

**ANNUAL FINANCIAL REPORT
OF
CARTER COUNTY, TENNESSEE
AND
CARTER 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
CARTER COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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

CARTER COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Carter 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 Carter County, Tennessee, as of and for the year ended June 30, 2005.

Results

Our report on Carter 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 11 findings and recommendations, which we have reviewed with Carter County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

CARTER COUNTY

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

OFFICE OF FINANCE DIRECTOR

- ◆ The two convenience centers issued receipts only for collections at customers' requests, violating the state statute requiring receipts for all collections.
 - ◆ Expenditures exceeded total appropriations approved by the County Commission in the Drug Control Fund and in various major appropriation categories (the legal level of control) in the General, General Debt Service, Courthouse and Jail Maintenance, and Solid Waste/Sanitation Funds. Also, the estimated fund balance at July 1, 2004, of the General Fund exceeded the actual fund balance by \$2,353,141.
 - ◆ The School Federal Projects Fund had a fund deficit of \$12,606 at June 30, 2005.
 - ◆ The finance director had not adequately reviewed certain accounting records.
-

OFFICE OF TRUSTEE

- ◆ The trustee's depository deducted warrants from the office bank account before the bank presented the warrants to the trustee for payment.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Deficiencies existed in the accounting records for credit card transactions and short-term bank accounts.
 - ◆ Execution docket trial balances did not reconcile with general ledger accounts.
-

OFFICE OF SHERIFF

- ◆ Amounts receipted for inmates' funds by department employees were not reconciled with amounts remitted to the inmates.
 - ◆ Receipts for the purchase of fuel and vehicle parts were not reconciled with billings and vehicle maintenance records.
-

OTHER FINDING

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Carter County Officials
June 30, 2005

Officials:

R. Dale Fair, County Mayor
Jack Perkins, Road Superintendent
Randal Lewis, Trustee
Gerald Holly, Assessor of Property
Mary Gouge, County Clerk
John Paul Mathes, Circuit and General Sessions Courts Clerk
Charlotte McKeehan, Clerk and Master
Johnny Holder, Register
John Henson, Sheriff
Jason Cody, Finance Director

Board of County Commissioners:

R. Dale Fair, Chairperson
William Armstrong
Roscoe Bayless
Jo Ann Blankenship
Thomas Bowers
Douglas Buckles
Jackson Buckles
Robert Davis
Lawrence Hodge
Wayne Holtsclaw
John Lewis
Steve Lowrence
Albert Meehan

Roy Merryman
Terry Montgomery
Phillip Nave
W. Jerry Pearman
Richard Renfro
John Snyder
Amos W. Stevens, Jr.
Richard David Tester
Lynn Tipton
Jeff Treadway
Charles Whaley
Arlie Woods

Financial Management Committee:

Albert Meehan, Chairperson
Jo Ann Blankenship
Jackson Buckles
R. Dale Fair

John Snyder
Jack Perkins
Dallas Williams

Budget and Finance Committee:

Wayne Holtsclaw, Chairperson
William Armstrong
Roscoe Bayless
Thomas Bowers

Lawrence Hodge
John Lewis
Jeff Treadway
Arlie Woods

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

February 7, 2006

Carter County Mayor and
Board of County Commissioners
Carter 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 Carter County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 15 through 37, 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 Carter County'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 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, Carter 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 Carter 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 Carter 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.

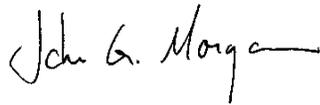
In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2006, on our consideration of Carter County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Carter 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 39 through 45 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 Carter County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
ASSETS					
Cash	\$ 140,047	\$ 0	\$ 0	\$ 14,696	\$ 154,743
Equity in Pooled Cash and Investments	616,046	1,192,348	2,111,123	108,116	4,027,633
Accounts Receivable	40,068	8,308	0	70,744	119,120
Due from Other Governments	359,244	374,063	0	40,600	773,907
Due from Other Funds	12,872	0	0	8,389	21,261
Property Taxes Receivable	4,590,610	535,467	1,948,862	0	7,074,939
Allowance for Uncollectible Property Taxes	(110,196)	(11,695)	(47,941)	0	(169,832)
Total Assets	\$ 5,648,691	\$ 2,098,491	\$ 4,012,044	\$ 242,545	\$ 12,001,771
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 231,674	\$ 159,976	\$ 0	\$ 64,696	\$ 456,346
Accrued Payroll	178,316	0	0	0	178,316
Payroll Deductions Payable	10,281	450	0	0	10,731
Contracts Payable	54,910	0	0	0	54,910
Due to Other Funds	8,389	0	0	12,872	21,261
Due to Component Units	0	0	0	64,861	64,861
Capital Leases Payable - Current	1,002	0	0	0	1,002
Other Current Liabilities	7,250	7,880	0	0	15,130
Deferred Revenue - Current Property Taxes	4,338,671	510,432	1,837,554	0	6,686,657
Deferred Revenue - Delinquent Property Taxes	123,468	11,620	55,197	0	190,285
Other Deferred Revenues	190,789	157,944	0	0	348,733
Total Liabilities	\$ 5,144,750	\$ 848,302	\$ 1,892,751	\$ 142,429	\$ 8,028,232
Fund Balances					
Reserved for Encumbrances	\$ 147,211	\$ 0	\$ 0	\$ 0	\$ 147,211
Reserved for Alcohol and Drug Treatment	163,036	0	0	0	163,036
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	6,197	0	0	0	6,197
Reserved for Drug Court	5,396	0	0	0	5,396
Reserved for Sexual Offender Registration	900	0	0	0	900
Reserved for Computer System - Register	66,422	0	0	0	66,422
Reserved for Automation Purposes - Circuit Court	130	0	0	0	130
Reserved for Automation Purposes - General Sessions Court	7,714	0	0	0	7,714
Reserved for Automation Purposes - Juvenile Court	3,768	0	0	0	3,768
Reserved for Automation Purposes - Chancery Court	2,164	0	0	0	2,164
Reserved for Automation Purposes - Sheriff	9,829	0	0	0	9,829
Reserved for Capital Outlay	65,641	0	0	0	65,641
Reserved for Other General Purposes	25,000	0	0	0	25,000
Unreserved, Reported In:					
General Fund	533	0	0	0	533
Special Revenue Funds	0	1,250,189	0	100,116	1,350,305
Debt Service Funds	0	0	2,119,293	0	2,119,293
Total Fund Balances	\$ 503,941	\$ 1,250,189	\$ 2,119,293	\$ 100,116	\$ 3,973,539
Total Liabilities and Fund Balances	\$ 5,648,691	\$ 2,098,491	\$ 4,012,044	\$ 242,545	\$ 12,001,771

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

Exhibit B

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 5,958,610	\$ 522,355	\$ 1,916,035	\$ 10,861	\$ 8,407,861
Licenses and Permits	308,405	0	0	0	308,405
Fines, Forfeitures, and Penalties	310,724	0	0	24,937	335,661
Charges for Current Services	117,278	0	0	744,764	862,042
Other Local Revenues	200,833	83,644	169,812	66,387	520,676
Fees Received from County Officials	1,835,392	0	0	0	1,835,392
State of Tennessee	695,233	2,228,618	73,877	228,610	3,226,338
Federal Government	273,344	91,026	0	0	364,370
Other Governments and Citizens Groups	219,466	6,298	0	0	225,764
Total Revenues	\$ 9,919,285	\$ 2,931,941	\$ 2,159,724	\$ 1,075,559	\$ 16,086,509
<u>Expenditures</u>					
Current:					
General Government	\$ 1,156,994	\$ 0	\$ 0	\$ 4,073	\$ 1,161,067
Finance	1,024,609	0	0	217	1,024,826
Administration of Justice	753,942	0	0	64,580	818,522
Public Safety	4,285,182	0	0	45,261	4,330,443
Public Health and Welfare	124,803	0	0	1,117,860	1,242,663
Social, Cultural, and Recreational Services	203,353	0	0	0	203,353
Agricultural and Natural Resources	102,171	0	0	0	102,171
Other Operations	2,986,342	0	0	7,359	2,993,701
Highways	36,366	2,878,161	0	0	2,914,527
Debt Service:					
Debt Service Principal	4,008	0	1,876,943	0	1,880,951
Debt Service Interest	0	0	221,802	0	221,802
Other Debt Service	0	0	76,450	0	76,450
Capital Projects	25,881	0	0	0	25,881
Total Expenditures	\$ 10,703,651	\$ 2,878,161	\$ 2,175,195	\$ 1,239,350	\$ 16,996,357
Excess (Deficiency) of Revenues Over Expenditures	\$ (784,366)	\$ 53,780	\$ (15,471)	\$ (163,791)	\$ (909,848)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 300,000	\$ 0	\$ 0	\$ 0	\$ 300,000
Transfers In	0	0	0	169,000	169,000
Transfers Out	(169,000)	0	0	0	(169,000)
Total Other Financing Sources (Uses)	\$ 131,000	\$ 0	\$ 0	\$ 169,000	\$ 300,000
Net Change in Fund Balances	\$ (653,366)	\$ 53,780	\$ (15,471)	\$ 5,209	\$ (609,848)
Fund Balance, July 1, 2004	1,157,307	1,196,409	2,134,764	94,907	4,583,387
Fund Balance, June 30, 2005	\$ 503,941	\$ 1,250,189	\$ 2,119,293	\$ 100,116	\$ 3,973,539

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 3,554,970
Equity in Pooled Cash and Investments	107,315
Accounts Receivable	6,405
Due from Other Governments	686,997
Property Taxes Receivable	1,778,186
Allowance of Uncollectible Property Taxes	<u>(42,685)</u>
Total Assets	<u>\$ 6,091,188</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 2,529,813
Due to Litigants, Heirs, and Others	<u>3,561,375</u>
Total Liabilities	<u>\$ 6,091,188</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Carter 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.

Carter 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. Carter 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 Carter County's auditor to issue an adverse opinion on the county's financial statements.

Although Carter 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 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 Carter County:

A. Reporting Entity

Carter County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Carter County (the primary government).

Blended Component Units – There are no legally separate component units of Carter 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 Carter 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 Carter County School Department operates the public school system in the county, and the voters of Carter 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 Carter County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Carter County, and the Carter 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 Carter County School Department and the Carter 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. Carter County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Carter County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Carter County Emergency Communications District
116 Holston Avenue
Elizabethton, TN 37644.

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

Fund financial statements of Carter 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, Carter 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 are reported in total 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. Carter County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary 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.

Carter 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.

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

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

Additionally, Carter County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Carter County, and the city school system’s share of educational revenues. 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 Carter County and Carter County School Department funds. Each fund’s portion of this pool is displayed on its 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. Carter County has 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

All 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 1.28 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 considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Carter 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, Carter County does not present government-wide statements.

4. Compensated Absences

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Carter County does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation benefits is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including notes payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

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. The Reserve for Other General Purposes in the General Fund represents funds the County Commission committed for use by the Watauga River Regional Water Authority.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in various major categories (the legal level of control) of the General Fund,

General Debt Service Fund, Courthouse and Jail Maintenance Fund, and Solid Waste/Sanitation Fund as follows:

<u>Fund/ Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
Circuit Court	\$ 3,826
Drug Court	162
Housing and Urban Development	83,323
Employee Benefits	3,757
General Debt Service:	
Debt Service Principal – General Government	5,980
Other Debt Service – General Government	19,485
Other Debt Service – Education	1,965
Courthouse and Jail Maintenance:	
Other Administration of Justice	4,702
Solid Waste/Sanitation:	
Miscellaneous	1,291

Also, expenditures exceeded total appropriations in the Drug Control Fund, a nonmajor governmental fund, by \$19,283.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues and by unused appropriations in other major categories.

B. The Estimated Fund Balance Exceeded the Actual Beginning Fund Balance by a Material Amount

The actual fund balance in the General Fund was \$269,662 at July 1, 2004; however, the estimated fund balance reflected in the county’s budget for that date was \$2,622,803. Therefore, the estimated fund balance was \$2,353,141 more than the actual fund balance presented to the County Commission during the budget approval process.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Carter County and the Carter County School Department participate in an internal cash and investment pool through the Office of Trustee. The Carter County School Department meets the criteria for a discretely presented component unit of Carter County. Since Carter County is presenting fund financial statements only, the financial information for the Carter 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 as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

Deposits

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

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

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 21,954</u>
Total		<u><u>\$ 21,954</u></u>

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

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

B. Construction Commitments

At June 30, 2005, Carter County had uncompleted construction contracts reflected in the General Fund of approximately \$134,735 for bridge construction projects. Funding has been provided for these future expenditures.

C. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 12,872
Nonmajor governmental	General	<u>8,389</u>
Total		<u><u>\$ 21,261</u></u>

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

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
Carter County -	Primary Government:	
School Department	Nonmajor governmental	\$ 64,861

Interfund Transfers:

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

<u>Transfers Out</u>	<u>Transfers In Nonmajor Governmental Funds</u>
General Fund	\$ 169,000
Total	<u>\$ 169,000</u>

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

D. Other Current Liabilities

Other Current Liabilities reflected in the General Fund represent the remaining balance in the county's tax account and contractor's deposits relating to the HOME Investment Partnerships Program Grant. Other Current Liabilities reflected in the Highway/Public Works Fund represent the remaining balance in the county's tax account. These amounts were liquidated subsequent to June 30, 2005.

E. Capital Leases

On September 24, 2003, Carter County entered into a six-year lease-purchase agreement for a van. The terms of the agreement require total lease payments of \$24,000 at zero percent interest. Title to the van transfers to Carter County at the end of the lease period. The lease payments are made by the General Fund.

Since Carter County is presenting fund financial statements only, the present value of minimum lease payments under this lease agreement has not been 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 the government-wide financial statements, but Carter County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

Year Ending June 30	Governmental Funds
2006	\$ 4,008
2007	4,008
2008	4,008
2009	4,008
2010	1,622
Total Minimum Lease Payments	\$ 17,654
Amounts Representing Interest	0
Present Value of Minimum Lease Payments	\$ 17,654

F. Long-term Debt

Since Carter 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 Carter County is not presenting government-wide financial statements.

Notes and Other Loans

The county issues other loans 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.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to three years for notes and up to 15 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and the capital lease outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
Capital Outlay Notes	2.5 to 2.97 %	\$ 1,514,900	\$ 940,297
Other Loans	Variable	12,500,000	8,966,000
Capital Lease	0	24,000	17,654

In prior years, Carter County entered into loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make \$9,000,000 and \$3,500,000 available to Carter County on an as-needed basis for various renovation and construction projects for the county and the Carter County School Department. Carter County had borrowed the entire amount of each loan. These loans are repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, administrator, and debt remarketing) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2005.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Interest Rates as of 6-30-05	Other Fees 6-30-05
<u>Montgomery County Public Building Authority</u>					
Montgomery County PBA Loan Program	\$ 9,000,000	\$ 6,158,000	Variable	2.24 %	0.25 %
Montgomery County PBA Loan Program	3,500,000	<u>2,808,000</u>	Variable	2.24	0.27
Total		<u>\$ 8,966,000</u>			

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

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 506,963	\$ 24,675
2007	433,334	11,304
Total	<u>\$ 940,297</u>	<u>\$ 35,979</u>

Year Ending June 30	Other Loan (\$9,000,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 564,000	\$ 137,939	\$ 15,363	\$ 717,302
2007	591,000	125,306	13,956	730,262
2008	619,000	112,067	12,482	743,549
2009	649,000	98,201	10,937	758,138
2010	679,000	83,664	9,318	771,982
2011-2014	3,056,000	175,101	19,503	3,250,604
Total	\$ 6,158,000	\$ 732,278	\$ 81,559	\$ 6,971,837

Year Ending June 30	Other Loan (\$3,500,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 198,000	\$ 62,899	\$ 7,658	\$ 268,557
2007	207,000	58,464	7,118	272,582
2008	218,000	53,827	6,554	278,381
2009	229,000	48,944	5,959	283,903
2010	240,000	43,814	5,335	289,149
2011-2015	1,394,000	132,810	16,171	1,542,981
2016	322,000	7,213	878	330,091
Total	\$ 2,808,000	\$ 407,971	\$ 49,673	\$ 3,265,644

There is \$2,119,293 available in the General Debt Service Fund to service long-term debt. Total debt per capita, including notes, the capital lease, and other loans, amounted to \$175, 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:

	Notes	Other Loans	Capital Lease
Balance, July 1, 2004	\$ 1,790,240	\$ 9,693,000	\$ 21,662
Additions	300,000	0	0
Deductions	(1,149,943)	(727,000)	(4,008)
Balance, June 30, 2005	\$ 940,297	\$ 8,966,000	\$ 17,654
Balance Due Within One Year	\$ 506,963	\$ 762,000	\$ 4,008

Governmental Activities (Cont.)

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 365,017	\$ 2,897,723
Additions	192,456	37,027
Deductions	(91,254)	(110,938)
Balance, June 30, 2005	<u>\$ 466,219</u>	<u>\$ 2,823,812</u>
Balance Due Within One Year	<u>\$ 116,555</u>	<u>\$ 110,938</u>

The capital lease outstanding will be retired from the county's General Fund. Compensated absences payable will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

G. Short-term Debt

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

	7-1-04	Issued	Redeemed	6-30-05
Tax Anticipation Notes	\$ 0	\$ 1,000,000	\$ (1,000,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county decided it was more economically feasible to join public entity risk pools instead of purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Board Association, an association of member school departments. The county pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining

through member premiums. The TSB-RMT reinsures through commercial insurance companies.

The county continues to carry commercial employee health insurance. Settled claims have not exceeded commercial insurance coverage in any of the past two fiscal years.

B. Accounting Change

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

C. Subsequent Events

On August 15, 2005, the County Commission approved a loan agreement with the Montgomery County Public Building Authority in an amount not to exceed \$4,550,000 for the purpose of financing the costs of renovation, construction, improvement, and equipping of Carter County schools. The loan agreement was executed on November 21, 2005, and as of the date of this report, \$343,300 of the loan proceeds have been received by the county.

On July 13, 2005, the county's General Debt Service Fund issued a \$1,000,000 tax anticipation note to the General Fund for temporary operating funds.

