

**ANNUAL FINANCIAL REPORT  
OF  
PERRY COUNTY, TENNESSEE  
AND  
PERRY COUNTY SCHOOL DEPARTMENT**

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**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**  
**PERRY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# PERRY COUNTY, TENNESSEE

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# ***Audit Highlights***

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

## ***Results***

Our report on Perry 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 21 findings and recommendations, which we have reviewed with Perry County management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **PERRY COUNTY**

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

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### **OFFICE OF COUNTY MAYOR**

- ◆ In numerous instances, purchase orders were not issued for applicable purchases, invoices were paid without documentation that goods had been received or services had been rendered, invoices were not cancelled or marked paid, and several expenditures were coded to expenditure accounts that did not reflect the true nature of the expenditures.
  - ◆ General Fund expenditures exceeded appropriations in one major category, and the General Debt Service Fund's actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget process by a material amount.
-

## **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ Purchase orders were not issued for some applicable purchases.
  - ◆ Employee time cards were not signed by a supervisor as evidence of supervisory review and approval.
  - ◆ The Highway/Public Works Fund's actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget process by a material amount.
  - ◆ The department did not reconcile fuel usage with fuel purchases.
- 

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

### General Sessions Clerk:

- ◆ General Sessions Court funds were not deposited within three days of collection as required by state statute. Computer generated receipts were not dated correctly, several manually written receipts were not posted to the computerized accounting system, and cash on hand at a cash count was incorrect.
- ◆ Court abstracts were not forwarded to the Department of Safety for two offenses.
- ◆ Certain cases involving worthless checks were not administered in compliance with state statutes.
- ◆ The clerk did not collect and/or remit the proper fees on expungement orders.
- ◆ The office had deficiencies related to dismissed cases.
- ◆ The office did not prepare an execution docket trial balance as required by state statute.

### Circuit Clerk:

- ◆ The clerk did not post short-term account activity to the cash journal.
- 

## **OFFICE OF SHERIFF**

- ◆ The Sheriff's Department did not properly identify, maintain, and secure inmates' personal property.
  - ◆ The sheriff did not properly secure cash bond receipts overnight and on weekends.
  - ◆ An oral contract for telephone equipment and service was not approved by the County Commission.
  - ◆ Employee time sheets were not signed by supervisors as evidence of supervisory review and approval.
-

## **OTHER FINDINGS**

- ◆ The required amount of local option sales tax revenue was not expended for education purposes as required by state statute.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

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# INTRODUCTORY SECTION

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Perry County Officials  
June 30, 2005

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Officials:

Benjamin Howard, County Mayor  
Billy Horner, Highway Superintendent  
George Duncan, Trustee  
Garry Horner, Assessor of Property  
Jane Lewis, County Clerk  
Robert O'Guin, Circuit and General Sessions Courts Clerk  
Joyce Marshall, Clerk and Master  
Patricia Bell, Register  
Jerry Blakemore, Sheriff

Board of County Commissioners:

Benjamin Howard, Chairman	
Chris Coble	Dennis Long
Lannie Dedrick	John Carroll
Ben Carroll	Eddie Ledbetter
Gary Rogers	James Hinson
Austin Pevahouse	Johnny Ward
J. R. Warren	John Skelton

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## FINANCIAL SECTION

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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**

**INDEPENDENT AUDITOR'S REPORT**

December 16, 2005

Perry County Mayor and  
Board of County Commissioners  
Perry 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 Perry County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 34, 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 Perry County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities 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, Perry 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 Perry 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 Perry County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2005, on our consideration of Perry 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., Perry 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 37 through 43 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 Perry 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/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 440	\$ 440
Equity in Pooled Cash and Investments	334,052	64,972	1,910,700	2,113,871	207,069	122,698	4,753,362
Accounts Receivable	4,489	4,375	5	0	0	72	8,941
Due from Other Governments	148,499	0	274,205	57,963	0	0	480,667
Due from Other Funds	512	0	0	19,418	0	0	19,930
Other Loan Proceeds Receivable	0	0	0	0	30,000	0	30,000
Property Taxes Receivable	1,565,366	347,211	0	5,370	0	0	1,917,947
Allowance for Uncollectible Property Taxes	(52,962)	(11,202)	0	(1,588)	0	0	(65,752)
Notes Receivable - Current	4,223	0	0	0	0	0	4,223
Total Assets	\$ 2,004,179	\$ 405,356	\$ 2,184,910	\$ 2,195,034	\$ 237,069	\$ 123,210	\$ 7,149,758
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 60,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,123
Contracts Payable	0	0	0	0	450	0	450
Retainage Payable	0	0	0	0	151,323	0	151,323
Due to Other Funds	19,418	0	0	0	0	512	19,930
Due to State of Tennessee	14,160	0	0	0	0	0	14,160
Deferred Revenue - Current Property Taxes	1,457,091	325,136	0	0	0	0	1,782,227
Deferred Revenue - Delinquent Property Taxes	50,677	9,961	0	3,463	0	0	64,101
Other Deferred Revenues	41,639	750	132,620	43,895	0	0	218,904
Total Liabilities	\$ 1,643,108	\$ 335,847	\$ 132,620	\$ 47,358	\$ 151,773	\$ 512	\$ 2,311,218
<u>Fund Balances</u>							
Reserved for Alcohol and Drug Treatment	\$ 14,462	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,462
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	35,845	35,845
Reserved for Drug Court	1,463	0	0	0	0	0	1,463
Reserved for Sexual Offender Registration	240	0	0	0	0	0	240
Reserved for Computer System - Register	9,799	0	0	0	0	0	9,799
Reserved for Automation Purposes - Circuit Court	0	0	0	0	0	1,937	1,937

(Continued)

Exhibit A

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Reserved for Automation Purposes - Chancery Court	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,144	\$ 1,144
Reserved for Sales Tax - Education	185,454	0	0	0	0	0	185,454
Unreserved, Reported In:							
General Fund	149,653	0	0	0	0	0	149,653
Special Revenue Funds	0	69,509	2,052,290	0	0	83,772	2,205,571
Debt Service Funds	0	0	0	2,147,676	0	0	2,147,676
Capital Projects Funds	0	0	0	0	85,296	0	85,296
Total Fund Balances	<u>\$ 361,071</u>	<u>\$ 69,509</u>	<u>\$ 2,052,290</u>	<u>\$ 2,147,676</u>	<u>\$ 85,296</u>	<u>\$ 122,698</u>	<u>\$ 4,838,540</u>
Total Liabilities and Fund Balances	<u>\$ 2,004,179</u>	<u>\$ 405,356</u>	<u>\$ 2,184,910</u>	<u>\$ 2,195,034</u>	<u>\$ 237,069</u>	<u>\$ 123,210</u>	<u>\$ 7,149,758</u>

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

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 1,812,921	\$ 283,923	\$ 42,001	\$ 269,276	\$ 0	\$ 28,127	\$ 2,436,248
Fines, Forfeitures and Penalties	39,092	0	0	0	0	7,953	47,045
Charges for Current Services	10,561	30,491	0	0	0	0	41,052
Other Local Revenues	210,368	596	339	78,196	2,100	1,040	292,639
Fees Received from County Officials	304,214	0	0	0	0	0	304,214
State of Tennessee	355,750	40,394	1,702,836	13,121	0	0	2,112,101
Federal Government	217,615	0	0	0	93,284	0	310,899
Other Governments and Citizens Groups	106,008	0	0	167,167	0	0	273,175
<b>Total Revenues</b>	<b>\$ 3,056,529</b>	<b>\$ 355,404</b>	<b>\$ 1,745,176</b>	<b>\$ 527,760</b>	<b>\$ 95,384</b>	<b>\$ 37,120</b>	<b>\$ 5,817,373</b>
<u>Expenditures</u>							
Current:							
General Government	\$ 440,644	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,742	\$ 461,386
Finance	290,966	0	0	0	0	0	290,966
Administration of Justice	292,474	0	0	0	0	9,077	301,551
Public Safety	1,010,834	0	0	0	0	7,710	1,018,544
Public Health and Welfare	200,325	372,087	0	0	0	0	572,412
Social, Cultural, and Recreational Services	109,100	0	0	0	0	0	109,100
Agricultural and Natural Resources	58,310	0	0	0	0	0	58,310
Other Operations	74,127	611	0	0	0	242	74,980
Highways	28,377	0	1,346,350	0	0	0	1,374,727
Debt Service:							
Principal	0	0	0	611,350	0	0	611,350
Interest	0	0	0	214,358	0	0	214,358
Other Debt Service	0	0	0	44,821	0	0	44,821
Capital Projects	187,615	0	0	0	2,383,542	0	2,571,157
<b>Total Expenditures</b>	<b>\$ 2,692,772</b>	<b>\$ 372,698</b>	<b>\$ 1,346,350</b>	<b>\$ 870,529</b>	<b>\$ 2,383,542</b>	<b>\$ 37,771</b>	<b>\$ 7,703,662</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 363,757	\$ (17,294)	\$ 398,826	\$ (342,769)	\$ (2,288,158)	\$ (651)	\$ (1,886,289)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 450,000	\$ 0	\$ 450,000
Other Loans Issued	0	0	0	0	1,814,740	0	1,814,740
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,264,740</b>	<b>\$ 0</b>	<b>\$ 2,264,740</b>

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds Other	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Govern- mental Funds	
Net Change in Fund Balances	\$ 363,757	\$ (17,294)	\$ 398,826	\$ (342,769)	\$ (23,418)	\$ (651)	\$ 378,451
Fund Balance, July 1, 2004	(2,686)	86,803	1,653,464	2,490,445	108,714	123,349	4,460,089
Fund Balance, June 30, 2005	\$ 361,071	\$ 69,509	\$ 2,052,290	\$ 2,147,676	\$ 85,296	\$ 122,698	\$ 4,838,540

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 145,030
Due from Other Governments	<u>44,950</u>
Total Assets	<u><u>\$ 189,980</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 44,950
Due to Litigants, Heirs, and Others	<u>145,030</u>
Total Liabilities	<u><u>\$ 189,980</u></u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Perry 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.

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

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

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

**A. Reporting Entity**

Perry County is a public municipal corporation governed by an elected 12-member board. As required by GAAP, these financial statements present Perry County (the primary government).

**Blended Component Units** – There are no legally separate component units of Perry 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 Perry 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 Perry County School Department operates the public school system in the county, and the voters of Perry 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 Perry County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Perry County, and the Perry County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Perry County School Department and the Perry County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. Perry County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Perry County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Perry County Emergency Communications District  
124 North Mill Street  
P.O. Box 724  
Linden, TN 37096

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

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

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. 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. Perry County considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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.

Perry 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.

**Solid Waste/Sanitation Fund** – This fund accounts for transactions of the county’s transfer station and convenience centers.

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

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

**General Capital Projects Fund** – This fund accounts for capital projects of the general government.

Additionally, Perry County reports the following fund type:

**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 Perry 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 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 Perry County and Perry 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 General, General Debt Service, and General Purpose School Funds. Perry County and the Perry 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 at the end of the fiscal year 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 two percent of total taxes levied.

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

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

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

**3. Capital Assets**

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

**4. Compensated Absences**

It is the county's policy to permit employees (excluding the Highway Department, which closes down one week in July and one week in December) to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since Perry County does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**5. Long-term Obligations**

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

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

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The General Fund had a designation of \$7,952 at

June 30, 2005, which represents ten percent of the lease and rental income from the Angelica Building to help defray utility and maintenance costs.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Expenditures Exceeded Appropriations**

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

<u>Fund</u>	<u>Major Category</u>	<u>Amount</u>
General	Jail	\$ 107,479
Solid Waste/Sanitation	Employee Benefits	111
Local Purpose Tax	Chancery Court	2,098

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

**B. Actual Fund Balances Exceeded Estimated Fund Balances By Material Amounts**

The General Debt Service Fund's actual fund balance at July 1, 2004, was \$2,490,445; however, the estimated fund balance reflected in the county's budget was \$1,745,096. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$745,349.

The Highway/Public Works Fund's actual fund balance at July 1, 2004, was \$1,653,464; however, the estimated fund balance reflected in the county's budget was \$1,517,447. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$136,017.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

the balance sheets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets 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 purposes of credit risk disclosure.

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

### **Investments**

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

The county had no pooled and nonpooled investments as of June 30, 2005.

**B. Notes Receivable**

Notes receivable in the General Fund resulted from the financing of a roof replacement project for the county's nursing home leased to Buffalo River Health Care, LLC. The county expects to collect the outstanding balance of \$4,223 within the next fiscal year.

**C. 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	\$ 512
General Debt Service	General	19,418

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.

**D. Long-term Debt**

Since Perry 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 Perry 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. However, the county had no general obligation bonds outstanding as of June 30, 2005. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 12 years for notes and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

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

Type	Interest Rate		Original Amount of Issue	Balance 6-30-05
Capital Outlay Notes	0 to 5.5 %	\$	1,806,000	\$ 836,450
Other Loans	variable		11,276,294	9,664,294

In prior years, Perry County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$5,000,000 and \$2,500,000 to Perry County for various renovation and construction projects. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with the loans. At June 30, 2005, on both loans the variable interest rates were 2.39 percent, and other fees amounted to \$100 per month per loan (trustee fees), approximately .3 percent (letter of credit fees), and .08 percent (remarketing fees) of the outstanding loans principal.

