

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

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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State Auditors

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

OVERTON COUNTY, TENNESSEE

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Audit Highlights

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

Results

Our report on Overton 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 12 findings and recommendations, which we have reviewed with Overton 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:

OVERTON COUNTY

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

OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS

- ◆ Purchase orders were not issued in some required instances, and some purchase orders were issued without the purchasing agent's signature.
 - ◆ Expenditures exceeded appropriations in the county Trustee's Office (\$3,204) and Sheriff's Department (\$13,605) major appropriation categories of the General Fund, in the Transfer Station major appropriation category of the Solid Waste/Sanitation Fund (\$48,574), and in the Employee Benefits major appropriation category of the Highway/Public Works Fund (\$19,891). Also, the actual fund balance in the Highway/Public Works Fund at July 1, 2004, exceeded the estimated fund balance by \$250,683.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ The highway superintendent did not submit a complete list of county roads, including the required classification, width, and distance of each road, to the County Commission as required by state statute.
-

OFFICE OF COUNTY CLERK

- ◆ Funds totaling \$6,489.10 were stolen.
 - ◆ The County Commission minutes did not include necessary information to accurately describe the actions of the commission. Furthermore, the county clerk certified a School Department budget to the State Department of Education that did not agree with the budget adopted by the County Commission.
 - ◆ Funds were not deposited intact within three days of collection.
-

OFFICE OF GENERAL SESSIONS COURT CLERK

- ◆ The office did not issue receipts to individuals for traffic-school payments.
-

OFFICE OF SHERIFF

- ◆ Funds were not deposited within three days of collection.
 - ◆ The commissary bank balance at June 30, 2005, did not reconcile with the inmate accounts trial balance by \$9,968; therefore, we could not determine if commissary records were accurate. We also noted several voided commissary receipts without originals attached, and commissary account transactions that were not maintained on the cash journal.
 - ◆ The office did not complete the forms required to document cash transactions for confidential funds.
-

OTHER FINDING

- ◆ Duties were not segregated adequately in the Offices of County Mayor, Director of Accounts and Budgets, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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

INTRODUCTORY SECTION

Overton County Officials

June 30, 2005

Officials:

Kenneth Copeland, County Mayor
Charles Parrott, Highway Superintendent
Peggy Clark Smith, Trustee
Larry King, Assessor of Property
Hugh L. Ogletree, Jr., County Clerk
Johnny Brown, Circuit and General Sessions Courts Clerk
Dorothy Stanton, Clerk and Master
Franklin D. Smith, Register
William J. Swallows, Sheriff
John R. Officer, General Sessions Judge
Debra Maberry, Director of Accounts and Budgets

Board of County Commissioners:

Kenneth Copeland, Chairman
Gail Reed Arney
Dr. E. Alan Atnip
Randall Boswell
Stanley Carter, Jr.
Ben Danner
David Dorminey, Sr.
Shaun R. Hale
Gary Hollars
Donald Jeff Keys
Frank Martin
Jean Moore
Chris Neal
Billy J. Parrott
John E. Phillips
W. J. Webb

Budget and Purchasing Committee:

Randall Boswell, Chairman
Gail Reed Arney
Stanley Carter, Jr.
Ben Danner
Jean Moore

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

August 19, 2005

Overton County Mayor and
Board of County Commissioners
Overton 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 Overton County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 30, 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 Overton County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Overton 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 Overton 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 Overton 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.

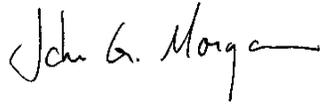
In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2005, on our consideration of Overton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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., Overton County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 33 through 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Overton 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/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 150	\$ 150
Equity in Pooled Cash and Investments	1,990,953	337,776	1,082,290	229,378	3,640,397
Accounts Receivable	66,048	0	0	24,811	90,859
Due from Other Governments	133,895	285,438	0	67,969	487,302
Due from Other Funds	150	0	9,043	0	9,193
Property Taxes Receivable	2,387,172	119,359	477,433	214,846	3,198,810
Allowance for Uncollectible Property Taxes	(44,306)	(2,216)	(8,860)	(3,988)	(59,370)
Total Assets	<u>\$ 4,533,912</u>	<u>\$ 740,357</u>	<u>\$ 1,559,906</u>	<u>\$ 533,166</u>	<u>\$ 7,367,341</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 4,296	\$ 219,354	\$ 0	\$ 0	\$ 223,650
Payroll Deductions Payable	28,911	15,408	0	1,246	45,565
Due to Other Funds	9,043	0	0	150	9,193
Due to State of Tennessee	2,765	0	0	0	2,765
Deferred Revenue - Current Property Taxes	2,210,297	110,515	442,059	198,927	2,961,798
Deferred Revenue - Delinquent Property Taxes	132,569	6,628	26,514	11,931	177,642
Other Deferred Revenues	21,000	142,349	0	34,000	197,349
Total Liabilities	<u>\$ 2,408,881</u>	<u>\$ 494,254</u>	<u>\$ 468,573</u>	<u>\$ 246,254</u>	<u>\$ 3,617,962</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 85,283	\$ 0	\$ 0	\$ 46	\$ 85,329
Reserved for Alcohol and Drug Treatment	15,084	0	0	0	15,084
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	5,199	0	0	0	5,199
Reserved for Sexual Offender Registration	495	0	0	0	495
Reserved for Computer System - Register	77,986	0	0	0	77,986
Reserved for Automation Purposes - General Sessions Court	4,350	0	0	0	4,350
Reserved for Automation Purposes - Sheriff	369	0	0	0	369
Reserved for Capital Outlay	27,233	0	0	67,018	94,251
Unreserved, Reported In:					
General Fund	1,909,032	0	0	0	1,909,032
Special Revenue Funds	0	246,103	0	219,848	465,951
Debt Service Funds	0	0	1,091,333	0	1,091,333
Total Fund Balances	<u>\$ 2,125,031</u>	<u>\$ 246,103</u>	<u>\$ 1,091,333</u>	<u>\$ 286,912</u>	<u>\$ 3,749,379</u>
Total Liabilities and Fund Balances	<u>\$ 4,533,912</u>	<u>\$ 740,357</u>	<u>\$ 1,559,906</u>	<u>\$ 533,166</u>	<u>\$ 7,367,341</u>

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

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

Exhibit B

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,813,438	\$ 185,087	\$ 451,550	\$ 612,806	\$ 4,062,881
Licenses and Permits	2,347	0	0	0	2,347
Fines, Forfeitures and Penalties	103,575	0	0	14,051	117,626
Charges for Current Services	995,028	0	0	181,589	1,176,617
Other Local Revenues	49,479	18,344	204,440	43,357	315,620
Fees Received from County Officials	670,149	0	0	0	670,149
State of Tennessee	1,171,528	1,728,444	323,766	14,920	3,238,658
Federal Government	452,038	0	0	138,373	590,411
Other Governments and Citizens Groups	243,195	0	9,043	0	252,238
Total Revenues	<u>\$ 6,500,777</u>	<u>\$ 1,931,875</u>	<u>\$ 988,799</u>	<u>\$ 1,005,096</u>	<u>\$ 10,426,547</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,159,570	\$ 0	\$ 0	\$ 78,561	\$ 1,238,131
Finance	456,701	0	0	765	457,466
Administration of Justice	468,095	0	0	2,387	470,482
Public Safety	2,399,127	0	0	20,325	2,419,452
Public Health and Welfare	1,087,611	0	0	896,109	1,983,720
Social, Cultural, and Recreational Services	126,162	0	0	0	126,162
Agricultural and Natural Resources	66,045	0	0	0	66,045
Other Operations	502,482	0	0	101	502,583
Highways	36,143	2,137,580	0	0	2,173,723
Debt Service:					
Principal	0	0	390,288	0	390,288
Interest	0	0	389,494	0	389,494
Other Debt Service	0	0	15,243	0	15,243
Capital Projects	0	0	0	500,000	500,000
Total Expenditures	<u>\$ 6,301,936</u>	<u>\$ 2,137,580</u>	<u>\$ 795,025</u>	<u>\$ 1,498,248</u>	<u>\$ 10,732,789</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 198,841	\$ (205,705)	\$ 193,774	\$ (493,152)	\$ (306,242)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 500,000
Other Loans Issued	26,848	0	0	0	26,848
Total Other Financing Sources (Uses)	<u>\$ 26,848</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 500,000</u>	<u>\$ 526,848</u>
Net Change in Fund Balances	\$ 225,689	\$ (205,705)	\$ 193,774	\$ 6,848	\$ 220,606
Fund Balance, July 1, 2004	1,899,342	451,808	897,559	280,064	3,528,773
Fund Balance, June 30, 2005	<u>\$ 2,125,031</u>	<u>\$ 246,103</u>	<u>\$ 1,091,333</u>	<u>\$ 286,912</u>	<u>\$ 3,749,379</u>

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 443,109
Accounts Receivable	281
Due from Other Governments	<u>112,514</u>
Total Assets	<u><u>\$ 555,904</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 112,514
Due to Litigants, Heirs, and Others	<u>443,390</u>
Total Liabilities	<u><u>\$ 555,904</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overton 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.

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

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

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

A. Reporting Entity

Overton County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Overton County (the primary government).

Blended Component Units – There are no legally separate component units of Overton 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 Overton 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 Overton County School Department operates the public school system in the county, and the voters of Overton 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 Overton County Nursing Home provides residential health care to the citizens of Overton County. The Board of Directors of the Overton County Nursing Home is appointed by the County Commission. The Nursing Home may not issue debt without county approval, and its budget is subject to approval of the County Commission.

The Overton/Pickett Emergency Communications District was established with the merger of the Pickett County Emergency Communications District into the Overton County Emergency Communications District. The merger was adopted by both boards with an effective date of February 1, 2002. The board of the district includes 13 members; nine are appointed by the Overton County Commission, and the remaining four are appointed by the Pickett County Commission. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt, the district must obtain the Overton County Commission's approval.

The Overton County School Department, Overton County Nursing Home, and the Overton/Pickett Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Overton County Nursing Home's and the Overton/Pickett Emergency Communications District's financial statements are published as separate reports. Complete financial statements of the Overton County Nursing Home and the Overton/Pickett Emergency Communications District can be obtained from their administrative offices at the following addresses:

Overton County Nursing Home
318 Bilbrey Street
Livingston, TN 38570

Overton/Pickett Emergency Communications District
255 Industrial Drive
Livingston, TN 38570

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

Fund financial statements of Overton 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. An emphasis is placed on major funds within the governmental category. Overton County has no proprietary funds to report.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Overton County considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

In-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Overton 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 the transactions of the county 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, Overton County reports the following fund types:

Capital Projects Fund – This fund, the General Capital Projects Fund, is used to account for general capital expenditures of the county.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Overton County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

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

2. Receivables and Payables

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

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .99 percent of total taxes levied.

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current

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

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

3. Capital Assets

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

4. Compensated Absences

It is the county's policy to not allow for the accumulation of unused vacation and sick leave beyond year-end.

5. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds and 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, are recognized to the extent that the liabilities have matured (come due for payment) each period.

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations in the following funds' major appropriation categories (the legal level of control):

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
General	County Trustee's Office	\$ 3,204
General	Sheriff's Department	13,605
Solid Waste/Sanitation	Transfer Station	48,574
Highway/Public Works	Employee Benefits	19,891

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Fund and by available fund balance in the Highway/Public Works Fund.

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

The actual fund balance in the Highway/Public Works Fund was \$451,808 at July 1, 2004; however, the estimated fund balance reflected in the county's budget was \$201,125. Therefore, the actual fund balance was \$250,683 more than the estimated fund balance presented to the County Commission during the budget approval process.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government, or obligations guaranteed by the U.S. government, or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Overton 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 Overton County and the discretely presented Overton 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>\$ 7,339,978</u>
Total		<u>\$ 7,339,978</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. Overton 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. Overton County has no investment policy that would further limit its investment choices. As of June 30, 2005, Overton County's investment in the State Treasurer's Investment Pool was unrated.

B. Interfund Receivables and Payables

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	\$ 150
General Debt Service	General	9,043

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.

C. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 40 years for bonds, up to six years for notes, and up to ten years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	3.60 to 5.625%	\$ 8,800,000	\$ 7,862,760
Capital Outlay Notes	2.15 to 4.59	1,235,331	926,790
Other Loan	variable	77,423	55,353

In prior years, Overton County entered into a loan agreement with the Montgomery County Public Building Authority. This agreement provided for the authority to make \$135,120 available to Overton County on an as-needed basis for an airport runway expansion. At June 30, 2005, the county had borrowed \$77,423 of the available amount. This loan is repayable at tax-exempt variable rate of interest determined by the remarketing agent daily or weekly, depending on the particular program. At June 30, 2005, the variable interest rate was 2.18 percent on this loan. In addition, the county pays various fees (remarketing fees, administrative fees, letter of credit fees, etc.) in connection with this loan, which total approximately .33 percent of the outstanding loan principal, and a trustee fee, which is charged at \$100 per month.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 232,115	\$ 363,383	\$ 130,108	\$ 25,788
2007	243,176	353,966	380,016	17,387
2008	254,291	343,901	41,667	12,500
2009	265,459	333,169	41,667	11,250
2010	276,684	321,744	41,667	10,000
2011-2015	1,568,992	1,415,298	208,335	31,250
2016-2020	1,954,956	1,016,696	83,330	3,750
2021-2025	1,976,759	495,202	0	0
2026-2030	222,115	226,216	0	0
2031-2035	276,797	171,534	0	0
2036-2040	344,939	103,392	0	0
2041-2043	246,477	22,509	0	0
Total	\$ 7,862,760	\$ 5,167,010	\$ 926,790	\$ 111,925

Year Ending June 30	Other Loan (\$135,120)			Total
	Principal	Interest	Other Fees	
2006	\$ 12,490	\$ 2,464	\$ 373	\$ 15,327
2007	12,930	2,192	1,532	16,654
2008	13,380	1,910	1,489	16,779
2009	13,850	1,619	1,445	16,914
2010	2,703	1,317	1,399	5,419
Total	\$ 55,353	\$ 9,502	\$ 6,238	\$ 71,093

There is \$1,091,333 available in the General Debt Service Fund to service long-term debt. Total bonded debt per capita amounted to \$391, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and landfill closure/postclosure liability, amounted to \$444, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2004	\$ 8,088,874	\$ 578,894	\$ 40,575
Additions	0	500,000	26,848
Deductions	(226,114)	(152,104)	(12,070)
Balance, June 30, 2005	<u>\$ 7,862,760</u>	<u>\$ 926,790</u>	<u>\$ 55,353</u>
Balance Due Within One Year	<u>\$ 232,115</u>	<u>\$ 130,108</u>	<u>\$ 12,490</u>

	Landfill Postclosure Care Costs
Balance, July 1, 2004	\$ 97,575
Adjustment Due to an Increase in the Estimated Annual Postclosure Costs	201,425
Deductions	<u>(13,000)</u>
Balance, June 30, 2005	<u>\$ 286,000</u>
Balance Due Within One Year	<u>\$ 13,000</u>

IV. OTHER INFORMATION

A. Risk Management

Overton County general government's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association. Annual premiums are paid to the pools for the risk coverage noted above. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Overton County 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 governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of

state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Accounting Change

During the year, Overton 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. Contingent Liabilities

The sheriff has filed suit against Overton County seeking additional funds to operate the Sheriff's Department. While the financial impact of this suit is not reasonably estimable, the county attorney has advised that if the courts award the Sheriff's Department the funds being sought, the financial impact would materially affect the financial statements of the county.

The Sheriff's Department is under an on-going investigation by federal and state authorities concerning civil rights violations at the jail. To date, one Sheriff's Department employee has been arrested, and another employee has pled guilty to civil rights violations. The county also faces a possible civil action relating to this case pending the outcome of the investigations.

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

D. Landfill Postclosure Care Costs

State and federal laws and regulations require landfill operators to place a final cover on landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Overton County Landfill was closed in December 1995. The \$286,000 reported as landfill postclosure care liability at June 30, 2005, represents the cumulative amount of estimated remaining postclosure care costs reported to date based on the use of 100 percent of the estimated capacity of the landfill. This amount is based on what it would cost to perform

all postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, and changes in regulations.

E. Subsequent Event

On July 12, 2005, Overton County issued capital outlay notes of \$125,000 for airport improvement.

F. Change in Administration

Joe Garrett left the Office of Highway Superintendent on August 31, 2004, and was succeeded by Charles Parrott.