D. Contingent Liabilities

Carter County is named as a defendant in two lawsuits concerning overcrowding at the county jail. The county attorney is of the opinion that a reasonable estimate or range of potential loss to the county resulting from these lawsuits cannot be made. However, the county has taken steps to correct this problem. The county has issued debt totaling \$1,300,000 to finance the installation of jail pods to relieve the overcrowding problem at the jail. The installation of the jail pods was completed during the current year.

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 county's financial statements.

E. Landfill Closure/Postclosure Care Costs

The Carter County-Elizabethton Solid Waste Disposal System was a joint venture through which Carter County and the City of Elizabethton jointly operated and maintained a landfill. Closure of the landfill was substantially

completed during the 1999-2000 year. Carter County, along with the City of Elizabethton, had entered into a contract in-lieu-of performance bond with the Tennessee Department of Environment and Conservation to ensure proper closure/postclosure care of the Carter County-Elizabethton Landfill. The amount of this contract in-lieu-of performance bond is \$3,325,125, of which Carter County and the City of Elizabethton are jointly guaranteeing.

Operations of the joint venture were discontinued with the closure of the landfill. Since Carter County is presenting fund financial statements only, the liability for postclosure care costs for the next 25 years is not reported as a liability in the financial statements of the governmental funds. Carter County plans to pay the postclosure care costs as due and bill the City of Elizabethton for one-half of those costs. The amount of postclosure care costs reflected in Note III. F – Long-term Debt at June 30, 2005, was \$2,662,497. This amount is based on estimates of what it would cost to perform all postclosure care in 2005. Actual cost may vary due to inflation, changes in technology, or changes in regulations.

Carter County also operates a class IV landfill with a projected closure date of 2010 and projected postclosure care until 2012. The amount of the estimated closure/postclosure care costs reflected in Note III. F – Long-term Debt at June 30, 2005, for the class IV landfill was \$161,315.

F. Joint Venture

The First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the First Judicial District; Carter, Johnson, and Washington Counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Carter County made no contributions to the DTF for the year ended June 30, 2005, and does not have an equity interest in the joint venture.

The Upper East Tennessee Juvenile Detention Center was formed through cooperative agreements between Carter County and the counties of Greene, Hawkins, Johnson, Sullivan, Unicoi, and Washington for the operation of a program to divert youth from commitment to the Department of Correction's facilities. The program is governed by a board of directors designated by the counties. The board of directors has contracted with Keystones Education and Youth Services to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population. Carter County's participation cost percentage is 12.1 percent. The county also pays a daily fee for each individual from their county using the facility.

Complete financial statements for the DTF and the Upper East Tennessee Juvenile Detention Center can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Office of District Attorney General
First Judicial District Drug Task Force
P.O. Box 38
Jonesborough, TN 37659.

Upper East Tennessee Regional Juvenile Detention Center
307 Wesley Street
Johnson City, TN 37601

G. Jointly Governed Organization

Carter County is a participant in the Watauga River Regional Water Authority with the City of Elizabethton, the North Elizabethton Utility District, First Utility District, Siam Utility District, Hampton Utility District, Roan Mountain Utility District, and the South Elizabethton Utility District. The authority was created by House Bill 1979 and Senate Bill 1940 of 2001 for the purpose of planning, operating, and maintaining a water and wastewater system in Carter County and the City of Elizabethton. The authority is governed by a seven-member board of directors consisting of the county mayor of Carter County or a named designee and one director to be selected by each of the governing bodies of the six individual utility districts. Carter County has reserved \$25,000 to be used by the authority; however, as of June 30, 2005, the authority had not requested the funds.

H. Retirement Commitments

Plan Description

Employees of Carter 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

Carter 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

Carter County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 12.6 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Carter County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Carter County’s annual pension cost of \$1,162,696 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. Carter 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 12 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$1,162,696	100%	\$0
6-30-04	968,718	100	0
6-30-03	921,106	100	0

Required Supplementary Information
Schedule of Funding Progress for Carter County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$20,586	\$21,799	\$1,213	94.44%	\$8,092	14.99%
6-30-01	18,530	20,187	1,657	91.79	7,869	21.06
6-30-99	15,613	16,655	1,042	93.74	7,069	14.74

I. Other Post-employment Benefits

In addition to the retirement commitments described above, Carter County provides post-employment health care benefits to all employees who retire from the county. To be eligible for benefits, the retired employee must be age 55 with at least 30 years of service, or have ten years of service and be over the age of 60. Benefits are paid until the retirees reach age 65, provided they are not covered under another health insurance plan. Carter County currently pays health care benefits for ten retirees. During the year, expenditures of \$26,731 were recognized in the General Fund, and expenditures of \$11,416 were recognized in the Highway/Public Works Fund for retirees' health care benefits.

J. Office of Central Accounting and Budgeting

Carter County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director.

K. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Carter County. Purchases exceeding \$5,000 for the general county government and \$10,000 for the Highway Department are required to be competitively bid.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Carter 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)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,958,610	\$ 0	\$ 0	\$ 5,958,610	\$ 5,791,466	\$ 5,791,466	\$ 167,144
Licenses and Permits	308,405	0	0	308,405	335,400	335,400	(26,995)
Fines, Forfeitures, and Penalties	310,724	0	0	310,724	229,600	229,600	81,124
Charges for Current Services	117,278	0	0	117,278	74,700	74,700	42,578
Other Local Revenues	200,833	0	0	200,833	116,000	175,334	25,499
Fees Received from County Officials	1,835,392	0	0	1,835,392	1,559,500	1,559,500	275,892
State of Tennessee	695,233	0	0	695,233	681,800	804,550	(109,317)
Federal Government	273,344	0	0	273,344	76,500	121,500	151,844
Other Governments and Citizens Groups	219,466	0	0	219,466	283,521	265,019	(45,553)
Total Revenues	\$ 9,919,285	\$ 0	\$ 0	\$ 9,919,285	\$ 9,148,487	\$ 9,357,069	\$ 562,216
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 80,386	\$ 0	\$ 0	\$ 80,386	\$ 72,300	\$ 80,386	\$ 0
Board of Equalization	2,285	0	0	2,285	2,800	2,800	515
County Mayor/County Executive	120,175	0	0	120,175	121,462	121,724	1,549
County Attorney	25,785	0	0	25,785	22,600	25,785	0
Election Commission	216,141	0	0	216,141	220,243	223,631	7,490
Register of Deeds	164,641	0	0	164,641	171,582	179,635	14,994
Planning	125,693	0	0	125,693	146,791	147,155	21,462
County Buildings	418,049	0	0	418,049	479,204	467,699	49,650
Other General Administration	3,839	0	0	3,839	500	3,840	1
<u>Finance</u>							
Accounting and Budgeting	283,512	(20,000)	11,756	275,268	295,438	296,886	21,618
Property Assessor's Office	243,364	0	0	243,364	246,494	256,290	12,926
Reappraisal Program	53,262	0	0	53,262	51,415	55,201	1,939
County Trustee's Office	175,137	0	0	175,137	179,574	180,025	4,888

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 269,334	\$ 0	\$ 0	\$ 269,334	\$ 268,465	\$ 269,515	\$ 181
<u>Administration of Justice</u>							
Circuit Court	427,230	0	0	427,230	411,088	423,404	(3,826)
General Sessions Court	109,710	0	0	109,710	111,209	111,209	1,499
Drug Court	162	0	0	162	0	0	(162)
Chancery Court	173,098	0	0	173,098	195,352	195,352	22,254
Judicial Commissioners	23,481	0	0	23,481	23,692	23,781	300
Other Administration of Justice	20,261	0	0	20,261	14,900	20,390	129
<u>Public Safety</u>							
Sheriff's Department	1,824,759	0	0	1,824,759	1,869,007	1,855,567	30,808
Special Patrols	22,414	0	0	22,414	24,109	26,759	4,345
Jail	1,452,351	0	0	1,452,351	1,204,520	1,475,732	23,381
Juvenile Services	101,263	0	0	101,263	103,006	103,501	2,238
Fire Prevention and Control	276,828	0	0	276,828	277,500	277,500	672
Rescue Squad	254,000	0	0	254,000	254,000	254,000	0
Other Emergency Management	345,287	0	0	345,287	73,025	359,208	13,921
Inspection and Regulation	2,000	0	0	2,000	7,247	7,247	5,247
County Coroner/Medical Examiner	4,530	0	0	4,530	4,550	4,550	20
Other Public Safety	1,750	0	0	1,750	950	1,950	200
<u>Public Health and Welfare</u>							
Rabies and Animal Control	25,278	0	0	25,278	35,000	29,665	4,387
Ambulance/Emergency Medical Services	80,750	0	0	80,750	80,750	80,750	0
Maternal and Child Health Services	1,200	0	0	1,200	0	1,200	0
Crippled Children Services	16,150	0	0	16,150	16,150	16,150	0
Aid to Dependent Children	1,425	0	0	1,425	1,425	1,425	0
Other Local Welfare Services	0	0	0	0	1,600	1,600	1,600

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Sanitation Education/Information	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,050	\$ 1,050
Other Public Health and Welfare	0	0	0	0	1,425	1,725	1,725
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	42,532	0	0	42,532	42,532	42,532	0
Libraries	33,250	0	0	33,250	33,250	33,250	0
Parks and Fair Boards	123,524	(31,500)	0	92,024	24,250	172,500	80,476
Other Social, Cultural, and Recreational	4,047	0	0	4,047	7,121	7,127	3,080
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	78,299	0	0	78,299	91,303	91,303	13,004
Flood Control	2,972	0	0	2,972	3,850	3,850	878
Other Agriculture & Natural Resources	20,900	0	0	20,900	20,900	20,900	0
<u>Other Operations</u>							
Tourism	81,109	0	0	81,109	81,109	81,109	0
Industrial Development	6,260	0	0	6,260	3,875	6,391	131
Housing and Urban Development	84,373	0	0	84,373	0	1,050	(83,323)
Other Economic and Community Development	33,713	0	0	33,713	33,713	33,713	0
Veterans' Services	21,939	0	0	21,939	22,560	22,792	853
Other Charges	0	0	0	0	1,500	2,000	2,000
Contributions to Other Agencies	44,500	0	0	44,500	44,500	44,500	0
Employee Benefits	1,444,257	0	0	1,444,257	1,386,658	1,440,500	(3,757)
Miscellaneous	1,270,191	(685,000)	0	585,191	102,000	1,249,000	663,809
<u>Highways</u>							
Litter and Trash Collection	36,366	0	0	36,366	38,922	39,822	3,456
<u>Debt Service Principal</u>							
General Government	4,008	0	0	4,008	0	4,050	42

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Capital Projects</u>							
Other General Government Projects	\$ 25,881	\$ (151,145)	\$ 135,455	\$ 10,191	\$ 15,000	\$ 35,745	\$ 25,554
Total Expenditures	\$ 10,703,651	\$ (887,645)	\$ 147,211	\$ 9,963,217	\$ 8,942,416	\$ 10,916,421	\$ 953,204
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (784,366)	\$ 887,645	\$ (147,211)	\$ (43,932)	\$ 206,071	\$ (1,559,352)	\$ 1,515,420
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 300,000	\$ 0	\$ 0	\$ 300,000	\$ 0	\$ 300,000	\$ 0
Transfers Out	(169,000)	0	0	(169,000)	0	(169,000)	0
Total Other Financing Sources (Uses)	\$ 131,000	\$ 0	\$ 0	\$ 131,000	\$ 0	\$ 131,000	\$ 0
Net Change in Fund Balance	\$ (653,366)	\$ 887,645	\$ (147,211)	\$ 87,068	\$ 206,071	\$ (1,428,352)	\$ 1,515,420
Fund Balance, July 1, 2004	1,157,307	(887,645)	0	269,662	1,157,307	2,622,803	(2,353,141)
Fund Balance, June 30, 2005	\$ 503,941	\$ 0	\$ (147,211)	\$ 356,730	\$ 1,363,378	\$ 1,194,451	\$ (837,721)

Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 522,355	\$ 507,200	\$ 507,200	\$ 15,155
Other Local Revenues	83,644	72,000	72,000	11,644
State of Tennessee	2,228,618	1,875,963	1,875,963	352,655
Federal Government	91,026	12,500	12,500	78,526
Other Governments and Citizens Groups	6,298	13,000	13,000	(6,702)
Total Revenues	<u>\$ 2,931,941</u>	<u>\$ 2,480,663</u>	<u>\$ 2,480,663</u>	<u>\$ 451,278</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 204,577	\$ 220,193	\$ 222,108	\$ 17,531
Highway and Bridge Maintenance	1,577,244	1,552,536	1,661,336	84,092
Operation and Maintenance of Equipment	410,835	376,965	413,750	2,915
Other Charges	67,352	132,050	100,550	33,198
Employee Benefits	337,470	439,000	439,000	101,530
Capital Outlay	280,683	443,000	327,000	46,317
Total Expenditures	<u>\$ 2,878,161</u>	<u>\$ 3,163,744</u>	<u>\$ 3,163,744</u>	<u>\$ 285,583</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 53,780</u>	<u>\$ (683,081)</u>	<u>\$ (683,081)</u>	<u>\$ 736,861</u>
Net Change in Fund Balance	\$ 53,780	\$ (683,081)	\$ (683,081)	\$ 736,861
Fund Balance, July 1, 2004	<u>1,196,409</u>	<u>1,196,409</u>	<u>1,196,409</u>	<u>0</u>
Fund Balance, June 30, 2005	<u>\$ 1,250,189</u>	<u>\$ 513,328</u>	<u>\$ 513,328</u>	<u>\$ 736,861</u>

CARTER 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 County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

B. The Estimated Fund Balance Exceeded the Actual Beginning Fund Balance by a Material Amount

The actual fund balance in the General Fund was \$269,662 at July 1, 2004; however, the estimated fund balance reflected in the county's budget for that date was \$2,622,803. Therefore, the estimated fund balance was \$2,353,141 more than the actual fund balance presented to the County Commission during the budget approval process.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Circuit Court	\$ 3,826
Drug Court	162
Housing and Urban Development	83,323
Employee Benefits	3,757

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

**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 and maintenance on the courthouse and jail.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Carter County’s transfer station, convenience centers, and class IV landfill operations.

Health Department Fund – The Health Department Fund is used to account for transactions of the Carter County Health Department.

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

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

Exhibit E-1

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

	Special Revenue Funds					
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>						
Cash	\$ 0	\$ 2,960	\$ 0	\$ 0	\$ 11,736	\$ 14,696
Equity in Pooled Cash and Investments	5,174	1,411	83,242	18,289	0	108,116
Accounts Receivable	747	66,518	0	2,343	1,136	70,744
Due from Other Governments	0	0	40,600	0	0	40,600
Due from Other Funds	0	8,389	0	0	0	8,389
Total Assets	<u>\$ 5,921</u>	<u>\$ 79,278</u>	<u>\$ 123,842</u>	<u>\$ 20,632</u>	<u>\$ 12,872</u>	<u>\$ 242,545</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 2,060	\$ 46,187	\$ 8,589	\$ 7,860	\$ 0	\$ 64,696
Due to Other Funds	0	0	0	0	12,872	12,872
Due to Component Units	0	0	64,861	0	0	64,861
Total Liabilities	<u>\$ 2,060</u>	<u>\$ 46,187</u>	<u>\$ 73,450</u>	<u>\$ 7,860</u>	<u>\$ 12,872</u>	<u>\$ 142,429</u>
<u>Fund Balances</u>						
Unreserved	\$ 3,861	\$ 33,091	\$ 50,392	\$ 12,772	\$ 0	\$ 100,116
Total Fund Balances	<u>\$ 3,861</u>	<u>\$ 33,091</u>	<u>\$ 50,392</u>	<u>\$ 12,772</u>	<u>\$ 0</u>	<u>\$ 100,116</u>
Total Liabilities and Fund Balances	<u>\$ 5,921</u>	<u>\$ 79,278</u>	<u>\$ 123,842</u>	<u>\$ 20,632</u>	<u>\$ 12,872</u>	<u>\$ 242,545</u>

Exhibit E-2

Carter 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					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>						
Local Taxes	\$ 10,861	\$ 0	\$ 0	\$ 0	\$ 0	10,861
Fines, Forfeitures, and Penalties	0	0	0	24,937	0	24,937
Charges for Current Services	0	687,151	0	0	57,613	744,764
Other Local Revenues	102	48,256	35	17,994	0	66,387
State of Tennessee	0	0	228,610	0	0	228,610
Total Revenues	<u>\$ 10,963</u>	<u>\$ 735,407</u>	<u>\$ 228,645</u>	<u>\$ 42,931</u>	<u>\$ 57,613</u>	<u>\$ 1,075,559</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 4,000	\$ 0	\$ 0	\$ 0	73	4,073
Finance	101	0	0	0	116	217
Administration of Justice	7,202	0	0	0	57,378	64,580
Public Safety	0	0	0	45,215	46	45,261
Public Health and Welfare	0	722,200	395,660	0	0	1,117,860
Other Operations	0	7,091	0	268	0	7,359
Total Expenditures	<u>\$ 11,303</u>	<u>\$ 729,291</u>	<u>\$ 395,660</u>	<u>\$ 45,483</u>	<u>\$ 57,613</u>	<u>\$ 1,239,350</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (340)</u>	<u>\$ 6,116</u>	<u>\$ (167,015)</u>	<u>\$ (2,552)</u>	<u>\$ 0</u>	<u>\$ (163,791)</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 169,000	\$ 0	\$ 0	169,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 169,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 169,000</u>
Net Change in Fund Balances	\$ (340)	\$ 6,116	\$ 1,985	\$ (2,552)	\$ 0	5,209
Fund Balance, July 1, 2004	4,201	26,975	48,407	15,324	0	94,907
Fund Balance, June 30, 2005	<u>\$ 3,861</u>	<u>\$ 33,091</u>	<u>\$ 50,392</u>	<u>\$ 12,772</u>	<u>\$ 0</u>	<u>\$ 100,116</u>