During the 2003-04 year, Perry County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provides for the authority to make \$4,000,000 available for loan to Perry County on an as-needed basis for various renovation and construction projects. Perry County had borrowed \$3,776,294 of the loan at June 30, 2005. The loan is repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2005, the variable interest rate was 2.18 percent, and other fees amounted to \$100 per month (trustee fee), approximately .25 percent (letter of credit fee), and .08 percent (remarketing fee) of the outstanding loan principal.

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

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 174,600	\$ 19,250
2007	179,600	12,843
2008	94,600	6,188
2009	91,400	4,208
2010	90,000	2,229
2011-2015	206,250	0
Total	\$ 836,450	\$ 44,718

Year Ending June 30	Other Loan (\$5,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 215,000	\$ 93,879	\$ 16,126	\$ 325,005
2007	227,000	88,741	15,309	331,050
2008	239,000	83,315	14,447	336,762
2009	252,000	77,603	13,539	343,142
2010	266,000	71,581	12,581	350,162
2011-2015	1,567,000	255,228	46,580	1,868,808
2016-2018	1,162,000	56,523	12,487	1,231,010
Total	\$ 3,928,000	\$ 726,870	\$ 131,069	\$ 4,785,939

Year Ending June 30	Other Loan (\$2,500,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 108,000	\$ 50,596	\$ 9,245	\$ 167,841
2007	113,000	48,015	8,834	169,849
2008	119,000	45,314	8,405	172,719
2009	125,000	42,470	7,953	175,423
2010	131,000	39,483	7,478	177,961
2011-2015	762,000	147,080	29,385	938,465
2016-2019	759,000	46,462	12,086	817,548
Total	\$ 2,117,000	\$ 419,420	\$ 83,386	\$ 2,619,806

Year Ending June 30	Other Loan (\$3,776,296)			
	Principal	Interest	Other Fees	Total
2006	\$ 162,000	\$ 78,901	\$ 13,143	\$ 254,044
2007	167,000	75,369	12,609	254,978
2008	173,000	71,728	12,058	256,786
2009	178,000	67,957	11,487	257,444
2010	183,000	64,077	10,900	257,977
2011-2015	1,006,000	257,926	45,044	1,308,970
2016-2020	1,176,000	141,078	27,356	1,344,434
2021-2023	574,294	20,511	6,705	601,510
<b>Total</b>	<b>\$ 3,619,294</b>	<b>\$ 777,547</b>	<b>\$ 139,302</b>	<b>\$ 4,536,143</b>

There is \$2,147,676 available in the General Debt Service Fund to service long-term debt. Total debt per capita, including notes and other loans, amounted to \$1,376, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Other Loans	Compensated Absences
Balance, July 1, 2004	\$ 534,800	\$ 8,312,554	\$ 18,462
Additions	450,000	1,814,740	29,942
Deductions	(148,350)	(463,000)	(26,137)
Balance, June 30, 2005	\$ 836,450	\$ 9,664,294	\$ 22,267
Balance Due Within One Year	\$ 174,600	\$ 485,000	\$ 25,338

	Landfill Closure/ Postclosure Care Costs	Claims and Judgments
Balance, July 1, 2004	\$ 462,400	\$ 3,011
Deductions	(94,347)	(3,011)
Balance, June 30, 2005	\$ 368,053	\$ 0
Balance Due Within One Year	\$ 7,734	\$ 0

Compensated absences payable will be paid from the employing funds, primarily the General Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

**E. Short-term Debt**

Perry County issued revenue anticipation notes through the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General and Solid Waste/Sanitation Funds. These notes were necessary because funds were not available to meet payroll and other operating expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Revenue				
Anticipation Notes	\$ 700,000	\$ 500,000	(1,200,000)	\$ 0

**IV. OTHER INFORMATION**

**A. Risk Management**

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$500,000 for each insured event.

**B. Accounting Change**

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

**C. Subsequent Events**

On July 15, 2005, the county's General Debt Service Fund issued tax anticipation notes totaling \$700,000 (General Fund) and \$100,000 (Solid Waste/Sanitation Fund) for temporary operating funds. The director of local finance for the State of Tennessee has issued a letter requiring the General and Solid Waste/Sanitation Funds to repay these notes by March 31, 2006.

**D. Sales Tax Collections**

Section 67-6-712, Tennessee Code Annotated, requires that at least one-half of sales tax revenue be expended for education purposes. In 1996 Perry County voters approved an additional one-half cent increase in the local sales tax rate that was allocated 100 percent for the repayment of school indebtedness related to the 1996/1999 school building program. Perry County had not expended the required amount of these collections for educational purposes. Perry County had deposited local option sales tax revenues of \$185,454 into the county's General Fund which should have been earmarked for education. Therefore, a reserve for sales tax – education of \$185,454 has been presented in the financial statements of the county's General Fund.

**E. Contingent Liabilities**

Perry County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans with Disabilities Act (ADA). This lawsuit applies to all Perry County facilities. The county mayor stated that since the county has made the courthouse accessible, as required by the disability act, it appears that the county is now in compliance, except for a few technical requirements such as putting up signs, and will ultimately be dismissed from the suit.

Under the terms of an agreement between the Perry County Commission and the Perry County Board of Education, beginning in 2000-01, the Perry County Board of Education began paying \$150,000 per year to the General Debt Service Fund to retire any indebtedness incurred as a result of the 1996-99 school building program until such indebtedness is paid in full or for 20 years, whichever comes first. In addition, beginning in the 2001-02 year, the Perry County Board of Education began paying the General Debt Service Fund \$171,666 over the next ten years, in installments of \$17,167 per year, to help retire the principal indebtedness on the building program loans.

The county is involved in several other pending lawsuits. County officials estimate that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**F. Landfill Closure/Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The county closed the landfill in 1998. The Solid Waste/Sanitation Fund reports postclosure care costs as a current operating expense. The \$368,053 reported as the landfill postclosure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**G. Joint Ventures**

The Perry County Joint Economic Development Board is a joint venture between Perry County, the City of Lobelville, and the Town of Linden. The board comprises the county mayor, city mayors, and other members. The purpose of the board is to foster communication relative to economic and community development between and among governmental entities, industry, and private citizens. Perry County did not appropriate any funds to the Perry County Joint Economic Development Board during the 2004-05 year.

The Twenty-First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-First Judicial District, Williamson, Lewis, Hickman, and Perry Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Perry County did not contribute to the DTF for the year ended June 30, 2005.

Perry County does not retain an equity interest in any of the above-noted joint ventures.

Complete financial statements for the Perry County Joint Economic Development Board and the Twenty-First Judicial District Drug Task Force can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Perry County Joint Economic Development Board  
Perry County Executive  
P. O. Box 16  
Linden, TN 37096

Office of District Attorney General  
Twenty-First Judicial District Drug Task Force  
P. O. Box 937  
Franklin, TN 37065

**H. Jointly Governed Organization**

The South Central Tennessee Railroad Authority (SCTRA) was created by the county in conjunction with Hickman, Lewis, and Wayne Counties and the cities of Centerville, Linden, Hohenwald, and Waynesboro. The SCTRA's board includes 16 members who are the elected county mayor or city mayor and an appointed member of the County Commission or City Council from each of the respective counties or cities. Perry County did not appropriate any funds for this operation during the year, and the county does not have any ongoing financial interest or responsibility for the entity. Funding sources for SCTRA are lease payments, switching fees, interest income, and grants.

**I. Retirement Commitments**

**Plan Description**

Employees of Perry County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and, members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Perry 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](http://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**

Perry 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 8.6 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Perry County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2005, Perry County's annual pension cost of \$235,160 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. Perry 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
6-30-05	\$235,160	100%	\$0
6-30-04	170,659	100	0
6-30-03	161,870	100	0

**Required Supplementary Information**  
Schedule of Funding Progress for Perry County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$5,660	\$6,039	\$379	93.72%	\$2,448	15.48%
6-30-01	5,021	5,481	460	91.61	2,293	20.06
6-30-99	4,211	4,573	362	92.08	2,061	17.57

**J. Purchasing Laws**

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provide for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,812,921	\$ 0	\$ 1,812,921	\$ 1,901,008	\$ 1,786,808	\$ 26,113
Fines, Forfeitures and Penalties	39,092	0	39,092	39,500	43,735	(4,643)
Charges for Current Services	10,561	0	10,561	7,750	9,950	611
Other Local Revenues	210,368	0	210,368	197,372	198,642	11,726
Fees Received from County Officials	304,214	0	304,214	300,200	290,400	13,814
State of Tennessee	355,750	0	355,750	907,981	434,239	(78,489)
Federal Government	217,615	0	217,615	607,569	230,000	(12,385)
Other Governments and Citizens Groups	106,008	0	106,008	96,086	106,086	(78)
Total Revenues	\$ 3,056,529	\$ 0	\$ 3,056,529	\$ 4,057,466	\$ 3,099,860	\$ (43,331)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 23,582	\$ 0	\$ 23,582	\$ 33,889	\$ 27,989	\$ 4,407
County Mayor	129,578	0	129,578	129,715	131,521	1,943
County Attorney	3,283	0	3,283	3,000	6,500	3,217
Election Commission	90,899	0	90,899	105,765	101,415	10,516
Register of Deeds	81,829	0	81,829	84,875	84,875	3,046
Geographical Information Systems	158	0	158	2,000	1,100	942
County Buildings	111,225	0	111,225	139,199	124,499	13,274
Other General Administration	90	0	90	0	91	1
<u>Finance</u>						
Accounting and Budgeting	878	0	878	879	879	1
Property Assessor's Office	79,332	0	79,332	81,866	81,921	2,589
Reappraisal Program	41,281	0	41,281	41,004	43,304	2,023
County Trustee's Office	88,022	0	88,022	87,230	90,011	1,989
County Clerk's Office	81,453	0	81,453	82,132	83,132	1,679

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 120,260	\$ 0	\$ 120,260	\$ 125,485	\$ 125,185	\$ 4,925
General Sessions Court	75,846	0	75,846	76,080	76,580	734
Chancery Court	85,239	0	85,239	86,046	86,646	1,407
Juvenile Court	11,129	0	11,129	13,644	12,644	1,515
<u>Public Safety</u>						
Sheriff's Department	520,204	(3,281)	516,923	517,226	517,226	303
Jail	342,369	0	342,369	234,890	234,890	(107,479)
Civil Defense	30,000	0	30,000	107,569	30,569	569
Rescue Squad	9,855	0	9,855	9,925	9,925	70
Other Emergency Management	86,970	0	86,970	77,261	87,441	471
County Coroner/Medical Examiner	10,262	0	10,262	9,300	11,300	1,038
Other Public Safety	11,174	0	11,174	11,841	11,841	667
<u>Public Health and Welfare</u>						
Local Health Center	32,852	0	32,852	34,565	34,565	1,713
Ambulance/Emergency Medical Services	162,304	0	162,304	176,479	176,479	14,175
Other Local Health Services	2,419	0	2,419	24,400	4,253	1,834
Regional Mental Health Center	2,750	0	2,750	2,750	2,750	0
Aid to Dependent Children	0	0	0	500	500	500
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	9,000	0	9,000	9,000	9,000	0
Libraries	73,279	0	73,279	74,037	78,204	4,925
Other Social, Cultural and Recreational	26,821	0	26,821	25,832	28,032	1,211
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	30,748	0	30,748	33,431	33,431	2,683
Soil Conservation	27,562	0	27,562	18,375	27,562	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Other Operations</u>						
Industrial Development	\$ 23	\$ 0	\$ 23	\$ 0	\$ 23	\$ 0
Airport	5,328	0	5,328	7,500	9,344	4,016
Veterans' Services	3,468	0	3,468	3,594	3,594	126
Other Charges	44,241	0	44,241	49,000	45,500	1,259
Employee Benefits	5,284	0	5,284	6,500	6,750	1,466
Miscellaneous	15,783	0	15,783	18,116	18,116	2,333
<u>Highways</u>						
Litter and Trash Collection	28,377	0	28,377	31,737	32,287	3,910
<u>Capital Projects</u>						
Public Health and Welfare Projects	187,615	0	187,615	1,000,000	526,800	339,185
Total Expenditures	\$ 2,692,772	\$ (3,281)	\$ 2,689,491	\$ 3,576,637	\$ 3,018,674	\$ 329,183
Excess (Deficiency) of Revenues Over Expenditures	\$ 363,757	\$ 3,281	\$ 367,038	\$ 480,829	\$ 81,186	\$ 285,852
Net Change in Fund Balance	\$ 363,757	\$ 3,281	\$ 367,038	\$ 480,829	\$ 81,186	\$ 285,852
Fund Balance, July 1, 2004	(2,686)	(3,281)	(5,967)	(73,141)	(73,141)	67,174
Fund Balance, June 30, 2005	\$ 361,071	\$ 0	\$ 361,071	\$ 407,688	\$ 8,045	\$ 353,026

Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 283,923	\$ 285,171	\$ 286,671	\$ (2,748)
Charges for Current Services	30,491	25,000	27,300	3,191
Other Local Revenues	596	0	600	(4)
State of Tennessee	40,394	41,000	43,831	(3,437)
Total Revenues	<u>\$ 355,404</u>	<u>\$ 351,171</u>	<u>\$ 358,402</u>	<u>\$ (2,998)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 6,395	\$ 7,000	\$ 7,000	\$ 605
Convenience Centers	28,113	30,967	30,967	2,854
Transfer Stations	275,828	291,531	293,731	17,903
Landfill Operation and Maintenance	61,751	66,046	65,046	3,295
<u>Other Operations</u>				
Employee Benefits	611	500	500	(111)
Total Expenditures	<u>\$ 372,698</u>	<u>\$ 396,044</u>	<u>\$ 397,244</u>	<u>\$ 24,546</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (17,294)</u>	<u>\$ (44,873)</u>	<u>\$ (38,842)</u>	<u>\$ 21,548</u>
Net Change in Fund Balance	\$ (17,294)	\$ (44,873)	\$ (38,842)	\$ 21,548
Fund Balance, July 1, 2004	86,803	83,874	83,874	2,929
Fund Balance, June 30, 2005	<u>\$ 69,509</u>	<u>\$ 39,001</u>	<u>\$ 45,032</u>	<u>\$ 24,477</u>