G. Retirement Commitments

Plan Description

Employees of Overton 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, Chapter 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Overton 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

Overton County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 4.21 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Overton County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Overton County's annual pension cost of \$321,276 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. Overton 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 13 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$ 321,276	100%	\$ 0
June 30, 2004	142,201	100	0
June 30, 2003	135,825	100	0

Required Supplementary Information
Schedule of Funding Progress for Overton County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-2003	\$ 11,431	\$ 11,431	\$ 0	100%	\$ 6,781	0%
6-30-2001	10,333	10,333	0	100	6,297	0
6-30-1999	8,741	8,741	0	100	5,362	0

H. Purchasing Laws

Offices of County Mayor and Highway Superintendent

Purchasing procedures for these offices are governed by provisions of the County Purchasing Law of 1957, Section 5-14-101, et seq., Tennessee Code Annotated (TCA). Purchasing procedures in the Highway Department are also governed by the Uniform Road Law, Section 54-7-113, TCA. These statutes provide for the purchasing agent to make all purchases for these departments, with purchases exceeding \$2,500 (\$10,000 Highway Department) to be made on the basis of competitive bids solicited through public advertisement. The county mayor serves as purchasing agent for Overton County.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,813,438	\$ 0	\$ 2,813,438	\$ 2,734,455	\$ 2,734,455	\$ 78,983
Licenses and Permits	2,347	0	2,347	7,000	7,000	(4,653)
Fines, Forfeitures and Penalties	103,575	0	103,575	112,050	112,050	(8,475)
Charges for Current Services	995,028	0	995,028	803,900	803,900	191,128
Other Local Revenues	49,479	0	49,479	18,300	18,300	31,179
Fees Received from County Officials	670,149	0	670,149	660,000	660,000	10,149
State of Tennessee	1,171,528	0	1,171,528	1,113,293	1,220,215	(48,687)
Federal Government	452,038	0	452,038	500,000	500,000	(47,962)
Other Governments and Citizens Groups	243,195	0	243,195	123,794	123,794	119,401
Total Revenues	\$ 6,500,777	\$ 0	\$ 6,500,777	\$ 6,072,792	\$ 6,179,714	\$ 321,063
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 72,656	\$ 0	\$ 72,656	\$ 102,300	\$ 102,300	\$ 29,644
Board of Equalization	1,550	0	1,550	1,600	1,600	50
County Mayor	155,212	490	155,702	156,530	163,615	7,913
County Attorney	9,846	0	9,846	37,918	14,413	4,567
Election Commission (Including Voter Registration)	107,908	0	107,908	153,534	126,598	18,690
Register of Deeds	121,618	0	121,618	113,757	123,804	2,186
Planning	15,144	0	15,144	20,231	20,231	5,087
County Buildings	251,639	0	251,639	272,251	269,984	18,345
Other General Administration	423,997	0	423,997	713,799	519,319	95,322
<u>Finance</u>						
Accounting and Budgeting	42,722	0	42,722	42,842	42,842	120
Property Assessor's Office	133,528	0	133,528	129,393	135,480	1,952
Reappraisal Program	29,497	0	29,497	31,790	35,553	6,056
County Trustee's Office	106,166	0	106,166	102,962	102,962	(3,204)

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 144,788	\$ 0	\$ 144,788	\$ 161,445	\$ 173,097	\$ 28,309
<u>Administration of Justice</u>						
Circuit Court	205,141	0	205,141	213,625	219,797	14,656
General Sessions Court	98,481	0	98,481	99,582	100,082	1,601
Chancery Court	137,048	0	137,048	135,079	144,999	7,951
Juvenile Court	13,667	0	13,667	15,385	15,385	1,718
Judicial Commissioners	13,758	0	13,758	14,998	14,998	1,240
<u>Public Safety</u>						
Sheriff's Department	738,499	0	738,499	679,770	724,894	(13,605)
Jail	1,216,009	7,025	1,223,034	1,112,397	1,264,345	41,311
Fire Prevention and Control	31,854	0	31,854	32,000	32,000	146
Civil Defense	85,095	29,115	114,210	46,039	114,581	371
Rescue Squad	2,500	0	2,500	2,500	2,500	0
Other Emergency Management	312,729	0	312,729	298,755	314,306	1,577
County Coroner/Medical Examiner	12,441	0	12,441	20,000	20,000	7,559
<u>Public Health and Welfare</u>						
Local Health Center	50,590	0	50,590	51,900	58,427	7,837
Ambulance/Emergency Medical Services	1,028,314	1,569	1,029,883	945,967	1,074,092	44,209
Other Local Health Services	1,880	0	1,880	2,000	2,000	120
Regional Mental Health Center	6,327	0	6,327	6,327	6,327	0
Aid to Dependent Children	500	0	500	500	500	0
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	17,497	0	17,497	17,561	17,922	425
Libraries	67,665	0	67,665	367,111	370,971	303,306
Other Social, Cultural and Recreational	41,000	0	41,000	43,000	43,000	2,000

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	\$ 48,672	\$ 0	\$ 48,672	\$ 46,275	\$ 50,756	\$ 2,084
Soil Conservation	17,373	0	17,373	17,048	17,848	475
<u>Other Operations</u>						
Industrial Development	19,043	0	19,043	65,000	20,000	957
Other Economic and Community Development	359,989	47,084	407,073	500,000	500,000	92,927
Airport	69,573	0	69,573	88,145	88,145	18,572
Veterans' Services	39,682	0	39,682	40,724	40,724	1,042
Contributions to Other Agencies	5,152	0	5,152	5,200	5,200	48
Miscellaneous	9,043	0	9,043	0	9,043	0
<u>Highways</u>						
Traffic Control	6,480	0	6,480	13,980	13,980	7,500
Litter and Trash Collection	29,663	0	29,663	45,541	45,541	15,878
Total Expenditures	\$ 6,301,936	\$ 85,283	\$ 6,387,219	\$ 6,966,761	\$ 7,164,161	\$ 776,942
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 198,841	\$ (85,283)	\$ 113,558	\$ (893,969)	\$ (984,447)	\$ 1,098,005
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 384,545	\$ 357,697	\$ (357,697)
Other Loans Issued	26,848	0	26,848	0	26,848	0
Transfers In	0	0	0	32,000	32,000	(32,000)
Total Other Financing Sources (Uses)	\$ 26,848	\$ 0	\$ 26,848	\$ 416,545	\$ 416,545	\$ (389,697)

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 225,689	\$ (85,283)	\$ 140,406	\$ (477,424)	\$ (567,902)	\$ 708,308
Fund Balance, July 1, 2004	1,899,342	0	1,899,342	1,677,326	1,677,326	222,016
Fund Balance, June 30, 2005	\$ 2,125,031	\$ (85,283)	\$ 2,039,748	\$ 1,199,902	\$ 1,109,424	\$ 930,324

Exhibit D-2

Overton 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	\$ 185,087	\$ 179,235	\$ 179,235	\$ 5,852
Other Local Revenues	18,344	1,000	1,000	17,344
State of Tennessee	1,728,444	2,103,795	2,103,795	(375,351)
Total Revenues	<u>\$ 1,931,875</u>	<u>\$ 2,284,030</u>	<u>\$ 2,284,030</u>	<u>\$ (352,155)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 106,565	\$ 105,490	\$ 108,213	\$ 1,648
Highway and Bridge Maintenance	1,008,372	979,700	1,079,305	70,933
Operation and Maintenance of Equipment	346,773	321,000	351,000	4,227
Quarry Operations	152,297	199,950	209,700	57,403
Other Charges	238,558	268,764	269,814	31,256
Employee Benefits	267,391	247,000	247,500	(19,891)
Capital Outlay	17,624	199,539	55,911	38,287
Total Expenditures	<u>\$ 2,137,580</u>	<u>\$ 2,321,443</u>	<u>\$ 2,321,443</u>	<u>\$ 183,863</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (205,705)</u>	<u>\$ (37,413)</u>	<u>\$ (37,413)</u>	<u>\$ (168,292)</u>
Net Change in Fund Balance	\$ (205,705)	\$ (37,413)	\$ (37,413)	\$ (168,292)
Fund Balance, July 1, 2004	451,808	201,125	201,125	250,683
Fund Balance, June 30, 2005	<u>\$ 246,103</u>	<u>\$ 163,712</u>	<u>\$ 163,712</u>	<u>\$ 82,391</u>

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

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations in the County Trustee's Office (\$3,204) and Sheriff's Department (\$13,605) major categories (the legal level of control) of the General Fund. Also, expenditures exceed appropriations in the Employee Benefits major appropriation category of the Highway/Public Works Fund by \$19,891. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Fund and by available fund balance in the Highway/Public Works Fund.

C. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT

The actual fund balance in the Highway/Public Works Fund was \$451,808 at July 1, 2004; however, the estimated fund balance reflected in the county's budget was \$201,125. Therefore, the actual fund balance was \$250,683 more than the estimated fund balance presented to the County Commission during the budget approval process.

**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.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collection.

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 transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used in the acquisition or construction of major capital projects.

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

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

Exhibit E-1

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 150	\$ 150	\$ 150
Equity in Pooled Cash and Investments	12,283	166,939	50,156	0	229,378	229,378
Accounts Receivable	0	24,811	0	0	24,811	24,811
Due from Other Governments	0	67,969	0	0	67,969	67,969
Property Taxes Receivable	0	214,846	0	0	214,846	214,846
Allowance for Uncollectible Property Taxes	0	(3,988)	0	0	(3,988)	(3,988)
Total Assets	\$ 12,283	\$ 470,577	\$ 50,156	\$ 150	\$ 533,166	\$ 533,166
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Payroll Deductions Payable	\$ 0	\$ 1,246	\$ 0	\$ 0	\$ 1,246	\$ 1,246
Due to Other Funds	0	0	0	150	150	150
Deferred Revenue - Current Property Taxes	0	198,927	0	0	198,927	198,927
Deferred Revenue - Delinquent Property Taxes	0	11,931	0	0	11,931	11,931
Other Deferred Revenues	0	34,000	0	0	34,000	34,000
Total Liabilities	\$ 0	\$ 246,104	\$ 0	\$ 150	\$ 246,254	\$ 246,254
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 46	\$ 0	\$ 0	\$ 46	\$ 46
Reserved for Capital Outlay	0	67,018	0	0	67,018	67,018
Unreserved	12,283	157,409	50,156	0	219,848	219,848
Total Fund Balances	\$ 12,283	\$ 224,473	\$ 50,156	\$ 0	\$ 286,912	\$ 286,912
Total Liabilities and Fund Balances	\$ 12,283	\$ 470,577	\$ 50,156	\$ 150	\$ 533,166	\$ 533,166

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

Exhibit E-2

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>							
Local Taxes	\$ 4,793	\$ 608,013	\$ 0	\$ 0	\$ 612,806	\$ 0	\$ 612,806
Fines, Forfeitures and Penalties	0	0	14,051	0	14,051	0	14,051
Charges for Current Services	0	178,437	0	3,152	181,589	0	181,589
Other Local Revenues	0	41,732	1,625	0	43,357	0	43,357
State of Tennessee	0	14,920	0	0	14,920	0	14,920
Federal Government	0	138,373	0	0	138,373	0	138,373
Total Revenues	\$ 4,793	\$ 981,475	\$ 15,676	\$ 3,152	\$ 1,005,096	\$ 0	\$ 1,005,096
<u>Expenditures</u>							
Current:							
General Government	\$ 5,113	\$ 73,448	\$ 0	\$ 0	\$ 78,561	\$ 0	\$ 78,561
Finance	0	0	0	765	765	0	765
Administration of Justice	0	0	0	2,387	2,387	0	2,387
Public Safety	0	0	20,325	0	20,325	0	20,325
Public Health and Welfare	0	896,109	0	0	896,109	0	896,109
Other Operations	101	0	0	0	101	0	101
Capital Projects	0	0	0	0	0	500,000	500,000
Total Expenditures	\$ 5,214	\$ 969,557	\$ 20,325	\$ 3,152	\$ 998,248	\$ 500,000	\$ 1,498,248
Excess (Deficiency) of Revenues Over Expenditures	\$ (421)	\$ 11,918	\$ (4,649)	\$ 0	\$ 6,848	\$ (500,000)	\$ (493,152)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 500,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 500,000
Net Change in Fund Balances	\$ (421)	\$ 11,918	\$ (4,649)	\$ 0	\$ 6,848	\$ 0	\$ 6,848
Fund Balance, July 1, 2004	12,704	212,555	54,805	0	280,064	0	280,064
Fund Balance, June 30, 2005	\$ 12,283	\$ 224,473	\$ 50,156	\$ 0	\$ 286,912	\$ 0	\$ 286,912

Exhibit E-3

Overton 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	\$ 4,793	\$ 4,800	\$ 4,800	\$ (7)
Total Revenues	\$ 4,793	\$ 4,800	\$ 4,800	\$ (7)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 5,113	\$ 5,000	\$ 5,113	\$ 0
<u>Other Operations</u>				
Other Charges	101	100	112	11
Total Expenditures	\$ 5,214	\$ 5,100	\$ 5,225	\$ 11
Excess (Deficiency) of Revenues Over Expenditures	\$ (421)	\$ (300)	\$ (425)	\$ 4
Net Change in Fund Balance	\$ (421)	\$ (300)	\$ (425)	\$ 4
Fund Balance, July 1, 2004	12,704	12,012	12,012	692
Fund Balance, June 30, 2005	\$ 12,283	\$ 11,712	\$ 11,587	\$ 696

Exhibit E-4

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

	Actual (GAAP Basis)	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	\$ 608,013	\$ 0	\$ 608,013	\$ 604,161	\$ 604,161	\$ 3,852
Charges for Current Services	178,437	0	178,437	170,000	170,000	8,437
Other Local Revenues	41,732	0	41,732	32,000	32,000	9,732
State of Tennessee	14,920	0	14,920	10,000	10,000	4,920
Federal Government	138,373	0	138,373	139,500	139,500	(1,127)
Total Revenues	\$ 981,475	\$ 0	\$ 981,475	\$ 955,661	\$ 955,661	\$ 25,814
<u>Expenditures</u>						
<u>General Government</u>						
Other General Administration	\$ 73,448	\$ 0	\$ 73,448	\$ 83,242	\$ 79,046	\$ 5,598
<u>Public Health and Welfare</u>						
Convenience Centers	107,863	0	107,863	102,650	112,650	4,787
Transfer Stations	689,814	0	689,814	648,801	641,240	(48,574)
Recycling Center	89,677	46	89,723	149,083	150,840	61,117
Other Waste Disposal	665	0	665	2,000	2,000	1,335
Postclosure Care Costs	8,090	0	8,090	12,000	12,000	3,910
Total Expenditures	\$ 969,557	\$ 46	\$ 969,603	\$ 997,776	\$ 997,776	\$ 28,173
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 11,918	\$ (46)	\$ 11,872	\$ (42,115)	\$ (42,115)	\$ 53,987
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ 0	\$ 0	\$ (32,000)	\$ (32,000)	\$ 32,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ (32,000)	\$ (32,000)	\$ 32,000

(Continued)

Exhibit E-4

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund (Cont.)

