
Secretary(s)		26,395		
Social Security		5,339		
State Retirement		5,427		
Medical Insurance		3,153		
Employer Medicare		1,249		
Travel		6,928		
Other Contracted Services		4,403		
Other Supplies and Materials		3,961		
Other Charges		1,993		
Total Special Education Program				123,586
Adult Programs				
Supervisor/Director	$	49,762		
Career Ladder Program		1,000		
Social Security		2,863		
State Retirement		2,792		
Medical Insurance		5,067		
Employer Medicare		670		
Communication		1,558		
Maintenance & Repair Services- Equipment		625		

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Adult Programs (Cont.)				
Travel	$	3,319		
Other Supplies and Materials		226		
Other Charges		4,924		
Other Equipment		5,438		
Total Adult Programs			$	78,244
Board of Education				
Other Salaries & Wages	$	8,000		
Board and Committee Members Fees		24,300		
Social Security		1,968		
State Retirement		176		
Medical Insurance		297		
Unemployment Compensation		18,139		
Employer Medicare		460		
Audit Services		5,000		
Dues and Memberships		6,773		
Legal Services		765		
Travel		7,844		
Other Contracted Services		244		
Office Supplies		27		
Liability Insurance		13,813		
Trustee's Commission		46,452		
Workers' Compensation Insurance		62,981		
Refund to Applicant for Criminal Investigation		3,312		
Other Charges		500		
Total Board of Education				201,051
Director of Schools				
County Official/Administrative Officer	$	78,894		
Career Ladder Program		1,000		
Social Security		5,044		
State Retirement		4,592		
Medical Insurance		2,776		
Employer Medicare		1,180		
Communication		10,675		
Dues and Memberships		932		
Postal Charges		897		
Travel		3,600		
Other Contracted Services		935		

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Director of Schools (Cont.)		
Office Supplies	$ 112	
Total Director of Schools		$ 110,637
Office of the Principal		
Principals	$ 273,584	
Career Ladder Program	6,000	
Career Ladder Extended Contracts	2,000	
Secretary(s)	77,858	
Social Security	21,226	
State Retirement	20,992	
Medical Insurance	15,156	
Employer Medicare	4,964	
Communication	731	
Travel	190	
Total Office of the Principal		422,701
Fiscal Services		
Accountants/Bookkeepers	$ 71,376	
Social Security	3,944	
State Retirement	1,983	
Medical Insurance	953	
Employer Medicare	922	
Data Processing Services	5,293	
Office Supplies	2,025	
Total Fiscal Services		86,496
Operation of Plant		
Custodial Personnel	$ 232,758	
Social Security	14,209	
State Retirement	15,146	
Medical Insurance	701	
Employer Medicare	3,323	
Other Contracted Services	75,943	
Electricity	280,674	
Natural Gas	44,053	
Water and Sewer	18,694	
Other Supplies and Materials	40,595	
Building and Contents Insurance	27,740	
Total Operation of Plant		753,836

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Maintenance of Plant				
Supervisor/Director	$	56,056		
Maintenance Personnel		59,426		
Other Salaries & Wages		16,368		
Social Security		7,205		
State Retirement		8,458		
Medical Insurance		6,596		
Employer Medicare		1,685		
Maintenance & Repair Services- Equipment		21,937		
Other Contracted Services		31,121		
Other Supplies and Materials		18,816		
Maintenance Equipment		70		
Total Maintenance of Plant			$	227,738
Transportation				
Supervisor/Director	$	27,042		
Mechanic(s)		25,200		
Bus Drivers		302,937		
Other Salaries & Wages		18,725		
Social Security		23,309		
State Retirement		25,586		
Medical Insurance		619		
Employer Medicare		5,451		
Contracts with Public Carriers		470		
Contracts with Vehicle Owners		1,070		
Laundry Service		756		
Maintenance & Repair Services- Vehicles		11,793		
Medical and Dental Services		65		
Travel		4,779		
Other Contracted Services		8,892		
Gasoline		101,015		
Tires and Tubes		9,502		
Vehicle Parts		36,036		
Other Supplies and Materials		4,690		
Vehicle and Equipment Insurance		25,468		
Transportation Equipment		175,338		
Total Transportation				808,743