Exhibit D-3

Perry 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	\$ 42,001	\$ 35,000	\$ 35,000	\$ 7,001
Other Local Revenues	339	0	0	339
State of Tennessee	1,702,836	1,726,849	1,726,849	(24,013)
Total Revenues	<u>\$ 1,745,176</u>	<u>\$ 1,761,849</u>	<u>\$ 1,761,849</u>	<u>\$ (16,673)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 86,143	\$ 90,015	\$ 90,015	\$ 3,872
Highway and Bridge Maintenance	774,643	1,349,400	1,349,400	574,757
Operation and Maintenance of Equipment	130,400	168,000	168,000	37,600
Other Charges	56,777	66,700	66,700	9,923
Employee Benefits	115,843	117,500	117,500	1,657
Capital Outlay	182,544	470,000	470,000	287,456
Total Expenditures	<u>\$ 1,346,350</u>	<u>\$ 2,261,615</u>	<u>\$ 2,261,615</u>	<u>\$ 915,265</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 398,826</u>	<u>\$ (499,766)</u>	<u>\$ (499,766)</u>	<u>\$ 898,592</u>
Net Change in Fund Balance	\$ 398,826	\$ (499,766)	\$ (499,766)	\$ 898,592
Fund Balance, July 1, 2004	1,653,464	1,517,447	1,517,447	136,017
Fund Balance, June 30, 2005	<u>\$ 2,052,290</u>	<u>\$ 1,017,681</u>	<u>\$ 1,017,681</u>	<u>\$ 1,034,609</u>

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

**A. BUDGETARY INFORMATION**

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

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Jail (\$107,479) major appropriation category (the legal level of control) of the General Fund and in the Employee Benefits (\$111) major appropriation category of the Solid Waste/Sanitation Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

The Highway/Public Works Fund's actual fund balance at July 1, 2004, was \$1,653,464; however, the estimated fund balance reflected in the county's budget was \$1,517,447. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$136,017.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

Local Purpose Tax Fund – The Local Purpose Tax Fund is used to account for the proceeds of a \$2.50 increase in the litigation tax. The proceeds of the tax must be used to pay for computerization, a fax machine, and related costs for the circuit and general sessions courts clerk and clerk and master.

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

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

Exhibit E-1

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

	<u>Special Revenue Funds</u>				
	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 440	\$ 440
Equity in Pooled Cash and Investments	98,891	3,081	20,726	0	122,698
Accounts Receivable	0	0	0	72	72
Total Assets	<u>\$ 98,891</u>	<u>\$ 3,081</u>	<u>\$ 20,726</u>	<u>\$ 512</u>	<u>\$ 123,210</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 512	\$ 512
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 512</u>	<u>\$ 512</u>
<u>Fund Balances</u>					
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	\$ 35,845	\$ 0	\$ 0	\$ 0	\$ 35,845
Reserved for Automation Purposes - Circuit Court	0	1,937	0	0	1,937
Reserved for Automation Purposes - Chancery Court	0	1,144	0	0	1,144
Unreserved	63,046	0	20,726	0	83,772
Total Fund Balances	<u>\$ 98,891</u>	<u>\$ 3,081</u>	<u>\$ 20,726</u>	<u>\$ 0</u>	<u>\$ 122,698</u>
Total Liabilities and Fund Balances	<u>\$ 98,891</u>	<u>\$ 3,081</u>	<u>\$ 20,726</u>	<u>\$ 512</u>	<u>\$ 123,210</u>

Exhibit E-2

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

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	
<u>Revenues</u>				
Local Taxes	\$ 24,204	\$ 3,923	\$ 0	\$ 28,127
Fines, Forfeitures and Penalties	0	2,168	5,785	7,953
Other Local Revenues	0	0	1,040	1,040
Total Revenues	<u>\$ 24,204</u>	<u>\$ 6,091</u>	<u>\$ 6,825</u>	<u>\$ 37,120</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 20,742	\$ 0	\$ 0	\$ 20,742
Administration of Justice	0	9,077	0	9,077
Public Safety	0	0	7,710	7,710
Other Operations	242	0	0	242
Total Expenditures	<u>\$ 20,984</u>	<u>\$ 9,077</u>	<u>\$ 7,710</u>	<u>\$ 37,771</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,220</u>	<u>\$ (2,986)</u>	<u>\$ (885)</u>	<u>\$ (651)</u>
Net Change in Fund Balances	\$ 3,220	\$ (2,986)	\$ (885)	\$ (651)
Fund Balance, July 1, 2004	<u>95,671</u>	<u>6,067</u>	<u>21,611</u>	<u>123,349</u>
Fund Balance, June 30, 2005	<u><u>\$ 98,891</u></u>	<u><u>\$ 3,081</u></u>	<u><u>\$ 20,726</u></u>	<u><u>\$ 122,698</u></u>

Exhibit E-3

Perry 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	\$ 24,204	\$ 26,000	\$ 24,202	\$ 2
Total Revenues	\$ 24,204	\$ 26,000	\$ 24,202	\$ 2
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 20,742	\$ 23,200	\$ 27,000	\$ 6,258
<u>Other Operations</u>				
Other Charges	242	400	400	158
Total Expenditures	\$ 20,984	\$ 23,600	\$ 27,400	\$ 6,416
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,220	\$ 2,400	\$ (3,198)	\$ 6,418
Net Change in Fund Balance	\$ 3,220	\$ 2,400	\$ (3,198)	\$ 6,418
Fund Balance, July 1, 2004	95,671	95,671	95,671	0
Fund Balance, June 30, 2005	\$ 98,891	\$ 98,071	\$ 92,473	\$ 6,418

Exhibit E-4

Perry County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Local Purpose Tax Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,923	\$ 6,730	\$ 6,830	\$ (2,907)
Fines, Forfeitures and Penalties	2,168	700	800	1,368
Fees Received from County Officials	0	50	50	(50)
Total Revenues	<u>\$ 6,091</u>	<u>\$ 7,480</u>	<u>\$ 7,680</u>	<u>\$ (1,589)</u>
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Circuit Court	\$ 5,912	\$ 6,000	\$ 6,000	\$ 88
General Sessions Court	1,067	1,500	3,125	2,058
Chancery Court	2,098	0	0	(2,098)
Total Expenditures	<u>\$ 9,077</u>	<u>\$ 7,500</u>	<u>\$ 9,125</u>	<u>\$ 48</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,986)</u>	<u>\$ (20)</u>	<u>\$ (1,445)</u>	<u>\$ (1,541)</u>
Net Change in Fund Balance	\$ (2,986)	\$ (20)	\$ (1,445)	\$ (1,541)
Fund Balance, July 1, 2004	<u>6,067</u>	<u>7,967</u>	<u>7,967</u>	<u>(1,900)</u>
Fund Balance, June 30, 2005	<u><u>\$ 3,081</u></u>	<u><u>\$ 7,947</u></u>	<u><u>\$ 6,522</u></u>	<u><u>\$ (3,441)</u></u>

Exhibit E-5

Perry 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	\$ 5,785	\$ 6,150	\$ 7,850	\$ (2,065)
Other Local Revenues	1,040	0	1,200	(160)
Total Revenues	<u>\$ 6,825</u>	<u>\$ 6,150</u>	<u>\$ 9,050</u>	<u>\$ (2,225)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 7,710	\$ 10,825	\$ 10,825	\$ 3,115
Total Expenditures	<u>\$ 7,710</u>	<u>\$ 10,825</u>	<u>\$ 10,825</u>	<u>\$ 3,115</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (885)</u>	<u>\$ (4,675)</u>	<u>\$ (1,775)</u>	<u>\$ 890</u>
Net Change in Fund Balance	\$ (885)	\$ (4,675)	\$ (1,775)	\$ 890
Fund Balance, July 1, 2004	<u>21,611</u>	<u>21,611</u>	<u>21,611</u>	<u>0</u>
Fund Balance, June 30, 2005	<u><u>\$ 20,726</u></u>	<u><u>\$ 16,936</u></u>	<u><u>\$ 19,836</u></u>	<u><u>\$ 890</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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## Exhibit F

Perry 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	\$ 269,276	\$ 124,046	\$ 111,346	\$ 157,930
Other Local Revenues	78,196	71,748	71,748	6,448
State of Tennessee	13,121	0	0	13,121
Other Governments and Citizens Groups	167,167	0	167,167	0
Total Revenues	<u>\$ 527,760</u>	<u>\$ 195,794</u>	<u>\$ 350,261</u>	<u>\$ 177,499</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 305,350	\$ 286,600	\$ 305,350	\$ 0
Education	306,000	306,000	306,000	0
<u>Interest</u>				
General Government	89,190	150,816	89,204	14
Education	125,168	338,205	150,886	25,718
<u>Other Debt Service</u>				
General Government	18,091	15,000	19,201	1,110
Education	26,730	0	26,730	0
Total Expenditures	<u>\$ 870,529</u>	<u>\$ 1,096,621</u>	<u>\$ 897,371</u>	<u>\$ 26,842</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (342,769)</u>	<u>\$ (900,827)</u>	<u>\$ (547,110)</u>	<u>\$ 204,341</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	<u>\$ 0</u>	<u>\$ 867,167</u>	<u>\$ 700,000</u>	<u>\$ (700,000)</u>
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 867,167</u>	<u>\$ 700,000</u>	<u>\$ (700,000)</u>
Net Change in Fund Balance	\$ (342,769)	\$ (33,660)	\$ 152,890	\$ (495,659)
Fund Balance, July 1, 2004	2,490,445	1,745,096	1,745,096	745,349
Fund Balance, June 30, 2005	<u>\$ 2,147,676</u>	<u>\$ 1,711,436</u>	<u>\$ 1,897,986</u>	<u>\$ 249,690</u>

# Fiduciary Funds

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

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

Exhibit G-1

Perry 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	\$ 145,030	\$ 145,030
Due from Other Governments	44,950	0	44,950
Total Assets	<u>\$ 44,950</u>	<u>\$ 145,030</u>	<u>\$ 189,980</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 44,950	\$ 0	\$ 44,950
Due to Litigants, Heirs, and Others	0	145,030	145,030
Total Liabilities	<u>\$ 44,950</u>	<u>\$ 145,030</u>	<u>\$ 189,980</u>

Exhibit G-2

Perry 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	\$ 241,286	\$ 241,286	\$ 0
Due From Other Governments	39,174	44,950	39,174	44,950
<b>Total Assets</b>	<b>\$ 39,174</b>	<b>\$ 286,236</b>	<b>\$ 280,460</b>	<b>\$ 44,950</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 39,174	\$ 286,236	\$ 280,460	\$ 44,950
<b>Total Liabilities</b>	<b>\$ 39,174</b>	<b>\$ 286,236</b>	<b>\$ 280,460</b>	<b>\$ 44,950</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 82,765	\$ 1,218,682	\$ 1,156,417	\$ 145,030
<b>Total Assets</b>	<b>\$ 82,765</b>	<b>\$ 1,218,682</b>	<b>\$ 1,156,417</b>	<b>\$ 145,030</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 82,765	\$ 1,218,682	\$ 1,156,417	\$ 145,030
<b>Total Liabilities</b>	<b>\$ 82,765</b>	<b>\$ 1,218,682</b>	<b>\$ 1,156,417</b>	<b>\$ 145,030</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 82,765	\$ 1,218,682	\$ 1,156,417	\$ 145,030
Equity in Pooled Cash and Investments	0	241,286	241,286	0
Due From Other Governments	39,174	44,950	39,174	44,950
<b>Total Assets</b>	<b>\$ 121,939</b>	<b>\$ 1,504,918</b>	<b>\$ 1,436,877</b>	<b>\$ 189,980</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 82,765	\$ 1,218,682	\$ 1,156,417	\$ 145,030
Due to Other Taxing Units	39,174	286,236	280,460	44,950
<b>Total Liabilities</b>	<b>\$ 121,939</b>	<b>\$ 1,504,918</b>	<b>\$ 1,436,877</b>	<b>\$ 189,980</b>

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Perry County, Tennessee  
Schedule of Changes in Long-term Notes 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
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Transfer Station and Landfill Closure	\$ 850,000	4.55 to 5.5 %	2-14-1997	2-14-07	\$ 255,000	\$ 0	\$ 85,000	\$ 170,000
Public Works Projects	410,000	4.95	6-15-1998	6-15-10	235,000	0	35,000	200,000
Courthouse Improvements	96,000	0	3-2-1999	3-2-09	44,800	0	9,600	35,200
Angelica Building	450,000	0	1-10-05	1-10-15	0	450,000	18,750	431,250
Total Notes Payable					<u>\$ 534,800</u>	<u>\$ 450,000</u>	<u>\$ 148,350</u>	<u>\$ 836,450</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School	5,000,000	Variable	10-14-1998	5-25-18	\$ 4,131,000	\$ 0	\$ 203,000	\$ 3,928,000
School	2,500,000	Variable	5-24-00	5-25-19	2,220,000	0	103,000	2,117,000
Jail, Angelica Building, Solid Waste Equipment	(1)	Variable	10-28-03	5-25-23	1,961,554	1,814,740	157,000	3,619,294
Total Other Loans Payable					<u>\$ 8,312,554</u>	<u>\$ 1,814,740</u>	<u>\$ 463,000</u>	<u>\$ 9,664,294</u>

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$223,706 of an authorized \$4,000,000.