	Actual (GAAP Basis)	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	\$ 11,918	\$ (46)	\$ 11,872	\$ (74,115)	\$ (74,115)	\$ 85,987
Fund Balance, July 1, 2004	212,555	0	212,555	167,120	167,120	45,435
Fund Balance, June 30, 2005	\$ 224,473	\$ (46)	\$ 224,427	\$ 93,005	\$ 93,005	\$ 131,422

Exhibit E-5

Overton 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	\$ 14,051	\$ 12,800	\$ 12,800	\$ 1,251
Other Local Revenues	1,625	0	0	1,625
Total Revenues	<u>\$ 15,676</u>	<u>\$ 12,800</u>	<u>\$ 12,800</u>	<u>\$ 2,876</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 20,325	\$ 41,765	\$ 41,765	\$ 21,440
Total Expenditures	<u>\$ 20,325</u>	<u>\$ 41,765</u>	<u>\$ 41,765</u>	<u>\$ 21,440</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,649)</u>	<u>\$ (28,965)</u>	<u>\$ (28,965)</u>	<u>\$ 24,316</u>
Net Change in Fund Balance	\$ (4,649)	\$ (28,965)	\$ (28,965)	\$ 24,316
Fund Balance, July 1, 2004	<u>54,805</u>	<u>52,967</u>	<u>52,967</u>	<u>1,838</u>
Fund Balance, June 30, 2005	<u><u>\$ 50,156</u></u>	<u><u>\$ 24,002</u></u>	<u><u>\$ 24,002</u></u>	<u><u>\$ 26,154</u></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

Overton 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	\$ 451,550	\$ 434,180	\$ 434,180	\$ 17,370
Other Local Revenues	204,440	70,000	70,000	134,440
State of Tennessee	323,766	300,025	300,025	23,741
Other Governments and Citizens Groups	9,043	0	0	9,043
Total Revenues	<u>\$ 988,799</u>	<u>\$ 804,205</u>	<u>\$ 804,205</u>	<u>\$ 184,594</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 390,288	\$ 526,497	\$ 502,093	\$ 111,805
<u>Interest</u>				
General Government	389,494	367,718	392,122	2,628
<u>Other Debt Service</u>				
General Government	15,243	13,500	15,007	(236)
Total Expenditures	<u>\$ 795,025</u>	<u>\$ 907,715</u>	<u>\$ 909,222</u>	<u>\$ 114,197</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 193,774</u>	<u>\$ (103,510)</u>	<u>\$ (105,017)</u>	<u>\$ 298,791</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 9,520	\$ 9,520	\$ (9,520)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 9,520</u>	<u>\$ 9,520</u>	<u>\$ (9,520)</u>
Net Change in Fund Balance	\$ 193,774	\$ (93,990)	\$ (95,497)	\$ 289,271
Fund Balance, July 1, 2004	897,559	813,006	813,006	84,553
Fund Balance, June 30, 2005	<u>\$ 1,091,333</u>	<u>\$ 719,016</u>	<u>\$ 717,509</u>	<u>\$ 373,824</u>

Agency Funds

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

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

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

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 443,109	\$ 443,109
Accounts Receivable	0	281	281
Due from Other Governments	112,514	0	112,514
Total Assets	<u>\$ 112,514</u>	<u>\$ 443,390</u>	<u>\$ 555,904</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 112,514	\$ 0	\$ 112,514
Due to Litigants, Heirs, and Others	0	443,390	443,390
Total Liabilities	<u>\$ 112,514</u>	<u>\$ 443,390</u>	<u>\$ 555,904</u>

Exhibit G-2

Overton 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	\$ 684,196	\$ 684,196	\$ 0
Due From Other Governments	111,103	112,514	111,103	112,514
Total Assets	\$ 111,103	\$ 796,710	\$ 795,299	\$ 112,514
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 111,103	\$ 796,710	\$ 795,299	\$ 112,514
Total Liabilities	\$ 111,103	\$ 796,710	\$ 795,299	\$ 112,514
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 754,673	\$ 3,988,241	\$ 4,299,805	\$ 443,109
Accounts Receivable	531	281	531	281
Total Assets	\$ 755,204	\$ 3,988,522	\$ 4,300,336	\$ 443,390
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 755,204	\$ 3,988,522	\$ 4,300,336	\$ 443,390
Total Liabilities	\$ 755,204	\$ 3,988,522	\$ 4,300,336	\$ 443,390
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 684,196	\$ 684,196	\$ 0
Cash	754,673	3,988,241	4,299,805	443,109
Accounts Receivable	531	281	531	281
Due From Other Governments	111,103	112,514	111,103	112,514
Total Assets	\$ 866,307	\$ 4,785,232	\$ 5,095,635	\$ 555,904
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 111,103	\$ 796,710	\$ 795,299	\$ 112,514
Due to Litigants, Heirs, and Others	755,204	3,988,522	4,300,336	443,390
Total Liabilities	\$ 866,307	\$ 4,785,232	\$ 5,095,635	\$ 555,904

MISCELLANEOUS SCHEDULES

Exhibit H-1

Overton County, Tennessee
Schedule of Changes in Long-term Notes, Bonds, and Other Loans
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
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
County Equipment and Repairs	\$ 350,000	4.59 %	12-22-1999	12-22-05	\$ 116,668	\$ 0	\$ 58,333	\$ 58,335
Patrol Cars	51,000	2.94	10-1-04	10-4-04	17,000	0	17,000	0
Ambulances	140,000	2.94	10-4-01	10-4-04	46,666	0	46,666	0
Solid Waste Backhoe	25,315	2.87	6-23-03	6-23-06	16,877	0	8,438	8,439
Nursing Home Equipment and Repairs	21,667	2.74	7-15-02	7-15-04	21,667	0	21,667	0
Nursing Home Equipment and Repairs Equipment	21,667 338,349	2.74 2.15	7-15-02 11-10-03	7-15-05 11-10-06	21,667 338,349	0 0	0 0	21,667 338,349
Volunteer State Community College	500,000	3	11-23-04	11-23-16	0	500,000	0	500,000
Total Payable through General Debt Service Fund					<u>\$ 578,894</u>	<u>\$ 500,000</u>	<u>\$ 152,104</u>	<u>\$ 926,790</u>
GENERAL BONDED DEBT								
<u>Payable through General Debt Service Fund</u>								
Courthouse Renovation - F.H.A.	450,000	5	Various	1-1-18	\$ 270,000	\$ 0	\$ 15,000	\$ 255,000
Senior Citizens Building - F.H.A.	200,000	5.625	2-23-1993	2-23-23	159,290	0	4,992	154,298
General Obligation Bond - Jail Renovation	6,500,000	3.6 to 4.9	12-30-1998	6-1-24	6,025,000	0	190,000	5,835,000
Industrial Park Land - F.H.A.	1,650,000	4.5	4-21-03	4-21-43	1,634,584	0	16,122	1,618,462
Total General Bonded Debt					<u>\$ 8,088,874</u>	<u>\$ 0</u>	<u>\$ 226,114</u>	<u>\$ 7,862,760</u>
OTHER LOANS PAYABLE								
<u>Public Building Authority Loan Agreement</u>								
<u>Payable through General Debt Service Fund:</u>								
Airport Runway Expansion	(1)	Variable	8-14-03	8-14-13	<u>\$ 40,575</u>	<u>\$ 26,848</u>	<u>\$ 12,070</u>	<u>\$ 55,353</u>

(1) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$135,120 of which \$77,423 had been received at June 30, 2005.

Exhibit H-2

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

Year Ending June 30	Primary Government			
	F.H.A. Bond Requirements	F.H.A. Interest Requirements	Bond Requirements	Interest Requirements
2006	\$ 37,115	\$ 94,125	\$ 195,000	\$ 269,258
2007	38,176	92,314	205,000	261,652
2008	39,291	90,449	215,000	253,452
2009	40,459	88,531	225,000	244,638
2010	41,684	86,556	235,000	235,188
2011	47,969	84,521	240,000	225,200
2012	49,315	82,175	250,000	214,880
2013	50,729	79,761	260,000	204,005
2014	52,213	77,277	275,000	192,565
2015	53,766	74,724	290,000	180,190
2016	60,397	72,093	295,000	166,850
2017	62,109	69,132	310,000	152,985
2018	68,906	66,084	320,000	138,260
2019	40,785	62,706	370,000	122,900
2020	42,759	60,731	385,000	104,955
2021	44,831	58,659	405,000	86,282
2022	47,003	56,487	425,000	66,640
2023	43,892	54,253	450,000	45,815
2024	37,180	52,487	485,000	23,765
2025	38,853	50,814	0	0
2026	40,601	49,065	0	0
2027	42,428	47,238	0	0
2028	44,337	45,329	0	0
2029	46,332	43,334	0	0
2030	48,417	41,250	0	0
2031	50,596	39,070	0	0
2032	52,873	36,793	0	0
2033	55,252	34,414	0	0
2034	57,739	31,928	0	0
2035	60,337	29,329	0	0
2036	63,052	26,614	0	0
2037	65,889	23,777	0	0
2038	68,854	20,812	0	0
2039	71,953	17,713	0	0
2040	75,191	14,476	0	0
2041	78,574	11,092	0	0
2042	82,110	7,556	0	0
2043	85,793	3,861	0	0
Total	\$ 2,027,760	\$ 1,977,530	\$ 5,835,000	\$ 3,189,480

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 55,403	\$ 100,000	RLI Insurance Company
Highway Superintendent:				
Joe Garrett (7-1-04 to 8-31-04)	Section 8-24-102, <u>TCA</u>	8,794	100,000	Western Surety Company
Charles Parrott (9-1-04 to 6-30-05)	Section 8-24-102, <u>TCA</u>	43,971	100,000	RLI Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	47,969	634,908	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	47,969	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	47,969	50,000	Western Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	47,969	50,000	RLI Insurance Company
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	50,090 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	47,969	25,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	53,284 (2)	25,000	RLI Insurance Company
Public Employee Blanket Bond:				
County Employees			150,000	Local Government Property and Casualty

(1) Includes special commissioner fees of \$2,121.

(2) Includes law enforcement training supplement of \$519.

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

Exhibit H-4

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,061,806	\$ 0	\$ 185,578	\$ 0	\$ 0	\$ 103,075	\$ 412,389	\$ 2,762,848
Trustee's Collections - Prior Year	113,834	0	11,270	0	0	5,636	23,668	154,408
Circuit/Clerk & Master Collections - Prior Years	16,631	0	1,566	0	0	919	3,298	22,414
Interest and Penalty	19,957	0	1,955	0	0	989	4,131	27,032
Payments in Lieu of Taxes - Other	4,079	0	382	0	0	203	829	5,493
<u>County Local Option Taxes</u>								
Local Option Sales Tax	258,777	0	404,006	0	0	0	0	662,783
Litigation Tax - General	129,712	202	0	0	0	0	0	129,914
Litigation Tax - Special Purpose	0	4,591	0	0	0	0	0	4,591
Litigation Tax - Jail, Workhouse, or Courthouse	25,707	0	0	0	0	0	0	25,707
Business Tax	92,654	0	0	0	0	0	0	92,654
Mineral Severance Tax	54,104	0	0	0	0	72,456	0	126,560
<u>Statutory Local Taxes</u>								
Bank Excise Tax	36,177	0	3,256	0	0	1,809	7,235	48,477
Total Local Taxes	\$ 2,813,438	\$ 4,793	\$ 608,013	\$ 0	\$ 0	\$ 185,087	\$ 451,550	\$ 4,062,881
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 1,597	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,597
<u>Permits</u>								
Beer Permits	750	0	0	0	0	0	0	750
Total Licenses and Permits	\$ 2,347	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,347
<u>Fines, Forfeitures and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 5,570	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,570
Officers Costs	3,101	0	0	0	0	0	0	3,101
Drug Control Fines	0	0	0	11,594	0	0	0	11,594
Jail Fees	1,861	0	0	0	0	0	0	1,861
DUI Treatment Fines	1,140	0	0	0	0	0	0	1,140
Data Entry Fee - Circuit Court	481	0	0	0	0	0	0	481

(Continued)

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

Exhibit H-4

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>								
<u>Criminal Court</u>								
District Attorney General Fees	\$ 60	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	60
<u>General Sessions Court</u>								
Fines	24,666	0	0	0	0	0	0	24,666
Officers Costs	39,340	0	0	0	0	0	0	39,340
Drug Control Fines	0	0	0	1,757	0	0	0	1,757
Jail Fees	10,477	0	0	0	0	0	0	10,477
DUI Treatment Fines	4,049	0	0	0	0	0	0	4,049
Data Entry Fee - General Sessions Court	4,832	0	0	0	0	0	0	4,832
<u>Juvenile Court</u>								
Fines	444	0	0	0	0	0	0	444
<u>Chancery Court</u>								
Officers Costs	6,758	0	0	0	0	0	0	6,758
Data Entry Fee - Chancery Court	796	0	0	0	0	0	0	796
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	700	0	0	0	700
Total Fines, Forfeitures and Penalties	\$ 103,575	\$ 0	\$ 0	\$ 14,051	\$ 0	\$ 0	\$ 0	117,626
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 11	\$ 0	\$ 0	\$ 0	\$ 0	11
Tipping Fees	0	0	178,426	0	0	0	0	178,426
Patient Charges	897,636	0	0	0	0	0	0	897,636
Work Release Charges for Board	14,500	0	0	0	0	0	0	14,500
<u>Fees</u>								
Copy Fees	1,104	0	0	0	0	0	0	1,104
Telephone Commissions	6,312	0	0	0	0	0	0	6,312
Vending Machine Collections	2,495	0	0	0	0	0	0	2,495
Constitutional Officers' Fees and Commissions	0	0	0	0	3,152	0	0	3,152
Data Processing Fee - Register	9,932	0	0	0	0	0	0	9,932
Probation Fees	888	0	0	0	0	0	0	888
Data Processing Fee - Sheriff	3,686	0	0	0	0	0	0	3,686
Sexual Offender Registration Fee	495	0	0	0	0	0	0	495

(Continued)

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

Exhibit H-4

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Education Charges</u>								
Tuition - Adult Education	\$ 20,420	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	20,420
Tuition - Other	37,560	0	0	0	0	0	0	37,560
Total Charges for Current Services	\$ 995,028	\$ 0	\$ 178,437	\$ 0	\$ 3,152	\$ 0	\$ 0	1,176,617
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	164,173	\$ 164,173
Lease/Rentals	3,550	0	0	0	0	0	1,998	5,548
Sale of Materials and Supplies	0	0	0	0	0	1,637	0	1,637
Commissary Sales	7,072	0	0	0	0	0	0	7,072
Sale of Recycled Materials	3,820	0	41,182	0	0	1,098	0	46,100
Miscellaneous Refunds	12,017	0	0	0	0	4,126	0	16,143
<u>Nonrecurring Items</u>								
Insurance Recovery	11,885	0	0	0	0	853	0	12,738
Sale of Equipment	2,510	0	550	0	0	10,630	0	13,690
Damages Recovered from Individuals	775	0	0	200	0	0	0	975
Contributions & Gifts	5,000	0	0	1,425	0	0	38,269	44,694
<u>Other Local Revenues</u>	2,850	0	0	0	0	0	0	2,850
Total Other Local Revenues	\$ 49,479	\$ 0	\$ 41,732	\$ 1,625	\$ 0	\$ 18,344	\$ 204,440	\$ 315,620
<u>Fees Received from County Officials</u>								
<u>Fees In Lieu of Salary</u>								
County Clerk	\$ 181,404	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	181,404
Circuit Court Clerk	57,832	0	0	0	0	0	0	57,832
General Sessions Court Clerk	68,333	0	0	0	0	0	0	68,333
Clerk and Master	56,336	0	0	0	0	0	0	56,336
Register	103,871	0	0	0	0	0	0	103,871
Sheriff	7,850	0	0	0	0	0	0	7,850
Trustee	194,523	0	0	0	0	0	0	194,523
Total Fees Received from County Officials	\$ 670,149	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	670,149

(Continued)

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

Exhibit H-4

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	8,093	0	0	0	0	0	0	8,093
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	7,262	0	0	0	0	0	0	7,262
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	90,678	0	90,678
Litter Program	42,301	0	0	0	0	0	0	42,301
<u>Other State Revenues</u>								
Income Tax	7,007	0	0	0	0	0	0	7,007
Beer Tax	16,778	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	29,087	0	0	0	0	0	0	29,087
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	323,766	323,766
Emergency Hospital - Prisoners	30,739	0	0	0	0	0	0	30,739
Contracted Prisoner Boarding	978,702	0	0	0	0	0	0	978,702
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,621,583	0	1,621,583
Petroleum Special Tax	0	0	0	0	0	16,183	0	16,183
Registrar's Salary Supplement	12,285	0	0	0	0	0	0	12,285
Other State Grants	25,400	0	14,920	0	0	0	0	40,320
Other State Revenues	4,874	0	0	0	0	0	0	4,874
Total State of Tennessee	\$ 1,171,528	\$ 0	\$ 14,920	\$ 0	\$ 0	\$ 1,728,444	\$ 323,766	\$ 3,238,658
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 282,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	282,500
Other Federal through State	169,538	0	138,373	0	0	0	0	307,911
Total Federal Government	\$ 452,038	\$ 0	\$ 138,373	\$ 0	\$ 0	\$ 0	\$ 0	\$ 590,411
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board Contributions	\$ 37,170	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	37,170
Contributions	186,775	0	0	0	0	0	9,043	195,818

(Continued)

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

Exhibit H-4

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Governments and Citizens Groups (Cont.)</u>								
<u>Citizens Groups</u>								
Donations	\$ 19,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,250
Total Other Governments and Citizens Groups	\$ 243,195	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,043	\$ 252,238
 Total	 \$ 6,500,777	 \$ 4,793	 \$ 981,475	 \$ 15,676	 \$ 3,152	 \$ 1,931,875	 \$ 988,799	 \$ 10,426,547

Exhibit H-5

Overton 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	\$	49,520	
Social Security		3,788	
State Retirement		483	
Accounting Services		6,250	
Audit Services		4,623	
Dues and Memberships		7,500	
Travel		492	
Total County Commission			\$ 72,656

Board of Equalization

Board and Committee Members Fees	\$	1,550	
Total Board of Equalization			1,550

County Mayor

County Official/Administrative Officer	\$	55,403	
Accountants/Bookkeepers		22,660	
Secretary(s)		19,442	
Social Security		7,417	
State Retirement		4,105	
Medical Insurance		5,659	
Communication		4,703	
Data Processing Services		5,285	
Legal Notices, Recording and Court Costs		2,127	
Maintenance & Repair Services- Vehicles		401	
Travel		2,487	
Duplicating Supplies		694	
Office Supplies		7,483	
Other Charges		11,782	
Office Equipment		5,564	
Total County Mayor			155,212

County Attorney

Social Security	\$	234	
Legal Services		9,612	
Total County Attorney			9,846

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	38,375	
Clerical Personnel		20,438	
Election Commission		4,850	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration)

(Cont.)