Exhibit E-3

Carter 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		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 10,861	\$ 12,000	\$ 12,000	\$ (1,139)
Other Local Revenues	102	0	0	102
Total Revenues	<u>\$ 10,963</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ (1,037)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 4,000	\$ 9,250	\$ 9,250	\$ 5,250
<u>Finance</u>				
Other Finance	101	100	100	(1)
<u>Administration of Justice</u>				
Other Administration of Justice	7,202	2,500	2,500	(4,702)
Total Expenditures	<u>\$ 11,303</u>	<u>\$ 11,850</u>	<u>\$ 11,850</u>	<u>\$ 547</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (340)</u>	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ (490)</u>
Net Change in Fund Balance	\$ (340)	\$ 150	\$ 150	(490)
Fund Balance, July 1, 2004	<u>4,201</u>	<u>0</u>	<u>0</u>	<u>4,201</u>
Fund Balance, June 30, 2005	<u>\$ 3,861</u>	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 3,711</u>

Exhibit E-4

Carter 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		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 687,151	\$ 585,500	\$ 585,500	\$ 101,651
Other Local Revenues	48,256	42,200	53,989	(5,733)
Total Revenues	<u>\$ 735,407</u>	<u>\$ 627,700</u>	<u>\$ 639,489</u>	<u>\$ 95,918</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Recycling Center	\$ 35,194	\$ 37,103	\$ 37,103	\$ 1,909
Landfill Operation and Maintenance	658,743	505,072	659,049	306
Other Public Health and Welfare	28,263	60,000	60,000	31,737
<u>Other Operations</u>				
Miscellaneous	7,091	5,800	5,800	(1,291)
Total Expenditures	<u>\$ 729,291</u>	<u>\$ 607,975</u>	<u>\$ 761,952</u>	<u>\$ 32,661</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,116</u>	<u>\$ 19,725</u>	<u>\$ (122,463)</u>	<u>\$ 128,579</u>
Net Change in Fund Balance	\$ 6,116	\$ 19,725	\$ (122,463)	\$ 128,579
Fund Balance, July 1, 2004	<u>26,975</u>	<u>70,842</u>	<u>213,030</u>	<u>(186,055)</u>
Fund Balance, June 30, 2005	<u>\$ 33,091</u>	<u>\$ 90,567</u>	<u>\$ 90,567</u>	<u>\$ (57,476)</u>

Exhibit E-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 35	\$ 1,500	\$ 1,500	\$ (1,465)
State of Tennessee	228,610	0	222,759	5,851
Total Revenues	\$ 228,645	\$ 1,500	\$ 224,259	\$ 4,386
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 395,660	\$ 169,000	\$ 395,748	\$ 88
Total Expenditures	\$ 395,660	\$ 169,000	\$ 395,748	\$ 88
Excess (Deficiency) of Revenues Over Expenditures	\$ (167,015)	\$ (167,500)	\$ (171,489)	\$ 4,474
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 169,000	\$ 169,000	\$ 169,000	\$ 0
Total Other Financing Sources (Uses)	\$ 169,000	\$ 169,000	\$ 169,000	\$ 0
Net Change in Fund Balance	\$ 1,985	\$ 1,500	\$ (2,489)	\$ 4,474
Fund Balance, July 1, 2004	48,407	126,018	126,018	(77,611)
Fund Balance, June 30, 2005	\$ 50,392	\$ 127,518	\$ 123,529	\$ (73,137)

Exhibit E-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 24,937	\$ 12,000	\$ 12,000	\$ 12,937
Other Local Revenues	17,994	3,000	3,000	14,994
State of Tennessee	0	5,000	5,000	(5,000)
Total Revenues	<u>\$ 42,931</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 22,931</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 45,215	\$ 26,000	\$ 26,000	\$ (19,215)
<u>Other Operations</u>				
Miscellaneous	268	200	200	(68)
Total Expenditures	<u>\$ 45,483</u>	<u>\$ 26,200</u>	<u>\$ 26,200</u>	<u>\$ (19,283)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,552)</u>	<u>\$ (6,200)</u>	<u>\$ (6,200)</u>	<u>\$ 3,648</u>
Net Change in Fund Balance	\$ (2,552)	\$ (6,200)	\$ (6,200)	\$ 3,648
Fund Balance, July 1, 2004	<u>15,324</u>	<u>21,468</u>	<u>21,468</u>	<u>(6,144)</u>
Fund Balance, June 30, 2005	<u>\$ 12,772</u>	<u>\$ 15,268</u>	<u>\$ 15,268</u>	<u>\$ (2,496)</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,916,035	\$ 1,944,918	\$ 1,944,918	\$ (28,883)
Other Local Revenues	169,812	75,000	75,000	94,812
State of Tennessee	73,877	30,000	30,000	43,877
Total Revenues	<u>\$ 2,159,724</u>	<u>\$ 2,049,918</u>	<u>\$ 2,049,918</u>	<u>\$ 109,806</u>
<u>Expenditures</u>				
<u>Debt Service Principal</u>				
General Government	\$ 504,943	\$ 498,963	\$ 498,963	\$ (5,980)
Education	1,372,000	1,372,000	1,372,000	0
<u>Debt Service Interest</u>				
General Government	25,850	31,526	31,526	5,676
Education	195,952	395,982	360,982	165,030
<u>Other Debt Service</u>				
General Government	39,485	20,000	20,000	(19,485)
Education	36,965	0	35,000	(1,965)
Total Expenditures	<u>\$ 2,175,195</u>	<u>\$ 2,318,471</u>	<u>\$ 2,318,471</u>	<u>\$ 143,276</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (15,471)</u>	<u>\$ (268,553)</u>	<u>\$ (268,553)</u>	<u>\$ 253,082</u>
Net Change in Fund Balance	\$ (15,471)	\$ (268,553)	\$ (268,553)	\$ 253,082
Fund Balance, July 1, 2004	2,134,764	2,134,764	2,134,764	0
Fund Balance, June 30, 2005	<u>\$ 2,119,293</u>	<u>\$ 1,866,211</u>	<u>\$ 1,866,211</u>	<u>\$ 253,082</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county as an agent for individuals, 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 areas 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.

City School ADA - Elizabethton Fund – The City School ADA - Elizabethton Fund is used to account for the city school system's share of education revenues collected by the county which must be apportioned to the system on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

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

Exhibit G-1

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

	Agency Funds			Total
	Cities - Sales Tax	City School ADA - Elizabethton	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 3,554,970	\$ 3,554,970
Equity in Pooled Cash and Investments	0	107,315	0	107,315
Accounts Receivable	0	0	6,405	6,405
Due from Other Governments	511,584	175,413	0	686,997
Property Taxes Receivable	0	1,778,186	0	1,778,186
Allowance for Uncollectible Property Taxes	0	(42,685)	0	(42,685)
Total Assets	\$ 511,584	\$ 2,018,229	\$ 3,561,375	\$ 6,091,188
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 511,584	\$ 2,018,229	\$ 0	\$ 2,529,813
Due to Litigants, Heirs, and Others	0	0	3,561,375	3,561,375
Total Liabilities	\$ 511,584	\$ 2,018,229	\$ 3,561,375	\$ 6,091,188

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,880,577	\$ 2,880,577	\$ 0
Due From Other Governments	448,052	511,584	448,052	511,584
Total Assets	\$ 448,052	\$ 3,392,161	\$ 3,328,629	\$ 511,584
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 448,052	\$ 3,392,161	\$ 3,328,629	\$ 511,584
Total Liabilities	\$ 448,052	\$ 3,392,161	\$ 3,328,629	\$ 511,584
<u>City School ADA - Elizabethton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 118,239	\$ 2,689,988	\$ 2,700,912	\$ 107,315
Due from Other Governments	173,767	175,413	173,767	175,413
Property Taxes Receivable	1,862,992	1,778,186	1,862,992	1,778,186
Allowance for Uncollectible Property Taxes	(42,191)	(42,685)	(42,191)	(42,685)
Total Assets	\$ 2,112,807	\$ 4,600,902	\$ 4,695,480	\$ 2,018,229
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 2,112,807	\$ 4,600,902	\$ 4,695,480	\$ 2,018,229
Total Liabilities	\$ 2,112,807	\$ 4,600,902	\$ 4,695,480	\$ 2,018,229
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,593,844	\$ 10,655,196	\$ 8,694,070	\$ 3,554,970
Accounts Receivable	3,628	2,777	0	6,405
Total Assets	\$ 1,597,472	\$ 10,657,973	\$ 8,694,070	\$ 3,561,375
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,597,472	\$ 10,657,973	\$ 8,694,070	\$ 3,561,375
Total Liabilities	\$ 1,597,472	\$ 10,657,973	\$ 8,694,070	\$ 3,561,375

(Continued)

Exhibit G-2

Carter County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,593,844	\$ 10,655,196	\$ 8,694,070	\$ 3,554,970
Equity in Pooled Cash and Investments	118,239	5,570,565	5,581,489	107,315
Accounts Receivable	3,628	2,777	0	6,405
Due from Other Governments	621,819	686,997	621,819	686,997
Property Taxes Receivable	1,862,992	1,778,186	1,862,992	1,778,186
Allowance for Uncollectible Property Taxes	(42,191)	(42,685)	(42,191)	(42,685)
Total Assets	<u>\$ 4,158,331</u>	<u>\$ 18,651,036</u>	<u>\$ 16,718,179</u>	<u>\$ 6,091,188</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 2,560,859	\$ 7,993,063	\$ 8,024,109	\$ 2,529,813
Due to Litigants, Heirs, and Others	1,597,472	10,657,973	8,694,070	3,561,375
Total Liabilities	<u>\$ 4,158,331</u>	<u>\$ 18,651,036</u>	<u>\$ 16,718,179</u>	<u>\$ 6,091,188</u>

MISCELLANEOUS SCHEDULES

Exhibit H-1

Carter County, Tennessee
Schedule of Changes in Long-term Notes,
Other Loans, and Capital Leases
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Schools Refunding	\$ 1,260,000	3.45	% 5-30-03	8-1-04	\$ 645,000	\$ 0	\$ 645,000	\$ 0
Public Safety	214,900	2.81	10-1-03	2-1-06	145,240	0	71,610	73,630
Jail Project	1,000,000	2.5	6-1-04	3-1-07	1,000,000	0	333,333	666,667
Jail Improvements	300,000	2.97	10-28-04	3-1-07	0	300,000	100,000	200,000
Total Notes Payable					<u>\$ 1,790,240</u>	<u>\$ 300,000</u>	<u>\$ 1,149,943</u>	<u>\$ 940,297</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Montgomery County PBA Loan Program	9,000,000	Variable	7-20-1999	5-25-14	\$ 6,697,000	\$ 0	\$ 539,000	\$ 6,158,000
Montgomery County PBA Loan Program	3,500,000	Variable	6-14-01	5-25-16	2,996,000	0	188,000	2,808,000
Total Other Loans Payable					<u>\$ 9,693,000</u>	<u>\$ 0</u>	<u>\$ 727,000</u>	<u>\$ 8,966,000</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
County Van	24,000	0	9-24-03	12-31-09	\$ 21,662	\$ 0	\$ 4,008	\$ 17,654
Total Capital Leases Payable					<u>\$ 21,662</u>	<u>\$ 0</u>	<u>\$ 4,008</u>	<u>\$ 17,654</u>

Exhibit H-2

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Health Department	To provide operating funds	<u>\$ 169,000</u>
Total Transfers			<u><u>\$ 169,000</u></u>

Exhibit H-3

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 81,175	\$ 50,000	Western Surety Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	64,865	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	58,969	1,207,774	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,969	10,000	"
Finance Director	County Commission	48,612	50,000	Continental Casualty Company
County Clerk	Section 8-24-102, <u>TCA</u>	58,969	50,000	Western Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	59,369 (1)	50,000	"
Clerk and Master	and Circuit Court Judge Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	114,722 (2)	70,000	American Casualty Company
Register	Section 8-24-102, <u>TCA</u>	58,969	25,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	70,865 (3)	25,000	"
Public Employee Dishonesty Policy: General County Employees			150,000	Tennessee School Boards Risk Management Trust

- (1) Includes special commissioner fees of \$400.
(2) Includes special commissioner fees of \$55,753.
(3) Includes workhouse salary supplement of \$6,000.

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 4,019,145	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 377,965	\$ 1,800,164	\$ 6,197,274
Trustee's Collections - Prior Year	133,166	0	0	0	0	0	14,797	33,298	181,261
Circuit/Clerk & Master Collections - Prior Years	57,944	0	0	0	0	0	6,578	18,680	83,202
Interest and Penalty	43,624	0	0	0	0	0	4,797	13,619	62,040
Payments in Lieu of Taxes - T.V.A.	8,844	0	0	0	0	0	897	2,820	12,561
Payments in Lieu of Taxes - Local Utilities	63,913	0	0	0	0	0	6,240	24,655	94,808
Payments in Lieu of Taxes - Other	6,220	0	0	0	0	0	585	2,781	9,586
<u>County Local Option Taxes</u>									
Local Option Sales Tax	786,143	0	0	0	0	0	0	0	786,143
Hotel/Motel Tax	82,845	0	0	0	0	0	0	0	82,845
Litigation Tax - General	197,134	0	0	0	0	0	0	0	197,134
Litigation Tax - Special Purpose	0	10,861	0	0	0	0	0	0	10,861
Litigation Tax - Jail, Workhouse, or Courthouse	37,781	0	0	0	0	0	0	0	37,781
Business Tax	225,797	0	0	0	0	0	0	0	225,797
Mineral Severance Tax	0	0	0	0	0	0	106,274	0	106,274
<u>Statutory Local Taxes</u>									
Bank Excise Tax	44,784	0	0	0	0	0	4,222	20,018	69,024
Wholesale Beer Tax	244,397	0	0	0	0	0	0	0	244,397
Interstate Telecommunications Tax	6,873	0	0	0	0	0	0	0	6,873
Total Local Taxes	\$ 5,958,610	\$ 10,861	\$ 0	\$ 0	\$ 0	\$ 0	\$ 522,355	\$ 1,916,035	\$ 8,407,861
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 2,194	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,194
Cable TV Franchise	257,239	0	0	0	0	0	0	0	257,239
<u>Permits</u>									
Beer Permits	1,000	0	0	0	0	0	0	0	1,000
Building Permits	2,675	0	0	0	0	0	0	0	2,675
Electrical Permits	20,277	0	0	0	0	0	0	0	20,277
Food Handling Permits	28	0	0	0	0	0	0	0	28
Other Permits	24,992	0	0	0	0	0	0	0	24,992
Total Licenses and Permits	\$ 308,405	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 308,405

(Continued)

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 12,882	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,882
Drug Control Fines	0	0	0	0	2,771	0	0	0	2,771
Drug Court Fees	906	0	0	0	0	0	0	0	906
Jail Fees	5,197	0	0	0	0	0	0	0	5,197
Judicial Commissioner Fees	3,895	0	0	0	0	0	0	0	3,895
DUI Treatment Fines	4,296	0	0	0	0	0	0	0	4,296
Data Entry Fee - Circuit Court	1,130	0	0	0	0	0	0	0	1,130
<u>Criminal Court</u>									
Fines	44,792	0	0	0	0	0	0	0	44,792
<u>General Sessions Court</u>									
Fines	68,078	0	0	0	0	0	0	0	68,078
Officers Costs	55,076	0	0	0	0	0	0	0	55,076
Game and Fish Fines	965	0	0	0	0	0	0	0	965
Drug Control Fines	0	0	0	0	17,465	0	0	0	17,465
Drug Court Fees	2,580	0	0	0	0	0	0	0	2,580
Jail Fees	26,095	0	0	0	0	0	0	0	26,095
Judicial Commissioner Fees	4,791	0	0	0	0	0	0	0	4,791
DUI Treatment Fines	15,289	0	0	0	0	0	0	0	15,289
Data Entry Fee - General Sessions Court	4,510	0	0	0	0	0	0	0	4,510
<u>Juvenile Court</u>									
Fines	38,743	0	0	0	0	0	0	0	38,743
Officers Costs	3,231	0	0	0	0	0	0	0	3,231
Drug Court Fees	1,910	0	0	0	0	0	0	0	1,910
Jail Fees	10,066	0	0	0	0	0	0	0	10,066
Data Entry Fee - Juvenile Court	1,798	0	0	0	0	0	0	0	1,798
<u>Chancery Court</u>									
Officers Costs	3,684	0	0	0	0	0	0	0	3,684
Data Entry Fee - Chancery Court	810	0	0	0	0	0	0	0	810
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	0	0	4,701	0	0	0	4,701
Total Fines, Forfeitures, and Penalties	\$ 310,724	\$ 0	\$ 0	\$ 0	\$ 24,937	\$ 0	\$ 0	\$ 0	335,661

(Continued)

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Transfer Waste Stations Collection Charge	\$ 0	\$ 0	\$ 653,591	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 653,591
Tipping Fees	0	0	33,560	0	0	0	0	0	33,560
Work Release Charges for Board	45,599	0	0	0	0	0	0	0	45,599
<u>Fees</u>									
Copy Fees	7,630	0	0	0	0	0	0	0	7,630
Telephone Commissions	33,382	0	0	0	0	0	0	0	33,382
Constitutional Officers' Fees and Commissions	0	0	0	0	0	1,460	0	0	1,460
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	56,153	0	0	56,153
Data Processing Fee - Register	21,536	0	0	0	0	0	0	0	21,536
Data Processing Fee - Sheriff	7,231	0	0	0	0	0	0	0	7,231
Sexual Offender Registration Fee	900	0	0	0	0	0	0	0	900
<u>Education Charges</u>									
Receipts from Individual Schools	1,000	0	0	0	0	0	0	0	1,000
Total Charges for Current Services	\$ 117,278	\$ 0	\$ 687,151	\$ 0	\$ 0	\$ 57,613	\$ 0	\$ 0	\$ 862,042
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 957	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 169,812	\$ 170,769
Lease/Rentals	42,800	0	600	0	0	0	0	0	43,400
Sale of Gasoline	0	0	0	0	0	0	76,858	0	76,858
Sale of Recycled Materials	0	0	36,112	0	0	0	0	0	36,112
Retirees' Insurance Payments	13,164	0	0	0	0	0	147	0	13,311
Miscellaneous Refunds	82,875	102	11,544	35	13,820	0	1,639	0	110,015
<u>Nonrecurring Items</u>									
Sale of Equipment	22,202	0	0	0	4,174	0	0	0	26,376
Sale of Property	20,835	0	0	0	0	0	0	0	20,835
Contributions & Gifts	15,500	0	0	0	0	0	5,000	0	20,500
Performance Bond Forfeitures	2,500	0	0	0	0	0	0	0	2,500
Total Other Local Revenues	\$ 200,833	\$ 102	\$ 48,256	\$ 35	\$ 17,994	\$ 0	\$ 83,644	\$ 169,812	\$ 520,676