Exhibit H-2

Perry County, Tennessee  
Schedule of Notes Receivable - All Funds  
June 30, 2005

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance
<u>General Fund</u>						
Leased Nursing Home Facility	Buffalo River Health Care, LLC	\$ 25,000	12-1-02	12-1-05	2.5 %	<u>\$ 4,223</u>
Total Notes Receivable						<u><u>\$ 4,223</u></u>

Exhibit H-3

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

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 49,687	\$ 25,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	46,715	100,000	Auto Owners Mutual Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	42,469	337,000	Western Surety Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,469	10,000	Auto Owners Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	Western Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	42,469	35,000	Old Republic Surety Company
Register	Section 8-24-102, <u>TCA</u>	42,469	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	47,834 (1)	50,000	Auto Owners Mutual Insurance Company
<u>Other Bonds</u>				
Employee Blanket Bond			150,000	Local Government Property and Casualty Fund

(1) Includes \$600 for serving as Workhouse Superintendent and a law enforcement training supplement of \$519.

Exhibit H-4

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

	Special Revenue Funds						Debt	Capital	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	Service Fund	General Capital Projects Fund	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,333,726	\$ 0	\$ 262,196	\$ 0	\$ 0	\$ 0	\$ 91,204	\$ 0	\$ 1,687,126
Trustee's Collections - Prior Year	51,377	0	9,797	0	0	0	2,639	0	63,813
Circuit/Clerk & Master Collections - Prior Years	23,222	0	4,565	0	0	0	1,588	0	29,375
Interest and Penalty	10,062	0	1,989	0	0	0	711	0	12,762
Pick-up Taxes	105	0	21	0	0	0	7	0	133
Payments in Lieu of Taxes - T.V.A.	1,751	0	344	0	0	0	120	0	2,215
<u>County Local Option Taxes</u>									
Local Option Sales Tax	297,767	0	0	0	0	0	168,147	0	465,914
Hotel/Motel Tax	775	0	0	0	0	0	0	0	775
Litigation Tax - General	14,392	13,495	0	0	0	0	2,463	0	30,350
Litigation Tax - Special Purpose	135	0	0	3,923	0	0	654	0	4,712
Litigation Tax - Jail, Workhouse, or Courthouse	0	10,709	0	0	0	0	0	0	10,709
Business Tax	23,778	0	0	0	0	0	0	0	23,778
Mineral Severance Tax	0	0	0	0	0	42,001	0	0	42,001
<u>Statutory Local Taxes</u>									
Bank Excise Tax	25,490	0	5,011	0	0	0	1,743	0	32,244
Wholesale Beer Tax	29,383	0	0	0	0	0	0	0	29,383
Interstate Telecommunications Tax	958	0	0	0	0	0	0	0	958
<b>Total Local Taxes</b>	<b>\$ 1,812,921</b>	<b>\$ 24,204</b>	<b>\$ 283,923</b>	<b>\$ 3,923</b>	<b>\$ 0</b>	<b>\$ 42,001</b>	<b>\$ 269,276</b>	<b>\$ 0</b>	<b>\$ 2,436,248</b>
<u>Fines, Forfeitures and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 143	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	143
Officers Costs	1,561	0	0	0	0	0	0	0	1,561
Drug Control Fines	342	0	0	0	1,029	0	0	0	1,371
Drug Court Fees	200	0	0	0	0	0	0	0	200
Data Entry Fee - Circuit Court	8	0	0	160	0	0	0	0	168
<u>General Sessions Court</u>									
Fines	11,173	0	0	0	0	0	0	0	11,173
Officers Costs	10,225	0	0	0	0	0	0	0	10,225
Game and Fish Fines	1,368	0	0	0	0	0	0	0	1,368
Drug Control Fines	0	0	0	0	4,756	0	0	0	4,756

(Continued)

Exhibit H-4

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures and Penalties (Cont.)</u>									
<u>General Sessions Court (Cont.)</u>									
Drug Court Fees	\$ 1,263	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,263
Jail Fees	2,410	0	0	0	0	0	0	0	2,410
DUI Treatment Fines	1,303	0	0	0	0	0	0	0	1,303
Data Entry Fee - General Sessions Court	8	0	0	1,820	0	0	0	0	1,828
<u>Juvenile Court</u>									
Fines	7,162	0	0	0	0	0	0	0	7,162
<u>Chancery Court</u>									
Officers Costs	1,881	0	0	0	0	0	0	0	1,881
Data Entry Fee - Chancery Court	45	0	0	188	0	0	0	0	233
<b>Total Fines, Forfeitures and Penalties</b>	<b>\$ 39,092</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,168</b>	<b>\$ 5,785</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>47,045</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Solid Waste Disposal Fee	\$ 0	\$ 0	\$ 30,491	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	30,491
<u>Fees</u>									
Airport Fees	800	0	0	0	0	0	0	0	800
Copy Fees	1,769	0	0	0	0	0	0	0	1,769
Library Fees	1,320	0	0	0	0	0	0	0	1,320
Telephone Commissions	121	0	0	0	0	0	0	0	121
Data Processing Fee - Register	4,112	0	0	0	0	0	0	0	4,112
Data Processing Fee - Sheriff	2,199	0	0	0	0	0	0	0	2,199
Sexual Offender Registration Fee	240	0	0	0	0	0	0	0	240
<b>Total Charges for Current Services</b>	<b>\$ 10,561</b>	<b>\$ 0</b>	<b>\$ 30,491</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>41,052</b>
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 58,703	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,395	\$ 0	63,098
Lease/Rentals	144,760	0	0	0	0	0	73,801	0	218,561
Sale of Materials and Supplies	87	0	0	0	0	339	0	2,100	2,526
Miscellaneous Refunds	6,799	0	596	0	0	0	0	0	7,395
<u>Nonrecurring Items</u>									
Damages Recovered from Individuals	19	0	0	0	0	0	0	0	19

(Continued)

Exhibit H-4

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Other Local Revenues (Cont.)</u>									
<u>Nonrecurring Items (Cont.)</u>									
Contributions & Gifts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,040	\$ 0	\$ 0	\$ 0	\$ 1,040
Total Other Local Revenues	\$ 210,368	\$ 0	\$ 596	\$ 0	\$ 1,040	\$ 339	\$ 78,196	\$ 2,100	\$ 292,639
<u>Fees Received from County Officials</u>									
<u>Fees In Lieu of Salary</u>									
County Clerk	\$ 59,159	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,159
Circuit Court Clerk	14,515	0	0	0	0	0	0	0	14,515
General Sessions Court Clerk	35,172	0	0	0	0	0	0	0	35,172
Clerk and Master	35,404	0	0	0	0	0	0	0	35,404
Register	40,750	0	0	0	0	0	0	0	40,750
Sheriff	5,264	0	0	0	0	0	0	0	5,264
Trustee	113,950	0	0	0	0	0	0	0	113,950
Total Fees Received from County Officials	\$ 304,214	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 304,214
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	4,502	0	0	0	0	0	0	0	4,502
Solid Waste Grants	0	0	2,670	0	0	0	0	0	2,670
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	6,224	0	0	0	0	0	0	0	6,224
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	199,155	0	0	199,155
Litter Program	27,617	0	0	0	0	0	0	0	27,617
<u>Other State Revenues</u>									
Income Tax	1,658	0	0	0	0	0	0	0	1,658
Beer Tax	16,778	0	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	19,416	0	0	0	0	0	0	0	19,416
State Revenue Sharing - T.V.A.	191,901	0	37,724	0	0	0	13,121	0	242,746
Contracted Prisoner Boarding	41,291	0	0	0	0	0	0	0	41,291
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,497,543	0	0	1,497,543
Petroleum Special Tax	0	0	0	0	0	6,138	0	0	6,138

(Continued)

Exhibit H-4

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

	Special Revenue Funds						Debt	Capital	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	Service Fund	General Projects Fund	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Registrar's Salary Supplement	\$ 16,380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,380
Other State Grants	20,983	0	0	0	0	0	0	0	20,983
Total State of Tennessee	\$ 355,750	\$ 0	\$ 40,394	\$ 0	\$ 0	\$ 1,702,836	\$ 13,121	\$ 0	\$ 2,112,101
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 187,615	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 187,615
Homeland Security Grants	30,000	0	0	0	0	0	0	0	30,000
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	0	0	0	0	0	0	0	93,284	93,284
Total Federal Government	\$ 217,615	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,284	\$ 310,899
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	167,167	\$ 0	\$ 177,167
Contracted Services	96,008	0	0	0	0	0	0	0	96,008
Total Other Governments and Citizens Groups	\$ 106,008	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	167,167	\$ 0	\$ 273,175
Total	\$ 3,056,529	\$ 24,204	\$ 355,404	\$ 6,091	\$ 6,825	\$ 1,745,176	\$ 527,760	\$ 95,384	\$ 5,817,373

Exhibit H-5

Perry 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	\$	19,670	
Social Security		1,186	
State Retirement		450	
Employer Medicare		277	
Audit Services		1,797	
Legal Notices, Recording and Court Costs		202	
Total County Commission			\$ 23,582

County Mayor

County Official/Administrative Officer	\$	49,687	
Accountants/Bookkeepers		24,826	
Secretary(s)		24,826	
Longevity Pay		1,700	
Other Salaries & Wages		3,000	
Social Security		5,598	
State Retirement		8,947	
Employer Medicare		1,309	
Communication		1,937	
Data Processing Services		5,197	
Postal Charges		26	
Printing, Stationery and Forms		938	
Travel		1,334	
Office Supplies		203	
Other Supplies and Materials		50	
Total County Mayor			129,578

County Attorney

Legal Services	\$	3,283	
Total County Attorney			3,283

Election Commission

County Official/Administrative Officer	\$	33,975	
Deputy(ies)		18,700	
Longevity Pay		300	
Election Commission		4,099	
Election Workers		8,799	
Social Security		3,440	
State Retirement		4,556	
Employer Medicare		805	
Communication		1,780	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Dues and Memberships	\$	175	
Operating Lease Payments		665	
Legal Notices, Recording and Court Costs		1,684	
Maintenance Agreements		1,725	
Postal Charges		56	
Printing, Stationery and Forms		5,039	
Travel		1,823	
Other Contracted Services		1,469	
Electricity		609	
Natural Gas		688	
Office Supplies		314	
Water and Sewer		198	
Total Election Commission			\$ 90,899

Register of Deeds

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		21,235	
Longevity Pay		200	
Social Security		3,692	
State Retirement		5,496	
Employer Medicare		863	
Communication		1,231	
Dues and Memberships		257	
Operating Lease Payments		2,087	
Postal Charges		26	
Printing, Stationery and Forms		850	
Data Processing Supplies		3,092	
Office Supplies		279	
Premiums on Corporate Surety Bonds		52	
Total Register of Deeds			81,829

Geographical Information Systems

Road Signs	\$	158	
Total Geographical Information Systems			158

County Buildings

Custodial Personnel	\$	11,787	
Communication		391	
Maintenance & Repair Services- Buildings		3,248	
Maintenance & Repair Services- Equipment		1,216	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance & Repair Services- Vehicles	\$	218	
Custodial Supplies		2,880	
Electricity		5,800	
Natural Gas		3,656	
Water and Sewer		615	
Liability Insurance		46,164	
Workers' Compensation Insurance		34,537	
Other Charges		713	
Total County Buildings			\$ 111,225

Other General Administration

Judgments	\$	90	
Total Other General Administration			90

Finance

Accounting and Budgeting

Data Processing Equipment	\$	878	
Total Accounting and Budgeting			878

Property Assessor's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		21,235	
Longevity Pay		900	
Social Security		3,936	
State Retirement		5,556	
Employer Medicare		921	
Communication		1,420	
Data Processing Services		55	
Dues and Memberships		863	
Operating Lease Payments		1,720	
Postal Charges		55	
Printing, Stationery and Forms		128	
Office Supplies		74	
Total Property Assessor's Office			79,332

Reappraisal Program

Assistant(s)	\$	21,235	
Longevity Pay		100	
Other Salaries & Wages		1,438	
Social Security		1,408	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

State Retirement	\$	1,959	
Employer Medicare		329	
Contracts with Government Agencies		4,577	
Contracts with Private Agencies		7,925	
Legal Services		448	
Maintenance & Repair Services- Vehicles		35	
Travel		46	
Gasoline		843	
Office Equipment		938	
Total Reappraisal Program			\$ 41,281

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		21,234	
Longevity Pay		600	
Social Security		3,608	
State Retirement		5,530	
Employer Medicare		844	
Communication		1,456	
Data Processing Services		6,131	
Dues and Memberships		457	
Legal Notices, Recording and Court Costs		38	
Postal Charges		1,540	
Printing, Stationery and Forms		814	
Travel		514	
Office Supplies		852	
Premiums on Corporate Surety Bonds		1,935	
Total County Trustee's Office			88,022

County Clerk's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		21,235	
Longevity Pay		400	
Social Security		3,906	
State Retirement		5,513	
Employer Medicare		913	
Communication		1,864	
Dues and Memberships		307	
Operating Lease Payments		1,563	
Postal Charges		26	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Printing, Stationery and Forms	\$	479	
Office Supplies		1,124	
Premiums on Corporate Surety Bonds		88	
Data Processing Equipment		1,566	
Total County Clerk's Office			\$ 81,453