Election Workers	\$	15,074	
In-Service Training		684	
Social Security		4,455	
State Retirement		1,616	
Medical Insurance		1,367	
Communication		877	
Data Processing Services		2,711	
Legal Notices, Recording and Court Costs		1,158	
Printing, Stationery and Forms		6,827	
Rentals		300	
Travel		1,138	
Other Contracted Services		4,970	
Electricity		1,093	
Office Supplies		1,786	
Other Equipment		189	

Total Election Commission (Including Voter Registration) \$ 107,908

Register of Deeds

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		20,775	
Clerical Personnel		20,663	
Social Security		6,502	
State Retirement		3,764	
Medical Insurance		7,013	
Communication		1,367	
Other Contracted Services		2,860	
Office Supplies		3,325	
Office Equipment		7,380	

Total Register of Deeds 121,618

Planning

Supervisor/Director	\$	3,700	
Board and Committee Members Fees		2,760	
Social Security		184	
Contracts with Government Agencies		8,500	

Total Planning 15,144

County Buildings

Custodial Personnel	\$	54,303	
Maintenance Personnel		22,258	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Social Security	\$	5,761	
State Retirement		1,548	
Medical Insurance		10,478	
Communication		4,031	
Maintenance & Repair Services- Buildings		40,699	
Maintenance & Repair Services- Vehicles		140	
Custodial Supplies		4,964	
Electricity		70,761	
Gasoline		20	
Natural Gas		24,402	
Tires and Tubes		294	
Uniforms		694	
Utilities		2,043	
Other Charges		9,243	
Total County Buildings			\$ 251,639

Other General Administration

Teachers	\$	1,200	
Social Security		95	
Medical Insurance		16,784	
Unemployment Compensation		4,444	
Engineering Services		14,978	
Evaluation and Testing		3,230	
Licenses		2,274	
Medical and Dental Services		360	
Remittance of Revenue Collected		678	
Other Supplies and Materials		3,662	
Liability Insurance		217,648	
Premiums on Corporate Surety Bonds		3,104	
Trustee's Commission		61,714	
Workers' Compensation Insurance		89,746	
Other Charges		4,080	
Total Other General Administration			423,997

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	38,192	
Social Security		2,922	
State Retirement		1,608	
Total Accounting and Budgeting			42,722

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		20,550	
Clerical Personnel		15,972	
Social Security		6,464	
State Retirement		3,557	
Medical Insurance		6,872	
Communication		1,687	
Data Processing Services		7,839	
Maintenance & Repair Services- Vehicles		61	
Travel		4,500	
Other Contracted Services		14,935	
Duplicating Supplies		433	
Office Supplies		2,689	
Total Property Assessor's Office			\$ 133,528

Reappraisal Program

Assistant(s)	\$	20,550	
Social Security		1,473	
State Retirement		865	
Medical Insurance		3,617	
Data Processing Services		2,330	
Postal Charges		305	
Rentals		271	
Travel		86	
Total Reappraisal Program			29,497

County Trustee's Office

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		15,972	
Clerical Personnel		14,063	
Social Security		5,693	
State Retirement		2,948	
Medical Insurance		7,331	
Communication		1,075	
Data Processing Services		4,483	
Legal Notices, Recording and Court Costs		207	
Travel		28	
Office Supplies		5,289	
Office Equipment		1,108	
Total County Trustee's Office			106,166

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		56,610	
Other Salaries & Wages		10,025	
Social Security		8,767	
State Retirement		4,212	
Medical Insurance		6,900	
Communication		1,444	
Other Contracted Services		1,553	
Office Supplies		3,207	
Office Equipment		4,101	
Total County Clerk's Office			\$ 144,788

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		20,213	
Clerical Personnel		77,655	
Board and Committee Members Fees		550	
Jury and Witness Fees		9,935	
Social Security		10,945	
State Retirement		6,088	
Medical Insurance		6,971	
Communication		4,775	
Data Processing Services		7,806	
Other Contracted Services		385	
Office Supplies		6,095	
Office Equipment		5,754	
Total Circuit Court			205,141

General Sessions Court

Judge(s)	\$	67,053	
Secretary(s)		19,173	
Social Security		6,556	
State Retirement		3,357	
Travel		1,585	
Office Supplies		757	
Total General Sessions Court			98,481

Chancery Court

County Official/Administrative Officer	\$	47,969	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Deputy(ies)	\$	20,438	
Clerical Personnel		34,191	
Social Security		7,691	
State Retirement		1,992	
Medical Insurance		10,478	
Communication		2,245	
Data Processing Services		4,254	
Office Supplies		5,138	
Office Equipment		2,652	
Total Chancery Court			\$ 137,048

Juvenile Court

Guidance Personnel	\$	9,000	
Social Security		688	
State Retirement		379	
Other Contracted Services		3,600	
Total Juvenile Court			13,667

Judicial Commissioners

County Official/Administrative Officer	\$	12,535	
Social Security		959	
State Retirement		264	
Total Judicial Commissioners			13,758

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	52,765	
Deputy(ies)		351,273	
Investigator(s)		25,833	
Captain(s)		28,389	
Lieutenant(s)		25,140	
Sergeant(s)		5,967	
Salary Supplements		7,262	
Secretary(s)		16,571	
Overtime Pay		24,986	
In-Service Training		6,385	
Social Security		41,043	
State Retirement		21,048	
Medical Insurance		21,174	
Communication		8,319	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Licenses	\$	67	
Maintenance & Repair Services- Equipment		4,095	
Maintenance & Repair Services- Vehicles		5,004	
Gasoline		49,311	
Office Supplies		11,683	
Tires and Tubes		8,236	
Uniforms		4,382	
Vehicle Parts		8,894	
Office Equipment		8,219	
Other Equipment		2,453	
Total Sheriff's Department			\$ 738,499

Jail

County Official/Administrative Officer	\$	29,914	
Sergeant(s)		64,488	
Guards		369,816	
Clerical Personnel		29,322	
Cafeteria Personnel		35,167	
Custodial Personnel		14,888	
Overtime Pay		22,427	
Social Security		44,950	
State Retirement		19,195	
Medical Insurance		60,968	
Maintenance & Repair Services- Buildings		25,737	
Medical and Dental Services		209,590	
Other Contracted Services		9,658	
Custodial Supplies		28,344	
Diesel Fuel		442	
Electricity		29,280	
Food Supplies		113,930	
Natural Gas		84,775	
Uniforms		2,218	
Other Supplies and Materials		19,306	
Other Charges		48	
Office Equipment		892	
Other Equipment		654	
Total Jail			1,216,009

Fire Prevention and Control

Contracts with Government Agencies	\$	1,000	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Contributions	\$	30,000	
Electricity		854	
Total Fire Prevention and Control			\$ 31,854

Civil Defense

Supervisor/Director	\$	3,059	
Social Security		234	
Licenses		18	
Maintenance & Repair Services- Equipment		135	
Travel		75	
Gasoline		21	
Office Supplies		309	
Other Charges		354	
Building Construction		1,208	
Office Equipment		1,837	
Surplus Equipment		21,581	
Other Equipment		56,264	
Total Civil Defense			85,095

Rescue Squad

Contributions	\$	2,500	
Total Rescue Squad			2,500

Other Emergency Management

Supervisor/Director	\$	31,280	
Dispatchers/Radio Operators		162,313	
Secretary(s)		17,709	
Overtime Pay		37,122	
Other Salaries & Wages		16,182	
Social Security		19,864	
State Retirement		10,239	
Medical Insurance		17,970	
Travel		50	
Total Other Emergency Management			312,729

County Coroner/Medical Examiner

Other Contracted Services	\$	12,441	
Total County Coroner/Medical Examiner			12,441

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$	1,290	
Social Security		99	
Communication		3,775	
Contracts with Other Public Agencies		9,500	
Contributions		1,500	
Maintenance & Repair Services- Buildings		11,443	
Postal Charges		1,713	
Travel		155	
Custodial Supplies		1,184	
Drugs and Medical Supplies		1,198	
Office Supplies		2,065	
Utilities		9,120	
Other Supplies and Materials		2,761	
Other Charges		4,787	
Total Local Health Center			\$ 50,590

Ambulance/Emergency Medical Services

Supervisor/Director	\$	38,246
Paraprofessionals		258,713
Secretary(s)		23,032
Attendants		229,436
Overtime Pay		139,718
In-Service Training		3,480
Social Security		49,110
State Retirement		27,377
Medical Insurance		61,397
Communication		7,596
Maintenance & Repair Services- Buildings		3,620
Maintenance & Repair Services- Equipment		152
Maintenance & Repair Services- Vehicles		14,774
Custodial Supplies		3,006
Drugs and Medical Supplies		26,626
Electricity		8,245
Gasoline		28,561
Natural Gas		7,944
Office Supplies		13,790
Tires and Tubes		3,771
Uniforms		5,484
In Service/Staff Development		7,096
Motor Vehicles		42,900

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Office Equipment	\$	160	
Other Equipment		24,080	
Total Ambulance/Emergency Medical Services			\$ 1,028,314

Other Local Health Services

Drugs and Medical Supplies	\$	1,880	
Total Other Local Health Services			1,880

Regional Mental Health Center

Contracts with Other Public Agencies	\$	6,327	
Total Regional Mental Health Center			6,327

Aid to Dependent Children

Contracts with Other Public Agencies	\$	500	
Total Aid to Dependent Children			500

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$	10,100	
Utilities		7,397	
Total Senior Citizens Assistance			17,497

Libraries

Supervisor/Director	\$	26,794	
Other Salaries & Wages		26,404	
Social Security		3,699	
State Retirement		1,128	
Medical Insurance		3,507	
Maintenance & Repair Services- Buildings		59	
Utilities		5,574	
Office Equipment		500	
Total Libraries			67,665

Other Social, Cultural and Recreational

Contributions	\$	16,000	
Other Charges		25,000	
Total Other Social, Cultural and Recreational			41,000

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	38,842	
Other Salaries & Wages		946	
Social Security		1,048	
Extension Service Medicare		236	
State Retirement		2,881	
Communication		4,477	
Contributions		242	
Total Agriculture Extension Service			\$ 48,672

Soil Conservation

Secretary(s)	\$	15,124	
Overtime Pay		407	
Social Security		1,188	
State Retirement		654	
Total Soil Conservation			17,373

Other Operations

Industrial Development

Contributions	\$	15,000	
Other Charges		4,043	
Total Industrial Development			19,043

Other Economic and Community Development

Other Contracted Services	\$	7,554	
Building Improvements		23,440	
Motor Vehicles		254,383	
Site Development		1,205	
Building Purchases		73,407	
Total Other Economic and Community Development			359,989

Airport

Contracts with Government Agencies	\$	3,600	
Airport Improvement		65,973	
Total Airport			69,573

Veterans' Services

Supervisor/Director	\$	11,895	
Secretary(s)		20,776	
Social Security		2,404	
State Retirement		992	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Communication	\$	1,128	
Travel		583	
Office Supplies		1,252	
Other Charges		652	
Total Veterans' Services			\$ 39,682

Contributions to Other Agencies

Contributions	\$	5,152	
Total Contributions to Other Agencies			5,152

Miscellaneous

Refunds	\$	9,043	
Total Miscellaneous			9,043

Highways

Traffic Control

Supervisor/Director	\$	1,984	
Social Security		152	
State Retirement		84	
Maintenance & Repair Services- Vehicles		323	
Road Signs		3,937	
Total Traffic Control			6,480

Litter and Trash Collection

Supervisor/Director	\$	19,669	
Social Security		1,505	
State Retirement		828	
Advertising		5,605	
Communication		465	
Maintenance & Repair Services- Vehicles		975	
Custodial Supplies		216	
Uniforms		400	
Total Litter and Trash Collection			29,663

Total General Fund \$ 6,301,936

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$	5,113	
Total County Buildings			\$ 5,113

(Continued)

Exhibit H-5

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

Courthouse & Jail Maintenance Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 101	
Total Other Charges		\$ 101

Total Courthouse & Jail Maintenance Fund \$ 5,214

Solid Waste/Sanitation Fund

General Government

Other General Administration

Social Security	\$ 4,854	
Medical Insurance	11,304	
Data Processing Services	3,972	
Remittance of Revenue Collected	6	
Office Supplies	1,431	
Liability Insurance	23,319	
Trustee's Commission	9,946	
Workers' Compensation Insurance	17,535	
Office Equipment	1,081	
Total Other General Administration		\$ 73,448

Public Health and Welfare

Convenience Centers

Laborers	\$ 88,241	
Social Security	4,457	
State Retirement	1,676	
Communication	2,442	
Maintenance & Repair Services- Equipment	433	
Rentals	1,800	
Custodial Supplies	370	
Electricity	3,658	
Water and Sewer	4,686	
Site Development	100	
Total Convenience Centers		107,863

Transfer Stations

Supervisor/Director	\$ 28,658
Equipment Operators	23,553
Truck Drivers	20,880
Laborers	4,395
Attendants	15,932
Overtime Pay	397

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Transfer Stations (Cont.)

Social Security	\$	4,870	
State Retirement		3,845	
Communication		1,752	
Maintenance & Repair Services- Equipment		16,332	
Disposal Fees		460,949	
Other Contracted Services		1,150	
Diesel Fuel		12,647	
Lubricants		454	
Tires and Tubes		96	
Other Supplies and Materials		322	
Other Charges		11,434	
Building Construction		52,710	
Other Equipment		29,438	
Total Transfer Stations			\$ 689,814

Recycling Center

Materials Supervisor	\$	16,098	
Social Security		978	
State Retirement		678	
Communication		1,027	
Maintenance & Repair Services- Buildings		22	
Maintenance & Repair Services- Equipment		486	
Custodial Supplies		811	
Electricity		2,539	
Gasoline		1,110	
Natural Gas		33	
Uniforms		3,471	
Water and Sewer		414	
Other Supplies and Materials		258	
Other Construction		61,752	
Total Recycling Center			89,677

Other Waste Disposal

Fertilizer, Lime and Seed	\$	665	
Total Other Waste Disposal			665

Postclosure Care Costs

Testing	\$	8,090	
Total Postclosure Care Costs			8,090

Total Solid Waste/Sanitation Fund \$ 969,557

(Continued)

Exhibit H-5

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

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	1,000	
Confidential Drug Enforcement Payments		7,500	
Dues and Memberships		300	
Other Supplies and Materials		11,405	
Trustee's Commission		120	
Total Drug Enforcement		<u>20,325</u>	\$ 20,325

Total Drug Control Fund \$ 20,325

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	765	
Total County Trustee's Office			\$ 765

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	2,387	
Total Chancery Court		<u>2,387</u>	

Total Constitutional Officers - Fees Fund 3,152

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	52,765	
Supervisor/Director		30,725	
Communication		3,265	
Dues and Memberships		2,064	
Legal Notices, Recording and Court Costs		116	
Maintenance & Repair Services- Buildings		6,423	
Postal Charges		148	
Remittance of Revenue Collected		6	
Electricity		2,346	
Office Supplies		901	
Utilities		3,503	
Other Charges		4,230	
Traffic Control Equipment		73	
Total Administration		<u>106,565</u>	\$ 106,565

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Supervisor/Director	\$	78,843	
Equipment Operators		167,689	
Truck Drivers		122,541	
Laborers		69,119	
Freight Expenses		2,510	
Rentals		1,957	
Other Contracted Services		8,317	
Asphalt		103,258	
Asphalt - Cold Mix		4,447	
Asphalt - Hot Mix		331,718	
Concrete		1,672	
Crushed Stone		84,763	
Lubricants		382	
Pipe		5,694	
Pipe - Metal		23,338	
Road Signs		1,614	
Wood Products		382	
Other Supplies and Materials		128	
Total Highway and Bridge Maintenance			\$ 1,008,372

Operation and Maintenance of Equipment

Mechanic(s)	\$	89,348	
Maintenance & Repair Services- Equipment		22,249	
Equipment and Machinery Parts		105,245	
Gasoline		98,456	
Lubricants		9,618	
Small Tools		1,327	
Tires and Tubes		20,530	
Total Operation and Maintenance of Equipment			346,773

Quarry Operations

Supervisor/Director	\$	22,183	
Equipment Operators		40,329	
Truck Drivers		20,932	
Laborers		1,350	
Explosive and Drilling Services		26,895	
Operating Lease Payments		9,600	
Electricity		31,008	
Total Quarry Operations			152,297

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Other Contracted Services	\$	500	
Liability Insurance		147,690	
Premiums on Corporate Surety Bonds		1,373	
Trustee's Commission		19,229	
Workers' Compensation Insurance		69,766	
Total Other Charges			\$ 238,558

Employee Benefits

Social Security	\$	52,310	
State Retirement		25,670	
Medical Insurance		175,018	
Unemployment Compensation		14,393	
Total Employee Benefits			267,391

Capital Outlay

Engineering Services	\$	10,000	
Communication Equipment		1,539	
Highway Equipment		6,085	
Total Capital Outlay			17,624

Total Highway/Public Works Fund \$ 2,137,580

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	226,114	
Principal on Notes		152,104	
Principal on Other Loans Payable		12,070	
Total General Government			\$ 390,288

Interest

General Government

Interest on Bonds	\$	372,460	
Interest on Notes		16,075	
Interest on Other Loans Payable		959	
Total General Government			389,494

Other Debt Service

General Government

Fiscal Agent Charges	\$	1,493	
----------------------	----	-------	--

(Continued)