(Continued)

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fees Received from County Officials</u>									
<u>Fees In Lieu of Salary</u>									
County Clerk	\$ 453,357	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 453,357
Circuit Court Clerk	156,743	0	0	0	0	0	0	0	156,743
General Sessions Court Clerk	310,349	0	0	0	0	0	0	0	310,349
Clerk and Master	156,360	0	0	0	0	0	0	0	156,360
Register	274,136	0	0	0	0	0	0	0	274,136
Sheriff	11,386	0	0	0	0	0	0	0	11,386
Trustee	473,061	0	0	0	0	0	0	0	473,061
Total Fees Received from County Officials	\$ 1,835,392	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,835,392
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 15,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,000
State Reappraisal Grant	19,033	0	0	0	0	0	0	0	19,033
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	71,100	0	0	0	0	0	0	0	71,100
Other Public Safety Grants	14,976	0	0	0	0	0	0	0	14,976
<u>Health and Welfare Grants</u>									
Health Department Programs	0	0	0	228,610	0	0	0	0	228,610
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	0	354,648	0	354,648
Litter Program	27,627	0	0	0	0	0	0	0	27,627
<u>Other State Revenues</u>									
Income Tax	20,380	0	0	0	0	0	0	0	20,380
Beer Tax	16,778	0	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	52,610	0	0	0	0	0	0	0	52,610
Mixed Drink Tax	2,568	0	0	0	0	0	0	0	2,568
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	15,582	73,877	89,459
Contracted Prisoner Boarding	290,031	0	0	0	0	0	0	0	290,031
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,812,743	0	1,812,743
Petroleum Special Tax	0	0	0	0	0	0	45,645	0	45,645
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	148,750	0	0	0	0	0	0	0	148,750
Total State of Tennessee	\$ 695,233	\$ 0	\$ 0	\$ 228,610	\$ 0	\$ 0	\$ 2,228,618	\$ 73,877	\$ 3,226,338

(Continued)

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Civil Defense Reimbursement	\$ 12,711	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,711
Disaster Relief	0	0	0	0	0	0	72,700	0	72,700
Homeland Security Grants	83,053	0	0	0	0	0	0	0	83,053
Other Federal through State	83,323	0	0	0	0	0	0	0	83,323
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	19,000	0	0	0	0	0	0	0	19,000
Forest Service	72,857	0	0	0	0	0	18,326	0	91,183
Other Direct Federal Revenue	2,400	0	0	0	0	0	0	0	2,400
Total Federal Government	\$ 273,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91,026	\$ 0	\$ 364,370
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contracted Services	\$ 218,051	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,298	\$ 0	224,349
<u>Citizens Groups</u>									
Donations	1,415	0	0	0	0	0	0	0	1,415
Total Other Governments and Citizens Groups	\$ 219,466	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,298	\$ 0	225,764
Total	\$ 9,919,285	\$ 10,963	\$ 735,407	\$ 228,645	\$ 42,931	\$ 57,613	\$ 2,931,941	\$ 2,159,724	\$ 16,086,509

Exhibit H-5

Carter 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	\$	52,078	
Audit Services		12,895	
Dues and Memberships		4,305	
Legal Notices, Recording, and Court Costs		2,551	
Travel		7,118	
Other Supplies and Materials		327	
Other Charges		1,112	
Total County Commission			\$ 80,386

Board of Equalization

Board and Committee Members Fees	\$	1,920	
Travel		365	
Total Board of Equalization			2,285

County Mayor/County Executive

County Official/Administrative Officer	\$	81,175	
Clerical Personnel		27,799	
Longevity Pay		150	
Dues and Memberships		1,650	
Postal Charges		56	
Rentals		3,689	
Travel		2,342	
Library Books/Media		746	
Office Supplies		1,055	
Other Supplies and Materials		787	
Premiums on Corporate Surety Bonds		116	
Other Charges		300	
Office Equipment		310	
Total County Mayor/County Executive			120,175

County Attorney

Other Salaries & Wages	\$	600	
Legal Services		25,185	
Total County Attorney			25,785

Election Commission

Supervisor/Director	\$	53,072	
Deputy(ies)		24,007	
Data Processing Personnel		19,466	
Longevity Pay		300	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Other Salaries & Wages	\$	11,231	
Board and Committee Members Fees		9,157	
Election Workers		47,374	
Legal Notices, Recording, and Court Costs		6,839	
Maintenance Agreements		7,316	
Postal Charges		2,651	
Rentals		1,011	
Travel		7,650	
Office Supplies		1,414	
Other Supplies and Materials		23,153	
Data Processing Equipment		1,500	
Total Election Commission			\$ 216,141

Register of Deeds

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		28,280	
Clerical Personnel		6,290	
Longevity Pay		150	
Other Salaries & Wages		21,734	
Dues and Memberships		561	
Postal Charges		1,000	
Rentals		5,368	
Travel		2,490	
Data Processing Supplies		23,773	
Office Supplies		14,857	
Other Supplies and Materials		1,069	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			164,641

Planning

Supervisor/Director	\$	29,133	
Data Processing Personnel		15,289	
Clerical Personnel		6,256	
Longevity Pay		300	
Other Salaries & Wages		11,059	
Board and Committee Members Fees		4,700	
Communication		3,797	
Contracts with Government Agencies		11,500	
Maintenance & Repair Services- Vehicles		849	
Travel		1,658	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Gasoline	\$	647	
Office Supplies		2,161	
Premiums on Corporate Surety Bonds		100	
Other Charges		35,027	
Office Equipment		3,217	
Total Planning			\$ 125,693

County Buildings

Custodial Personnel	\$	24,963	
Maintenance Personnel		21,500	
Longevity Pay		600	
Other Salaries & Wages		58,691	
Communication		71,633	
Maintenance & Repair Services- Buildings		22,174	
Maintenance & Repair Services- Equipment		11,602	
Maintenance & Repair Services- Vehicles		952	
Pest Control		1,425	
Travel		349	
Custodial Supplies		8,602	
Electricity		119,990	
Gasoline		447	
Uniforms		2,809	
Utilities		19,729	
Water and Sewer		33,588	
Building and Contents Insurance		8,560	
Workers' Compensation Insurance		10,435	
Total County Buildings			418,049

Other General Administration

Refunds	\$	3,839	
Total Other General Administration			3,839

Finance

Accounting and Budgeting

Supervisor/Director	\$	48,612	
Deputy(ies)		48,275	
Accountants/Bookkeepers		150,586	
Clerical Personnel		1,848	
Longevity Pay		1,050	
Audit Services		8,244	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Dues and Memberships	\$	359	
Legal Notices, Recording, and Court Costs		2,156	
Maintenance Agreements		5,181	
Postal Charges		132	
Travel		693	
Data Processing Supplies		5,956	
Office Supplies		8,211	
Premiums on Corporate Surety Bonds		472	
Other Charges		15	
Office Equipment		1,722	
Total Accounting and Budgeting			\$ 283,512

Property Assessor's Office

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		52,760	
Data Processing Personnel		20,669	
Assessment Personnel		20,793	
Secretary(s)		25,860	
Longevity Pay		900	
Other Salaries & Wages		18,992	
Communication		2,458	
Contracts with Government Agencies		7,956	
Dues and Memberships		1,479	
Maintenance & Repair Services- Vehicles		1,223	
Postal Charges		1,044	
Printing, Stationery, and Forms		256	
Rentals		1,580	
Travel		1,996	
Office Supplies		1,993	
Premiums on Corporate Surety Bonds		122	
Other Charges		24,314	
Total Property Assessor's Office			243,364

Reappraisal Program

Supervisor/Director	\$	24,120	
Data Processing Personnel		21,177	
Longevity Pay		300	
Data Processing Services		5,888	
Travel		1,459	
Office Supplies		318	
Total Reappraisal Program			53,262

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		65,990	
Clerical Personnel		20,347	
Longevity Pay		450	
Contracts with Government Agencies		7,956	
Dues and Memberships		571	
Maintenance & Repair Services- Office Equipment		4,463	
Postal Charges		7,787	
Rentals		1,300	
Travel		206	
Office Supplies		3,927	
Premiums on Corporate Surety Bonds		2,927	
Other Charges		194	
Office Equipment		50	
Total County Trustee's Office			\$ 175,137

County Clerk's Office

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		133,020	
Accountants/Bookkeepers		7,509	
Data Processing Personnel		11,768	
Longevity Pay		1,050	
Other Salaries & Wages		21,505	
Dues and Memberships		511	
Postal Charges		1,000	
Rentals		3,292	
Travel		574	
Office Supplies		4,221	
Other Supplies and Materials		165	
Premiums on Corporate Surety Bonds		116	
Data Processing Equipment		25,424	
Office Equipment		210	
Total County Clerk's Office			269,334

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,969
Clerical Personnel		314,817
Debt Collection Services		919
Dues and Memberships		531

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Legal Notices, Recording, and Court Costs	\$	75	
Rentals		10,894	
Travel		650	
Office Supplies		22,284	
Other Supplies and Materials		1,626	
Premiums on Corporate Surety Bonds		277	
Office Equipment		16,188	
Total Circuit Court			\$ 427,230

General Sessions Court

Judge(s)	\$	105,859	
Debt Collection Services		730	
Dues and Memberships		270	
Travel		1,374	
Library Books/Media		576	
Office Supplies		701	
Office Equipment		200	
Total General Sessions Court			109,710

Drug Court

Remittance of Revenue Collected	\$	162	
Total Drug Court			162

Chancery Court

County Official/Administrative Officer	\$	58,969	
Clerical Personnel		103,375	
Dues and Memberships		531	
Maintenance Agreements		4,103	
Rentals		2,042	
Office Supplies		1,764	
Premiums on Corporate Surety Bonds		164	
Office Equipment		2,150	
Total Chancery Court			173,098

Judicial Commissioners

Other Salaries & Wages	\$	23,481	
Total Judicial Commissioners			23,481

Other Administration of Justice

Board and Committee Members Fees	\$	550	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice (Cont.)

Jury and Witness Fees	\$	13,487	
Postal Charges		17	
Other Charges		6,207	
Total Other Administration of Justice			\$ 20,261

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	70,865	
Deputy(ies)		958,885	
Investigator(s)		165,067	
Accountants/Bookkeepers		21,766	
Salary Supplements		2,083	
Mechanic(s)		23,291	
Clerical Personnel		51,324	
Other Salaries & Wages		9,159	
In-Service Training		14,773	
Communication		21,617	
Dues and Memberships		1,826	
Maintenance & Repair Services- Buildings		7,818	
Maintenance & Repair Services- Equipment		20,471	
Maintenance & Repair Services- Vehicles		48,535	
Medical and Dental Services		6,538	
Postal Charges		120	
Rentals		1,852	
Transportation - Other than Students		289	
Travel		16,328	
Other Contracted Services		3,015	
Custodial Supplies		6,295	
Gasoline		88,858	
Office Supplies		13,289	
Tires and Tubes		11,310	
Uniforms		25,075	
Premiums on Corporate Surety Bonds		362	
Vehicle and Equipment Insurance		134,217	
Workers' Compensation Insurance		33,502	
Other Charges		3,027	
Law Enforcement Equipment		35,244	
Motor Vehicles		14,387	
Office Equipment		13,571	
Total Sheriff's Department			1,824,759

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Special Patrols

Secretary(s)	\$	22,064	
Other Contracted Services		<u>350</u>	
Total Special Patrols			\$ 22,414

Jail

Medical Personnel	\$	56,304	
Dispatchers/Radio Operators		85,481	
Guards		559,144	
Cafeteria Personnel		47,543	
Maintenance & Repair Services- Buildings		139,811	
Maintenance & Repair Services- Equipment		8,336	
Medical and Dental Services		285,560	
Transportation - Other than Students		2,301	
Custodial Supplies		39,667	
Food Preparation Supplies		19,680	
Food Supplies		181,812	
Workers' Compensation Insurance		26,668	
Other Charges		<u>44</u>	
Total Jail			1,452,351

Juvenile Services

Youth Service Officer(s)	\$	48,200	
Longevity Pay		300	
Contracts with Government Agencies		51,121	
Travel		<u>1,642</u>	
Total Juvenile Services			101,263

Fire Prevention and Control

Contributions	\$	262,500	
Other Charges		<u>14,328</u>	
Total Fire Prevention and Control			276,828

Rescue Squad

Other Charges	\$	<u>254,000</u>	
Total Rescue Squad			254,000

Other Emergency Management

Supervisor/Director	\$	28,534	
Secretary(s)		21,716	
Longevity Pay		300	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Other Fringe Benefits	\$	13,894	
Communication		914	
Dues and Memberships		70	
Maintenance & Repair Services- Equipment		200	
Maintenance & Repair Services- Office Equipment		290	
Maintenance & Repair Services- Vehicles		990	
Postal Charges		21	
Printing, Stationery, and Forms		376	
Travel		789	
Other Contracted Services		50	
Gasoline		579	
Instructional Supplies and Materials		182	
Office Supplies		1,197	
Uniforms		177	
Other Supplies and Materials		181,033	
Other Charges		93,748	
Office Equipment		227	
Total Other Emergency Management			\$ 345,287

Inspection and Regulation

Supervisor/Director	\$	2,000	
Total Inspection and Regulation			2,000

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	2,889	
Travel		1,241	
Premiums on Corporate Surety Bonds		400	
Total County Coroner/Medical Examiner			4,530

Other Public Safety

Board and Committee Members Fees	\$	1,750	
Total Other Public Safety			1,750

Public Health and Welfare

Rabies and Animal Control

Other Salaries & Wages	\$	10,297	
Other Contracted Services		14,981	
Total Rabies and Animal Control			25,278

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Contributions	\$ 80,750	
Total Ambulance/Emergency Medical Services		\$ 80,750

Maternal and Child Health Services

Longevity Pay	\$ 1,200	
Total Maternal and Child Health Services		1,200

Crippled Children Services

Contributions	\$ 16,150	
Total Crippled Children Services		16,150

Aid to Dependent Children

Contributions	\$ 1,425	
Total Aid to Dependent Children		1,425

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 42,532	
Total Senior Citizens Assistance		42,532

Libraries

Contributions	\$ 33,250	
Total Libraries		33,250

Parks and Fair Boards

Contributions	\$ 23,750	
Site Development	99,774	
Total Parks and Fair Boards		123,524

Other Social, Cultural, and Recreational

Contributions	\$ 4,047	
Total Other Social, Cultural, and Recreational		4,047

Agriculture & Natural Resources

Agriculture Extension Service

Supervisor/Director	\$ 12,945
Other Salaries & Wages	48,358
Other Fringe Benefits	8,674
Communication	1,312
Contributions	2,400

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Travel	\$	471	
Electricity		1,595	
Office Supplies		35	
Utilities		1,532	
Water and Sewer		147	
Other Supplies and Materials		24	
Office Equipment		806	
Total Agriculture Extension Service			\$ 78,299

Flood Control

Other Supplies and Materials	\$	2,972	
Total Flood Control			2,972

Other Agriculture & Natural Resources

Contracts with Government Agencies	\$	19,950	
Contributions		950	
Total Other Agriculture & Natural Resources			20,900

Other Operations

Tourism

Contributions	\$	81,109	
Total Tourism			81,109

Industrial Development

Engineering Services	\$	6,260	
Total Industrial Development			6,260

Housing and Urban Development

Engineering Services	\$	5,223	
Other Supplies and Materials		73,619	
Other Charges		5,531	
Total Housing and Urban Development			84,373

Other Economic and Community Development

Contributions	\$	33,713	
Total Other Economic and Community Development			33,713

Veterans' Services

Clerical Personnel	\$	20,042	
Longevity Pay		150	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Travel	\$	802	
Office Supplies		721	
Office Equipment		<u>224</u>	
Total Veterans' Services			\$ 21,939

Contributions to Other Agencies

Contributions	\$	<u>44,500</u>	
Total Contributions to Other Agencies			44,500

Employee Benefits

Social Security	\$	251,237	
State Retirement		485,331	
Employee and Dependent Insurance		628,465	
Unemployment Compensation		17,524	
Employer Medicare		<u>61,700</u>	
Total Employee Benefits			1,444,257

Miscellaneous

Engineering Services	\$	13,994	
Postal Charges		41,730	
Trustee's Commission		127,883	
Other Construction		<u>1,086,584</u>	
Total Miscellaneous			1,270,191

Highways

Litter and Trash Collection

Guards	\$	24,370	
Social Security		2,000	
Maintenance & Repair Services- Equipment		38	
Other Supplies and Materials		<u>9,958</u>	
Total Litter and Trash Collection			36,366

Debt Service Principal

General Government

Principal on Capital Leases	\$	<u>4,008</u>	
Total General Government			4,008

Capital Projects

Other General Government Projects

Bridge Construction	\$	6,451	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

Capital Projects (Cont.)

Other General Government Projects (Cont.)