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		23,213	
Secretary(s)		21,234	
Longevity Pay		1,300	
Other Salaries & Wages		4,500	
Jury and Witness Fees		5,854	
Social Security		5,583	
State Retirement		7,974	
Employer Medicare		1,306	
Communication		1,886	
Dues and Memberships		357	
Operating Lease Payments		1,444	
Postal Charges		26	
Printing, Stationery and Forms		1,964	
Office Supplies		1,150	
Total Circuit Court			120,260

General Sessions Court

Judge(s)	\$	43,080	
Secretary(s)		17,625	
Social Security		3,687	
State Retirement		5,221	
Employer Medicare		862	
Communication		935	
Operating Lease Payments		1,443	
Printing, Stationery and Forms		247	
Travel		2,485	
Office Supplies		261	
Total General Sessions Court			75,846

Chancery Court

County Official/Administrative Officer	\$	42,469	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Deputy(ies)	\$	21,235	
Longevity Pay		400	
Social Security		3,935	
State Retirement		1,784	
Employer Medicare		920	
Communication		2,499	
Data Processing Services		5,843	
Dues and Memberships		317	
Operating Lease Payments		1,443	
Postal Charges		292	
Printing, Stationery and Forms		2,431	
Travel		84	
Data Processing Supplies		89	
Office Supplies		1,281	
Other Supplies and Materials		17	
Premiums on Corporate Surety Bonds		200	
Total Chancery Court			\$ 85,239

Juvenile Court

Assistant(s)	\$	9,005	
Social Security		558	
Employer Medicare		131	
Communication		582	
Travel		783	
Other Contracted Services		20	
Office Supplies		50	
Total Juvenile Court			11,129

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	47,315	
Deputy(ies)		260,251	
Secretary(s)		17,758	
Part-time Personnel		31,204	
Longevity Pay		4,900	
In-Service Training		6,791	
Social Security		22,660	
State Retirement		23,293	
Employer Medicare		5,300	
Communication		6,160	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Data Processing Services	\$	50	
Dues and Memberships		1,050	
Operating Lease Payments		1,769	
Maintenance & Repair Services- Buildings		76	
Maintenance & Repair Services- Equipment		8,444	
Maintenance & Repair Services- Vehicles		8,674	
Medical and Dental Services		55	
Postal Charges		1,044	
Travel		483	
Veterinary Services		151	
Animal Food and Supplies		170	
Custodial Supplies		5	
Gasoline		32,774	
Office Supplies		3,159	
Uniforms		3,486	
Other Supplies and Materials		2,635	
Premiums on Corporate Surety Bonds		193	
Communication Equipment		1,648	
Data Processing Equipment		4,098	
Law Enforcement Equipment		19,783	
Motor Vehicles		4,825	
Total Sheriff's Department			\$ 520,204

Jail

Deputy(ies)	\$	5,152
Guards		115,274
Part-time Personnel		18,284
Longevity Pay		500
Other Salaries & Wages		400
In-Service Training		295
Social Security		8,603
State Retirement		8,944
Employer Medicare		2,012
Communication		161
Maintenance & Repair Services- Buildings		779
Maintenance & Repair Services- Equipment		766
Medical and Dental Services		125,430
Travel		204
Custodial Supplies		2,752
Electricity		8,295

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Food Supplies	\$	37,580	
Natural Gas		3,560	
Office Supplies		45	
Water and Sewer		2,572	
Other Supplies and Materials		693	
Other Charges		68	
Total Jail			\$ 342,369

Civil Defense

Other Supplies and Materials	\$	30,000	
Total Civil Defense			30,000

Rescue Squad

Communication	\$	270	
Maintenance & Repair Services- Vehicles		1,535	
Electricity		430	
Gasoline		873	
Natural Gas		162	
Water and Sewer		220	
Other Supplies and Materials		210	
Vehicle and Equipment Insurance		2,413	
Other Equipment		3,742	
Total Rescue Squad			9,855

Other Emergency Management

Dispatchers/Radio Operators	\$	64,074	
Part-time Personnel		7,280	
Longevity Pay		600	
Social Security		5,545	
State Retirement		7,693	
Employer Medicare		1,297	
Communication		481	
Total Other Emergency Management			86,970

County Coroner/Medical Examiner

Other Contracted Services	\$	10,262	
Total County Coroner/Medical Examiner			10,262

Other Public Safety

Guards	\$	9,300	
--------	----	-------	--

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Other Salaries & Wages	\$	1,000	
Social Security		639	
State Retirement		86	
Employer Medicare		149	
Total Other Public Safety			\$ 11,174

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$	21,915	
Dues and Memberships		100	
Janitorial Services		1,920	
Maintenance & Repair Services- Buildings		353	
Maintenance & Repair Services- Office Equipment		323	
Other Contracted Services		631	
Electricity		4,510	
Office Supplies		857	
Water and Sewer		243	
Office Equipment		2,000	
Total Local Health Center			32,852

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	162,304	
Total Ambulance/Emergency Medical Services			162,304

Other Local Health Services

Medical Personnel	\$	1,179	
Social Security		68	
Employer Medicare		16	
Office Supplies		1,156	
Total Other Local Health Services			2,419

Regional Mental Health Center

Contracts with Government Agencies	\$	2,750	
Total Regional Mental Health Center			2,750

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$	9,000	
Total Senior Citizens Assistance			9,000

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries

Supervisor/Director	\$	35,900	
Part-time Personnel		14,087	
Longevity Pay		1,700	
Social Security		3,195	
State Retirement		2,947	
Employer Medicare		747	
Communication		1,356	
Janitorial Services		656	
Operating Lease Payments		1,732	
Maintenance & Repair Services- Buildings		418	
Maintenance & Repair Services- Equipment		366	
Postal Charges		174	
Custodial Supplies		190	
Electricity		4,295	
Natural Gas		1,823	
Office Supplies		449	
Water and Sewer		512	
Other Supplies and Materials		65	
Data Processing Equipment		2,667	
Total Libraries			\$ 73,279

Other Social, Cultural and Recreational

Contracts with Private Agencies	\$	5,000	
Contributions		19,512	
Electricity		2,034	
Water and Sewer		275	
Total Other Social, Cultural and Recreational			26,821

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	17,807	
Secretary(s)		6,242	
Social Security		478	
State Retirement		1,904	
Employer Medicare		258	
Communication		1,898	
Operating Lease Payments		666	
Electricity		609	
Natural Gas		688	
Water and Sewer		198	
Total Agriculture Extension Service			30,748

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Contracts with Government Agencies	\$ 27,562	
Total Soil Conservation		\$ 27,562

Other Operations

Industrial Development

Other Supplies and Materials	\$ 23	
Total Industrial Development		23

Airport

Maintenance & Repair Services- Buildings	\$ 39	
Utilities	2,406	
Other Supplies and Materials	1,039	
Liability Insurance	1,844	
Total Airport		5,328

Veterans' Services

Other Salaries & Wages	\$ 2,400	
In-Service Training	418	
Social Security	149	
Employer Medicare	35	
Communication	466	
Total Veterans' Services		3,468

Other Charges

Trustee's Commission	\$ 44,241	
Total Other Charges		44,241

Employee Benefits

Social Security	\$ 177	
State Retirement	82	
Unemployment Compensation	4,984	
Employer Medicare	41	
Total Employee Benefits		5,284

Miscellaneous

Communication	\$ 1,423	
Dues and Memberships	1,988	
Postal Charges	9,031	
Printing, Stationery and Forms	992	
Other Contracted Services	193	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Office Supplies	\$	79	
Other Supplies and Materials		1,079	
Other Charges		998	
Total Miscellaneous			\$ 15,783

Highways

Litter and Trash Collection

Part-time Personnel	\$	22,796	
In-Service Training		2,096	
Social Security		1,256	
State Retirement		1,380	
Employer Medicare		294	
Other Supplies and Materials		555	
Total Litter and Trash Collection			28,377

Capital Projects

Public Health and Welfare Projects

Other Capital Outlay	\$	187,615	
Total Public Health and Welfare Projects			187,615

Total General Fund \$ 2,692,772

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$	1,010	
Custodial Supplies		197	
Electricity		11,249	
Natural Gas		6,533	
Water and Sewer		734	
Other Charges		1,019	
Total County Buildings			\$ 20,742

Other Operations

Other Charges

Trustee's Commission	\$	242	
Total Other Charges			242

Total Courthouse & Jail Maintenance Fund 20,984

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Trustee's Commission	\$ 6,395	
Total Sanitation Education/Information		\$ 6,395

Convenience Centers

Laborers	\$ 23,292	
Social Security	1,378	
State Retirement	2,003	
Employer Medicare	322	
Communication	525	
Electricity	378	
Water and Sewer	29	
Other Supplies and Materials	153	
Other Charges	33	
Total Convenience Centers		28,113

Transfer Stations

Equipment Operators	\$ 42,159	
Other Salaries & Wages	11,312	
Social Security	3,279	
State Retirement	2,649	
Employer Medicare	767	
Communication	1,479	
Contracts with Private Agencies	168,821	
Maintenance Agreements	2,000	
Maintenance & Repair Services- Buildings	284	
Maintenance & Repair Services- Equipment	848	
Maintenance & Repair Services- Vehicles	7,433	
Other Contracted Services	9,022	
Custodial Supplies	125	
Diesel Fuel	9,186	
Electricity	1,916	
Gasoline	5,191	
Lubricants	430	
Tires and Tubes	2,043	
Uniforms	3,429	
Water and Sewer	253	
Other Charges	3,202	
Total Transfer Stations		275,828

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance

Supervisor/Director	\$	23,100	
Equipment Operators		16,640	
Social Security		2,459	
State Retirement		3,418	
Employer Medicare		575	
Evaluation and Testing		4,800	
Maintenance Agreements		2,000	
Maintenance & Repair Services- Equipment		3,937	
Diesel Fuel		3,494	
Gasoline		651	
Lubricants		68	
Other Supplies and Materials		356	
Other Charges		253	
Total Landfill Operation and Maintenance			\$ 61,751

Other Operations

Employee Benefits

Unemployment Compensation	\$	611	
Total Employee Benefits			611

Total Solid Waste/Sanitation Fund \$ 372,698

Local Purpose Tax Fund

Administration of Justice

Circuit Court

Communication	\$	405	
Data Processing Services		5,486	
Trustee's Commission		21	
Total Circuit Court			\$ 5,912

General Sessions Court

Trustee's Commission	\$	36	
Data Processing Equipment		1,031	
Total General Sessions Court			1,067

Chancery Court

Trustee's Commission	\$	4	
Data Processing Equipment		2,094	
Total Chancery Court			2,098

Total Local Purpose Tax Fund 9,077

(Continued)

Exhibit H-5

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

Drug Control Fund

Public Safety

Drug Enforcement

Trustee's Commission	\$	68	
Law Enforcement Equipment		7,642	
Total Drug Enforcement			\$ 7,710

Total Drug Control Fund \$ 7,710

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	46,715	
Accountants/Bookkeepers		26,000	
Data Processing Services		4,293	
Dues and Memberships		1,750	
Postal Charges		268	
Electricity		2,005	
Natural Gas		2,130	
Office Supplies		1,551	
Water and Sewer		289	
Other Charges		1,142	
Total Administration			\$ 86,143

Highway and Bridge Maintenance

Foremen	\$	26,000	
Equipment Operators		104,000	
Truck Drivers		169,363	
Laborers		250	
Other Contracted Services		1,745	
Asphalt - Hot Mix		404,941	
Crushed Stone		52,099	
Fertilizer, Lime and Seed		2,334	
General Construction Materials		223	
Other Road Supplies		2,292	
Pipe		8,610	
Road Signs		1,405	
Small Tools		991	
Wood Products		390	
Total Highway and Bridge Maintenance			774,643

Operation and Maintenance of Equipment

Foremen	\$	26,000	
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(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Diesel Fuel	\$	32,938	
Equipment and Machinery Parts		23,033	
Garage Supplies		6,154	
Gasoline		19,544	
Lubricants		4,849	
Tires and Tubes		17,882	
Total Operation and Maintenance of Equipment			\$ 130,400

Other Charges

Communication	\$	3,006	
Building and Contents Insurance		500	
Liability Insurance		5,207	
Premiums on Corporate Surety Bonds		270	
Trustee's Commission		15,409	
Vehicle and Equipment Insurance		10,000	
Workers' Compensation Insurance		20,792	
Other Self-Insured Claims		1,593	
Total Other Charges			56,777

Employee Benefits

Social Security	\$	29,267	
State Retirement		34,235	
Medical Insurance		51,595	
Unemployment Compensation		746	
Total Employee Benefits			115,843

Capital Outlay

Bridge Construction	\$	141,027	
Motor Vehicles		41,517	
Total Capital Outlay			182,544

Total Highway/Public Works Fund \$ 1,346,350

General Debt Service Fund

Principal

General Government

Principal on Notes	\$	148,350	
Principal on Other Loans Payable		157,000	
Total General Government			\$ 305,350

(Continued)

Exhibit H-5

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

General Debt Service Fund (Cont.)

Principal (Cont.)