Exhibit H-5

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service (Cont.)</u>		
<u>General Government (Cont.)</u>		
Remittance of Revenue Collected	\$	6
Trustee's Commission		<u>13,744</u>
Total General Government		<u>\$ 15,243</u>
Total General Debt Service Fund		\$ 795,025
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Construction	\$	<u>500,000</u>
Total Education Capital Projects		<u>\$ 500,000</u>
Total General Capital Projects Fund		<u>500,000</u>
Total Governmental Funds - Primary Government		<u><u>\$ 10,732,789</u></u>

Exhibit H-6

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 684,196
	<hr/>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 677,354
Trustee's Commission	6,842
Total Cash Disbursements	\$ 684,196
	<hr/>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<hr/> 0
Cash Balance, June 30, 2005	<hr/> <hr/> \$ 0

STATISTICAL SECTION

Table 1

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

Year	Amount
1997	\$ 2,214
1998	2,631
1999	3,367
2000	4,252
2001	9,262
2002	15,415
2003	28,209
Total	\$ 65,350

Table 2

Overton County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.12	\$ 1.02	\$ 0.74	\$ 0.95	\$ 0.95	\$ 1.22	\$ 1.04	\$ 0.88	\$ 1.01	\$ 1.00
Solid Waste/Sanitation	0.03	0.00	0.19	0.09	0.06	0.06	0.05	0.05	0.10	0.09
Highway/Public Works	0.08	0.08	0.06	0.06	0.06	0.06	0.05	0.05	0.05	0.05
General Purpose School	1.33	1.31	0.76	0.70	0.70	0.70	0.60	0.60	0.60	0.60
General Debt Service	0.23	0.38	0.30	0.09	0.12	0.00	0.00	0.11	0.21	0.20
Total Tax Rate	\$ 2.79	\$ 2.79	\$ 2.05	\$ 1.89	\$ 1.89	\$ 2.04	\$ 1.74	\$ 1.69	\$ 1.97	\$ 1.94
<u>Assessed Valuation</u>										
Real and Personal	\$ 93,626,370	\$ 94,672,200	\$ 134,162,488	\$ 149,000,724	\$ 155,429,954	\$ 159,259,096	\$ 192,540,816	\$ 195,492,595	\$ 199,182,767	\$ 204,011,271
Public Utilities	13,649,699	10,563,024	12,966,535	14,035,935	16,083,817	14,982,933	17,170,044	18,750,218	17,172,403	18,585,894
Total Assessed Valuation	\$ 107,276,069	\$ 105,235,224	\$ 147,129,023	\$ 163,036,659	\$ 171,513,771	\$ 174,242,029	\$ 209,710,860	\$ 214,242,813	\$ 216,355,170	\$ 222,597,165

ANNUAL FINANCIAL REPORT
OVERTON COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF OVERTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

JIMMY HODGES
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

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

Scope

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

Results

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

Findings

The following are summaries of the audit findings:

OVERTON COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The estimated fund balance and reserves in the General Purpose School Fund at July 1, 2004, exceeded the actual fund balance and reserves by \$2,341,281. Also, the School Department's budget certified to the State Department of Education did not agree with the budget approved by the County Commission.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

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

INTRODUCTORY SECTION

Overton County School Officials
June 30, 2005

Officials:

William Needham, Director of Schools

Board of Education:

Dolphus Dial, Chairman

Patricia Bowman

Tim Coffee

David Langford

Lenard Ledbetter

Tonya Sells

Joey Smith

Tim Vaughn

Melody Williams

Michelle Williams

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

August 19, 2005

Overton County Director of Schools and
Board of Education
Overton 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 Overton County School Department, a component unit of Overton County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 26, which collectively comprise a portion of the Overton 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 Overton County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

As described in Note I, the Overton 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 Overton 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 Overton 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.

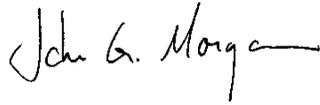
In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2005, on our consideration of the Overton County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Overton 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 31 through 35 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 Overton County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds		Nonmajor	Total
	General Purpose School	Education Debt Service	Funds Other Governmental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,177	\$ 1,177
Equity in Pooled Cash and Investments	1,403,433	407,612	276,163	2,087,208
Inventories	0	0	33,538	33,538
Accounts Receivable	18,518	0	55	18,573
Due from Other Governments	304,872	0	0	304,872
Due from Other Funds	3,942	0	0	3,942
Property Taxes Receivable	1,432,303	0	0	1,432,303
Allowance for Uncollectible Property Taxes	(26,584)	0	0	(26,584)
Total Assets	\$ 3,136,484	\$ 407,612	\$ 310,933	\$ 3,855,029
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accrued Payroll	\$ 61,303	\$ 0	\$ 0	\$ 61,303
Contracts Payable	36,485	0	0	36,485
Due to Other Funds	0	0	3,942	3,942
Deferred Revenue - Current Property Taxes	1,326,178	0	0	1,326,178
Deferred Revenue - Delinquent Property Taxes	79,541	0	0	79,541
Other Deferred Revenues	113,000	0	0	113,000
Total Liabilities	\$ 1,616,507	\$ 0	\$ 3,942	\$ 1,620,449
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 164,405	\$ 0	\$ 1,219	\$ 165,624
Other Local Education Reserves	78,272	0	33,538	111,810
Reserved for Career Ladder - Extended Contract	8,053	0	0	8,053
Reserved for Basic Education Program	1,097,508	0	0	1,097,508
Reserved for Title I Grants to Local Education Agencies	0	0	36,192	36,192
Reserved for Innovative Education Program Strategies	0	0	21,288	21,288
Reserved for Special Education - Grants to States	0	0	101,611	101,611
Other Federal Reserves	0	0	5,447	5,447
Unreserved, Reported In:				
General Fund	171,739	0	0	171,739
Special Revenue Funds	0	0	107,696	107,696
Debt Service Funds	0	407,612	0	407,612
Total Fund Balances	\$ 1,519,977	\$ 407,612	\$ 306,991	\$ 2,234,580
Total Liabilities and Fund Balances	\$ 3,136,484	\$ 407,612	\$ 310,933	\$ 3,855,029

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

Exhibit B

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

	Major Funds		Nonmajor	Total
	General Purpose School	Education Debt Service	Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 3,276,762	\$ 54,593	\$ 0	\$ 3,331,355
Licenses and Permits	1,653	0	0	1,653
Charges for Current Services	149,339	0	546,573	695,912
Other Local Revenues	452,601	13	2,559	455,173
State of Tennessee	13,758,306	0	33,685	13,791,991
Federal Government	343,366	0	2,717,221	3,060,587
Total Revenues	<u>\$ 17,982,027</u>	<u>\$ 54,606</u>	<u>\$ 3,300,038</u>	<u>\$ 21,336,671</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 10,815,300	\$ 0	\$ 1,334,783	\$ 12,150,083
Support Services	5,647,788	0	542,618	6,190,406
Operation of Non-Instructional Services	138,478	0	1,383,624	1,522,102
Capital Outlay	722,385	0	0	722,385
Debt Service:				
Principal	11,171	380,000	0	391,171
Interest	6,034	484,228	0	490,262
Other Debt Service	0	329	0	329
Capital Projects	0	0	63,748	63,748
Total Expenditures	<u>\$ 17,341,156</u>	<u>\$ 864,557</u>	<u>\$ 3,324,773</u>	<u>\$ 21,530,486</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 640,871</u>	<u>\$ (809,951)</u>	<u>\$ (24,735)</u>	<u>\$ (193,815)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 36,581	\$ 815,194	\$ 0	\$ 851,775
Transfers Out	(815,194)	0	(36,581)	(851,775)
Total Other Financing Sources (Uses)	<u>\$ (778,613)</u>	<u>\$ 815,194</u>	<u>\$ (36,581)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (137,742)	\$ 5,243	\$ (61,316)	\$ (193,815)
Fund Balance, July 1, 2004	<u>1,657,719</u>	<u>402,369</u>	<u>368,307</u>	<u>2,428,395</u>
Fund Balance, June 30, 2005	<u>\$ 1,519,977</u>	<u>\$ 407,612</u>	<u>\$ 306,991</u>	<u>\$ 2,234,580</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overton 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 that are presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

The Overton County School Department operates the public school system in the county, and the voters of Overton County elect its ten-member board. The School Department is a component unit of Overton 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 County Commission's approval. The

School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due.

In-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental funds:

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

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

Additionally, the School Department reports the following fund types:

Special Revenue Funds – These 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.

Capital Projects Fund – This fund, the Education Capital Projects Fund, is used to account for expenditures related to the expenditures related to the renovation and construction of school buildings in Overton County.

C. **Assets, Liabilities, and Equity**

1. **Deposits and Investments**

State statutes authorize counties (Overton County, 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 county trustee maintains a cash and internal investment pool that is used by all Overton County and Overton County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Overton County and the Overton County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to

compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .99 percent of total taxes levied.

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

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

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

Contracts payable represent amount due for work performed on construction projects.

3. Inventories

Inventories of the School Department consist of expendable supplies held for consumption and are recorded at cost, determined on the first-in, first-out method.

4. Capital Assets

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

5. Compensated Absences

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

6. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds, other loans, and notes payable, is recognized as a liability and expenditure in the governmental fund financial statements.

7. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The estimated General Purpose School Fund's beginning fund balance reflected in the School Department's budget was \$3,634,555 at July 1, 2004; however, the actual fund balance was \$1,293,274.

Therefore, the estimated beginning fund balance presented to the County Commission during the budget approval process was \$2,341,281 more than the actual fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county

may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government, or obligations guaranteed by the U.S. government, or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Overton 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 Overton County and the discretely presented Overton 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>\$ 7,339,978</u>
Total		<u><u>\$ 7,339,978</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. Overton 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. Overton County has no investment policy that would further limit its investment choices. As of June 30, 2005, Overton 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 other funds:

Receivable Fund	Payable Fund	Amount
General Purpose School	Nonmajor governmental	<u>\$ 3,942</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.

Interfund Transfers:

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

Transfers Out	Transfers In	
	General Purpose School Fund	Education Debt Service Fund
General Purpose School Fund	\$ 0	\$ 815,194
Nonmajor governmental funds	36,581	0
Total	<u>\$ 36,581</u>	<u>\$ 815,194</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. Capital Lease

On April 4, 2004, the School Department entered into a ten-year lease-purchase agreement for the purchase of geothermal equipment for school buildings. The terms of the agreement require total lease payments of \$137,066 plus interest of 4.70 percent. Title to the leased 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 these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 17,205
2007	17,205
2008	17,205
2009	17,205
2010	17,205
2011-2014	<u>63,087</u>
Total Minimum Lease Payments	\$ 149,112
Amounts Representing Interest	<u>(26,826)</u>
Present Value of Minimum Lease Payments	<u>\$ 122,286</u>

D. Long-term Debt

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

General Obligation Bonds and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 16 years for bonds and up to 25 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2005, will be retired from the Education Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	4.8 to 5.45%	\$ 9,500,000	\$ 770,000
General Obligation Bonds - Refunding	2 to 5	7,795,000	7,795,000
Other Loan	variable	5,000,000	4,930,000
Capital Lease	4.7	137,066	122,286

During the 1999-2000 year, Overton County entered into a loan agreement with the Public Building Authority of Sevier County, Tennessee. Under this loan agreement, the authority issued variable rate bonds of \$5,000,000 and loaned the proceeds to Overton County for school building projects. This loan is repayable at tax-exempt variable rate of interest determined by the remarketing agent daily or weekly, depending on the particular program. At June 30, 2005, the variable interest rate was 2.559 percent on this loan. In addition, the county pays various fees (remarketing fees, trustee fees, liquidity fees, issuer fees, etc.) in connection with this loan which total approximately .45 percent. This loan was refunded with General Obligation Refunding Bonds on July 1, 2005.

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

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 375,000	\$ 347,688
2007	420,000	329,688
2008	485,000	310,228
2009	495,000	300,528
2010	505,000	289,638
2011-2015	2,770,000	1,197,463
2016-2020	3,515,000	476,100
Total	\$ 8,565,000	\$ 3,251,333

Year Ending June 30	Other Loan (\$5,000,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 20,000	\$ 125,647	\$ 22,095	\$ 167,742
2007	20,000	125,135	22,005	167,140
2008	20,000	124,623	21,915	166,538
2009	25,000	123,984	21,803	170,787
2010	25,000	123,344	21,690	170,034
2011-2015	140,000	606,355	106,628	852,983
2016-2020	180,000	585,628	102,983	868,611
2021-2025	4,500,000	243,104	42,749	4,785,853
Total	\$ 4,930,000	\$ 2,057,820	\$ 361,868	\$ 7,349,688

There is \$407,612 available in the Education Debt Service Fund to service long-term debt. Total bonded debt per capita amounted to \$426 based on the 2000 federal census. Total debt per capita, including bonds, other loans, and capital leases, amounted to \$677, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:	Bonds	Other Loan	Capital Lease
Balance, July 1, 2004	\$ 8,925,000	\$ 4,950,000	\$ 133,457
Deductions	(360,000)	(20,000)	(11,171)
Balance, June 30, 2005	\$ 8,565,000	\$ 4,930,000	\$ 122,286
Balance Due Within One Year	\$ 375,000	\$ 20,000	\$ 11,708

Defeasance of Prior Debt

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

	Amount
1999 School Construction and Renovation	\$ 7,375,000

IV. OTHER INFORMATION

A. Risk Management

The School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by their participation in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee Schools Boards Association, an association of member school districts. Annual premiums are paid to the pool for the risk coverage noted above. The creation of the 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 governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

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. Subsequent Event

On July 1, 2005, Overton County issued \$5,090,000 in general obligation refunding bonds to refund the \$5,000,000 Sevier County Public Building Authority loan.

D. Contingent Liabilities

The School Department is the defendant in a suit filed in the U.S. District Court alleging the civil rights of several students were violated by allowing a video surveillance camera to operate in a locker room at one of the schools. The suit seeks an unspecified amount of damages and punitive damages as a result of the alleged negligence on behalf of the school board and/or its

employees. An estimate or range of any potential loss to the county as a result of this lawsuit cannot be reasonably estimated.

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

E. Retirement Commitments

Plan Description

Employees of Overton 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, Chapter 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Overton 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 Overton County School Department participates in Overton County's plan, retirement information for the Overton County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV. G. of the Annual Financial Report of Overton County, Tennessee

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Overton County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Overton County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were, \$569,877, \$332,646, and \$312,347, respectively, equal to the required contributions for each year.

F. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and the chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton 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	\$ 3,276,762	\$ 0	\$ 0	\$ 3,276,762	\$ 3,266,087	\$ 3,270,087	\$ 6,675
Licenses and Permits	1,653	0	0	1,653	1,950	1,950	(297)
Charges for Current Services	149,339	0	0	149,339	182,031	182,031	(32,692)
Other Local Revenues	452,601	0	0	452,601	51,500	403,505	49,096
State of Tennessee	13,758,306	0	0	13,758,306	13,497,649	13,716,501	41,805
Federal Government	343,366	0	0	343,366	435,316	438,221	(94,855)
Total Revenues	\$ 17,982,027	\$ 0	\$ 0	\$ 17,982,027	\$ 17,434,533	\$ 18,012,295	\$ (30,268)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,745,568	\$ (165,980)	\$ 161,848	\$ 8,741,436	\$ 8,656,081	\$ 8,795,281	\$ 53,845
Alternative Instruction Program	43,205	0	0	43,205	43,565	44,031	826
Special Education Program	1,112,983	(226)	203	1,112,960	1,105,492	1,126,672	13,712
Vocational Education Program	838,322	(96)	102	838,328	815,277	853,231	14,903
Adult Education Program	75,222	0	0	75,222	93,838	93,838	18,616
<u>Support Services</u>							
Attendance	72,112	0	0	72,112	81,275	77,441	5,329
Health Services	43,620	0	0	43,620	40,434	45,817	2,197
Other Student Support	308,876	(2,091)	1,950	308,735	379,066	338,476	29,741
Regular Instruction Program	473,427	(385)	0	473,042	506,455	474,976	1,934
Special Education Program	142,044	0	0	142,044	143,198	143,660	1,616
Vocational Education Program	72,231	0	0	72,231	77,860	77,860	5,629
Adult Programs	85,082	0	0	85,082	97,261	97,261	12,179
Board of Education	285,480	0	0	285,480	287,493	287,493	2,013
Director of Schools	114,585	0	41	114,626	113,259	114,864	238
Office of the Principal	1,160,982	(914)	0	1,160,068	1,171,045	1,187,275	27,207

(Continued)

Exhibit C

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton 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	\$ 230,858	\$ (452)	\$ 261	\$ 230,667	\$ 231,718	\$ 235,129	\$ 4,462
Operation of Plant	1,551,943	0	0	1,551,943	1,558,382	1,588,176	36,233
Maintenance of Plant	240,449	(6,977)	0	233,472	246,972	246,972	13,500
Transportation	866,099	(67,247)	0	798,852	823,416	848,736	49,884
<u>Operation of Non-Instructional Services</u>							
Food Service	1,217	0	0	1,217	1,000	2,070	853
Community Services	137,261	(77)	0	137,184	136,800	137,184	0
<u>Capital Outlay</u>							
Regular Capital Outlay	722,385	(120,000)	0	602,385	117,760	667,760	65,375
<u>Principal</u>							
Education	11,171	0	0	11,171	0	11,171	0
<u>Interest</u>							
Education	6,034	0	0	6,034	0	6,035	1
Total Expenditures	\$ 17,341,156	\$ (364,445)	\$ 164,405	\$ 17,141,116	\$ 16,727,647	\$ 17,501,409	\$ 360,293
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 640,871	\$ 364,445	\$ (164,405)	\$ 840,911	\$ 706,886	\$ 510,886	\$ 330,025
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ (200,000)
Transfers In	36,581	0	0	36,581	30,500	30,500	6,081
Transfers Out	(815,194)	0	0	(815,194)	(815,194)	(815,194)	0
Total Other Financing Sources (Uses)	\$ (778,613)	\$ 0	\$ 0	\$ (778,613)	\$ (784,694)	\$ (584,694)	\$ (193,919)

(Continued)

Exhibit C

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton 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	\$ (137,742)	\$ 364,445	\$ (164,405)	\$ 62,298	\$ (77,808)	\$ (73,808)	\$ 136,106
Fund Balance, July 1, 2004	1,657,719	(364,445)	0	1,293,274	3,634,555	3,634,555	(2,341,281)
Fund Balance, June 30, 2005	\$ 1,519,977	\$ 0	\$ (164,405)	\$ 1,355,572	\$ 3,556,747	\$ 3,560,747	\$ (2,205,175)

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

A. 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 Overton County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Overton County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. THE ESTIMATED BEGINNING FUND BALANCE EXCEEDED THE ACTUAL BEGINNING FUND BALANCE BY A MATERIAL AMOUNT

The estimated beginning fund balance reflected in the county's budget in the General Purpose School Fund was \$3,634,555 at July 1, 2004; however, the actual fund balance was \$1,293,274. Therefore, the estimated beginning fund balance was \$2,341,281 more than the actual fund balance presented to the County Commission during the budget approval process.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used in the acquisition or construction of major capital projects.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for expenditures related to the renovation and construction of school buildings in Overton County.