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)				
Operation of Non-Instructional Services				
Food Service				
Supervisor/Director	$	24,228		
Other Salaries & Wages		21,831		
Social Security		2,848		
State Retirement		2,473		
Employer Medicare		666		
Travel		1,065		
Other Charges		48		
Total Food Service			$	53,159
Community Services				
Supervisor/Director	$	38,307		
Teachers		83,596		
Bus Drivers		24,135		
Educational Assistants		24,626		
Temporary Personnel		20,020		
Other Salaries & Wages		66,343		
Social Security		14,771		
State Retirement		14,838		
Medical Insurance		6,028		
Employer Medicare		3,455		
Communication		1,469		
Travel		2,791		
Other Contracted Services		3,946		
Gasoline		3,208		
Instructional Supplies and Materials		7,148		
Other Supplies and Materials		5,825		
Workers' Compensation Insurance		484		
Other Charges		320		
Regular Instruction Equipment		15,450		
Other Equipment		895		
Total Community Services				337,655
Capital Outlay				
Regular Capital Outlay				
Architects	$	71		
Building Improvements		13,569		
Other Capital Outlay		213,930		
Total Regular Capital Outlay				227,570

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)			
Principal			
Education			
Principal on Notes	$ 9,000		
Total Education		$ 9,000	
Total General Purpose School Fund			$ 10,277,095
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 206,488		
Educational Assistants	59,496		
Certified Substitute Teachers	2,620		
Social Security	15,645		
State Retirement	13,781		
Medical Insurance	14,299		
Employer Medicare	3,821		
Other Contracted Services	5,121		
Instructional Supplies and Materials	6,519		
Regular Instruction Equipment	55,333		
Total Regular Instruction Program		$ 383,123	
Special Education Program			
Teachers	$ 16,480		
Educational Assistants	252,163		
Other Salaries & Wages	15,520		
Social Security	17,135		
State Retirement	18,249		
Medical Insurance	587		
Employer Medicare	4,018		
Contracts with Private Agencies	7,055		
Other Contracted Services	13,845		
Instructional Supplies and Materials	53,138		
Special Education Equipment	28,225		
Total Special Education Program		426,415	
Vocational Education Program			
Instructional Supplies and Materials	$ 10,774		
Other Charges	4,964		
Vocational Instruction Equipment	42,053		
Total Vocational Education Program		57,791	

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)				
Support Services				
Other Student Support				
Guidance Personnel	$	28,481		
Other Salaries & Wages		13,671		
Social Security		2,527		
State Retirement		2,533		
Medical Insurance		3,438		
Employer Medicare		591		
Travel		2,251		
Other Contracted Services		1,771		
Other Supplies and Materials		3,692		
Total Other Student Support			$	58,955
Regular Instruction Program				
Supervisor/Director	$	45,622		
Instructional Computer Personnel		7,691		
Clerical Personnel		28,658		
In-Service Training		46,515		
Social Security		7,252		
State Retirement		6,447		
Medical Insurance		6,931		
Employer Medicare		2,085		
Travel		6,446		
Other Supplies and Materials		3,628		
In Service/Staff Development		86,493		
Total Regular Instruction Program				247,768
Special Education Program				
Psychological Personnel	$	4,911		
Clerical Personnel		20,730		
Social Security		1,571		
State Retirement		1,717		
Employer Medicare		368		
Travel		8,924		
In Service/Staff Development		21,386		
Total Special Education Program				59,607
Transportation				
Bus Drivers	$	1,740		
Social Security		108		
State Retirement		111		