Other Construction	\$ 19,430	
Total Other General Government Projects		\$ 25,881

Total General Fund \$ 10,703,651

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$ 4,000	
Total County Buildings		\$ 4,000

Finance

Other Finance

Trustee's Commission	\$ 101	
Total Other Finance		101

Administration of Justice

Other Administration of Justice

Data Processing Equipment	\$ 7,202	
Total Other Administration of Justice		7,202

Total Courthouse & Jail Maintenance Fund 11,303

Solid Waste/Sanitation Fund

Public Health and Welfare

Recycling Center

Supervisor/Director	\$ 7,692	
Laborers	13,929	
Part-time Personnel	3,532	
Other Fringe Benefits	3,532	
Communication	639	
Maintenance & Repair Services- Equipment	1,345	
Gasoline	452	
Utilities	2,125	
Other Charges	1,948	
Total Recycling Center		\$ 35,194

Landfill Operation and Maintenance

Supervisor/Director	\$ 33,443
Laborers	110,950

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Social Security	\$	9,874	
State Retirement		21,110	
Employee and Dependent Insurance		27,912	
Unemployment Compensation		575	
Employer Medicare		2,298	
Communication		1,743	
Evaluation and Testing		24,091	
Maintenance & Repair Services- Buildings		7,216	
Maintenance & Repair Services- Equipment		65,804	
Rentals		400	
Travel		643	
Disposal Fees		286,274	
Crushed Stone		7,312	
Diesel Fuel		21,912	
Fuel Oil		1,896	
Garage Supplies		885	
Gasoline		8,436	
Lubricants		1,775	
Office Supplies		4,563	
Uniforms		2,795	
Utilities		4,588	
Other Supplies and Materials		928	
Other Charges		11,320	
Total Landfill Operation and Maintenance			\$ 658,743

Other Public Health and Welfare

Other Contracted Services	\$	28,263	
Total Other Public Health and Welfare			28,263

Other Operations

Miscellaneous

Trustee's Commission	\$	7,091	
Total Miscellaneous			7,091

Total Solid Waste/Sanitation Fund \$ 729,291

Health Department Fund

Public Health and Welfare

Local Health Center

Supervisor/Director	\$	4,800	
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(Continued)

Exhibit H-5

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

Health Department Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Medical Personnel	\$	18,764	
Secretary(s)		2,160	
Other Salaries & Wages		177,628	
Social Security		69,971	
Communication		7,491	
Contracts with Government Agencies		55,890	
Maintenance & Repair Services- Buildings		11,579	
Postal Charges		1,833	
Travel		2,566	
Drugs and Medical Supplies		3,303	
Utilities		24,449	
Other Supplies and Materials		9,729	
Other Charges		4,508	
Office Equipment		989	
Total Local Health Center			\$ 395,660

Total Health Department Fund \$ 395,660

Drug Control Fund

Public Safety

Sheriff's Department

Travel	\$	1,960	
Animal Food and Supplies		1,042	
Other Supplies and Materials		1,592	
Other Charges		37,199	
Motor Vehicles		14	
Office Equipment		1,930	
Other Equipment		1,478	
Total Sheriff's Department			\$ 45,215

Other Operations

Miscellaneous

Trustee's Commission	\$	268	
Total Miscellaneous			268

Total Drug Control Fund 45,483

(Continued)

Exhibit H-5

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Bank Charges	\$ 73	
Total Register of Deeds		\$ 73

Finance

County Clerk's Office

Bank Charges	\$ 116	
Total County Clerk's Office		116

Administration of Justice

Circuit Court Clerk

Special Commissioner Fees/Special Master Fees	\$ 400	
Bank Charges	339	
Total Circuit Court Clerk		739

General Sessions Court Clerk

Bank Charges	\$ 835	
Total General Sessions Court Clerk		835

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 55,753	
Bank Charges	51	
Total Chancery Court		55,804

Public Safety

Sheriff's Department

Bank Charges	\$ 46	
Total Sheriff's Department		46

Total Constitutional Officers - Fees Fund		\$ 57,613
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,865
Assistant(s)	33,282
Supervisor/Director	26,210
Secretary(s)	37,106
Dues and Memberships	3,166
Maintenance & Repair Services- Office Equipment	83
Postal Charges	212

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Travel	\$	349	
Other Contracted Services		36,014	
Office Supplies		1,981	
Other Charges		450	
Communication Equipment		165	
Office Equipment		694	
Total Administration			\$ 204,577

Highway and Bridge Maintenance

Foremen	\$	62,095	
Equipment Operators		133,825	
Truck Drivers		228,363	
Laborers		251,308	
Explosive and Drilling Services		125	
Rentals		4,000	
Other Contracted Services		3,505	
Asphalt - Hot Mix		752,913	
Asphalt - Liquid		6,488	
Concrete		1,277	
Crushed Stone		88,955	
Fertilizer, Lime and Seed		6	
Pipe		10,866	
Road Signs		14,677	
Sand		70	
Uniforms		15,740	
Other Supplies and Materials		3,031	
Total Highway and Bridge Maintenance			1,577,244

Operation and Maintenance of Equipment

Mechanic(s)	\$	72,196	
Freight Expenses		1,625	
Maintenance & Repair Services- Equipment		30,320	
Diesel Fuel		74,659	
Equipment and Machinery Parts		98,939	
Garage Supplies		4,220	
Gasoline		96,519	
Lubricants		5,855	
Road Signs		2	
Small Tools		2,148	
Tires and Tubes		16,143	

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Other Supplies and Materials	\$ 8,209	
Total Operation and Maintenance of Equipment		\$ 410,835

Other Charges

Communication	\$ 8,707	
Electricity	6,723	
Natural Gas	5,717	
Water and Sewer	1,833	
Judgments	1,216	
Premiums on Corporate Surety Bonds	231	
Trustee's Commission	28,262	
Vehicle and Equipment Insurance	12,687	
Other Charges	<u>1,976</u>	
Total Other Charges		67,352

Employee Benefits

Social Security	\$ 55,106	
State Retirement	100,707	
Employee and Dependent Insurance	149,557	
Unemployment Compensation	5,834	
Employer Medicare	13,377	
Other Fringe Benefits	3,910	
Workers' Compensation Insurance	<u>8,979</u>	
Total Employee Benefits		337,470

Capital Outlay

Highway Equipment	\$ 130,990	
Motor Vehicles	144,806	
Other Capital Outlay	<u>4,887</u>	
Total Capital Outlay		<u>280,683</u>

Total Highway/Public Works Fund		\$ 2,878,161
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General Debt Service Fund

Debt Service Principal

General Government

Principal on Notes	\$ 504,943	
Total General Government		\$ 504,943

(Continued)

Exhibit H-5

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

General Debt Service Fund (Cont.)

Debt Service Principal (Cont.)

Education

Principal on Notes	\$ 645,000	
Principal on Other Loans	<u>727,000</u>	
Total Education		\$ 1,372,000

Debt Service Interest

General Government

Interest on Notes	\$ 25,850	
Total General Government		25,850

Education

Interest on Notes	\$ 11,126	
Interest on Other Loans	<u>184,826</u>	
Total Education		195,952

Other Debt Service

General Government

Trustee's Commission	\$ 38,485	
Other Debt Service	<u>1,000</u>	
Total General Government		39,485

Education

Other Debt Service	\$ 36,965	
Total Education		<u>36,965</u>

Total General Debt Service Fund \$ 2,175,195

Total Governmental Funds - Primary Government \$ 16,996,357

Exhibit H-6

Carter County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund	City School ADA - Elizabethton Fund	Total (Memorandum Only)
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 1,556,078	\$ 1,556,078
Trustee's Collections - Prior Years	0	60,463	60,463
Circuit/Clerk and Master Collections - Prior Years	0	27,740	27,740
Interest and Penalty	0	19,931	19,931
Payments in Lieu of Taxes - Local Utilities	0	27,386	27,386
Payments in Lieu of Taxes - Other	0	2,493	2,493
Local Option Sales Tax	2,880,577	974,567	3,855,144
Bank Excise Tax	0	17,349	17,349
Interstate Telecommunications Tax	0	2,476	2,476
Marriage Licenses	0	584	584
Mixed Drink Tax	0	676	676
Donations	0	245	245
Total Cash Receipts	<u>\$ 2,880,577</u>	<u>\$ 2,689,988</u>	<u>\$ 5,570,565</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,851,771	\$ 2,657,690	\$ 5,509,461
Trustee's Commission	28,806	43,222	72,028
Total Cash Disbursements	<u>\$ 2,880,577</u>	<u>\$ 2,700,912</u>	<u>\$ 5,581,489</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ (10,924)	\$ (10,924)
Cash Balance, July 1, 2004	0	118,239	118,239
Cash Balance, June 30, 2005	<u>\$ 0</u>	<u>\$ 107,315</u>	<u>\$ 107,315</u>

STATISTICAL SECTION

Table 1

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

<u>Year</u>	<u>Amount</u>
1995	\$ 22,456
1996	27,491
1997	16,300
1998	4,287
1999	3,517
2000	7,696
2001	7,824
2002	6,431
2003	<u>72,289</u>
Total	<u>\$ 168,291</u>

Table 2

Carter County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.58	\$ 0.65	\$ 0.73	\$ 0.66	\$ 0.66	\$ 0.71	\$ 0.69	\$ 0.68	\$ 0.72	\$ 0.85
Highway/Public Works	0.09	0.09	0.09	0.08	0.08	0.08	0.07	0.08	0.08	0.08
General Purpose School	1.50	1.50	1.50	1.35	1.42	1.42	1.24	1.24	1.24	1.25
General Debt Service	0.57	0.50	0.42	0.37	0.30	0.25	0.22	0.22	0.18	0.38
Total Tax Rate	\$ 2.74	\$ 2.74	\$ 2.74	\$ 2.46	\$ 2.46	\$ 2.46	\$ 2.22	\$ 2.22	\$ 2.22	\$ 2.56
<u>Assessed Valuations</u>										
Real and Personal	\$ 312,046,888	\$ 323,036,799	\$ 331,483,945	\$ 377,033,825	\$ 391,294,417	\$ 400,124,927	\$ 468,146,532	\$ 470,527,028	\$ 471,116,283	\$ 480,567,504
Public Utilities	14,037,959	13,379,261	13,379,261	13,516,965	14,993,198	12,859,328	16,282,308	16,757,348	15,095,156	15,629,161
Total Assessed Valuation	\$ 326,084,847	\$ 336,416,060	\$ 344,863,206	\$ 390,550,790	\$ 406,287,615	\$ 412,984,255	\$ 484,428,840	\$ 487,284,376	\$ 486,211,439	\$ 496,196,665

ANNUAL FINANCIAL REPORT
CARTER COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CARTER 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

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

BRAD BURKE, CPA, CIA
DOUG SANDIDGE, CISA
State Auditors

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

**CARTER COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Carter County School Department
For the Year Ended June 30, 2005

Scope

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

Results

Our report on Carter 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 two findings and recommendations, which we have reviewed with Carter County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The School Federal Projects Fund had a fund deficit of \$12,606 at June 30, 2005.

INTRODUCTORY SECTION

Carter County School Officials
June 30, 2005

Official:

Dallas Williams, Director of Schools

Board of Education:

Daniel Holder, Chairperson
Dale Colbaugh
Chuck Madgett
Ted Maxwell

Bobby McClain
Lee Morrow
Jack Pearman
Richard Winters

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

February 7, 2006

Carter County Director of Schools and
Board of Education
Carter 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 Carter County School Department, a component unit of Carter County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 15 through 30, which collectively comprise a portion of the Carter 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 Carter 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 Carter 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 county 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 Carter 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 Carter 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 February 7, 2006, on our consideration of the Carter 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Carter 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 33 through 37 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 Carter 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 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 miscellaneous schedules have been subjected to the auditing procedures applied by us 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,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 598,139	\$ 134,473	\$ 732,612
Equity in Pooled Cash and Investments	2,009,416	952,297	2,961,713
Accounts Receivable	59,936	2,748	62,684
Due from Other Governments	997,762	176,777	1,174,539
Due from Primary Government	64,861	0	64,861
Property Taxes Receivable	4,972,711	0	4,972,711
Allowance for Uncollectible Property Taxes	(119,368)	0	(119,368)
Total Assets	<u>\$ 8,583,457</u>	<u>\$ 1,266,295</u>	<u>\$ 9,849,752</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 331,614	\$ 17,094	\$ 348,708
Accrued Payroll	14,033	0	14,033
Payroll Deductions Payable	843,033	0	843,033
Deferred Compensation Payable	51,938	0	51,938
Other Current Liabilities	598,139	130,466	728,605
Deferred Revenue - Current Property Taxes	4,699,802	0	4,699,802
Deferred Revenue - Delinquent Property Taxes	133,745	0	133,745
Other Deferred Revenues	556,135	0	556,135
Total Liabilities	<u>\$ 7,228,439</u>	<u>\$ 147,560</u>	<u>\$ 7,375,999</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 54,000	\$ 0	\$ 54,000
Reserved for Career Ladder - Extended Contract	115,100	0	115,100
Reserved for Career Ladder Program	34,097	0	34,097
Reserved for Basic Education Program	185,449	0	185,449
Reserved for Innovative Education Program Strategies	0	3	3
Reserved for Special Education - Grants to States	0	206,239	206,239
Unreserved, Reported In:			
General Fund	966,372	0	966,372
Special Revenue Funds	0	912,370	912,370
Capital Projects Funds	0	123	123
Total Fund Balances	<u>\$ 1,355,018</u>	<u>\$ 1,118,735</u>	<u>\$ 2,473,753</u>
Total Liabilities and Fund Balances	<u>\$ 8,583,457</u>	<u>\$ 1,266,295</u>	<u>\$ 9,849,752</u>

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 7,536,634	\$ 0	\$ 7,536,634
Licenses and Permits	1,634	0	1,634
Charges for Current Services	266,632	849,675	1,116,307
Other Local Revenues	293,156	15,745	308,901
State of Tennessee	24,530,931	31,946	24,562,877
Federal Government	1,112,850	6,061,016	7,173,866
Other Governments and Citizens Groups	685	0	685
Total Revenues	<u>\$ 33,742,522</u>	<u>\$ 6,958,382</u>	<u>\$ 40,700,904</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 21,434,321	\$ 3,487,041	\$ 24,921,362
Support Services	10,858,556	1,029,555	11,888,111
Operation of Non-Instructional Services	697,360	2,426,422	3,123,782
Capital Outlay	509,754	0	509,754
Debt Service:			
Debt Service Principal	169,488	0	169,488
Debt Service Interest	175,908	0	175,908
Total Expenditures	<u>\$ 33,845,387</u>	<u>\$ 6,943,018</u>	<u>\$ 40,788,405</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (102,865)</u>	<u>\$ 15,364</u>	<u>\$ (87,501)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 0	\$ 41,717	\$ 41,717
Transfers Out	(41,717)	0	(41,717)
Total Other Financing Sources (Uses)	<u>\$ (41,717)</u>	<u>\$ 41,717</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (144,582)	\$ 57,081	\$ (87,501)
Fund Balance, July 1, 2004	1,499,600	1,061,654	2,561,254
Fund Balance, June 30, 2005	<u>\$ 1,355,018</u>	<u>\$ 1,118,735</u>	<u>\$ 2,473,753</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Carter 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 School Department:

A. Reporting Entity

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

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 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. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

Special Revenue 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.

Capital Projects Fund – The Education Capital Projects Fund, is used to account for building construction and renovations for the School Department.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

2. Receivables and Payables

Outstanding balances between funds at the end of the fiscal year 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 1.28 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 considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. 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.

4. Compensated Absences

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. The

School Department, in accordance with contract provisions, allows all certified personnel to accumulate an unlimited amount of earned but unused sick leave benefits, which will be paid to employees at a rate of \$10 per day upon retirement. A liability for these benefits is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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

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. Designations of fund balance represent tentative management plans that are subject to change. The School Department has designated \$34,646 of the General Purpose School Fund's unreserved fund balance for use by the extended school program as of June 30, 2005.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Deficit

The School Federal Projects Fund (nonmajor governmental fund) had a fund deficit of \$12,606 at June 30, 2005. This fund deficit resulted from reimbursements for grant expenditures not being requested in a timely manner. This fund deficit has been liquidated subsequent to June 30, 2005.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Carter County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

Deposits

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

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

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 21,954
Total		<u>\$ 21,954</u>

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

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

B. Interfund Receivables, Payables, and Transfers

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Component Unit:		
School Department:		
General Purpose	Primary Government:	
School Fund	Nonmajor Governmental	\$ 64,861

Interfund Transfers:

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

Transfer Out	Transfer In Nonmajor Governmental Funds
General Purpose School Fund	\$ 41,717
Total	<u>\$ 41,717</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

C. Other Current Liabilities

The Other Current Liabilities reflected in the General Purpose School Fund, School Federal Projects Fund, Central Cafeteria Fund, and Other Education Special Revenue Fund represent the remaining balances in the teacher's insurance accounts. These amounts will be deducted for health care coverage subsequent to June 30, 2005.

D. Capital Leases

In a prior year, the School Department entered into a 15-year capital lease agreement to upgrade heating and electrical systems. The terms of the agreement require total lease payments of \$3,200,000 plus interest of 5.8 percent. Title to the equipment transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Since the School Department is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been 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 the government-wide financial statements, but the School Department is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

Year Ending June 30	Governmental Funds
2006	\$ 334,331
2007	334,331
2008	334,331
2009	334,331
2010	334,331
2011-2015	1,671,655
2016-2018	693,436
Total Minimum Lease Payments	\$ 4,036,746
Amounts Representing Interest	<u>(1,140,343)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,896,403</u>

E. 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.

Notes

Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment.

The capital outlay note is a direct obligation and pledges the full faith and credit of the government. The capital outlay note outstanding was issued for an original term of 18 years. The note included in long-term debt as of June 30, 2005, will be retired from the General Purpose School Fund.

The capital outlay note and capital lease outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
Capital Outlay Note	0 %	\$ 199,164	\$ 39,170
Capital Lease	5.8	3,200,000	2,896,403

The annual requirements to amortize the note outstanding as of June 30, 2005, are presented in the following table:

Year Ending June 30	Note
2006	\$ 11,065
2007	11,065
2008	11,065
2009	5,975
Total	<u>\$ 39,170</u>

Changes in Long-term Liabilities

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

Governmental Activities:

	Note	Capital Lease	Compensated Absences
Balance, July 1, 2004	\$ 50,235	\$ 3,054,826	\$ 525,247
Additions	0	0	335,434
Deductions	(11,065)	(158,423)	(236,840)
Balance, June 30, 2005	<u>\$ 39,170</u>	<u>\$ 2,896,403</u>	<u>\$ 623,841</u>
Balance Due Within One Year	<u>\$ 11,065</u>	<u>\$ 170,660</u>	<u>\$ 248,682</u>

Compensated absences payable will be paid from the employing fund, primarily the General Purpose School Fund.

IV. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee Schools Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of members. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local government 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 the 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 attorney for the School Department estimates that the potential claims against the School Department not covered by insurance resulting from such litigation would not materially affect the School Department's financial statements.