Exhibit D-1

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

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,177	\$ 1,177	\$ 1,177
Equity in Pooled Cash and Investments	164,702	111,461	276,163	276,163
Inventories	0	33,538	33,538	33,538
Accounts Receivable	55	0	55	55
Total Assets	\$ 164,757	\$ 146,176	\$ 310,933	\$ 310,933
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 3,942	\$ 3,942	\$ 3,942
Total Liabilities	\$ 0	\$ 3,942	\$ 3,942	\$ 3,942
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 219	\$ 1,000	\$ 1,219	\$ 1,219
Other Local Education Reserves	0	33,538	33,538	33,538
Reserved for Title I Grants to Local Education Agencies	36,192	0	36,192	36,192
Reserved for Innovative Education Program Strategies	21,288	0	21,288	21,288
Reserved for Special Education - Grants to States	101,611	0	101,611	101,611
Other Federal Reserves	5,447	0	5,447	5,447
Unreserved	0	107,696	107,696	107,696
Total Fund Balances	\$ 164,757	\$ 142,234	\$ 306,991	\$ 306,991
Total Liabilities and Fund Balances	\$ 164,757	\$ 146,176	\$ 310,933	\$ 310,933

Exhibit D-2

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

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 546,573	\$ 546,573	\$ 0	\$ 546,573
Other Local Revenues	0	1,947	1,947	612	2,559
State of Tennessee	0	33,685	33,685	0	33,685
Federal Government	1,855,326	861,895	2,717,221	0	2,717,221
Total Revenues	\$ 1,855,326	\$ 1,444,100	\$ 3,299,426	\$ 612	\$ 3,300,038
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,334,783	\$ 0	\$ 1,334,783	\$ 0	\$ 1,334,783
Support Services	542,618	0	542,618	0	542,618
Operation of Non-Instructional Services	0	1,383,624	1,383,624	0	1,383,624
Capital Projects	0	0	0	63,748	63,748
Total Expenditures	\$ 1,877,401	\$ 1,383,624	\$ 3,261,025	\$ 63,748	\$ 3,324,773
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,075)	\$ 60,476	\$ 38,401	\$ (63,136)	\$ (24,735)
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (32,639)	\$ (3,942)	\$ (36,581)	\$ 0	\$ (36,581)
Total Other Financing Sources (Uses)	\$ (32,639)	\$ (3,942)	\$ (36,581)	\$ 0	\$ (36,581)
Net Change in Fund Balances	\$ (54,714)	\$ 56,534	\$ 1,820	\$ (63,136)	\$ (61,316)
Fund Balance, July 1, 2004	219,471	85,700	305,171	63,136	368,307
Fund Balance, June 30, 2005	\$ 164,757	\$ 142,234	\$ 306,991	\$ 0	\$ 306,991

Exhibit D-3

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton County School Department
School Federal Projects 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>							
Federal Government	\$ 1,855,326	\$ 0	\$ 0	\$ 1,855,326	\$ 1,879,026	\$ 1,879,026	\$ (23,700)
Total Revenues	\$ 1,855,326	\$ 0	\$ 0	\$ 1,855,326	\$ 1,879,026	\$ 1,879,026	\$ (23,700)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 734,810	\$ 0	\$ 9	\$ 734,819	\$ 742,690	\$ 760,043	\$ 25,224
Special Education Program	508,786	(986)	0	507,800	576,621	531,487	23,687
Vocational Education Program	91,187	(8,037)	0	83,150	83,150	83,150	0
<u>Support Services</u>							
Health Services	22,912	0	0	22,912	13,480	23,060	148
Other Student Support	280,979	0	210	281,189	293,860	335,284	54,095
Regular Instruction Program	186,192	(543)	0	185,649	164,689	195,299	9,650
Special Education Program	29,289	(170)	0	29,119	26,139	28,639	(480)
Vocational Education Program	3,400	0	0	3,400	3,400	3,400	0
Maintenance of Plant	450	0	0	450	0	450	0
Transportation	19,396	0	0	19,396	26,055	26,055	6,659
Total Expenditures	\$ 1,877,401	\$ (9,736)	\$ 219	\$ 1,867,884	\$ 1,930,084	\$ 1,986,867	\$ 118,983
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,075)	\$ 9,736	\$ (219)	\$ (12,558)	\$ (51,058)	\$ (107,841)	\$ 95,283
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (32,639)	\$ 0	\$ 0	\$ (32,639)	\$ (37,705)	\$ (39,039)	\$ 6,400
Total Other Financing Sources (Uses)	\$ (32,639)	\$ 0	\$ 0	\$ (32,639)	\$ (37,705)	\$ (39,039)	\$ 6,400

(Continued)

Exhibit D-3

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton County School Department
School Federal Projects 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	\$ (54,714)	\$ 9,736	\$ (219)	\$ (45,197)	\$ (88,763)	\$ (146,880)	\$ 101,683
Fund Balance, July 1, 2004	219,471	(9,736)	0	209,735	219,471	219,471	(9,736)
Fund Balance, June 30, 2005	\$ 164,757	\$ 0	\$ (219)	\$ 164,538	\$ 130,708	\$ 72,591	\$ 91,947

Exhibit D-4

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton County School Department
Central Cafeteria 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>							
Charges for Current Services	\$ 546,573	\$ 0	\$ 0	\$ 546,573	\$ 509,453	\$ 509,453	\$ 37,120
Other Local Revenues	1,947	0	0	1,947	1,390	1,390	557
State of Tennessee	33,685	0	0	33,685	70,607	70,607	(36,922)
Federal Government	861,895	0	0	861,895	900,334	900,334	(38,439)
Total Revenues	\$ 1,444,100	\$ 0	\$ 0	\$ 1,444,100	\$ 1,481,784	\$ 1,481,784	\$ (37,684)
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,333,620	\$ 0	\$ 0	\$ 1,333,620	\$ 1,430,677	\$ 1,430,677	\$ 97,057
Community Services	50,004	(1,899)	1,000	49,105	48,107	48,107	(998)
Total Expenditures	\$ 1,383,624	\$ (1,899)	\$ 1,000	\$ 1,382,725	\$ 1,478,784	\$ 1,478,784	\$ 96,059
Excess (Deficiency) of Revenues Over Expenditures	\$ 60,476	\$ 1,899	\$ (1,000)	\$ 61,375	\$ 3,000	\$ 3,000	\$ 58,375
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (3,942)	\$ 0	\$ 0	\$ (3,942)	\$ (3,000)	\$ (3,000)	\$ (942)
Total Other Financing Sources (Uses)	\$ (3,942)	\$ 0	\$ 0	\$ (3,942)	\$ (3,000)	\$ (3,000)	\$ (942)
Net Change in Fund Balance	\$ 56,534	\$ 1,899	\$ (1,000)	\$ 57,433	\$ 0	\$ 0	\$ 57,433
Fund Balance, July 1, 2004	85,700	(1,899)	0	83,801	53,954	53,954	29,847
Fund Balance, June 30, 2005	\$ 142,234	\$ 0	\$ (1,000)	\$ 141,234	\$ 53,954	\$ 53,954	\$ 87,280

Major Governmental Fund

Education Debt Service Fund

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

Exhibit E

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Overton County School Department
Education 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	\$ 54,593	\$ 39,900	\$ 39,900	\$ 14,693
Other Local Revenues	13	0	0	13
Total Revenues	<u>\$ 54,606</u>	<u>\$ 39,900</u>	<u>\$ 39,900</u>	<u>\$ 14,706</u>
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 380,000	\$ 380,000	\$ 380,000	\$ 0
<u>Interest</u>				
Education	484,228	638,653	638,653	154,425
<u>Other Debt Service</u>				
Education	329	400	400	71
Total Expenditures	<u>\$ 864,557</u>	<u>\$ 1,019,053</u>	<u>\$ 1,019,053</u>	<u>\$ 154,496</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (809,951)</u>	<u>\$ (979,153)</u>	<u>\$ (979,153)</u>	<u>\$ 169,202</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 815,194	\$ 815,194	\$ 815,194	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 815,194</u>	<u>\$ 815,194</u>	<u>\$ 815,194</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 5,243	\$ (163,959)	\$ (163,959)	\$ 169,202
Fund Balance, July 1, 2004	402,369	402,767	402,767	(398)
Fund Balance, June 30, 2005	<u>\$ 407,612</u>	<u>\$ 238,808</u>	<u>\$ 238,808</u>	<u>\$ 168,804</u>

MISCELLANEOUS SCHEDULES

Exhibit F-1

Overton County, Tennessee
Schedule of Changes in Other Loans, Capital Leases, and Bonds
Overton 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>OTHER LOANS PAYABLE</u>							
<u>Public Building Authority Loan Agreement</u>							
<u>Payable through Education Debt Service Fund</u>							
School Construction and Renovation	\$ 5,000,000	Variable %	2-3-00	6-1-25	\$ 4,950,000	\$ 20,000	\$ 4,930,000
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Geothermal Equipment	137,066	4.7	4-10-04	3-15-14	\$ 133,457	\$ 11,171	\$ 122,286
<u>GENERAL BONDED DEBT</u>							
<u>Payable through Education Debt Service Fund</u>							
School Construction and Renovation	9,500,000	4.8 to 5.45	9-23-1999	6-1-07	\$ 1,130,000	\$ 360,000	\$ 770,000
School Refunding Bonds, Series 2004	7,795,000	2 to 5	3-26-04	4-1-20	7,795,000	0	7,795,000
Total General Bonded Debt					\$ 8,925,000	\$ 360,000	\$ 8,565,000

Exhibit F-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 375,000	\$ 347,688	\$ 722,688
2007	420,000	329,688	749,688
2008	485,000	310,228	795,228
2009	495,000	300,528	795,528
2010	505,000	289,638	794,638
2011	515,000	277,013	792,013
2012	530,000	262,850	792,850
2013	545,000	246,950	791,950
2014	575,000	219,700	794,700
2015	605,000	190,950	795,950
2016	635,000	160,700	795,700
2017	670,000	128,950	798,950
2018	705,000	95,450	800,450
1019	735,000	60,200	795,200
2020	770,000	30,800	800,800
Total	<u>\$ 8,565,000</u>	<u>\$ 3,251,333</u>	<u>\$ 11,816,333</u>

Exhibit F-3

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 32,639
Central Cafeteria	General Purpose School	Indirect costs	3,942
General Purpose School	Education Debt Service	Debt retirement	<u>815,194</u>
Total Transfers			<u>\$ 851,775</u>

Exhibit F-4

Overton County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Overton 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 Overton County Board of Education	\$ 76,000 (1)	(2)	
Public Employee Blanket Bond: School Employees			\$ 150,000	Tennessee School Boards Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,000.

(2) The director of schools is covered under the public employee dishonesty bond.

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

Exhibit F-5

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,237,061	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,237,061
Trustee's Collections - Prior Year	67,646	0	0	0	0	67,646
Circuit/Clerk & Master Collections - Prior Years	8,971	0	0	0	0	8,971
Interest and Penalty	11,869	0	0	0	0	11,869
Payments in Lieu of Taxes - Other	2,437	0	0	0	0	2,437
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,349,120	0	0	0	0	1,349,120
Wheel Tax	460,000	0	0	54,593	0	514,593
<u>Statutory Local Taxes</u>						
Bank Excise Tax	21,706	0	0	0	0	21,706
Wholesale Beer Tax	111,926	0	0	0	0	111,926
Interstate Telecommunications Tax	6,026	0	0	0	0	6,026
Total Local Taxes	\$ 3,276,762	\$ 0	\$ 0	\$ 54,593	\$ 0	\$ 3,331,355
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,653	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,653
Total Licenses and Permits	\$ 1,653	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,653
<u>Charges for Current Services</u>						
<u>Fees</u>						
Vending Machine Collections	\$ 600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600
<u>Education Charges</u>						
Tuition - Regular Day Students	126,602	0	0	0	0	126,602
Tuition - Adult Education	200	0	0	0	0	200
Tuition - Summer School	200	0	0	0	0	200
Lunch Payments - Children	0	0	255,404	0	0	255,404
Lunch Payments - Adults	0	0	54,436	0	0	54,436
Income from Breakfast	0	0	35,878	0	0	35,878
Special Milk Sales	0	0	3,474	0	0	3,474
A la carte Sales	0	0	197,381	0	0	197,381
Receipts from Individual Schools	21,737	0	0	0	0	21,737
Total Charges for Current Services	\$ 149,339	\$ 0	\$ 546,573	\$ 0	\$ 0	\$ 695,912

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

Exhibit F-5

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 1,060	\$ 13	\$ 612	\$ 1,685
Miscellaneous Refunds	439,008	0	887	0	0	439,895
<u>Nonrecurring Items</u>						
Insurance Recovery	2,005	0	0	0	0	2,005
Sale of Equipment	7,514	0	0	0	0	7,514
Contributions & Gifts	3,699	0	0	0	0	3,699
<u>Other Local Revenues</u>						
Other Local Revenues	375	0	0	0	0	375
Total Other Local Revenues	\$ 452,601	\$ 0	\$ 1,947	\$ 13	\$ 612	\$ 455,173
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 13,206,148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,206,148
School Food Service	0	0	18,647	0	0	18,647
Driver Education	11,700	0	0	0	0	11,700
Other State Education Funds	133,424	0	0	0	0	133,424
Career Ladder Program	235,600	0	0	0	0	235,600
Career Ladder - Extended Contract	120,309	0	0	0	0	120,309
<u>Other State Revenues</u>						
Other State Grants	51,125	0	15,038	0	0	66,163
Total State of Tennessee	\$ 13,758,306	\$ 0	\$ 33,685	\$ 0	\$ 0	\$ 13,791,991
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 605,954	\$ 0	\$ 0	\$ 605,954
Breakfast	0	0	249,277	0	0	249,277
USDA - Other	0	0	6,664	0	0	6,664
Adult Education State Grant Program	80,005	0	0	0	0	80,005
Vocational Education - Basic Grants to States	0	74,594	0	0	0	74,594
Other Vocational	0	20,000	0	0	0	20,000
Title I Grants to Local Education Agencies	0	746,715	0	0	0	746,715
Innovative Education Program Strategies	0	16,334	0	0	0	16,334
Special Education - Grants to States	3,959	718,521	0	0	0	722,480
Special Education Preschool Grants	0	23,714	0	0	0	23,714
Eisenhower Professional Development State Grants	0	205,232	0	0	0	205,232

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

Exhibit F-5

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Job Training Partnership Act	\$ 17,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,000
Other Federal through State	242,402	50,216	0	0	0	292,618
Total Federal Government	<u>\$ 343,366</u>	<u>\$ 1,855,326</u>	<u>\$ 861,895</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,060,587</u>
Total	<u>\$ 17,982,027</u>	<u>\$ 1,855,326</u>	<u>\$ 1,444,100</u>	<u>\$ 54,606</u>	<u>\$ 612</u>	<u>\$ 21,336,671</u>