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)			
Support Services (Cont.)			
Transportation (Cont.)			
Employer Medicare	$ 25		
Contracts with Parents	7,779		
Total Transportation		$ 9,763	
Total School Federal Projects Fund			$ 1,243,422
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 5,324		
Clerical Personnel	22,532		
Cafeteria Personnel	275,004		
Social Security	18,554		
State Retirement	19,790		
Employer Medicare	4,343		
Communication	2,144		
Maintenance & Repair Services- Equipment	6,714		
Travel	5,036		
Other Contracted Services	13,220		
Food Preparation Supplies	34,824		
Food Supplies	406,265		
Office Supplies	3,057		
Uniforms	934		
Other Supplies and Materials	1,019		
In Service/Staff Development	7,132		
Other Charges	400		
Food Service Equipment	10,305		
Total Food Service		$ 836,597	
Community Services			
Supervisor/Director	$ 8,290		
Other Salaries & Wages	19,065		
Social Security	1,695		
State Retirement	1,930		
Employer Medicare	397		
Communication	66		
Travel	3,249		
Food Preparation Supplies	2,045		
Food Supplies	25,331		
Total Community Services		62,068	
Total Central Cafeteria Fund			898,665

(Continued)

Exhibit F-6

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

Other Education Special Revenue Fund				
Instruction				
Vocational Education Program				
Supervisor/Director	$	24,094		
Teachers		201,336		
Career Ladder Program		5,500		
Clerical Personnel		7,200		
Certified Substitute Teachers		2,760		
Social Security		14,458		
State Retirement		11,865		
Medical Insurance		17,171		
Employer Medicare		3,381		
Other Contracted Services		6,961		
Instructional Supplies and Materials		7,090		
Other Charges		196		
Vocational Instruction Equipment		159		
Total Vocational Education Program			$	302,171
Support Services				
Office of the Principal				
Principals	$	18,426		
Career Ladder Program		1,000		
Secretary(s)		16,021		
Social Security		2,198		
State Retirement		2,201		
Employer Medicare		514		
Communication		2,066		
Travel		804		
Electricity		2,177		
Total Office of the Principal				45,407
Operation of Plant				
Custodial Personnel	$	17,525		
Social Security		1,087		
State Retirement		1,239		
Employer Medicare		254		
Maintenance & Repair Services- Equipment		720		
Rentals		1		
Other Contracted Services		129		
Custodial Supplies		141		
Electricity		9,629		
Natural Gas		8,060		

(Continued)

Exhibit F-6

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

Other Education Special Revenue Fund (Cont.)			
Support Services (Cont.)			
Operation of Plant (Cont.)			
Water and Sewer	$ 203		
Total Operation of Plant		$ 38,988	
Transportation			
Bus Drivers	$ 19,723		
Other Salaries & Wages	960		
Social Security	1,282		
State Retirement	1,376		
Employer Medicare	300		
Total Transportation		23,641	
Total Other Education Special Revenue Fund			$ 410,207
Education Debt Service Fund			
Principal			
Education			
Principal on Bonds	$ 380,000		
Total Education		$ 380,000	
Interest			
Education			
Interest on Bonds	$ 502,195		
Total Education		502,195	
Other Debt Service			
Education			
Fiscal Agent Charges	$ 862		
Trustee's Commission	6,226		
Other Debt Service	7,938		
Total Education		15,026	
Total Education Debt Service Fund			897,221
Total Governmental Funds - Bledsoe County School Department			$ 13,726,610

SINGLE AUDIT REPORT

BLEDSOE COUNTY, TENNESSEE

AND

BLEDSOE COUNTY SCHOOL DEPARTMENT

FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
STEVE REEDER, CPA, CGFM, CFE
Auditor 4s

JUNE ROGERS, CGFM
JENI BOYETTE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

This report is available at www.comptroller.state.tn.us

SINGLE AUDIT REPORT
TABLE OF CONTENTS

	Page
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	1
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	3
Schedule of Expenditures of Federal Awards and State Grants	7
Schedule of Audit Findings Not Corrected	9
Schedule of Findings and Questioned Costs	11
Auditee Reporting Responsibilities	21

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

December 16, 2005

Bledsoe County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Bledsoe County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Bledsoe County, Tennessee, and the Bledsoe County School Department, as of and for the year ended June 30, 2005, which collectively comprise Bledsoe County's and the Bledsoe County School Department's basic financial statements and have issued our reports thereon dated December 16, 2005. Our reports on the financial statements of Bledsoe County, Tennessee, and the Bledsoe County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. 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 Bledsoe County's and the Bledsoe County School Department'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 Bledsoe County's and the Bledsoe County School Department'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, 05.04, 05.05, 05.06, 05.07, 05.08, 05.10, and 05.11.