Education

Principal on Other Loans Payable	\$ 306,000	
Total Education		\$ 306,000

Interest

General Government

Interest on Notes	\$ 25,602	
Interest on Other Loans Payable	63,588	
Total General Government		89,190

Education

Interest on Other Loans Payable	\$ 125,168	
Total Education		125,168

Other Debt Service

General Government

Trustee's Commission	\$ 5,890	
Other Debt Service	12,201	
Total General Government		18,091

Education

Other Debt Service	\$ 26,730	
Total Education		26,730

Total General Debt Service Fund		\$ 870,529
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General Capital Projects Fund

Capital Projects

General Administration Projects

Building Construction	\$ 1,656	
Total General Administration Projects		\$ 1,656

Public Safety Projects

Architects	\$ 26,536
Communication	1,255
Engineering Services	41,380
Electricity	3,417
Gasoline	171
Prisoners Clothing	1,173
Other Supplies and Materials	3,169
Trustee's Commission	113

(Continued)

Exhibit H-5

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Public Safety Projects (Cont.)

Other Charges	\$	122	
Other Debt Issuance Charges		942	
Building Construction		2,236,291	
Communication Equipment		8,630	
Law Enforcement Equipment		14,733	
Office Equipment		<u>1,360</u>	
Total Public Safety Projects	\$		<u>2,339,292</u>

Other General Government Projects

Trustee's Commission	\$	<u>322</u>	
Total Other General Government Projects			<u>322</u>

Education Capital Projects

Maintenance & Repair Services- Buildings	\$	<u>42,272</u>	
Total Education Capital Projects			<u>42,272</u>

Total General Capital Projects Fund \$ 2,383,542

Total Governmental Funds - Primary Government \$ 7,703,662

Exhibit H-6

Perry 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	\$ 241,286
Total Cash Receipts	<u>\$ 241,286</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 239,209
Trustee's Commission	<u>2,077</u>
Total Cash Disbursements	<u>\$ 241,286</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u><u>\$ 0</u></u>

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## STATISTICAL SECTION

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Table 1

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

<u>Year</u>	<u>Amount</u>
1999	\$ 40,493
2000	2,255
2001	9,335
2002	15,095
2003	<u>27,447</u>
Total	<u>\$ 94,625</u>

Table 2

Perry County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.20	\$ 1.20	\$ 1.05	\$ 1.00	\$ 1.00	\$ 1.06	\$ 1.06	\$ 1.06	\$ 0.87	\$ 1.17
Solid Waste/Sanitation	0.00	0.32	0.28	0.28	0.28	0.28	0.28	0.28	0.23	0.23
General Purpose School	1.38	1.38	1.10	1.10	1.10	1.10	1.10	1.10	0.90	0.90
General Debt Service	0.72	0.72	0.25	0.30	0.30	0.34	0.34	0.34	0.28	0.08
Solid Waste Disposal	0.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Tax Rate</b>	<b>\$ 3.62</b>	<b>\$ 3.62</b>	<b>\$ 2.68</b>	<b>\$ 2.68</b>	<b>\$ 2.68</b>	<b>\$ 2.78</b>	<b>\$ 2.78</b>	<b>\$ 2.78</b>	<b>\$ 2.28</b>	<b>\$ 2.38</b>
<u>Assessed Valuation</u>										
Real and Personal	\$ 42,486,613	\$ 41,997,400	\$ 65,107,939	\$ 65,555,116	\$ 67,281,308	\$ 70,211,326	\$ 75,313,423	\$ 77,191,955	\$ 98,034,243	\$ 99,771,304
Public Utilities	17,353,961	12,986,022	17,285,891	15,567,083	15,653,028	16,458,660	17,748,000	17,309,072	19,079,512	20,383,981
<b>Total Assessed Valuation</b>	<b>\$ 59,840,574</b>	<b>\$ 54,983,422</b>	<b>\$ 82,393,830</b>	<b>\$ 81,122,199</b>	<b>\$ 82,934,336</b>	<b>\$ 86,669,986</b>	<b>\$ 93,061,423</b>	<b>\$ 94,501,027</b>	<b>\$ 117,113,755</b>	<b>\$ 120,155,285</b>

**ANNUAL FINANCIAL REPORT**  
**PERRY COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF PERRY 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*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*JERRY DURHAM, CPA, CGFM, CFE*  
*Auditor 4*

*PATTY VARGO, CFE*  
*WENDY HEATH, CFE*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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

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

## ***Results***

Our report on Perry 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 Perry County School Department management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **PERRY COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Bids were not solicited for refinishing three gym floors (\$8,518).
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

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

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# INTRODUCTORY SECTION

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Perry County School Officials  
June 30, 2005

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Official:

David Rhodes, Director of Schools

Board of Education:

Martha Sharp, Chairman  
Joe Burns  
Jorene Choate

Jackie Duncan  
Janet Carroll  
Don Barnett

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## **FINANCIAL SECTION**

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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  
FAX (615) 741-6216**

**INDEPENDENT AUDITOR'S REPORT**

December 16, 2005

Perry County Director of Schools and  
Board of Education  
Perry 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 Perry County School Department, a component unit of Perry County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 23, which collectively comprise a portion of the Perry 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 Perry County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Perry 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 Perry 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 Perry County School Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2005, on our consideration of the Perry County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison information on pages 27 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perry County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and 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 cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Cash	\$ 52,575	\$ 14,335	\$ 66,910
Equity in Pooled Cash and Investments	165,721	48,832	214,553
Accounts Receivable	7,861	0	7,861
Due from Other Governments	49,230	0	49,230
Property Taxes Receivable	1,166,318	0	1,166,318
Allowance for Uncollectible Property Taxes	(39,983)	0	(39,983)
Total Assets	<u>\$ 1,401,722</u>	<u>\$ 63,167</u>	<u>\$ 1,464,889</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 52,075	\$ 14,335	\$ 66,410
Deferred Revenue - Current Property Taxes	1,083,787	0	1,083,787
Deferred Revenue - Delinquent Property Taxes	38,979	0	38,979
Other Deferred Revenues	19,401	0	19,401
Total Liabilities	<u>\$ 1,194,242</u>	<u>\$ 14,335</u>	<u>\$ 1,208,577</u>
<u>Fund Balances</u>			
Reserved for Driver Education	\$ 7,985	\$ 0	\$ 7,985
Reserved for Career Ladder - Extended Contract	31,451	0	31,451
Reserved for Career Ladder Program	2,433	0	2,433
Reserved for Title I Grants to Local Education Agencies	0	9,812	9,812
Other Federal Reserves	0	7,206	7,206
Unreserved, Reported In:			
General Fund	165,611	0	165,611
Special Revenue Funds	0	31,814	31,814
Total Fund Balances	<u>\$ 207,480</u>	<u>\$ 48,832</u>	<u>\$ 256,312</u>
Total Liabilities and Fund Balances	<u>\$ 1,401,722</u>	<u>\$ 63,167</u>	<u>\$ 1,464,889</u>

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,285,291	\$ 0	\$ 1,285,291
Licenses and Permits	667	0	667
Charges for Current Services	13,285	218,303	231,588
Other Local Revenues	53,944	3,046	56,990
State of Tennessee	5,125,044	6,346	5,131,390
Federal Government	113,471	992,675	1,106,146
Total Revenues	<u>\$ 6,591,702</u>	<u>\$ 1,220,370</u>	<u>\$ 7,812,072</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,052,801	\$ 539,102	\$ 4,591,903
Support Services	2,369,589	185,960	2,555,549
Operation of Non-Instructional Services	30,704	497,195	527,899
Debt Service:			
Principal	168,167	0	168,167
Total Expenditures	<u>\$ 6,621,261</u>	<u>\$ 1,222,257</u>	<u>\$ 7,843,518</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (29,559)</u>	<u>\$ (1,887)</u>	<u>\$ (31,446)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 8,293	\$ 0	\$ 8,293
Transfers Out	0	(8,293)	(8,293)
Total Other Financing Sources (Uses)	<u>\$ 8,293</u>	<u>\$ (8,293)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (21,266)	\$ (10,180)	\$ (31,446)
Fund Balance, July 1, 2004	228,746	59,012	287,758
Fund Balance, June 30, 2005	<u>\$ 207,480</u>	<u>\$ 48,832</u>	<u>\$ 256,312</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Perry County School Department's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

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

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

**A. Reporting Entity**

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

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

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

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

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

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund type:

**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.

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

**1. Deposits and Investments**

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

The Perry County trustee maintains a cash and internal investment pool that is used by all Perry County and Perry 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 county's General and General Debt Service Funds, and the School Department's General Purpose School Fund. Perry County and the Perry 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**

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 two percent of total taxes levied.

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

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

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

**3. Capital Assets**

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

**4. Compensated Absences**

It is the Perry County School Department's policy to permit Central Office employees to accumulate a limited amount of earned but unused vacation benefits which will be paid to employees upon separation from service. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The School Department permits professional personnel (teachers) to accumulate an unlimited amount of unused sick leave days. However, the granting of sick leave has no guaranteed payment attached and, therefore, is not required to be accrued or recorded.

**5. Long-term Obligations**

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

**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. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

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

**Investments**

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

The School Department had no pooled and nonpooled investments as of June 30, 2005.

**B. Interfund Transfers**

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

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental fund	\$ 8,293
Total	\$ 8,293

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. Long-term Debt**

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

Capital Outlay Notes

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. The School Department has one capital outlay note which was issued as part of an EPA grant/loan to fund asbestos abatement. The \$16,088 note was issued for an original term of 16 years. Repayment was structured at \$1,000 per year with zero interest. This note will be retired from the General Purpose School Fund.

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

Year Ending June 30	Principal
2006	\$ 1,088
Total	<u>\$ 1,088</u>

Changes in Long-term Liabilities

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

Governmental Activities:

	Note	Compensated Absences
Balance, July 1, 2004	\$ 2,088	\$ 19,756
Deductions	(1,000)	(3,643)
Balance, June 30, 2005	<u>\$ 1,088</u>	<u>\$ 16,113</u>
Balance Due Within One Year	<u>\$ 1,088</u>	<u>\$ 12,800</u>

Compensated absences payable will be paid primarily from the General Purpose School and School Federal Projects Funds.

### III. OTHER INFORMATION

#### A. Risk Management

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

#### 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 Events

David Rhodes, director of schools, died on November 10, 2005. On November 14, 2005, Ricky Marshall was appointed interim director of schools, and on December 12, 2005, Gill Webb was appointed director of schools.

#### D. Contingent Liabilities

Under the terms of an agreement between the Perry County Commission and the Perry County Board of Education, beginning in 2000-01, the Perry County Board of Education began paying \$150,000 per year to the General Debt Service Fund to retire any indebtedness incurred as a result of the 1996-99 school building program until such indebtedness is paid in full or for 20 years, whichever comes first. In addition, beginning in the 2001-02 year, the Perry County Board of Education began paying the General Debt Service Fund \$171,666 over the next ten years, in installments of \$17,167 per year, to help retire the principal indebtedness on the building program loans.

The School Department is involved in several pending lawsuits. School Department officials estimate that the potential claims against the School Department not covered by insurance resulting from such litigation would not materially affect the financial statements of the School Department.

**E. Retirement Commitments**

**Plan Description**

Employees of Perry County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Perry 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](http://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 Perry County School Department participates in Perry County's plan, retirement information for the Perry 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.I. of the Annual Financial Report of Perry County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

The Perry 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](http://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 Perry 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 Perry 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 \$232,428, \$128,732, and \$127,868, 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 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 chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,285,291	\$ 1,273,309	\$ 1,297,310	\$ (12,019)
Licenses and Permits	667	675	675	(8)
Charges for Current Services	13,285	10,720	13,130	155
Other Local Revenues	53,944	15,100	36,790	17,154
State of Tennessee	5,125,044	5,130,640	5,165,135	(40,091)
Federal Government	113,471	114,683	110,325	3,146
Total Revenues	<u>\$ 6,591,702</u>	<u>\$ 6,545,127</u>	<u>\$ 6,623,365</u>	<u>\$ (31,663)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,977,245	\$ 2,975,479	\$ 2,987,633	\$ 10,388
Alternative Instruction Program	63,251	64,485	64,485	1,234
Special Education Program	657,949	635,430	665,090	7,141
Vocational Education Program	317,749	317,090	320,090	2,341
Adult Education Program	36,607	24,890	37,140	533
<u>Support Services</u>				
Attendance	71,322	72,100	72,100	778
Health Services	728	3,712	1,012	284
Other Student Support	133,162	128,825	135,095	1,933
Regular Instruction Program	181,548	203,630	183,235	1,687
Special Education Program	65,908	66,230	66,230	322
Vocational Education Program	3,213	2,135	3,240	27
Adult Programs	51,606	51,545	51,545	(61)
Board of Education	105,651	102,090	108,095	2,444
Director of Schools	114,076	117,350	117,316	3,240
Office of the Principal	442,041	442,895	442,895	854
Fiscal Services	39,641	41,580	39,720	79
Operation of Plant	486,039	484,135	489,135	3,096
Maintenance of Plant	168,530	154,360	171,160	2,630
Transportation	503,466	467,250	505,125	1,659
Central and Other	2,658	4,090	4,090	1,432
<u>Operation of Non-Instructional Services</u>				
Food Service	14,400	14,400	14,400	0
Community Services	16,304	27,350	17,350	1,046
<u>Principal</u>				
Education	168,167	1,000	168,167	0
Total Expenditures	<u>\$ 6,621,261</u>	<u>\$ 6,402,051</u>	<u>\$ 6,664,348</u>	<u>\$ 43,087</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (29,559)</u>	<u>\$ 143,076</u>	<u>\$ (40,983)</u>	<u>\$ 11,424</u>

(Continued)

Exhibit C

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 8,293	\$ 24,094	\$ 9,094	\$ (801)
Transfers Out	0	(167,170)	(3)	3
Total Other Financing Sources (Uses)	<u>\$ 8,293</u>	<u>\$ (143,076)</u>	<u>\$ 9,091</u>	<u>\$ (798)</u>
Net Change in Fund Balance	\$ (21,266)	\$ 0	\$ (31,892)	\$ 10,626
Fund Balance, July 1, 2004	<u>228,746</u>	<u>227,666</u>	<u>227,666</u>	<u>1,080</u>
Fund Balance, June 30, 2005	<u>\$ 207,480</u>	<u>\$ 227,666</u>	<u>\$ 195,774</u>	<u>\$ 11,706</u>

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

**BUDGETARY INFORMATION**

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Perry 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: Instruction - Regular Instruction Program, Instruction - Special Education Program, Support Services - Attendance, etc.). Management may make revisions within major categories, but only the Perry County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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.