Exhibit F-6

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	6,276,019	
Career Ladder Program		133,087	
Career Ladder Extended Contracts		80,500	
Homebound Teachers		90	
Educational Assistants		65,827	
Other Salaries & Wages		126,061	
Certified Substitute Teachers		145,108	
Social Security		397,751	
State Retirement		361,403	
Life Insurance		3,785	
Medical Insurance		556,447	
Unemployment Compensation		5,656	
Employer Medicare		93,825	
Other Fringe Benefits		8,050	
Maintenance & Repair Services- Equipment		285	
Travel		308	
Other Contracted Services		32,994	
Food Supplies		131	
Instructional Supplies and Materials		67,797	
Textbooks		178,647	
Other Supplies and Materials		43,993	
Fee Waivers		42,546	
Other Charges		5,929	
Regular Instruction Equipment		119,329	
Total Regular Instruction Program			\$ 8,745,568

Alternative Instruction Program

Teachers	\$	35,113	
Certified Substitute Teachers		200	
Social Security		2,114	
State Retirement		1,931	
Life Insurance		24	
Medical Insurance		3,088	
Unemployment Compensation		29	
Employer Medicare		494	
Instructional Supplies and Materials		160	
Other Supplies and Materials		52	
Total Alternative Instruction Program			43,205

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	827,046	
Career Ladder Program		16,200	
Career Ladder Extended Contracts		2,000	
Homebound Teachers		21,776	
Other Salaries & Wages		44,312	
Certified Substitute Teachers		325	
Social Security		52,797	
State Retirement		48,492	
Life Insurance		528	
Medical Insurance		80,922	
Unemployment Compensation		723	
Employer Medicare		12,348	
Contracts with Private Agencies		550	
Instructional Supplies and Materials		3,375	
Other Supplies and Materials		589	
Special Education Equipment		1,000	
Total Special Education Program			\$ 1,112,983

Vocational Education Program

Teachers	\$	622,384	
Career Ladder Program		13,750	
Certified Substitute Teachers		1,610	
Social Security		37,197	
State Retirement		34,987	
Life Insurance		414	
Medical Insurance		64,039	
Unemployment Compensation		461	
Employer Medicare		8,699	
Other Contracted Services		43,939	
Instructional Supplies and Materials		8,854	
Textbooks		1,403	
Other Supplies and Materials		389	
Vocational Instruction Equipment		196	
Total Vocational Education Program			838,322

Adult Education Program

Teachers	\$	33,223
Career Ladder Extended Contracts		3,000
Other Salaries & Wages		21,285

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Social Security	\$	3,369	
State Retirement		2,689	
Life Insurance		12	
Medical Insurance		5,450	
Unemployment Compensation		67	
Employer Medicare		804	
Other Fringe Benefits		434	
Other Contracted Services		92	
Instructional Supplies and Materials		4,797	
Total Adult Education Program			\$ 75,222

Support Services

Attendance

Supervisor/Director	\$	57,394	
Career Ladder Program		3,000	
Social Security		3,678	
State Retirement		3,322	
Life Insurance		24	
Medical Insurance		2,827	
Unemployment Compensation		28	
Employer Medicare		860	
Travel		863	
Other Supplies and Materials		116	
Total Attendance			72,112

Health Services

Medical Personnel	\$	32,419	
Social Security		1,860	
State Retirement		1,340	
Life Insurance		24	
Medical Insurance		4,322	
Unemployment Compensation		30	
Employer Medicare		435	
Travel		948	
Health Equipment		2,242	
Total Health Services			43,620

Other Student Support

Career Ladder Program	\$	8,500	
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(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Guidance Personnel	\$	241,170	
Career Ladder Extended Contracts		1,500	
Social Security		16,177	
State Retirement		14,956	
Life Insurance		168	
Medical Insurance		19,527	
Unemployment Compensation		190	
Employer Medicare		3,808	
Evaluation and Testing		2,610	
Other Supplies and Materials		270	
Total Other Student Support			\$ 308,876

Regular Instruction Program

Supervisor/Director	\$	60,860	
Career Ladder Program		13,500	
Career Ladder Extended Contracts		14,000	
Librarians		186,508	
Instructional Computer Personnel		29,053	
Clerical Personnel		12,165	
Other Salaries & Wages		53,155	
Social Security		21,283	
State Retirement		20,051	
Life Insurance		174	
Medical Insurance		28,768	
Unemployment Compensation		183	
Employer Medicare		4,999	
Maintenance & Repair Services- Equipment		161	
Travel		4,644	
Other Contracted Services		5,956	
Library Books/Media		3,464	
Other Supplies and Materials		2,123	
In Service/Staff Development		6,688	
Other Equipment		5,692	
Total Regular Instruction Program			473,427

Special Education Program

Supervisor/Director	\$	53,035
Career Ladder Program		4,000
Psychological Personnel		43,491

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Career Ladder Extended Contracts	\$	4,000	
Clerical Personnel		12,165	
Social Security		6,875	
State Retirement		6,261	
Life Insurance		48	
Medical Insurance		7,987	
Unemployment Compensation		70	
Employer Medicare		1,608	
Travel		2,345	
Other Supplies and Materials		58	
Other Charges		101	
Total Special Education Program			\$ 142,044

Vocational Education Program

Supervisor/Director	\$	57,734	
Career Ladder Program		1,000	
Social Security		3,356	
State Retirement		3,230	
Life Insurance		24	
Medical Insurance		5,954	
Unemployment Compensation		28	
Employer Medicare		785	
In Service/Staff Development		120	
Total Vocational Education Program			72,231

Adult Programs

Supervisor/Director	\$	49,216	
Career Ladder Program		1,000	
Secretary(s)		1,770	
Clerical Personnel		15,904	
Social Security		3,907	
State Retirement		3,506	
Life Insurance		24	
Medical Insurance		5,601	
Unemployment Compensation		53	
Employer Medicare		914	
Travel		1,904	
In Service/Staff Development		1,252	
Other Charges		31	
Total Adult Programs			85,082

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Secretary to Board	\$	1,540	
Board and Committee Members Fees		24,580	
Social Security		1,336	
State Retirement		898	
Unemployment Compensation		1	
Employer Medicare		375	
Audit Services		5,000	
Communication		152	
Legal Services		1,350	
Travel		2,573	
Remittance of Revenue Collected		69	
Other Contracted Services		2,250	
Liability Insurance		13,500	
Premiums on Corporate Surety Bonds		50	
Trustee's Commission		83,225	
Workers' Compensation Insurance		147,732	
Other Charges		849	
Total Board of Education			\$ 285,480

Director of Schools

County Official/Administrative Officer	\$	75,000	
Career Ladder Program		1,000	
Social Security		4,712	
State Retirement		4,180	
Life Insurance		24	
Medical Insurance		3,075	
Unemployment Compensation		28	
Employer Medicare		1,102	
Communication		9,676	
Dues and Memberships		8,779	
Postal Charges		3,716	
Travel		2,065	
Office Supplies		299	
Other Supplies and Materials		316	
Other Charges		613	
Total Director of Schools			114,585

Office of the Principal

Principals	\$	403,884	
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(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Program	\$	12,000	
Assistant Principals		88,545	
Secretary(s)		387,395	
Other Salaries & Wages		168	
Social Security		48,146	
State Retirement		41,602	
Life Insurance		228	
Medical Insurance		74,359	
Unemployment Compensation		957	
Employer Medicare		11,907	
Other Fringe Benefits		328	
Communication		31,794	
Maintenance & Repair Services- Equipment		95	
Matching Share		22,298	
Travel		16,857	
Other Contracted Services		4,672	
Other Supplies and Materials		2,329	
In Service/Staff Development		1,934	
Administration Equipment		11,484	
Total Office of the Principal			\$ 1,160,982

Fiscal Services

Accountants/Bookkeepers	\$	115,149	
Secretary(s)		49,419	
Other Salaries & Wages		23,007	
Social Security		11,473	
State Retirement		7,905	
Medical Insurance		10,933	
Unemployment Compensation		167	
Employer Medicare		2,683	
Other Fringe Benefits		194	
Maintenance & Repair Services- Equipment		272	
Travel		1,110	
Other Contracted Services		3,075	
Data Processing Supplies		3,605	
Office Supplies		1,289	
Other Supplies and Materials		515	
Administration Equipment		62	
Total Fiscal Services			230,858

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	496,922	
Social Security		29,633	
State Retirement		18,960	
Medical Insurance		47,884	
Unemployment Compensation		988	
Employer Medicare		6,930	
Communication		851	
Maintenance & Repair Services- Equipment		2,214	
Pest Control		9,825	
Other Contracted Services		48,015	
Custodial Supplies		48,038	
Electricity		546,354	
Natural Gas		112,023	
Propane Gas		77,696	
Water and Sewer		40,509	
Chemicals		8,140	
Other Supplies and Materials		7,576	
Boiler Insurance		4,400	
Building and Contents Insurance		42,822	
Other Charges		225	
Plant Operation Equipment		1,938	
Total Operation of Plant			\$ 1,551,943

Maintenance of Plant

Maintenance Personnel	\$	113,875
Social Security		6,886
State Retirement		4,349
Medical Insurance		12,300
Unemployment Compensation		122
Employer Medicare		1,611
Communication		2,117
Maintenance & Repair Services- Buildings		286
Maintenance & Repair Services- Equipment		3,988
Maintenance & Repair Services- Vehicles		369
Rentals		3,826
Tow-in Services		50
Other Contracted Services		7,660
Crushed Stone		181
Custodial Supplies		7

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Equipment Parts - Light	\$	24,182	
Equipment and Machinery Parts		3,035	
General Construction Materials		6,245	
Small Tools		9,914	
Uniforms		1,422	
Other Supplies and Materials		11,529	
Vehicle and Equipment Insurance		2,920	
Other Charges		69	
Maintenance Equipment		22,022	
Plant Operation Equipment		1,484	
Total Maintenance of Plant			\$ 240,449

Transportation

Supervisor/Director	\$	43,757
Mechanic(s)		62,571
Bus Drivers		399,110
Social Security		30,932
State Retirement		10,637
Life Insurance		24
Medical Insurance		5,507
Unemployment Compensation		1,196
Employer Medicare		7,316
Communication		1,115
Maintenance & Repair Services- Equipment		868
Maintenance & Repair Services- Vehicles		2,901
Medical and Dental Services		1,128
Tow-in Services		2,092
Other Contracted Services		656
Custodial Supplies		65
Diesel Fuel		111,428
Garage Supplies		2,773
Gasoline		7,469
Lubricants		3,969
Small Tools		1,994
Tires and Tubes		12,229
Uniforms		1,080
Vehicle Parts		20,566
Other Supplies and Materials		72
Vehicle and Equipment Insurance		62,000

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Charges	\$ 3,425	
Transportation Equipment	69,219	
Total Transportation		\$ 866,099

Operation of Non-Instructional Services

Food Service

Administration Equipment	\$ 1,217	
Total Food Service		1,217

Community Services

Supervisor/Director	\$ 18,398	
Teachers	33,172	
Educational Assistants	57,567	
Certified Substitute Teachers	625	
Social Security	5,404	
State Retirement	4,365	
Life Insurance	36	
Medical Insurance	8,445	
Unemployment Compensation	156	
Employer Medicare	1,461	
Communication	9	
Travel	90	
Other Contracted Services	70	
Food Supplies	3,537	
Other Supplies and Materials	2,618	
Regular Instruction Equipment	1,308	
Total Community Services		137,261

Capital Outlay

Regular Capital Outlay

Architects	\$ 17,279	
Building Improvements	524,232	
Site Development	180,874	
Total Regular Capital Outlay		722,385

Principal

Education

Principal on Capitalized Leases	\$ 11,171	
Total Education		11,171

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Interest

Education

Interest on Capitalized Leases	\$ 6,034	
Total Education		\$ 6,034

Total General Purpose School Fund \$ 17,341,156

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 474,196	
Educational Assistants	90,386	
Other Salaries & Wages	8,640	
Certified Substitute Teachers	850	
Social Security	32,736	
State Retirement	30,602	
Life Insurance	296	
Medical Insurance	67,827	
Unemployment Compensation	624	
Employer Medicare	7,652	
Other Fringe Benefits	2,874	
Contracts with Other Public Agencies	2,125	
Other Contracted Services	3,140	
Instructional Supplies and Materials	12,862	
Total Regular Instruction Program		\$ 734,810

Special Education Program

Teachers	\$ 94,291
Educational Assistants	277,340
Certified Substitute Teachers	8,930
Social Security	22,918
State Retirement	16,312
Life Insurance	48
Medical Insurance	32,281
Unemployment Compensation	763
Employer Medicare	5,297
Other Fringe Benefits	3,617
Contracts with Private Agencies	23,250
Maintenance & Repair Services- Equipment	234
Instructional Supplies and Materials	7,514
Other Charges	2,596

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Special Education Equipment	\$ 13,395	
Total Special Education Program		\$ 508,786

Vocational Education Program

Teachers	\$ 12,232	
Social Security	713	
State Retirement	633	
Employer Medicare	167	
Other Fringe Benefits	69	
Travel	6,975	
Instructional Supplies and Materials	9,381	
Other Supplies and Materials	8,500	
In Service/Staff Development	6,380	
Other Charges	100	
Vocational Instruction Equipment	46,037	
Total Vocational Education Program		91,187

Support Services

Health Services

Medical Personnel	\$ 16,425	
Social Security	575	
State Retirement	676	
Medical Insurance	3,280	
Unemployment Compensation	29	
Employer Medicare	135	
Other Fringe Benefits	92	
Travel	1,143	
Drugs and Medical Supplies	557	
Total Health Services		22,912

Other Student Support

Guidance Personnel	\$ 129,001
Psychological Personnel	37,743
Attendants	18,431
Other Salaries & Wages	30,953
Social Security	3,520
State Retirement	7,570
Life Insurance	67
Medical Insurance	12,849

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Unemployment Compensation	\$	210	
Employer Medicare		1,147	
Other Fringe Benefits		999	
Evaluation and Testing		11,345	
Travel		7,815	
Other Supplies and Materials		5,627	
In Service/Staff Development		5,519	
Other Charges		7,583	
Other Equipment		600	
Total Other Student Support			\$ 280,979

Regular Instruction Program

Supervisor/Director	\$	30,867	
Librarians		48,296	
In-Service Training		2,139	
Social Security		11,287	
State Retirement		4,655	
Life Insurance		42	
Medical Insurance		7,918	
Unemployment Compensation		131	
Employer Medicare		2,656	
Other Fringe Benefits		391	
Consultants		2,000	
Travel		4,139	
Library Books/Media		10,844	
Other Supplies and Materials		5,058	
In Service/Staff Development		45,349	
Other Equipment		10,420	
Total Regular Instruction Program			186,192

Special Education Program

Supervisor/Director	\$	4,779	
Social Security		296	
State Retirement		263	
Life Insurance		2	
Employer Medicare		69	
Travel		15,789	
In Service/Staff Development		8,091	
Total Special Education Program			29,289

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Travel	\$ 3,400	
Total Vocational Education Program		\$ 3,400

Maintenance of Plant

Maintenance & Repair Services- Equipment	\$ 450	
Total Maintenance of Plant		450

Transportation

Bus Drivers	\$ 11,425	
Social Security	684	
State Retirement	433	
Unemployment Compensation	14	
Employer Medicare	160	
Other Fringe Benefits	614	
Contracts with Parents	6,066	
Total Transportation		<u>19,396</u>

Total School Federal Projects Fund		\$ 1,877,401
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 27,159	
Clerical Personnel	28,129	
Cafeteria Personnel	519,208	
Temporary Personnel	37,714	
Other Salaries & Wages	12,730	
Social Security	35,296	
State Retirement	19,873	
Medical Insurance	56,501	
Unemployment Compensation	1,607	
Employer Medicare	8,604	
Other Fringe Benefits	17,984	
Maintenance & Repair Services- Equipment	1,546	
Travel	2,006	
Other Contracted Services	10,764	
Food Supplies	516,137	
Other Supplies and Materials	37,236	
In Service/Staff Development	1,126	
Total Food Service		\$ 1,333,620

(Continued)

Exhibit F-6

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Supervisor/Director	\$	4,252	
Cafeteria Personnel		13,448	
Social Security		1,128	
State Retirement		684	
Unemployment Compensation		11	
Employer Medicare		264	
Other Fringe Benefits		3,684	
Travel		1,578	
Other Contracted Services		952	
Food Supplies		17,195	
Other Supplies and Materials		6,808	
Total Community Services			\$ 50,004

Total Central Cafeteria Fund \$ 1,383,624

Education Debt Service Fund

Principal

Education

Principal on Bonds	\$	360,000	
Principal on Other Loans Payable		20,000	
Total Education			\$ 380,000

Interest

Education

Interest on Bonds	\$	378,778	
Interest on Other Loans Payable		105,450	
Total Education			484,228

Other Debt Service

Education

Trustee's Commission	\$	79	
Other Debt Service		250	
Total Education			329

Total Education Debt Service Fund 864,557

(Continued)

Exhibit F-6

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Architects	\$ 25,802	
Trustee's Commission	5	
Building Construction	29,783	
Building Improvements	8,158	
Total Education Capital Projects	<u>63,748</u>	\$ <u>63,748</u>
Total Education Capital Projects Fund		\$ <u>63,748</u>
Total Governmental Funds - Overton County School Department		\$ <u>21,530,486</u>

SINGLE AUDIT REPORT
OVERTON COUNTY, TENNESSEE
AND
OVERTON COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

JIMMY HODGES
KELLEY J. McNEAL, CPA, CGFM
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

August 19, 2005

Overton County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Overton 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 Overton County, Tennessee, and the Overton County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Overton County's and the Overton County School Department's basic financial statements and have issued our reports thereon dated August 19, 2005. Our reports on the financial statements of Overton County, Tennessee, and the Overton County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Overton County's and the Overton 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 Overton County's and the Overton County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03(B), 05.05, 05.06, 05.07, 05.08(B), 05.11, and 05.13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.03(B), 05.05(A), and 05.06 to be material weaknesses.