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, we believe none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bledsoe County's and the Bledsoe County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.02, 05.09, and 05.12.

We also noted certain matters that we reported to the management of Bledsoe County and the Bledsoe County School Department in separate communications.

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

Very truly yours,

John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/sb

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

December 16, 2005

Bledsoe County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Bledsoe County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Bledsoe County and the Bledsoe County School Department 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 their major federal programs for the year ended June 30, 2005. Bledsoe County's and the Bledsoe County School Department'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 their major federal programs is the responsibility of Bledsoe County's and the Bledsoe County School Department's management. Our responsibility is to express an opinion on Bledsoe County's and the Bledsoe County School Department'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 Bledsoe County's and the Bledsoe County School Department'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 Bledsoe County's and the Bledsoe County School Department's compliance with those requirements.

In our opinion, Bledsoe County and the Bledsoe County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Bledsoe County and the Bledsoe County School Department 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 Bledsoe County's and the Bledsoe County School Department'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Bledsoe County, Tennessee, and the Bledsoe County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated December 16, 2005. Our reports on the financial statements of Bledsoe County and the Bledsoe County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. 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, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/sb

Bledsoe County, Tennessee, and the Bledsoe County School Department
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 Distribution (Noncash Assistance)	10.550	N/A	$	58,189
Passed-through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A		150,750
National School Lunch Program	10.555	N/A		387,878
Passed-through State Department of Human Services:				
Summer Food Service Program For Children	10.559	(2)		63,878
Total U.S. Department of Agriculture			$	660,695
U.S. Department of Justice:				
Direct Programs:				
Public Safety Partnership and Community Policing Grants	16.710	N/A	$	49,668
Passed-through Hamilton County Sheriff's Department:				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(2)		7,053
Total U.S. Department of Justice			$	56,721
U.S. Department of Labor:				
Passed-through Southeast Tennessee Development District:				
WIA Youth Activities	17.259	(2)	$	27,821
U.S. Institute of Museums and Library Services:				
Passed-through State Department of Library and Archives:				
State Library Program	45.310	Z-04-021839-00	$	778
U.S. Department of Education:				
Passed-through State Department of Education:				
Adult Education - State Grant Program	84.002	Z-05-022195-00	$	84,440
Title I Grants to Local Education Agencies	84.010	N/A		465,133
Special Education Cluster:				
Special Education - Grants to States	84.027	N/A		517,105
Special Education - Preschool Grants	84.173	N/A		65,000
Vocational Education - Basic Grants to States	84.048	N/A		96,390
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)		11,996
State Grants for Innovative Programs	84.298	N/A		9,320
Education Technology State Grants	84.318	(2)		13,309
Rural Education	84.358	N/A		62,116
Improving Teacher Quality State Grants	84.367	N/A		97,532
Passed-through State Department of Human Services:				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A		39,262
Passed-through Sequatchie County Board of Education:				
Twenty-First Century Community Learning Centers	84.287	(2)		117,899
Total U.S. Department of Education			$	1,579,502
U.S. Department of Health and Human Services:				
Passed-through State Department of Labor and Workforce Development:				
Temporary Assistance for Needy Families	93.558	Z-05-022290-00	$	15,705

(continued)

Bledsoe County, Tennessee, and the Bledsoe County School Department
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 Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017725-00	$ 5,205 (3)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022418-00	8,884 (3)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020070-01	32,369 (3)
State and Local All Hazards Emergency Operations Planning	97.051	Z-03-015138-00	1,823
Total U.S. Department of Homeland Security			$ 48,281
Total Expenditures of Federal Awards			$ 2,389,503
State Grants			
Community Prevention and Intervention - State Department of Health	N/A	Z-05-050297-00	$ 67,148
Safe Schools Act - State Department of Education	N/A	(2)	13,501
Family Resource Center - State Department of Education	N/A	(2)	33,300
Adult Education - State Department of Labor and Workforce Development	N/A	Z-05-022195-00	20,382
Families First - University of Tennessee	N/A	Z-05-022290-00	7,390
Juvenile Services Program - State Department of Children Services	N/A	Z-05-020353-00	9,000
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	10,220
Law Enforcement Training - State Department of Safety	N/A	(2)	5,187
Health Access Community Initiative Project - State Department of Health	N/A	GG-05-11371-00	62,167
Recreation Education - State Department of Environment and Conservation	N/A	(2)	18,402
Litter Program - State Department of Transportation	N/A	(2)	20,353
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011334-01	3,119
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	Z-00-015648-02	22,433
Total State Grants			$ 292,602