D. Jointly Governed Organizations

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Carter County, Bristol City, Cocke County, Elizabethton City, Greeneville City, Greene County, Hamblen County, Hancock County, Hawkins County, Johnson City, Johnson County, Kingsport City, Newport City, Rogersville City, Sullivan County, Unicoi County, and Washington County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated. The cooperative was established to provide the First Tennessee Virginia Development District with educational programs and services of higher quality, greater scope, and greater accessibility. The cooperative is governed by a Board of Control, consisting of one board member and the director of schools from each of the systems. The executive committee consists of the chairman and vice chairman of the Board of Control and the member director of schools. Funding for the cooperative is provided through state grants and member schools' contributions.

The Upper East Tennessee Educational Cooperative has entered into an agreement to establish and operate the Northeast Tennessee Cooperative. The Northeast Tennessee Cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each of the members' school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to operate this service. All members of the Upper East Tennessee Cooperative are members of the Northeast Tennessee Cooperative, except Elizabethton City, Hancock County, Kingsport City, Unicoi County, and Washington County systems. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts, and an Executive Council, consisting of

the chair, vice-chair, secretary, treasurer, and a member-at-large from the Representative Committee.

E. Retirement Commitments

Plan Description

Employees of Carter 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 Carter 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 School Department participates in Carter County's plan, retirement information for the 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.H. of the Annual Financial Report of Carter County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Carter County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEP), 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 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 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 \$1,082,672, \$637,105, and \$587,590, respectively, equal to the required contributions for each year.

F. Other Post-employment Benefits

In addition to the retirement commitments described above, the School Department provides post-retirement health care and life insurance benefits, in accordance with contract provisions, to all certified teachers who retire from the School Department on or after age 55 with at least five years of service or have a minimum of 25 years of credited membership in the

Tennessee Consolidated Retirement System. Post-retirement health care and life insurance benefits are also provided to paraprofessionals who retire from the School Department. To be eligible for benefits, the employee must meet one of the following criteria. The employee may be of any age but have at least 30 years of service, or age 60 with at least 15 years of service, or age 55 with at least 17 years of service. Benefits are paid until the retirees reach age 65. Currently, 96 school retirees meet those eligibility requirements. During the year, expenditures totaling \$222,956 were recognized for post-employment health care.

G. Retirement Incentive Payments

The School Department offers a retirement incentive bonus payment plan, in accordance with contract provisions. This plan is available to all certified teachers who retire from the School Department with at least five years of service in Carter County and who are age 55 or older, or have a minimum of 25 years of credited service in the Tennessee Consolidated Retirement System. Eleven employees participated in the program during the 2004-05 fiscal year receiving bonuses in the total amount of \$72,782. These bonuses were paid from the General Purpose School Fund.

H. Office of Central Accounting

Carter County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

I. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Carter County. Purchases exceeding \$5,000 for the School Department are required to be competitively bid.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Carter 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		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,536,634	\$ 0	\$ 0	\$ 7,536,634	\$ 7,118,244	\$ 7,155,655	\$ 380,979
Licenses and Permits	1,634	0	0	1,634	2,500	2,500	(866)
Charges for Current Services	266,632	0	0	266,632	283,900	283,900	(17,268)
Other Local Revenues	293,156	0	0	293,156	78,100	374,694	(81,538)
State of Tennessee	24,530,931	0	0	24,530,931	24,418,300	24,974,290	(443,359)
Federal Government	1,112,850	0	0	1,112,850	166,400	843,849	269,001
Other Governments and Citizens Groups	685	0	0	685	0	0	685
Total Revenues	\$ 33,742,522	\$ 0	\$ 0	\$ 33,742,522	\$ 32,067,444	\$ 33,634,888	\$ 107,634
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 17,157,667	\$ 0	\$ 0	\$ 17,157,667	\$ 16,834,242	\$ 17,169,786	\$ 12,119
Alternative Instruction Program	140,431	0	0	140,431	140,432	144,099	3,668
Special Education Program	2,618,464	0	0	2,618,464	2,569,467	2,626,451	7,987
Vocational Education Program	1,405,939	0	0	1,405,939	1,338,885	1,409,449	3,510
Adult Education Program	111,820	0	0	111,820	102,852	112,067	247
<u>Support Services</u>							
Health Services	129,733	0	0	129,733	133,428	131,168	1,435
Other Student Support	740,650	0	0	740,650	729,221	740,836	186
Regular Instruction Program	1,280,054	0	0	1,280,054	1,190,085	1,284,812	4,758
Special Education Program	339,682	0	0	339,682	345,585	346,221	6,539
Vocational Education Program	93,137	0	0	93,137	103,083	97,411	4,274
Adult Programs	33,035	0	0	33,035	36,792	33,132	97
Board of Education	812,117	0	0	812,117	804,357	812,377	260
Director of Schools	347,258	0	0	347,258	334,406	350,451	3,193
Office of the Principal	2,009,363	0	0	2,009,363	1,974,144	2,012,115	2,752

(Continued)

Exhibit C

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Carter 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		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 186,179	\$ 0	\$ 0	\$ 186,179	\$ 203,329	\$ 188,559	\$ 2,380
Operation of Plant	2,246,938	0	0	2,246,938	2,089,450	2,263,160	16,222
Maintenance of Plant	641,524	0	0	641,524	633,939	647,511	5,987
Transportation	1,784,775	0	0	1,784,775	1,782,750	1,822,298	37,523
Central and Other	214,111	0	0	214,111	176,750	216,250	2,139
<u>Operation of Non-Instructional Services</u>							
Community Services	697,360	0	0	697,360	155,551	717,351	19,991
<u>Capital Outlay</u>							
Regular Capital Outlay	509,754	(285,932)	54,000	277,822	200,000	362,688	84,866
<u>Debt Service Principal</u>							
Education	169,488	0	0	169,488	172,131	169,488	0
<u>Debt Service Interest</u>							
Education	175,908	0	0	175,908	173,265	175,908	0
Total Expenditures	\$ 33,845,387	\$ (285,932)	\$ 54,000	\$ 33,613,455	\$ 32,224,144	\$ 33,833,588	\$ 220,133
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (102,865)	\$ 285,932	\$ (54,000)	\$ 129,067	\$ (156,700)	\$ (198,700)	\$ 327,767
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (41,717)	\$ 0	\$ 0	\$ (41,717)	\$ (43,300)	\$ (43,300)	\$ 1,583
Total Other Financing Sources (Uses)	\$ (41,717)	\$ 0	\$ 0	\$ (41,717)	\$ (43,300)	\$ (43,300)	\$ 1,583

(Continued)

Exhibit C

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Carter 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		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (144,582)	\$ 285,932	\$ (54,000)	\$ 87,350	\$ (200,000)	\$ (242,000)	\$ 329,350
Fund Balance, July 1, 2004	1,499,600	(285,932)	0	1,213,668	1,300,000	1,300,000	(86,332)
Fund Balance, June 30, 2005	\$ 1,355,018	\$ 0	\$ (54,000)	\$ 1,301,018	\$ 1,100,000	\$ 1,058,000	\$ 243,018

**CARTER COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE
NOTES TO 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 Carter 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 Program, Alternative Instruction Program, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the Carter 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. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of the budgetary statements.

**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 educational programs.

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

Other Education Special Revenue Fund – The Other Education Special Revenue Fund is used to account for restricted federal revenues which must be expended on the Head Start Program.

Capital Projects Fund

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Exhibit D-1

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Total	Education Capital Projects	
<u>ASSETS</u>						
Cash	\$ 70,589	\$ 41,300	\$ 22,584	\$ 134,473	\$ 0	\$ 134,473
Equity in Pooled Cash and Investments	121,361	822,276	8,537	952,174	123	952,297
Accounts Receivable	2,349	199	200	2,748	0	2,748
Due from Other Governments	80,005	96,772	0	176,777	0	176,777
Total Assets	\$ 274,304	\$ 960,547	\$ 31,321	\$ 1,266,172	\$ 123	\$ 1,266,295
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 10,079	\$ 6,480	\$ 535	\$ 17,094	\$ 0	\$ 17,094
Other Current Liabilities	70,589	37,293	22,584	130,466	0	130,466
Total Liabilities	\$ 80,668	\$ 43,773	\$ 23,119	\$ 147,560	\$ 0	\$ 147,560
<u>Fund Balances</u>						
Reserved for Innovative Education Program Strategies	\$ 3	\$ 0	\$ 0	\$ 3	\$ 0	\$ 3
Reserved for Special Education - Grants to States	206,239	0	0	206,239	0	206,239
Unreserved (Deficit)	(12,606)	916,774	8,202	912,370	123	912,493
Total Fund Balances	\$ 193,636	\$ 916,774	\$ 8,202	\$ 1,118,612	\$ 123	\$ 1,118,735
Total Liabilities and Fund Balances	\$ 274,304	\$ 960,547	\$ 31,321	\$ 1,266,172	\$ 123	\$ 1,266,295

Exhibit D-2

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Total	Education Capital Projects	
<u>Revenues</u>						
Charges for Current Services	\$ 0	\$ 849,675	\$ 0	\$ 849,675	\$ 0	\$ 849,675
Other Local Revenues	0	15,745	0	15,745	0	15,745
State of Tennessee	0	31,946	0	31,946	0	31,946
Federal Government	3,540,697	1,505,771	1,014,548	6,061,016	0	6,061,016
Total Revenues	\$ 3,540,697	\$ 2,403,137	\$ 1,014,548	\$ 6,958,382	\$ 0	\$ 6,958,382
<u>Expenditures</u>						
Current:						
Instruction	\$ 2,874,483	\$ 0	\$ 612,558	\$ 3,487,041	\$ 0	\$ 3,487,041
Support Services	709,984	0	319,571	1,029,555	0	1,029,555
Operation of Non-Instructional Services	0	2,351,672	74,750	2,426,422	0	2,426,422
Total Expenditures	\$ 3,584,467	\$ 2,351,672	\$ 1,006,879	\$ 6,943,018	\$ 0	\$ 6,943,018
Excess (Deficiency) of Revenues Over Expenditures	\$ (43,770)	\$ 51,465	\$ 7,669	\$ 15,364	\$ 0	\$ 15,364
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 41,717	\$ 0	\$ 0	\$ 41,717	\$ 0	\$ 41,717
Total Other Financing Sources (Uses)	\$ 41,717	\$ 0	\$ 0	\$ 41,717	\$ 0	\$ 41,717
Net Change in Fund Balances	\$ (2,053)	\$ 51,465	\$ 7,669	\$ 57,081	\$ 0	\$ 57,081
Fund Balance, July 1, 2004	195,689	865,309	533	1,061,531	123	1,061,654
Fund Balance, June 30, 2005	\$ 193,636	\$ 916,774	\$ 8,202	\$ 1,118,612	\$ 123	\$ 1,118,735

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,540,697	\$ 3,680,530	\$ 3,702,776	\$ (162,079)
Total Revenues	\$ 3,540,697	\$ 3,680,530	\$ 3,702,776	\$ (162,079)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,560,971	\$ 1,776,585	\$ 1,817,116	\$ 256,145
Special Education Program	1,166,686	1,276,287	1,294,414	127,728
Vocational Education Program	146,826	138,781	146,828	2
<u>Support Services</u>				
Health Services	43,512	43,622	43,622	110
Other Student Support	142,990	156,552	152,330	9,340
Regular Instruction Program	230,480	237,212	247,837	17,357
Special Education Program	259,450	282,907	277,809	18,359
Vocational Education Program	953	5,000	953	0
Transportation	32,599	32,945	32,945	346
Total Expenditures	\$ 3,584,467	\$ 3,949,891	\$ 4,013,854	\$ 429,387
Excess (Deficiency) of Revenues Over Expenditures	\$ (43,770)	\$ (269,361)	\$ (311,078)	\$ 267,308
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 41,717	\$ 58,000	\$ 41,717	\$ 0
Transfers Out	0	(58,000)	0	0
Total Other Financing Sources (Uses)	\$ 41,717	\$ 0	\$ 41,717	\$ 0
Net Change in Fund Balance	\$ (2,053)	\$ (269,361)	\$ (269,361)	\$ 267,308
Fund Balance, July 1, 2004	195,689	269,361	269,361	(73,672)
Fund Balance, June 30, 2005	\$ 193,636	\$ 0	\$ 0	\$ 193,636

Exhibit D-4

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 849,675	\$ 0	\$ 849,675	\$ 846,600	\$ 846,600	\$ 3,075
Other Local Revenues	15,745	0	15,745	8,000	8,000	7,745
State of Tennessee	31,946	0	31,946	36,000	36,000	(4,054)
Federal Government	1,505,771	0	1,505,771	1,461,000	1,461,000	44,771
Total Revenues	\$ 2,403,137	\$ 0	\$ 2,403,137	\$ 2,351,600	\$ 2,351,600	\$ 51,537
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,351,672	\$ (75,403)	\$ 2,276,269	\$ 2,397,939	\$ 2,397,939	\$ 121,670
Total Expenditures	\$ 2,351,672	\$ (75,403)	\$ 2,276,269	\$ 2,397,939	\$ 2,397,939	\$ 121,670
Excess (Deficiency) of Revenues Over Expenditures	\$ 51,465	\$ 75,403	\$ 126,868	\$ (46,339)	\$ (46,339)	\$ 173,207
Net Change in Fund Balance	\$ 51,465	\$ 75,403	\$ 126,868	\$ (46,339)	\$ (46,339)	\$ 173,207
Fund Balance, July 1, 2004	865,309	(75,403)	789,906	600,000	600,000	189,906
Fund Balance, June 30, 2005	\$ 916,774	\$ 0	\$ 916,774	\$ 553,661	\$ 553,661	\$ 363,113

Exhibit D-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,014,548	\$ 965,967	\$ 1,010,596	\$ 3,952
Total Revenues	\$ 1,014,548	\$ 965,967	\$ 1,010,596	\$ 3,952
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 612,558	\$ 584,298	\$ 613,901	\$ 1,343
<u>Support Services</u>				
Regular Instruction Program	303,965	297,969	306,294	2,329
Operation of Plant	12,450	13,700	12,450	0
Transportation	3,156	0	3,200	44
<u>Operation of Non-Instructional Services</u>				
Food Service	74,750	70,000	74,751	1
Total Expenditures	\$ 1,006,879	\$ 965,967	\$ 1,010,596	\$ 3,717
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,669	\$ 0	\$ 0	\$ 7,669
Net Change in Fund Balance	\$ 7,669	\$ 0	\$ 0	\$ 7,669
Fund Balance, July 1, 2004	533	0	0	533
Fund Balance, June 30, 2005	\$ 8,202	\$ 0	\$ 0	\$ 8,202

MISCELLANEOUS SCHEDULES

Exhibit E-1

Carter County, Tennessee
Schedule of Changes in Long-term Notes and Capital Leases
Carter 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	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
EPA Asbestos Removal	\$ 199,164	0 %	10-23-1991	5-30-09	\$ 50,235	\$ 11,065	\$ 39,170
Total Notes Payable					<u>\$ 50,235</u>	<u>\$ 11,065</u>	<u>\$ 39,170</u>
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Energy Lighting and Control Equipment	3,200,000	5.8	11-25-02	7-15-17	\$ 3,054,826	\$ 158,423	\$ 2,896,403
Total Capital Leases Payable					<u>\$ 3,054,826</u>	<u>\$ 158,423</u>	<u>\$ 2,896,403</u>

Exhibit E-2

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	School Federal Projects	Program matching	\$ <u>41,717</u>
Total Transfers			\$ <u><u>41,717</u></u>

Exhibit E-3

Carter County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Carter 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 Carter County Board of Education	\$ 88,300	\$ 50,000	Western Surety Company
Public Employee Dishonesty Policy: School Department Employees			150,000	Tennessee School Boards Risk Management Trust

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,371,309	\$ 0	\$ 0	\$ 0	\$ 4,371,309
Trustee's Collections - Prior Year	147,121	0	0	0	147,121
Circuit/Clerk & Master Collections - Prior Years	77,553	0	0	0	77,553
Interest and Penalty	55,521	0	0	0	55,521
Payments in Lieu of Taxes - T.V.A.	15,894	0	0	0	15,894
Payments in Lieu of Taxes - Local Utilities	76,584	0	0	0	76,584
Payments in Lieu of Taxes - Other	6,654	0	0	0	6,654
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,730,625	0	0	0	2,730,625
<u>Statutory Local Taxes</u>					
Bank Excise Tax	48,518	0	0	0	48,518
Interstate Telecommunications Tax	6,855	0	0	0	6,855
Total Local Taxes	\$ 7,536,634	\$ 0	\$ 0	\$ 0	\$ 7,536,634
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,634	\$ 0	\$ 0	\$ 0	\$ 1,634
Total Licenses and Permits	\$ 1,634	\$ 0	\$ 0	\$ 0	\$ 1,634
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Other State Systems	\$ 12,030	\$ 0	\$ 0	\$ 0	\$ 12,030
Tuition - Other	18,937	0	0	0	18,937
Lunch Payments - Children	0	0	365,318	0	365,318
Lunch Payments - Adults	0	0	70,131	0	70,131
Income from Breakfast	0	0	156,527	0	156,527
Special Milk Sales	0	0	2,498	0	2,498
A la carte Sales	0	0	164,137	0	164,137
Receipts from Individual Schools	83,711	0	0	0	83,711
Community Service Fees - Children	151,954	0	0	0	151,954
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	91,064	0	91,064
Total Charges for Current Services	\$ 266,632	\$ 0	\$ 849,675	\$ 0	\$ 1,116,307
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 7	\$ 0	\$ 15,745	\$ 0	\$ 15,752
Lease/Rentals	4,200	0	0	0	4,200
Miscellaneous Refunds	50,335	0	0	0	50,335
<u>Nonrecurring Items</u>					
Insurance Recovery	152,054	0	0	0	152,054
Sale of Equipment	15,750	0	0	0	15,750
Sale of Property	6,900	0	0	0	6,900
Damages Recovered from Individuals	1,541	0	0	0	1,541
Contributions & Gifts	12,773	0	0	0	12,773
<u>Other Local Revenues</u>					
Other Local Revenues	49,596	0	0	0	49,596
Total Other Local Revenues	\$ 293,156	\$ 0	\$ 15,745	\$ 0	\$ 308,901