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 7,900	\$ 6,435	\$ 14,335
Equity in Pooled Cash and Investments	17,018	31,814	48,832
Total Assets	<u>\$ 24,918</u>	<u>\$ 38,249</u>	<u>\$ 63,167</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 7,900	\$ 6,435	\$ 14,335
Total Liabilities	<u>\$ 7,900</u>	<u>\$ 6,435</u>	<u>\$ 14,335</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 9,812	\$ 0	\$ 9,812
Other Federal Reserves	7,206	0	7,206
Unreserved	0	31,814	31,814
Total Fund Balances	<u>\$ 17,018</u>	<u>\$ 31,814</u>	<u>\$ 48,832</u>
Total Liabilities and Fund Balances	<u>\$ 24,918</u>	<u>\$ 38,249</u>	<u>\$ 63,167</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 218,303	\$ 218,303
Other Local Revenues	0	3,046	3,046
State of Tennessee	0	6,346	6,346
Federal Government	727,779	264,896	992,675
Total Revenues	<u>\$ 727,779</u>	<u>\$ 492,591</u>	<u>\$ 1,220,370</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 539,102	\$ 0	\$ 539,102
Support Services	185,960	0	185,960
Operation of Non-Instructional Services	0	497,195	497,195
Total Expenditures	<u>\$ 725,062</u>	<u>\$ 497,195</u>	<u>\$ 1,222,257</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,717</u>	<u>\$ (4,604)</u>	<u>\$ (1,887)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (8,293)	\$ 0	\$ (8,293)
Total Other Financing Sources (Uses)	<u>\$ (8,293)</u>	<u>\$ 0</u>	<u>\$ (8,293)</u>
Net Change in Fund Balances	\$ (5,576)	\$ (4,604)	\$ (10,180)
Fund Balance, July 1, 2004	22,594	36,418	59,012
Fund Balance, June 30, 2005	<u>\$ 17,018</u>	<u>\$ 31,814</u>	<u>\$ 48,832</u>

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 727,779	\$ 724,451	\$ 727,779	\$ 0
Total Revenues	\$ 727,779	\$ 724,451	\$ 727,779	\$ 0
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 353,618	\$ 352,261	\$ 356,767	\$ 3,149
Special Education Program	157,201	154,588	156,627	(574)
Vocational Education Program	28,283	27,314	28,275	(8)
<u>Support Services</u>				
Health Services	30,831	30,570	30,831	0
Other Student Support	46	250	50	4
Regular Instruction Program	61,197	79,826	74,848	13,651
Special Education Program	93,668	91,542	93,665	(3)
Vocational Education Program	218	1,000	218	0
Total Expenditures	\$ 725,062	\$ 737,351	\$ 741,281	\$ 16,219
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,717	\$ (12,900)	\$ (13,502)	\$ 16,219
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (8,293)	\$ (9,094)	\$ (9,092)	\$ 799
Total Other Financing Sources (Uses)	\$ (8,293)	\$ (9,094)	\$ (9,092)	\$ 799
Net Change in Fund Balance	\$ (5,576)	\$ (21,994)	\$ (22,594)	\$ 17,018
Fund Balance, July 1, 2004	22,594	22,594	22,594	0
Fund Balance, June 30, 2005	\$ 17,018	\$ 600	\$ 0	\$ 17,018

Exhibit D-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 218,303	\$ 216,000	\$ 214,780	\$ 3,523
Other Local Revenues	3,046	2,000	1,850	1,196
State of Tennessee	6,346	7,000	6,340	6
Federal Government	264,896	263,000	259,230	5,666
Total Revenues	<u>\$ 492,591</u>	<u>\$ 488,000</u>	<u>\$ 482,200</u>	<u>\$ 10,391</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 497,195	\$ 505,520	\$ 517,370	\$ 20,175
Total Expenditures	<u>\$ 497,195</u>	<u>\$ 505,520</u>	<u>\$ 517,370</u>	<u>\$ 20,175</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,604)</u>	<u>\$ (17,520)</u>	<u>\$ (35,170)</u>	<u>\$ 30,566</u>
Net Change in Fund Balance	\$ (4,604)	\$ (17,520)	\$ (35,170)	\$ 30,566
Fund Balance, July 1, 2004	<u>36,418</u>	<u>40,000</u>	<u>40,000</u>	<u>(3,582)</u>
Fund Balance, June 30, 2005	<u><u>\$ 31,814</u></u>	<u><u>\$ 22,480</u></u>	<u><u>\$ 4,830</u></u>	<u><u>\$ 26,984</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

Perry County, Tennessee  
Schedule of Changes in Long-term Notes  
Perry County School Department  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Asbestos Abatement	\$	16,088	0	%	6-30-1990	6-30-06	\$ 2,088 \$ 1,000 \$ 1,088
Total Notes Payable							\$ 2,088 \$ 1,000 \$ 1,088

Exhibit E-2

Perry County, Tennessee  
Schedule of Transfers - All Funds  
Perry 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	<u>\$ 8,293</u>
Total Transfers			<u><u>\$ 8,293</u></u>

Exhibit E-3

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

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	State Board of Education and Perry County Board of Education	\$ 85,047 (1)	(2)	(2)
<u>Other Bonds</u>				
Perry County Board of Education Employees			\$ 150,000	Tennessee School Boards Risk Management Trust

- (1) Includes \$500 chief executive officer training supplement and \$7,599 for serving as secretary to the Perry County Board of Education.  
(2) Covered under board's employee blanket bond.

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,026,037	\$ 0	\$ 0	\$ 1,026,037
Trustee's Collections - Prior Year	38,336	0	0	38,336
Circuit/Clerk & Master Collections - Prior Years	22,610	0	0	22,610
Interest and Penalty	7,785	0	0	7,785
Pick-up Taxes	81	0	0	81
Payments in Lieu of Taxes - T.V.A.	1,347	0	0	1,347
<u>County Local Option Taxes</u>				
Local Option Sales Tax	168,146	0	0	168,146
<u>Statutory Local Taxes</u>				
Bank Excise Tax	19,608	0	0	19,608
Interstate Telecommunications Tax	1,341	0	0	1,341
Total Local Taxes	\$ 1,285,291	\$ 0	\$ 0	\$ 1,285,291
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 667	\$ 0	\$ 0	\$ 667
Total Licenses and Permits	\$ 667	\$ 0	\$ 0	\$ 667
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 186,183	\$ 186,183
Lunch Payments - Adults	0	0	21,335	21,335
Income from Breakfast	0	0	10,785	10,785
School Based Health Services - FFS	335	0	0	335
Receipts from Individual Schools	12,470	0	0	12,470
TBI Criminal Background Fee	480	0	0	480
Total Charges for Current Services	\$ 13,285	\$ 0	\$ 218,303	\$ 231,588
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 24,920	\$ 0	\$ 2,882	\$ 27,802
Lease/Rentals	15,000	0	0	15,000
Sale of Materials and Supplies	1,310	0	0	1,310
Miscellaneous Refunds	2,971	0	164	3,135
<u>Nonrecurring Items</u>				
Insurance Recovery	1,010	0	0	1,010
Sale of Property	200	0	0	200
Damages Recovered from Individuals	40	0	0	40
<u>Other Local Revenues</u>				
Other Local Revenues	8,493	0	0	8,493
Total Other Local Revenues	\$ 53,944	\$ 0	\$ 3,046	\$ 56,990
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 4,677,971	\$ 0	\$ 0	\$ 4,677,971
School Food Service	0	0	6,346	6,346
Other State Education Funds	163,218	0	0	163,218
Career Ladder Program	76,003	0	0	76,003

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 37,055	\$ 0	\$ 0	\$ 37,055
Other Vocational	23,181	0	0	23,181
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	147,616	0	0	147,616
Total State of Tennessee	\$ 5,125,044	\$ 0	\$ 6,346	\$ 5,131,390
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 201,662	\$ 201,662
Breakfast	0	0	63,234	63,234
Adult Education State Grant Program	50,871	0	0	50,871
Vocational Education - Basic Grants to States	0	28,881	0	28,881
Title I Grants to Local Education Agencies	0	311,454	0	311,454
Innovative Education Program Strategies	0	6,075	0	6,075
Special Education - Grants to States	31,000	257,514	0	288,514
Special Education Preschool Grants	0	27,087	0	27,087
Eisenhower Professional Development State Grants	0	89,052	0	89,052
Other Federal through State	31,600	7,716	0	39,316
Total Federal Government	\$ 113,471	\$ 727,779	\$ 264,896	\$ 1,106,146
Total	\$ 6,591,702	\$ 727,779	\$ 492,591	\$ 7,812,072

Exhibit E-5

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,231,304	
Career Ladder Program	40,769	
Career Ladder Extended Contracts	24,000	
Homebound Teachers	8,386	
Educational Assistants	74,225	
Certified Substitute Teachers	34,210	
Social Security	138,579	
State Retirement	132,938	
Medical Insurance	163,531	
Unemployment Compensation	2,108	
Employer Medicare	32,409	
Other Contracted Services	1,380	
Instructional Supplies and Materials	24,026	
Textbooks	59,989	
Other Supplies and Materials	98	
Fee Waivers	9,293	
Total Regular Instruction Program		\$ 2,977,245

Alternative Instruction Program

Teachers	\$ 38,980	
Career Ladder Program	1,000	
Educational Assistants	11,773	
Social Security	2,883	
State Retirement	3,211	
Medical Insurance	4,623	
Unemployment Compensation	53	
Employer Medicare	674	
Instructional Supplies and Materials	54	
Total Alternative Instruction Program		63,251

Special Education Program

Teachers	\$ 453,943
Career Ladder Program	8,000
Homebound Teachers	7,753
Educational Assistants	50,070
Certified Substitute Teachers	5,115
Social Security	30,288
State Retirement	30,139
Medical Insurance	33,541

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	527	
Employer Medicare		7,083	
Contracts with Private Agencies		17,713	
Maintenance & Repair Services- Equipment		273	
Other Contracted Services		8,369	
Instructional Supplies and Materials		3,311	
Other Supplies and Materials		8	
Special Education Equipment		1,816	
Total Special Education Program			\$ 657,949

Vocational Education Program

Teachers	\$	247,853	
Career Ladder Program		3,000	
Certified Substitute Teachers		3,495	
Social Security		14,725	
State Retirement		13,797	
Medical Insurance		15,567	
Unemployment Compensation		225	
Employer Medicare		3,443	
Maintenance & Repair Services- Equipment		693	
Tuition		3,504	
Instructional Supplies and Materials		11,447	
Total Vocational Education Program			317,749

Adult Education Program

Teachers	\$	20,932	
Other Salaries & Wages		2,440	
Social Security		1,435	
State Retirement		431	
Unemployment Compensation		49	
Employer Medicare		336	
Instructional Supplies and Materials		10,984	
Total Adult Education Program			36,607

Support Services

Attendance

Supervisor/Director	\$	56,854	
Career Ladder Program		1,000	
Social Security		3,207	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

State Retirement	\$	3,182	
Medical Insurance		5,448	
Unemployment Compensation		28	
Employer Medicare		750	
Travel		470	
Other Supplies and Materials		340	
Other Charges		43	
Total Attendance			\$ 71,322

Health Services

Drugs and Medical Supplies	\$	728	
Total Health Services			728

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		85,139	
Attendants		9,902	
Other Salaries & Wages		10,578	
Social Security		6,494	
State Retirement		5,660	
Medical Insurance		3,119	
Unemployment Compensation		102	
Employer Medicare		1,519	
Evaluation and Testing		6,642	
Travel		167	
Other Supplies and Materials		1,765	
In Service/Staff Development		75	
Total Other Student Support			133,162

Regular Instruction Program

Supervisor/Director	\$	57,714	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		2,000	
Librarians		31,975	
Instructional Computer Personnel		48,608	
Other Salaries & Wages		3,000	
Social Security		8,790	
State Retirement		9,605	
Medical Insurance		4,328	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Unemployment Compensation	\$	125	
Employer Medicare		2,056	
Travel		2,789	
Other Contracted Services		818	
Other Supplies and Materials		641	
In Service/Staff Development		6,039	
Other Charges		60	
Total Regular Instruction Program			\$ 181,548

Special Education Program

Supervisor/Director	\$	48,708	
Career Ladder Program		1,000	
Clerical Personnel		1,261	
Social Security		2,780	
State Retirement		2,843	
Medical Insurance		5,446	
Unemployment Compensation		27	
Employer Medicare		650	
Travel		2,369	
Other Supplies and Materials		783	
Other Charges		41	
Total Special Education Program			65,908

Vocational Education Program

Clerical Personnel	\$	1,059	
Social Security		66	
State Retirement		91	
Unemployment Compensation		1	
Employer Medicare		15	
Travel		1,479	
Other Supplies and Materials		502	
Total Vocational Education Program			3,213