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 State Domestic Preparedness Equipment Support Program (CFDA No. 97.004) from the U.S. Department of Homeland Security was $46,458.

Bledsoe County, Tennessee, and the Bledsoe County School Department
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 Bledsoe County, Tennessee, and the Bledsoe County School Department for the year ended June 30, 2004, which have not been corrected.

BLEDSOE COUNTY AND BLEDSOE COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
04.06	16	Inventory records were not maintained adequately
04.07	16	The office did not have formal policies and procedures for computer operations
04.08	16	The office did not develop a disaster recovery plan

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

Finding Number	Page Number	Subject
04.09	17	The office had deficiencies in computer system backup procedures
04.10	18	The office did not develop a disaster recovery plan
04.11	18	The office did not have formal policies and procedures for computer operations

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
04.12	19	Collections were not deposited within three days

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
04.13	19	A central system of accounting, budgeting, and purchasing had not been adopted
04.14	19	Duties were not segregated adequately in the Offices of County Mayor; Highway Superintendent; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register and Sheriff
04.15	20	The general sessions judge also served as county attorney, contrary to opinions issued by the state Attorney General's Office

BLEDSOE COUNTY, TENNESSEE, AND THE
BLEDSOE COUNTY SCHOOL DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Bledsoe County and the Bledsoe County School Department.

2. The audit of the financial statements of Bledsoe County and the Bledsoe County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.

3. The audit disclosed one instance of noncompliance that is material to the financial statements of Bledsoe County and the Bledsoe County School Department.

4. The audit disclosed no reportable conditions in internal control over major programs.

5. An unqualified opinion was issued on compliance for major programs.

6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.

7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) 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. Bledsoe County and the Bledsoe County School Department did not qualify as low-risk auditees.

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.

BLEDSOE COUNTY AND THE BLEDSOE COUNTY SCHOOL DEPARTMENT

FINDING 05.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

Bledsoe County and the Bledsoe County School Department did not identify and determine the historical value of their capital assets, and the related depreciation amounts of these assets. Therefore, Bledsoe County and the Bledsoe County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Bledsoe County's and the Bledsoe County School Department's financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Bledsoe County's and the Bledsoe County School Department's financial statements are presented in compliance with these requirements.

RECOMMENDATION

Bledsoe County and the Bledsoe County School Department's should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of their capital assets, and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

OFFICE OF COUNTY MAYOR

FINDING 05.02 **TAX ANTICIPATION NOTES WERE NOT APPROVED BY THE STATE DIRECTOR OF LOCAL FINANCE**
(Noncompliance Under Government Auditing Standards)

Bledsoe County issued tax anticipation notes for the General Fund ($550,000) and the General Debt Service Fund ($100,000) without soliciting the approval of the state director of Local Finance. Section 9-21-801, Tennessee Code Annotated, provides that the County Commission may issue tax anticipation notes for the purpose of meeting appropriations made for the current fiscal year in anticipation of the collection of taxes and revenues of that fiscal year; however, such notes shall first be approved by the state director of Local Finance.

RECOMMENDATION

All tax anticipation notes should be approved by the state director of Local Finance as required by state statute.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.03 **INVENTORY RECORDS WERE NOT PROPERLY MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office maintained inventory records of assets owned by the School Department. However, assets were not tagged or clearly identified as School Department property. Also, these assets were not verified by personnel independent of maintaining the inventory records. Generally accepted accounting principles require accountability for all School Department assets, such as equipment, furniture, and fixtures. The failure to properly tag or clearly identify assets could result in a loss of control over the assets.