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Total
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 22,981,271	\$ 0	\$ 0	\$ 0	\$ 22,981,271
School Food Service	0	0	31,946	0	31,946
Driver Education	16,685	0	0	0	16,685
Other State Education Funds	299,957	0	0	0	299,957
Career Ladder Program	500,672	0	0	0	500,672
Career Ladder - Extended Contract	261,791	0	0	0	261,791
Other Vocational	25,000	0	0	0	25,000
<u>Other State Revenues</u>					
Mixed Drink Tax	1,892	0	0	0	1,892
State Revenue Sharing - T.V.A.	408,363	0	0	0	408,363
Other State Grants	35,300	0	0	0	35,300
Total State of Tennessee	\$ 24,530,931	\$ 0	\$ 31,946	\$ 0	\$ 24,562,877
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,136,562	\$ 0	\$ 1,136,562
Breakfast	0	0	369,209	0	369,209
USDA - Other	16,042	0	0	74,750	90,792
Adult Education State Grant Program	125,871	0	0	0	125,871
Vocational Education - Basic Grants to States	0	159,484	0	0	159,484
Other Vocational	0	113,301	0	0	113,301
Title I Grants to Local Education Agencies	0	1,270,726	0	0	1,270,726
Innovative Education Program Strategies	0	30,525	0	0	30,525
Special Education - Grants to States	29,501	1,467,588	0	0	1,497,089
Special Education Preschool Grants	0	70,569	0	0	70,569
Eisenhower Professional Development State Grants	0	346,805	0	0	346,805
Other Federal through State	886,459	81,699	0	0	968,158
<u>Direct Federal Revenue</u>					
Forest Service	54,977	0	0	0	54,977
Other Direct Federal Revenue	0	0	0	939,798	939,798
Total Federal Government	\$ 1,112,850	\$ 3,540,697	\$ 1,505,771	\$ 1,014,548	\$ 7,173,866
<u>Other Governments and Citizens Groups</u>					
<u>Citizens Groups</u>					
Donations	\$ 685	\$ 0	\$ 0	\$ 0	\$ 685
Total Other Governments and Citizens Groups	\$ 685	\$ 0	\$ 0	\$ 0	\$ 685
Total	\$ 33,742,522	\$ 3,540,697	\$ 2,403,137	\$ 1,014,548	\$ 40,700,904

Exhibit E-5

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 11,410,852	
Career Ladder Program	279,910	
Career Ladder Extended Contracts	153,000	
Educational Assistants	299,905	
Other Salaries & Wages	5,652	
Certified Substitute Teachers	177,778	
Non-certified Substitute Teachers	66,430	
Social Security	747,058	
State Retirement	685,184	
Life Insurance	10,717	
Medical Insurance	1,890,170	
Dental Insurance	94,611	
Unemployment Compensation	10,148	
Employer Medicare	174,672	
Other Fringe Benefits	239,142	
Maintenance & Repair Services- Equipment	5,861	
Instructional Supplies and Materials	380,425	
Textbooks	328,892	
Other Supplies and Materials	5,149	
Other Charges	29,363	
Regular Instruction Equipment	162,748	
Total Regular Instruction Program		\$ 17,157,667

Alternative Instruction Program

Teachers	\$ 107,195	
Career Ladder Program	2,000	
Social Security	6,432	
State Retirement	6,006	
Life Insurance	73	
Medical Insurance	15,310	
Dental Insurance	625	
Unemployment Compensation	63	
Employer Medicare	1,505	
Instructional Supplies and Materials	822	
Other Charges	400	
Total Alternative Instruction Program		140,431

Special Education Program

Teachers	\$ 1,583,841	
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(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	30,000	
Career Ladder Extended Contracts		3,000	
Homebound Teachers		79,684	
Educational Assistants		197,069	
Other Salaries & Wages		810	
Social Security		114,933	
State Retirement		117,884	
Life Insurance		1,691	
Medical Insurance		327,360	
Dental Insurance		14,109	
Unemployment Compensation		1,732	
Employer Medicare		26,879	
Contracts with Private Agencies		15,775	
Other Contracted Services		100,845	
Instructional Supplies and Materials		741	
Other Charges		810	
Special Education Equipment		1,301	
Total Special Education Program			\$ 2,618,464

Vocational Education Program

Teachers	\$	981,176	
Career Ladder Program		23,000	
Career Ladder Extended Contracts		13,200	
Educational Assistants		9,419	
Social Security		61,360	
State Retirement		57,142	
Life Insurance		655	
Medical Insurance		140,196	
Dental Insurance		5,598	
Unemployment Compensation		686	
Employer Medicare		14,350	
Maintenance & Repair Services- Equipment		4,911	
Other Contracted Services		775	
Instructional Supplies and Materials		60,101	
Textbooks		1,737	
Other Supplies and Materials		1,586	
Vocational Instruction Equipment		30,047	
Total Vocational Education Program			1,405,939

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)
Instruction (Cont.)

Adult Education Program

Teachers	\$	51,368	
Other Salaries & Wages		23,556	
Social Security		4,645	
State Retirement		7,578	
Life Insurance		30	
Medical Insurance		6,116	
Dental Insurance		258	
Unemployment Compensation		102	
Employer Medicare		1,086	
Instructional Supplies and Materials		13,214	
Other Equipment		3,867	
Total Adult Education Program			\$ 111,820

Support Services

Health Services

Medical Personnel	\$	77,607	
Social Security		4,491	
State Retirement		7,678	
Life Insurance		99	
Medical Insurance		19,417	
Dental Insurance		843	
Unemployment Compensation		94	
Employer Medicare		1,050	
Travel		5,884	
Drugs and Medical Supplies		12,570	
Total Health Services			129,733

Other Student Support

Career Ladder Program	\$	12,000	
Guidance Personnel		468,661	
Career Ladder Extended Contracts		15,000	
Social Workers		233	
Attendants		27,204	
Other Salaries & Wages		500	
Social Security		32,056	
State Retirement		29,860	
Life Insurance		314	
Medical Insurance		59,592	
Dental Insurance		2,685	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Unemployment Compensation	\$	376	
Employer Medicare		7,498	
Contracts with Government Agencies		57,000	
Evaluation and Testing		27,108	
Travel		373	
Other Charges		190	
Total Other Student Support			\$ 740,650

Regular Instruction Program

Supervisor/Director	\$	274,919	
Career Ladder Program		28,842	
Career Ladder Extended Contracts		33,000	
Librarians		469,667	
Other Salaries & Wages		25,294	
Social Security		50,857	
State Retirement		47,740	
Life Insurance		490	
Medical Insurance		96,497	
Dental Insurance		4,175	
Unemployment Compensation		542	
Employer Medicare		11,894	
Maintenance & Repair Services- Equipment		29,869	
Postal Charges		4	
Travel		26,707	
Penalties		51	
Other Contracted Services		3,132	
Library Books/Media		70,079	
Office Supplies		29	
Other Supplies and Materials		32,590	
In Service/Staff Development		61,805	
Other Charges		11,871	
Total Regular Instruction Program			1,280,054

Special Education Program

Supervisor/Director	\$	59,893
Career Ladder Program		9,000
Psychological Personnel		45,332
Career Ladder Extended Contracts		4,000
Assessment Personnel		82,631

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Clerical Personnel	\$	23,695	
Social Security		13,500	
State Retirement		14,033	
Life Insurance		126	
Medical Insurance		31,057	
Dental Insurance		1,077	
Unemployment Compensation		147	
Employer Medicare		3,157	
Maintenance & Repair Services- Equipment		2,182	
Travel		26,912	
Penalties		23	
Other Supplies and Materials		3,535	
In Service/Staff Development		8,117	
Other Charges		7,398	
Other Equipment		3,867	
Total Special Education Program			\$ 339,682

Vocational Education Program

Supervisor/Director	\$	57,404	
Career Ladder Program		1,000	
Social Security		3,580	
State Retirement		3,212	
Life Insurance		25	
Medical Insurance		4,645	
Dental Insurance		215	
Unemployment Compensation		25	
Employer Medicare		837	
Travel		12,074	
Other Supplies and Materials		2,382	
In Service/Staff Development		1,659	
Other Charges		6,079	
Total Vocational Education Program			93,137

Adult Programs

Other Salaries & Wages	\$	19,420	
Social Security		1,204	
State Retirement		2,447	
Life Insurance		25	
Medical Insurance		4,289	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Dental Insurance	\$	215	
Unemployment Compensation		24	
Employer Medicare		282	
In Service/Staff Development		4,148	
Other Charges		981	
Total Adult Programs			\$ 33,035

Board of Education

Board and Committee Members Fees	\$	9,908	
In-Service Training		77	
Social Security		614	
State Retirement		779	
Unemployment Compensation		6	
Employer Medicare		144	
Audit Services		7,155	
Dues and Memberships		10,525	
Legal Services		3,375	
Travel		10,664	
Liability Insurance		323,671	
Trustee's Commission		196,356	
Workers' Compensation Insurance		246,405	
Other Charges		2,438	
Total Board of Education			812,117

Director of Schools

County Official/Administrative Officer	\$	88,300	
Secretary(s)		113,234	
Social Security		12,291	
State Retirement		19,124	
Life Insurance		154	
Medical Insurance		28,747	
Dental Insurance		1,314	
Unemployment Compensation		147	
Employer Medicare		2,875	
Communication		63,555	
Dues and Memberships		2,999	
Maintenance & Repair Services- Equipment		3,490	
Postal Charges		4,950	
Travel		2,552	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Penalties	\$	18	
Office Supplies		1,501	
In Service/Staff Development		78	
Other Charges		1,752	
Administration Equipment		177	
Total Director of Schools			\$ 347,258

Office of the Principal

Principals	\$	694,208	
Career Ladder Program		38,690	
Career Ladder Extended Contracts		30,000	
Assistant Principals		502,561	
Secretary(s)		213,372	
Clerical Personnel		38,984	
Social Security		91,942	
State Retirement		101,204	
Life Insurance		1,162	
Medical Insurance		229,445	
Dental Insurance		9,930	
Unemployment Compensation		1,115	
Employer Medicare		21,503	
Other Fringe Benefits		11,804	
Other Contracted Services		21,028	
Office Supplies		2,415	
Total Office of the Principal			2,009,363

Fiscal Services

Accountants/Bookkeepers	\$	30,104	
Social Security		1,789	
State Retirement		3,793	
Life Insurance		25	
Medical Insurance		3,551	
Dental Insurance		215	
Unemployment Compensation		25	
Employer Medicare		418	
Data Processing Services		3,109	
Travel		1,328	
Other Contracted Services		140,785	
Data Processing Supplies		725	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Office Supplies	\$	306	
Administration Equipment		6	
Total Fiscal Services			\$ 186,179

Operation of Plant

Custodial Personnel	\$	685,875	
Social Security		42,465	
State Retirement		70,717	
Life Insurance		944	
Medical Insurance		171,311	
Dental Insurance		7,856	
Unemployment Compensation		1,547	
Employer Medicare		9,934	
Rentals		12,000	
Disposal Fees		2,051	
Other Contracted Services		23,671	
Custodial Supplies		99,354	
Electricity		777,933	
Fuel Oil		400	
Natural Gas		287,733	
Water and Sewer		53,147	
Total Operation of Plant			2,246,938

Maintenance of Plant

Supervisor/Director	\$	34,815	
Maintenance Personnel		255,683	
Social Security		18,435	
State Retirement		36,043	
Life Insurance		297	
Medical Insurance		47,607	
Dental Insurance		2,535	
Unemployment Compensation		318	
Employer Medicare		4,312	
Other Fringe Benefits		4,090	
Laundry Service		6,437	
Maintenance & Repair Services- Buildings		54,546	
Maintenance & Repair Services- Equipment		45,846	
Travel		1,005	
Disposal Fees		120	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Contracted Services	\$	89,358	
General Construction Materials		3,905	
Other Supplies and Materials		22,548	
In Service/Staff Development		80	
Other Charges		5,044	
Maintenance Equipment		8,500	
Total Maintenance of Plant			\$ 641,524

Transportation

Supervisor/Director	\$	34,814	
Mechanic(s)		134,484	
Bus Drivers		545,359	
Clerical Personnel		20,718	
Social Security		44,703	
State Retirement		89,327	
Life Insurance		1,701	
Medical Insurance		304,156	
Dental Insurance		14,538	
Unemployment Compensation		1,806	
Employer Medicare		10,455	
Other Fringe Benefits		16,164	
Contracts with Parents		8,210	
Contracts with Vehicle Owners		7,170	
Laundry Service		4,373	
Maintenance & Repair Services- Vehicles		3,348	
Medical and Dental Services		1,850	
Penalties		79	
Other Contracted Services		2,268	
Equipment and Machinery Parts		4,619	
Garage Supplies		1,416	
Gasoline		188,067	
Lubricants		5,316	
Tires and Tubes		27,262	
Vehicle Parts		69,677	
Other Supplies and Materials		13,312	
Other Charges		12,225	
Transportation Equipment		217,358	
Total Transportation			1,784,775

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Data Processing Personnel	\$	152,495	
Social Security		9,057	
State Retirement		19,214	
Life Insurance		101	
Medical Insurance		15,487	
Dental Insurance		862	
Unemployment Compensation		98	
Employer Medicare		2,118	
Maintenance & Repair Services- Equipment		3,230	
Travel		8,613	
Penalties		64	
Data Processing Supplies		616	
Office Supplies		498	
In Service/Staff Development		1,658	
Total Central and Other			\$ 214,111

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	65,595	
Teachers		19,170	
Part-time Personnel		234,053	
Other Salaries & Wages		148,607	
Social Security		28,227	
State Retirement		25,406	
Life Insurance		52	
Medical Insurance		9,328	
Dental Insurance		445	
Unemployment Compensation		887	
Employer Medicare		6,602	
Travel		3,922	
Penalties		17	
Other Contracted Services		21,445	
Food Supplies		21,880	
Instructional Supplies and Materials		53,561	
Other Supplies and Materials		8,504	
In Service/Staff Development		10,794	
Other Charges		38,865	
Total Community Services			697,360

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Architects	\$	2,971	
Penalties		4	
Building Construction		3,580	
Building Improvements		335,614	
Other Capital Outlay		167,585	
Total Regular Capital Outlay			\$ 509,754

Debt Service Principal

Education

Principal on Notes	\$	11,065	
Principal on Capital Leases		158,423	
Total Education			169,488

Debt Service Interest

Education

Interest on Capital Leases	\$	175,908	
Total Education			175,908

Total General Purpose School Fund \$ 33,845,387

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	983,376	
Educational Assistants		15,186	
Other Salaries & Wages		4,388	
Social Security		60,820	
State Retirement		53,818	
Life Insurance		704	
Medical Insurance		143,508	
Dental Insurance		6,019	
Unemployment Compensation		793	
Employer Medicare		14,225	
Maintenance & Repair Services- Equipment		10,042	
Other Contracted Services		30,290	
Instructional Supplies and Materials		160,541	
Other Supplies and Materials		136	
Other Charges		1,200	
Regular Instruction Equipment		75,925	
Total Regular Instruction Program			\$ 1,560,971

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	99,328	
Educational Assistants		466,367	
Other Salaries & Wages		99,227	
Social Security		40,232	
State Retirement		71,443	
Life Insurance		1,390	
Medical Insurance		233,606	
Dental Insurance		11,795	
Unemployment Compensation		1,397	
Employer Medicare		9,411	
Penalties		1	
Other Contracted Services		66,648	
Instructional Supplies and Materials		38,228	
Other Supplies and Materials		6,731	
Special Education Equipment		20,882	
Total Special Education Program			\$ 1,166,686

Vocational Education Program

Teachers	\$	32,368	
Social Security		1,759	
State Retirement		1,780	
Life Insurance		25	
Medical Insurance		7,176	
Dental Insurance		215	
Unemployment Compensation		24	
Employer Medicare		411	
Travel		3,671	
Instructional Supplies and Materials		19,008	
Other Charges		2,979	
Vocational Instruction Equipment		77,410	
Total Vocational Education Program			146,826

Support Services

Health Services

Medical Personnel	\$	33,977	
Social Security		2,107	
State Retirement		4,281	
Life Insurance		25	
Medical Insurance		2,390	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Dental Insurance	\$	215	
Unemployment Compensation		24	
Employer Medicare		493	
Total Health Services			\$ 43,512

Other Student Support

Social Workers	\$	20,183	
Attendants		42,051	
Other Salaries & Wages		40,345	
Social Security		6,360	
State Retirement		4,111	
Life Insurance		25	
Medical Insurance		2,554	
Dental Insurance		215	
Unemployment Compensation		196	
Employer Medicare		1,487	
Contracts with Government Agencies		14,000	
Travel		846	
Other Charges		10,617	
Total Other Student Support			142,990

Regular Instruction Program

Supervisor/Director	\$	45,877	
Other Salaries & Wages		46,184	
Social Security		5,489	
State Retirement		5,478	
Life Insurance		41	
Medical Insurance		10,427	
Dental Insurance		359	
Unemployment Compensation		49	
Employer Medicare		1,284	
Travel		7,013	
In Service/Staff Development		99,142	
Other Charges		9,137	
Total Regular Instruction Program			230,480

Special Education Program

Supervisor/Director	\$	25,726	
Secretary(s)		19,539	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Other Salaries & Wages	\$	111,198	
Social Security		9,669	
State Retirement		14,710	
Life Insurance		101	
Medical Insurance		17,387	
Dental Insurance		862	
Unemployment Compensation		165	
Employer Medicare		2,261	
Travel		7,829	
Other Contracted Services		25,680	
Other Supplies and Materials		10,888	
In Service/Staff Development		6,673	
Other Charges		5,312	
Other Equipment		1,450	
Total Special Education Program			\$ 259,450

Vocational Education Program

In Service/Staff Development	\$	953	
Total Vocational Education Program			953

Transportation

Bus Drivers	\$	19,343	
Social Security		1,199	
State Retirement		2,437	
Life Insurance		50	
Medical Insurance		8,809	
Dental Insurance		431	
Unemployment Compensation		49	
Employer Medicare		281	
Total Transportation			32,599

Total School Federal Projects Fund \$ 3,584,467

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,508	
Clerical Personnel		16,443	
Cafeteria Personnel		703,660	

(Continued)