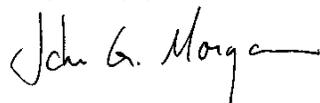
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Overton County's and the Overton 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 are described in the accompanying Schedule of Findings and Questioned Costs as item 05.01, 05.02, 05.03(A), 05.04, 05.08(A), 05.09, 05.10, and 05.12.

We also noted certain matters that we reported to the management of Overton County and the Overton 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 is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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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

August 19, 2005

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

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

Compliance

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

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

Internal Control Over Compliance

The management of Overton County and the Overton 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 Overton County's and the Overton County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Overton County, Tennessee, and the Overton County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 19, 2005. Our reports on the financial statements of Overton County and the Overton 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 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/sb

Overton County, Tennessee, and the Overton 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	\$ 84,123
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 249,277
National School Lunch Program	10.555	N/A	605,954
Total Passed-through State Department of Education			<u>\$ 855,231</u>
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	\$ 6,664
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	N/A	15,038
Total Passed-through State Department of Human Services			<u>\$ 21,702</u>
Total U.S. Department of Agriculture			<u>\$ 961,056</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/Small Cities Program	14.219	GG-05-11497-00	\$ 282,500
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-56	104,808
Total U.S. Department of Housing and Urban Development			<u>\$ 387,308</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 17,000
Passed-through State Department of Labor and Workforce Development:			
WIA Incentive Grants_Section 503 Grants to States	17.267	Z-01-05650-01	2,905
Total U.S. Department of Labor			<u>\$ 19,905</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	GG-05-11240-01	\$ 30,000 (5)
Title I Grants to Local Educational Agencies	84.010	N/A	768,641
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	739,055
Special Education - Preschool Grants	84.173	N/A	22,710
Vocational Education - Basic Grants to States	84.048	N/A	94,594
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	22,612
Twenty-First Century Community Learning Centers	84.287	Z-05-021734-00	52,506 (3)
Twenty-First Century Community Learning Centers	84.287	Z-05-021735-00	30,828 (3)
Innovative Education Program Strategies	84.298	N/A	17,104
Education Technology State Grants	84.318	N/A	12,811 (4)
Education Technology State Grants	84.318	N/A	42,826 (4)
Education Technology State Grants	84.318	N/A	35,984 (4)
Rural Education	84.358	N/A	23,700
Improving Teacher Quality State Grants	84.367	N/A	173,255
Passed-through State Department of Education			<u>\$ 2,066,626</u>
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-04-016698-00	\$ 6,450 (5)
Adult Education - State Grant Program	84.002	Z-05-022252-00	73,555 (5)
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	61,564
Total Passed-through State Department of Labor and Workforce Development			<u>\$ 141,569</u>
Total U.S. Department of Education			<u>\$ 2,208,195</u>

(Continued)

Overton County, Tennessee, and the Overton County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
State Rural Hospital Flexibility Program	93.241	GG-05-11672-00	\$ 24,200
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	(2)	15,790
Total U.S. Department of Health and Human Services			<u>\$ 39,990</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-014464-00	\$ 4,389
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020133-00	60,341
Total U.S. Department of Homeland Security			<u>\$ 64,730</u>
Total Expenditures of Federal Awards			<u>\$ 3,681,184</u>
<u>State Grants</u>			
Adult Basic Education - State Department of Education	N/A	(2)	\$ 21,267
Very Special Arts Day - State Arts Commission	N/A	(2)	2,000
Litter Program - State Department of Transportation	N/A	(2)	42,301
Safe Schools Act - State Department of Education	N/A	(2)	20,426
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	8,093
Early Periodic Screening Diagnosis and Treatment Outreach - State Department of Health	N/A	Z-05-020584-00	1,200
Temporary Assistance for Needy Families - State Department of Labor and Workforce Development	N/A	(2)	7,431
Youth Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Waste Reduction Grant - State Department of Environment and Conservation	N/A	Z-04-018142-00	138,373
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	14,920
Total State Grants			<u>\$ 265,011</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total Twenty-First Century Learning Centers (CFDA No. 84.287) from the U.S. Department on Education was \$83,334.
- (4) Total Education Technology State Grants (CFDA No. 84.318) from the U.S. Department on Education was \$91,621.
- (5) Total Adult Education - State Grant Programs (CFDA No. 84.002) from the U.S. Department on Education was \$110,005.

Overton County, Tennessee, and the Overton County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

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

OVERTON COUNTY MAYOR AND OVERTON COUNTY SCHOOL DEPARTMENT

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

OFFICE OF COUNTY MAYOR/DIRECTOR OF ACCOUNTS AND BUDGETS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02(A)	13	Purchase orders were not issued in some required instances
04.02(B)	13	Purchase orders were issued without the signature of the county's purchasing agent

OFFICE OF COUNTY CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.08	17	Funds were not deposited intact within three days of collection

OFFICE OF GENERAL SESSIONS COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.09	17	Receipts were not issued for traffic-school payments

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.11	18	Funds were not deposited within three days of collection
04.12	18	Commissary account transactions were not maintained on the cash journal
04.13	18	The office did not document confidential drug fund expenditures in compliance with state guidelines

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.14	19	Duties were not segregated adequately in the Offices of County Mayor, Director of Accounts and Budgets, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

**OVERTON COUNTY, TENNESSEE, AND THE
OVERTON 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 Overton County and the Overton County School Department.
2. The audit of the financial statements of Overton County and the Overton County School Department disclosed reportable conditions in internal control. Three of these conditions were also considered to be material weaknesses, two in Overton County and one in the Overton County School Department.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Overton County and one instance of noncompliance that was material to the financial statements of the Overton 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, the National School Lunch Program, and the Summer Food Service Program (CFDA Nos. 10.553, 10.555, and 10.559); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education - Grants to States and the Special Education - Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Overton County and the Overton 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 county mayor 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.

OVERTON COUNTY AND OVERTON 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)

Overton County and the Overton County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Overton County and the Overton 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, Overton County’s and the Overton 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. Overton County’s and the Overton County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Overton County and the Overton 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 cost of their capital assets and the related depreciation amounts of these assets. This information is necessary to present their financial statements in accordance with generally accepted accounting principles.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We concur. During the 2004-05 year, Overton County began the process of implementing the provisions of GASB Statement No. 34. At the January 10, 2005, commission meeting,

the County Commission adopted a capitalization policy that included defining terms, inventorying methods, recording threshold amounts for capital assets and infrastructure, and determining useful lives and depreciation methods for various classes of capital assets and infrastructure. As of June 30, 2005, we have identified and valued approximately 95 percent of our capital assets. We have established useful lives, salvage values, and depreciation schedules for some capital assets; however, we are still in the process of establishing useful lives, salvage values, and depreciation schedules for our infrastructure. We plan to be in compliance with GASB Statement No. 34 by June 30, 2006.

OFFICES OF COUNTY MAYOR/DIRECTOR OF ACCOUNTS AND BUDGETS

FINDING 05.02 **DEFICIENCIES WERE NOTED IN THE COUNTY'S PURCHASING PROCEDURES (Noncompliance Under Government Auditing Standards)**

Overton County's purchasing procedures are governed by the County Purchasing Law of 1957, Section 5-14-101, et seq., Tennessee Code Annotated (TCA). Purchasing procedures in the Highway Department are also governed by Section 54-7-113, TCA. In Overton County, the county mayor serves as the purchasing agent. Our audit revealed the following deficiencies in the county's purchasing procedures:

- A. Purchase orders were not issued in some required instances. Section 5-14-109, TCA, requires certification by the director of accounts and budgets that the unencumbered balance in the appropriation to be charged with the expenditure is sufficient to defray the cost of the purchase.
- B. In a few instances, purchase orders were issued without the signature of the county's purchasing agent. Section 5-14-111, TCA, requires the purchasing agent to sign all approved purchase orders.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases and signed by the county's purchasing agent.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. We are continuing our effort to increase control over our purchasing procedures. The director of accounts and budgets and the county mayor have taken steps to notify vendors, county officials, and department heads of the need to obtain properly completed purchase orders before the commitment to purchase is made.

FINDING 05.03

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(A. Material Noncompliance Under Government Auditing Standards;
B. Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. Expenditures exceeded appropriations approved by the County Commission in the following funds' major appropriation categories:

<u>Fund/Major Category</u>	<u>Amount</u>
General Fund:	
County Trustee's Office	\$ 3,204
Sheriff's Department	13,605
Solid Waste/Sanitation Fund:	
Transfer Stations	48,574
Highway/Public Works Fund:	
Employee Benefits	19,891

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 the county governments shall be appropriated by the county legislative bodies."

- B. The Highway/Public Works Fund's actual fund balance at July 1, 2004, was \$451,808; however, the estimated fund balance reflected in the Highway Department's budget at July 1, 2004, was \$201,125. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by \$250,683.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. Also, 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 – COUNTY MAYOR

We concur. We will strive to make better estimates for budget purposes for future budgets.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 05.04 A COMPLETE LIST OF COUNTY ROADS WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL
(Noncompliance Under Government Auditing Standards)

A complete list of all county roads was not submitted to the County Commission for approval. Instead, the highway superintendent only submitted a list of roads with changes to the county road list. Section 54-10-103, Tennessee Code Annotated, requires the highway superintendent to submit a list of county roads to the County Commission for approval at the January session each year. This list must include the classification, width, distance of each county road maintained, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department officials need a current, approved list of county roads to determine which roads the department is authorized to work.

RECOMMENDATION

The highway superintendent should submit to the County Commission a list of county roads that includes the classification, width, and distance of each road, and a summary of changes, as required by state statute.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We concur. After we finish the process of complying with provisions of GASB Statement No. 34 noted in Finding 05.01, we will take the useful lives, salvage values, and depreciation schedules developed for our infrastructure and develop a current road list for approval by the County Commission.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.05 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(A. Internal Control – Material Weakness Under Government Auditing Standards; B. Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. The General Purpose School Fund’s actual fund balance and reserves at July 1, 2004, was \$1,293,274; however, the estimated fund balance and reserves in the School Department’s budget at July 1, 2004, was \$3,634,555. Therefore, the actual fund balance and reserves were \$2,341,281 less than the estimated fund balance and reserves presented to the County Commission.

- B. The School Department's budget certified to the Tennessee Department of Education did not agree with the budget approved by the County Commission and certified to the state director of Local Finance.

RECOMMENDATION

The estimated beginning fund balance and reserves should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. Also, the budget certified to the Tennessee Department of Education and state director of Local Finance should agree with the budget approved by the County Commission.

OFFICE OF COUNTY CLERK

FINDING 05.06 **COUNTY CLERK FUNDS TOTALING \$6,489.10 WERE STOLEN**
(Internal Control – Material Weakness Under Government Auditing Standards)

On January 5, 2005, county officials discovered that a break-in had occurred in the County Clerk's Office, and funds totaling \$6,364.10 had been stolen. Law enforcement officials recovered checks totaling \$678.75, which were returned to the clerk's office. Of the remaining amount, \$5,185.35 was paid by the county's insurance carrier, and the remaining \$500 deductible was paid by the county's General Fund. On June 3, 2005, a second break-in occurred, and funds totaling \$125 had been stolen. The county clerk reimbursed the office \$125 for the stolen funds. The county clerk's office did not have adequate safeguards to protect collections left in the office overnight.

RECOMMENDATION

Collections of the office should be safeguarded at all times. All cash on hand should be secured in a safe or placed in a night depository for safekeeping.

FINDING 05.07 **THE COUNTY COMMISSION MINUTES WERE NOT PROPERLY MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

We noted the following deficiencies in the maintenance of the County Commission minutes:

- A. The official minutes maintained by the county clerk were routinely prepared by employees of the County Mayor's Office using notes from the meetings taken by the county clerk and county mayor. These minutes did not include the necessary information to accurately describe the actions of the County Commission. We noted several instances where copies of resolutions adopted by the County Commission were not included in the minutes. Also, several pages of the adopted budget resolution were not included in the minute book, and the pages included were out-of-sequence. The minutes are the official record of the County Commission and should accurately reflect the actions of

the commission. Section 18-6-104, Tennessee Code Annotated, provides that the county clerk serve as the clerk of the county legislative body; therefore, the county clerk is responsible for the preparation, accuracy, and proper maintenance of the minutes.

- B. The county clerk certified the School Department's budget to the Tennessee Department of Education; however, the budget he certified to state education officials did not agree with the budget approved by the County Commission and certified to the state director of Local Finance. By certifying the budget submitted to the various state agencies, the clerk assures that the budget certified is the budget approved by the County Commission.

RECOMMENDATION

The county clerk should ensure that the commission's minutes provide a clear, accurate, and complete description of the actions of the County Commission. Furthermore, the clerk should certify to the various state agencies the budget approved by the County Commission.

FINDING 05.08

COLLECTIONS WERE NOT DEPOSITED PROPERLY

- (A. Noncompliance Under Government Auditing Standards;
- B. Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of collections and deposits noted the following deficiencies:

- A. The county clerk did not deposit collections to the office bank account within three days of collection, as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection.
- B. The county clerk did not deposit collections intact; i.e., funds collected during a specific period of time were not deposited together. Also, the clerk did not maintain a set amount of cash on hand, but deposited collections randomly. Because the clerk used this method of depositing collections, we could not trace specific collections to specific deposits.

RECOMMENDATION

To strengthen internal controls over cash collections and deposits, the county clerk should deposit all funds intact within three days of collection.

OFFICE OF GENERAL SESSIONS COURT CLERK

FINDING 05.09 RECEIPTS WERE NOT ISSUED FOR TRAFFIC-SCHOOL PAYMENTS
(Noncompliance Under Government Auditing Standards)

Receipts were not issued for collections received from individuals attending the county's traffic school. The traffic school was conducted at the courthouse after normal business hours, and office employees collected payments at the time the class was conducted. On the day following the class, payments were receipted in General Sessions Court on a single receipt for the total amount collected. Section 9-2-103, Tennessee Code Annotated, requires that receipts be issued for all collections as they are received.

RECOMMENDATION

Individual receipts should be issued for all traffic-school collections when the payments are received, as required by state statute.

OFFICE OF SHERIFF

FINDING 05.10 FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

Funds should be deposited to the office bank account within three days of collection, as required by state statute.

FINDING 05.11 DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF THE COMMISSARY RECORDS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Sheriff's Department uses a computerized record maintenance system to account for inmate commissary receipts, disbursements, and balances.

The following deficiencies were noted in the maintenance of the commissary records:

- A. The commissary bank balance at June 30, 2005, did not reconcile with the inmate accounts trial balance computer generated report by \$9,968. Therefore, we were not able to determine if the records accurately reflected the operations of the commissary.

- B. We noted several voided commissary receipts without original receipts attached. Therefore, we were unable to determine if collections were actually received for these receipts.
- C. Although the office maintained accounting records for commissary funds, commissary transactions were not reflected on the cash journal. The cash journal is the office's cash control record and should reflect all financial activity.

RECOMMENDATION

The inmate commissary trial balance should be reconciled with the bank account monthly. All voided receipts should have the original receipt attached. Also, all office accounting transactions should be reflected on the cash journal.

FINDING 05.12 **THE OFFICE DID NOT DOCUMENT CONFIDENTIAL DRUG FUND EXPENDITURES IN COMPLIANCE WITH STATE GUIDELINES**
(Noncompliance Under Government Auditing Standards)

Several forms and reports required by the Office of the Comptroller of the Treasury to account for drug control funds were not completed. These forms and reports are necessary to document the administration of confidential drug funds and to account for cash transactions related to undercover investigative operations.

RECOMMENDATION

The sheriff should ensure that the office completes all forms and reports required by the Office of the Comptroller of the Treasury.

OTHER FINDING

FINDING 05.13 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, DIRECTOR OF ACCOUNTS AND BUDGETS, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Mayor, Director of Accounts and Budgets, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the

accounting records in these offices 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.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur.

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

There were no findings and questioned costs for federal awards.

**OVERTON COUNTY, TENNESSEE, AND THE
OVERTON 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.