RECOMMENDATION

All assets should be tagged or clearly identified as School Department property and should be periodically verified by personnel who are independent of maintaining the inventory records.

FINDING 05.04 **THE OFFICE DID NOT HAVE FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not have written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing functions. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

RECOMMENDATION

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

FINDING 05.05 **THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not develop a disaster recovery plan to assist in re-creating its data processing environment in the event of a disaster. Without a formal, written plan, critical computerized applications could be disrupted indefinitely until the system could be repaired or a backup facility could be found and made operational.

RECOMMENDATION

Management should develop and regularly update a disaster recovery plan defining procedures for personnel to follow in the event of a major hardware or software failure, or temporary or permanent destruction of facilities. The plan should contain provisions for a contingency operations site, as well as the adequate backup of data files, system programs, user documentation supplies, and computer hardware so that operations could continue as normally as possible. A copy of the plan should be kept in a secure area within the office, as well as at a secure, off-site location.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 05.06 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures were identified:

A. Daily backups were not stored in a secure location. Unsecured access to system backups exposes the data to environmental hazards, as well as to possible sabotage.

B. Weekly and fiscal year-end backups were not performed. These backups would ensure the restoration of system data if problems occurred.

C. System backups were not stored off-site. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

D. A backup log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.

RECOMMENDATION

Management should implement daily system backup procedures. A backup labeled for each day of the week should be maintained. Management should store these backups in a secure, fireproof location. In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off-site on a weekly basis. A complete systems backup should also be performed at fiscal year-end. These year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank. Furthermore, a current log of all backups that include label descriptions, date of creation, contents, and storage location should be maintained.

FINDING 05.07 **THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not develop a disaster recovery plan to assist in re-creating its data processing environment in the event of a disaster. Without a formal, written plan, critical computerized applications could be disrupted indefinitely until the system could be repaired or a backup facility could be found and made operational.

RECOMMENDATION

Management should develop and regularly update a disaster recovery plan defining procedures for personnel to follow in the event of a major hardware or software failure, or temporary or permanent destruction of facilities. The plan should contain provisions for a contingency operations site, as well as the adequate backup of data files, system programs, user documentation supplies, and computer hardware so that operations could continue as normally as possible. A copy of the plan should be kept in a secure area within the office, as well as at a secure, off-site location.

FINDING 05.08 **THE OFFICE DID NOT HAVE FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not have written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing functions. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

RECOMMENDATION

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

OFFICE OF SHERIFF

FINDING 05.09 **COLLECTIONS WERE NOT DEPOSITED PROPERLY**
(Noncompliance Under Government Auditing Standards)

The office did not always deposit collections to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection.

RECOMMENDATION

All collections should be deposited intact to the office bank account within three days of collection as required by statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.10 **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 internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

County officials should consider adopting 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 departments.

FINDING 05.11 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR; HIGHWAY SUPERINTENDENT; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE 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 County Mayor; Highway Superintendent; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. The officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. 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.

FINDING 05.12 **THE GENERAL SESSIONS JUDGE ALSO SERVED AS COUNTY ATTORNEY, SCHOOL BOARD ATTORNEY, AND DELINQUENT TAX ATTORNEY, CONTRARY TO OPINIONS ISSUED BY THE STATE ATTORNEY GENERAL'S OFFICE**
(Noncompliance Under Government Auditing Standards)

During the year examined, the general sessions judge also served as the county attorney, School Board attorney, and delinquent tax attorney. The State Attorney General's Office has opined (in opinions U90-120 on August 16, 1990, and 99-156 on August 19, 1999) that the Tennessee Constitution prohibits judges of the supreme or inferior courts (including General Sessions Court) from holding any other office of trust or profit, such as the positions noted above.

RECOMMENDATION

County officials should take appropriate steps to comply with the state constitution's provisions prohibiting judges from holding another office of trust or profit.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

BLEDSOE COUNTY, TENNESSEE, AND THE
BLEDSOE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005

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

Prior Year – Director of Schools

Prior Year Finding 04.05 and 04.16 - Bledsoe County schools did not submit invoices for federal reimbursement or for use as matching contributions during the current period.