Exhibit E-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Salaries & Wages	\$	26,609	
Social Security		48,569	
State Retirement		71,792	
Life Insurance		1,343	
Medical Insurance		239,990	
Dental Insurance		11,222	
Unemployment Compensation		223	
Employer Medicare		11,360	
Other Fringe Benefits		24,538	
Communication		4,463	
Maintenance & Repair Services- Equipment		36,420	
Travel		2,947	
Other Contracted Services		74,345	
Food Preparation Supplies		58,407	
Food Supplies		832,762	
Office Supplies		2,832	
Uniforms		4,050	
Other Supplies and Materials		24,585	
In Service/Staff Development		3,715	
Other Charges		306	
Food Service Equipment		102,583	
Total Food Service			\$ 2,351,672

Total Central Cafeteria Fund \$ 2,351,672

Other Education Special Revenue Fund

Instruction

Regular Instruction Program

Teachers	\$	276,663
Educational Assistants		111,721
Certified Substitute Teachers		7,573
Social Security		22,448
State Retirement		29,293
Life Insurance		459
Medical Insurance		95,749
Dental Insurance		3,920
Unemployment Compensation		459
Employer Medicare		5,250
Other Contracted Services		335

(Continued)

Exhibit E-5

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

Other Education Special Revenue Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$	31,843	
Other Supplies and Materials		9,647	
Other Charges		56	
Regular Instruction Equipment		17,142	
Total Regular Instruction Program			\$ 612,558

Support Services

Regular Instruction Program

Supervisor/Director	\$	43,987	
Secretary(s)		24,266	
Other Salaries & Wages		134,332	
Social Security		12,325	
State Retirement		17,943	
Life Insurance		144	
Medical Insurance		29,292	
Dental Insurance		1,232	
Unemployment Compensation		147	
Employer Medicare		2,883	
Communication		4,819	
Travel		4,514	
Custodial Supplies		8	
Office Supplies		7,109	
In Service/Staff Development		14,946	
Other Charges		6,018	
Total Regular Instruction Program			303,965

Operation of Plant

Rentals	\$	6,000	
Other Contracted Services		2,348	
Custodial Supplies		2,089	
Electricity		1,067	
Natural Gas		684	
Water and Sewer		262	
Total Operation of Plant			12,450

Transportation

Bus Drivers	\$	1,530	
Transportation Equipment		1,626	
Total Transportation			3,156

(Continued)

Exhibit E-5

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

<u>Other Education Special Revenue Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services</u>		
<u>Food Service</u>		
Payments to Schools - Other USDA	\$	<u>74,750</u>
Total Food Service		\$ <u>74,750</u>
 Total Other Education Special Revenue Fund		 \$ <u>1,006,879</u>
 Total Governmental Funds - Carter County School Department		 \$ <u>40,788,405</u>

SINGLE AUDIT REPORT
CARTER COUNTY, TENNESSEE
AND
CARTER 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

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

MARIE ELLIOTT, CPA
BRAD BURKE, CPA, CIA
DOUG SANDIDGE, CISA
State Auditors

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

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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

February 7, 2006

Carter County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Carter 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 Carter County, Tennessee, and the Carter County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Carter County's and the Carter County School Department's basic financial statements and have issued our reports thereon dated February 7, 2006. Our reports on the financial statements of Carter County, Tennessee, and the Carter County School Department, express adverse opinions because 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 Carter County's and the Carter 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 Carter County's and the Carter 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 05.02, 05.03(B,C), 05.04, 05.05, 05.07, 05.09, 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, of the reportable conditions described above, we consider items 05.02 and 05.03(B,C) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter County's and the Carter County School Department's financial statements are free of material misstatement, we performed tests of their 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03(A), 05.06, and 05.08.

We have also noted certain other matters that we reported to the management of Carter County and the Carter 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
Comptroller of the Treasury

JGM/rd



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

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

February 7, 2006

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

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

Compliance

We have audited the compliance of Carter County and the Carter 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. Carter County's and the Carter 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 Carter County's and the Carter County School Department's management. Our responsibility is to express an opinion on Carter County's and the Carter 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 Carter County's and the Carter 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 Carter County's and the Carter County School Department's compliance with those requirements.

In our opinion, Carter County and the Carter 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 Carter County and the Carter 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 Carter County's and the Carter 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.

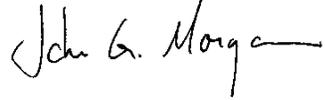
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants 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 Carter County, Tennessee, and the Carter County School Department, as of and for the year ended June 30, 2005, and have issued our report thereon dated February 7, 2006. Our reports on the financial statements of Carter County, Tennessee, and the Carter 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,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rd

Carter County, Tennessee, and the Carter 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 Donation (Noncash Assistance)	10.550	N/A	\$ 237,493
Passed-through State Department of Education: Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	369,209
National School Lunch Program	10.555	N/A	1,136,562
Passed-through State Department of Human Services: Child and Adult Care Food Program	10.558	N/A	90,792
Total U.S. Department of Agriculture			<u>\$ 1,834,056</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency: HOME Investment Partnerships Program	14.239	HM-04-05	\$ 83,323
Total U.S. Department of Housing and Urban Development			<u>\$ 83,323</u>
U.S. Bureau of Land Management, Department of the Interior:			
Direct Programs: Payments in Lieu of Taxes	15.226	N/A	\$ 73,303
Total U.S. Bureau of Land Management, Department of the Interior			<u>\$ 73,303</u>
U.S. Department of Justice:			
Passed-through State Department of Military: State Domestic Preparedness Equipment Support Program	16.007	Z-03-017731-00	\$ 3,063
Total U.S. Department of Justice			<u>\$ 3,063</u>
Federal Emergency Management Agency:			
Passed-through State Department of Military: Disaster Assistance	83.516	Z-03-011113-00	\$ 72,700
Emergency Management - State and Local Assistance	83.534	Z-04-020288-00	12,711
Total Federal Emergency Management Agency			<u>\$ 85,411</u>
U.S. Department of Education:			
Passed-through State Department of Education: Adult Education - State Grant Program	84.002	Z-04-025607-01	\$ 6,341 (3)
Title I Grants to Local Educational Agencies	84.010	N/A	1,402,016
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,391,820
Special Education - Preschool Grants	84.173	N/A	69,921
Vocational Education - Basic Grants to States	84.048	N/A	147,781
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	58,833
Twenty-First Century Community Learning Centers	84.287	(2)	423,088
State Grants for Innovative Programs	84.298	N/A	30,522
Education Technology State Grants	84.318	(2)	288,040
Advanced Placement Program	84.330	Z-03-013317-00	6,354
Reading Excellence	84.338	Z-04-016594-00	43,679
Improving Teacher Quality State Grants	84.367	N/A	305,322
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-04-016650-00	19,981 (3)
Adult Education - State Grant Program	84.002	Z-05-022202-00	99,549 (3)
Passed-through State Department of Human Services: Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-04-10222-02	139,067
Total U.S. Department of Education			<u>\$ 4,432,314</u>

(Continued)

Carter County, Tennessee, and the Carter County School Department
Schedule of Expenditures of Federal Awards and State Grants (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Upper East Tennessee Human Development Agency: Head Start	93.600	N/A	\$ 939,798
Passed-through State Department of Labor and Workforce Development: Child Welfare Services - State Funds	93.645	Z-05-022295-00	85,613
Passed-through State Department of Health: Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05-020787-00	108,376
Total U.S. Department of Health and Human Services			\$ 1,133,787
U.S. Department of Homeland Security:			
Passed-through State Department of Military: State Domestic Preparedness Equipment Support Program	97.004	Z-04-020076-00	\$ 79,585
Community Emergency Response Teams	97.054	Z-03-019262-00	405
Total U.S. Department of Homeland Security			\$ 79,990
Total Expenditures of Federal Awards			\$ 7,725,247
<u>State Grants</u>			
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 15,000
Litter Grant - State Department of Transportation	N/A	(2)	27,627
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	19,033
Local Park and Recreation Fund Grant - State Department of Environment and Conservation	N/A	(2)	148,750
Safe Schools Act Grant - State Department of Education	N/A	(2)	35,216
Health Department Grants - State Department of Health Services	N/A	(2)	228,610
Total State Grants			\$ 474,236

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 Adult Education - State Grant Program (CFDA Number 84.002) from the U.S. Department of Education is \$125,871.

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

CARTER COUNTY AND CARTER 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 FINANCE DIRECTOR

Finding Number	Page Number	Subject
04.03	13	Receipts were not always written for collections at the convenience centers
04.04	14	The office had budget deficiencies
04.05	15	The School Federal Projects Fund had a fund deficit
04.06	16	The finance director had not adequately reviewed various records

OFFICE OF TRUSTEE

Finding Number	Page Number	Subject
04.07	17	The trustee's depository used an unauthorized method of paying county warrants

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
04.09	18	Internal controls were inadequate for handling inmate funds

OTHER FINDING AND RECOMMENDATION

Finding Number	Page Number	Subject
04.10	19	Duties were not segregated adequately in the Offices of Clerk and Master, Register, and Sheriff

**CARTER COUNTY, TENNESSEE, AND THE
CARTER 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 Carter County and the Carter County School Department.
2. The audit of the financial statements of Carter County and the Carter County School Department disclosed reportable conditions in internal control. Two of these conditions were considered material weaknesses for Carter County, and none of these conditions was considered a material weakness for the Carter County School Department.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Carter County and the Carter 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), Title I Grants to Local Educational Agencies (CFDA No. 84.010), Twenty-First Century Community Learning Centers (CFDA No. 84.287), Education Technology State Grants (CFDA No. 84.318), and Head Start (CFDA No. 93.600) 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. Carter County and the Carter 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. The written responses of the finance director are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

CARTER COUNTY AND CARTER 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)

Carter County and the Carter County School Department did identify and assign historical values to their capital assets. However, Carter County and the Carter County School Department did not have documentation on file to support the historical values used and the related depreciation amounts of these assets. Therefore, Carter County and the Carter 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, Carter County’s and the Carter 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. Carter County’s and the Carter County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Carter County and the Carter County School Department 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.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

Carter County has taken a major step in the completion of this requirement by identifying and assigning historical values to our capital assets. The additional source documentation is currently being gathered but has proven to be very time consuming.

OFFICE OF FINANCE DIRECTOR

FINDING 05.02 **RECEIPTS WERE NOT ALWAYS WRITTEN FOR COLLECTIONS AT THE CONVENIENCE CENTERS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Receipts were not always issued for collections at the county's two convenience centers. The convenience centers issued receipts only at customers' requests. Section 9-2-103, Tennessee Code Annotated (TCA), requires receipts to be issued for all collections. Without receipts, we were unable to determine if all of the centers' collections had been accounted for and whether all funds had been deposited within three days of collection as required by Section 5-8-207, TCA.

RECOMMENDATION

The convenience centers should issue receipts for all collections and should deposit all funds within three days of collection as required by state statutes.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

Receipt collection has historically been a problem area at the convenience centers, and we have made some operational changes that should improve this situation.

FINDING 05.03 **THE OFFICE HAD BUDGET DEFICIENCIES**
(A. Noncompliance Under Government Auditing Standards;
B. and C. Internal Control – Material Weakness Under Government Auditing Standards)

During the year, the following budget deficiencies were noted:

- A. Total expenditures of the Drug Control Fund exceeded total appropriations approved by the County Commission by \$19,283.

- B. Expenditures exceeded appropriations approved by the County Commission at the major category level of control (the legal level of control) in the following funds:

<u>Fund/Major Category</u>	<u>Expenditures Over Appropriations</u>
General Fund:	
Circuit Court	\$ 3,826
Drug Court	162
Housing and Urban Development	83,323
Employee Benefits	3,757
General Debt Service:	
Debt Service Principal - General	5,980
Other Debt Service - General	19,485
Other Debt Service - Education	1,965
Courthouse and Jail Maintenance Fund:	
Other Administration of Justice	4,702
Solid Waste/Sanitation Fund:	
Miscellaneous	1,291

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

- C. The General Fund’s actual fund balance at July 1, 2004, was \$269,662; however, the estimated fund balance reflected in the county’s budget was \$2,622,803. Therefore, the estimated fund balance exceeded the actual fund balance presented to the County Commission during the budget process by \$2,353,141.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. The estimated beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

Carter County uses fiscally conservative budgeting practices of overestimating expenses and underestimating revenue. Home Grant funds, which were appropriated in the previous fiscal year, should have been reappropriated in the current fiscal year; however, we

overlooked this during the hectic fiscal year end when closing our books. We will make an effort to be more conscientious of this matter in the future. Carter County was faced with some extreme challenges in relation to our jail. Also, the county was facing unbudgeted costs associated with the liability of multiple lawsuits and the purchase of modular units. In so doing, the county adopted budget amendments to appropriate funding from fund balance.

FINDING 05.04 THE SCHOOL FEDERAL PROJECTS FUND HAD A FUND DEFICIT
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Federal Projects Fund had a fund deficit of \$12,606 at June 30, 2005. This fund deficit occurred because reimbursements for grant expenditures were not requested in a timely manner.

RECOMMENDATION

County officials should take steps to liquidate this fund deficit. Reimbursements for grant expenditures should be submitted in a timely manner.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

We will increase our allowance for payment turn-around time.

FINDING 05.05 THE FINANCE DIRECTOR HAD NOT ADEQUATELY REVIEWED CERTAIN ACCOUNTING RECORDS
(Internal Control – Reportable Condition Under Government Auditing Standards)

During our review of controls, we noted that the finance director had not adequately reviewed certain accounting records. This lack of oversight increases the risk that misstatements which are material to the financial statements will occur and not be detected. We noted the following deficiencies:

- A. Some prior-year receivables and payables were incorrectly posted to current-year operations. Also, several payroll liability accounts in the General Fund and Highway/Public Works Fund reflected debit balances at June 30, 2005. We presented audit adjustments to management for them to accept and post to correct the misstatements in the financial statements of this report.

- B. Prior-year interfund receivables and payables in the General Fund, Solid Waste/Sanitation Fund, Health Department Fund, and General Purpose School Fund had not been liquidated.

RECOMMENDATION

The finance director should review the accounting records to ensure that the records are accurately maintained and that errors detected are corrected promptly. Interfund receivables and payables should be liquidated on a timely basis.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

Appropriate journal entries were reviewed and posted to correct the year-end closings subsequent to the audit.

OFFICE OF TRUSTEE

FINDING 05.06 **THE TRUSTEE’S DEPOSITORY USED AN UNAUTHORIZED METHOD OF PAYING COUNTY WARRANTS
(Noncompliance Under Government Auditing Standards)**

The office’s depository deducted warrants from the office’s bank account before the bank presented the warrants to the trustee for payment. Section 8-11-104(7), Tennessee Code Annotated (TCA), states that the trustee should “pay all just claims against the trustee’s county as they are presented, if the trustee has a sufficient sum of money ... not otherwise appropriated.” The depository’s practice did not provide a method for the trustee to verify the availability of funds for paying warrants.

Section 5-8-210, TCA, provides an alternate method for the trustee to determine whether adequate funds are available and for the bank to charge the trustee’s account directly. This section authorizes county trustees to implement a checking system instead of a warrant system for disbursing funds. However, as of the date of this report, the trustee had not elected to implement a checking system.

RECOMMENDATION

The office’s depository should not deduct warrants from the office’s bank account until the warrants have been presented to the trustee for payment. As an alternative to this practice, the trustee should consider implementing a checking system for disbursing county funds as authorized by state statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

**FINDING 05.07 DEFICIENCIES EXISTED IN THE ACCOUNTING RECORDS
(Internal Control – Reportable Condition Under Government Auditing Standards)**

We noted the following deficiencies in the maintenance of accounting records:

- A. During the period under audit, both Circuit and General Sessions Courts began accepting credit card payments for various court fines and costs. However, the accounting records did not accurately reflect these credit card transactions. We provided management with audit adjustments to properly reflect the credit card transactions in the financial statements of this report.

- B. Subsidiary records of the short-term bank accounts were not reconciled with general ledger accounts.

RECOMMENDATION

Credit card activity should be accurately posted to the accounting records, and subsidiary records of short-term accounts should be reconciled with general ledger accounts on a monthly basis.

**FINDING 05.08 EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS
(Noncompliance Under Government Auditing Standards)**

At June 30, 2005, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by \$664 and \$3,024. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 05.09 INTERNAL CONTROLS OVER THE HANDLING OF INMATE FUNDS WERE INADEQUATE
(Internal Control – Reportable Condition Under Government Auditing Standards)

Inmates at the Carter County Jail were allowed to keep money on hand. Sheriff's Department personnel issued official prenumbered receipts to record the funds collected for the inmates, and inmates were required to sign a log indicating the amount of funds they received. However, amounts on this log were not reconciled with amounts received by Sheriff's Department personnel.

RECOMMENDATION

Controls should be developed that include a reconciliation of the monies receipted by the Sheriff's Department employees with the amount remitted to the inmates. This reconciliation should be performed by someone not involved in the handling of inmate funds.

FINDING 05.10 INTERNAL CONTROLS OVER THE PURCHASE OF FUEL AND VEHICLE PARTS WERE INADEQUATE
(Internal Control – Reportable Condition Under Government Auditing Standards)

Weaknesses existed in internal controls related to documentation filed to support the purchases of fuel and parts for the Sheriff's Department. Policies and procedures of the Sheriff's Department did not require receipts obtained from the purchase of fuel using the Fuelman system to be retained and reconciled with billings. Also, the Sheriff's Department did not reconcile receipts from the purchase of parts with the vehicle maintenance records. One instance was noted subsequent to June 30, 2005, wherein parts totaling \$33.81 were purchased for a personal vehicle of the sheriff, and the invoice was charged to the county's account. The county did not pay this invoice, and the sheriff stated that he paid the vendor from personal funds. No sales taxes were reflected on the invoice for the personal purchase.

RECOMMENDATION

The Sheriff's Department should retain the actual receipts to document the purchase of fuel using the Fuelman system and reconcile these receipts with billings. Likewise, Sheriff's Department personnel should reconcile receipts from the purchase of parts with the vehicle maintenance records. Personal purchases should not be made using the county's accounts.

OTHER FINDING AND RECOMMENDATION

FINDING 05.11 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the 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.

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

There were no findings and questioned costs for federal awards.

**CARTER COUNTY, TENNESSEE, AND THE
CARTER 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 prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.