Adult Programs

Supervisor/Director	\$	40,312	
Career Ladder Program		1,000	
Clerical Personnel		1,876	
Social Security		2,678	
State Retirement		2,434	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Medical Insurance	\$	220	
Unemployment Compensation		25	
Employer Medicare		626	
Travel		1,992	
Other Supplies and Materials		83	
In Service/Staff Development		360	
Total Adult Programs			\$ 51,606

Board of Education

Board and Committee Members Fees	\$	10,100	
Social Security		626	
State Retirement		611	
Employer Medicare		146	
Audit Services		3,500	
Dues and Memberships		3,906	
Other Contracted Services		8,968	
Other Supplies and Materials		153	
Liability Insurance		7,127	
Premiums on Corporate Surety Bonds		432	
Trustee's Commission		39,132	
Workers' Compensation Insurance		27,974	
Criminal Investigation of Applicants - TBI		480	
Refund to Applicant for Criminal Investigation		288	
Other Charges		2,208	
Total Board of Education			105,651

Director of Schools

County Official/Administrative Officer	\$	85,047	
Social Security		5,244	
State Retirement		4,652	
Life Insurance		1,261	
Medical Insurance		1,700	
Unemployment Compensation		28	
Employer Medicare		1,226	
Communication		8,081	
Dues and Memberships		1,101	
Postal Charges		1,778	
Travel		662	
Other Contracted Services		1,139	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Office Supplies	\$	800	
Other Charges		1,357	
Total Director of Schools			\$ 114,076

Office of the Principal

Principals	\$	211,176	
Career Ladder Program		6,000	
Accountants/Bookkeepers		59,597	
Career Ladder Extended Contracts		4,000	
Assistant Principals		40,883	
Secretary(s)		31,752	
Social Security		21,093	
State Retirement		22,208	
Medical Insurance		11,225	
Unemployment Compensation		322	
Employer Medicare		4,933	
Communication		14,981	
Travel		238	
Other Contracted Services		13,633	
Total Office of the Principal			442,041

Fiscal Services

Supervisor/Director	\$	27,775	
Other Salaries & Wages		6,000	
Social Security		2,094	
State Retirement		2,388	
Unemployment Compensation		25	
Employer Medicare		490	
Travel		869	
Total Fiscal Services			39,641

Operation of Plant

Custodial Personnel	\$	141,842	
Social Security		8,794	
State Retirement		11,721	
Unemployment Compensation		287	
Employer Medicare		2,057	
Other Contracted Services		6,834	
Custodial Supplies		21,287	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Electricity	\$	171,700	
Natural Gas		72,009	
Water and Sewer		10,211	
Other Supplies and Materials		786	
Boiler Insurance		1,384	
Building and Contents Insurance		25,183	
Plant Operation Equipment		11,944	
Total Operation of Plant			\$ 486,039

Maintenance of Plant

Supervisor/Director	\$	23,895	
Maintenance Personnel		58,282	
Social Security		4,580	
State Retirement		6,335	
Medical Insurance		4,982	
Unemployment Compensation		76	
Employer Medicare		1,071	
Communication		366	
Maintenance & Repair Services- Buildings		133	
Maintenance & Repair Services- Equipment		1,281	
Maintenance & Repair Services- Vehicles		120	
Travel		48	
Other Contracted Services		22,699	
Equipment and Machinery Parts		38,541	
Other Charges		57	
Maintenance Equipment		6,064	
Total Maintenance of Plant			168,530

Transportation

Supervisor/Director	\$	23,895
Mechanic(s)		23,470
Bus Drivers		221,719
Other Salaries & Wages		9,685
In-Service Training		643
Social Security		16,680
State Retirement		22,325
Medical Insurance		6,165
Unemployment Compensation		499
Employer Medicare		3,901

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Communication	\$	910	
Maintenance & Repair Services- Vehicles		18,099	
Medical and Dental Services		2,967	
Other Contracted Services		400	
Diesel Fuel		40,938	
Garage Supplies		1,370	
Gasoline		3,175	
Lubricants		1,319	
Tires and Tubes		6,150	
Vehicle Parts		12,107	
Other Supplies and Materials		203	
Vehicle and Equipment Insurance		7,775	
Other Charges		200	
Transportation Equipment		<u>78,871</u>	
Total Transportation	\$		503,466

Central and Other

Other Contracted Services	\$	2,135	
Data Processing Supplies		<u>523</u>	
Total Central and Other			2,658

Operation of Non-Instructional Services

Food Service

Medical Insurance	\$	<u>14,400</u>	
Total Food Service			14,400

Community Services

Supervisor/Director	\$	6,190	
Part-time Personnel		6,158	
Other Salaries & Wages		1,725	
Social Security		873	
State Retirement		435	
Unemployment Compensation		3	
Employer Medicare		204	
Travel		62	
Other Supplies and Materials		<u>654</u>	
Total Community Services			16,304

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Principal

Education

Principal on Notes	\$	1,000	
Debt Service Contribution to Primary Government		167,167	
Total Education			\$ 168,167

Total General Purpose School Fund \$ 6,621,261

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	251,452	
Educational Assistants		12,214	
Certified Substitute Teachers		1,590	
Social Security		15,119	
State Retirement		14,880	
Medical Insurance		19,910	
Unemployment Compensation		231	
Employer Medicare		3,536	
Maintenance & Repair Services- Equipment		3,675	
Instructional Supplies and Materials		21,838	
Regular Instruction Equipment		9,173	
Total Regular Instruction Program			\$ 353,618

Special Education Program

Teachers	\$	34,878	
Educational Assistants		82,044	
Certified Substitute Teachers		222	
Social Security		6,930	
State Retirement		8,979	
Medical Insurance		3,600	
Unemployment Compensation		273	
Employer Medicare		1,621	
Contracts with Other Public Agencies		2,300	
Contracts with Private Agencies		8,124	
Instructional Supplies and Materials		7,530	
Special Education Equipment		700	
Total Special Education Program			157,201

Vocational Education Program

Educational Assistants	\$	8,726	
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(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Other Salaries & Wages	\$	325	
Social Security		561	
State Retirement		759	
Unemployment Compensation		14	
Employer Medicare		131	
Travel		734	
Instructional Supplies and Materials		15,709	
Vocational Instruction Equipment		1,324	
Total Vocational Education Program			\$ 28,283

Support Services

Health Services

Medical Personnel	\$	26,733	
Social Security		1,644	
State Retirement		2,030	
Unemployment Compensation		40	
Employer Medicare		384	
Total Health Services			30,831

Other Student Support

Travel	\$	46	
Total Other Student Support			46

Regular Instruction Program

Supervisor/Director	\$	27,716	
Instructional Computer Personnel		6,944	
Clerical Personnel		2,000	
Social Security		2,232	
State Retirement		2,293	
Medical Insurance		60	
Unemployment Compensation		16	
Employer Medicare		522	
Travel		4,622	
Other Supplies and Materials		404	
In Service/Staff Development		14,073	
Other Charges		315	
Total Regular Instruction Program			61,197

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	5,322	
Psychological Personnel		45,270	
Clerical Personnel		19,409	
Social Security		3,564	
State Retirement		4,452	
Medical Insurance		9,085	
Unemployment Compensation		49	
Employer Medicare		834	
Consultants		400	
Travel		1,818	
Other Supplies and Materials		112	
In Service/Staff Development		3,353	
Total Special Education Program			\$ 93,668

Vocational Education Program

Travel	\$	90	
In Service/Staff Development		128	
Total Vocational Education Program			218

Total School Federal Projects Fund \$ 725,062

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	42,536
Clerical Personnel		6,470
Cafeteria Personnel		207,843
Social Security		14,200
State Retirement		19,424
Medical Insurance		180
Unemployment Compensation		520
Employer Medicare		3,321
Communication		300
Maintenance & Repair Services- Equipment		4,546
Transportation - Other than Students		4,350
Travel		2,091
Other Contracted Services		9,128
Food Preparation Supplies		9,164
Food Supplies		169,653

(Continued)

Exhibit E-5

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

<u>Central Cafeteria Fund (Cont.)</u>			
<u>Operation of Non-Instructional Services (Cont.)</u>			
<u>Food Service (Cont.)</u>			
Office Supplies	\$	23	
Other Supplies and Materials		2,739	
Other Charges		707	
Total Food Service		<u>          </u>	\$ <u>497,195</u>
Total Central Cafeteria Fund			\$ <u>497,195</u>
Total Governmental Funds - Perry County School Department			\$ <u><u>7,843,518</u></u>

**SINGLE AUDIT REPORT**  
**PERRY COUNTY, TENNESSEE**  
**AND**  
**PERRY 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*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*JERRY DURHAM, CPA, CGFM, CFE*  
*Auditor 4*

*PATTY VARGO, CFE*  
*WENDY HEATH, CFE*  
*State Auditors*

This report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# SINGLE AUDIT REPORT TABLE OF CONTENTS

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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

December 16, 2005

Perry County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Perry 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 Perry County, Tennessee, and the Perry County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Perry County's and the Perry County School Department's basic financial statements and have issued our reports thereon dated December 16, 2005. Our reports on the financial statements of Perry County, Tennessee, and the Perry County School Department express adverse opinions because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County's and the Perry 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 Perry County's and the Perry County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03(B), 05.04, 05.05, 05.06, 05.07, 05.09(B,C,D), 05.13, 05.15, 05.16, 05.17, 05.19, 05.21, and 05.22.

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) and 05.06 to be material weaknesses.

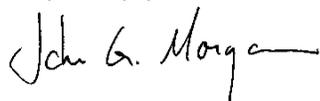
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County's and the Perry County School Department's statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03(A), 05.08, 05.09(A), 05.10, 05.11, 05.12, 05.14, 05.18, and 05.20.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/yu



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

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

December 16, 2005

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

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

Compliance

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

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

#### Internal Control Over Compliance

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

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

#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Perry County, Tennessee, and the Perry County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated December 16, 2005. Our reports on the financial statements of Perry County and the Perry County School Department express adverse opinions because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu

Perry County, Tennessee, and the Perry 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:			
Direct Program:			
Rural Economic Development Loans and Grants	10.854	N/A	\$ 93,284
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	\$ 36,595
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 63,234
National School Lunch Program	10.555	(2)	201,662
Total Passed-through State Department of Education			\$ 264,896
Total U.S. Department of Agriculture			\$ 394,775
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic & Community Development:			
Community Development Block Grants/State's Program	14.228	GG-04-11430-00	\$ 187,615
Total U.S. Department of Housing and Urban Development			\$ 187,615
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
Title I WIA Subtitle B Youth Activities	17.259	03-10-999-106-98-82	\$ 16,268
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-04-025652-01	6,567
Total U.S. Department of Labor			\$ 22,835
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-04-016700-00	\$ 491
Adult Education - State Grant Program	84.002	Z-05-022254-00	43,814
Total Passed-through State Department of Labor and Workforce Development			\$ 44,305
Passed-through State Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	N/A	\$ 307,019
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	257,514
Special Education - Preschool Grants	84.173	N/A	27,087
Vocational Education - Basic Grants to States	84.048	N/A	28,881
Safe and Drug-Free Schools and Communities - State Grant	84.186	(2)	8,438
State Grants for Innovative Programs	84.298	N/A	6,075
Education Technology State Grants	84.318	(2)	12,354
Improving Teacher Quality State Grants	84.367	N/A	85,987
Total Passed-through State Department of Education			\$ 733,355
Total U.S. Department of Education			\$ 777,660
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022345-00	\$ 15,332
Total U.S. Department of Health and Human Services:			\$ 15,332
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017789-00	\$ 30,000
Total U.S. Department of Homeland Security			\$ 30,000
Total Expenditures of Federal Awards			\$ 1,428,217
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 4,502
Litter Program - State Department of Transportation	N/A	Z-05-021537-00	27,617
Adult Education - State Department of Labor and Workforce Development	N/A	Z05-022254-01	11,647
Adult Education - State Department of Labor and Workforce Development	N/A	Z-04-016700-01	130
Jobs for Tennessee Graduates - State Department of Education	N/A	GG-05-10998-00	23,181
Family Resource Center - State Department of Education	N/A	Z-05-021410-00	11,154
Early Childhood Education - State Department of Education	N/A	Z-05-022162-00	65,000
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011324-00	2,670
Temporary Assistance for Needy Families - State Department of Education	N/A	Z-05-022345-01	7,217

(Continued)

Perry County, Tennessee, and the Perry 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>State Grants (Cont.)</u>			
Technology Grant - State Department of Library and Archives	N/A	Z-05-024680-00	\$ 1,200
Fingerprint Grant - State Department of Finance and Administration	N/A	Z-01-098961-00	19,783
Youth Services Officer Grant - State Commission on Children and Youth	N/A	Z-05-020417-00	<u>9,000</u>
Total State Grants			<u>\$ 183,101</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.

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

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

**PERRY COUNTY AND THE PERRY COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
04.01	10	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
04.04 A, C	11	The office had deficiencies in its purchasing procedures
04.05	12	General Fund expenditures exceeded appropriations

**OFFICE OF HIGHWAY SUPERINTENDENT**

Finding Number	Page Number	Subject
04.08 A	14	The office had deficiencies in its purchasing procedures

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
04.10 C	15	The office had deficiencies in its purchasing procedures

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
04.11 C	16	The office did not deposit funds within three days of collection

**OTHER FINDINGS AND RECOMMENDATIONS**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
04.13	17	The required amount of local option sales tax revenue was not expended for education purposes
04.14	18	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register
04.15	18	A central system of accounting, budgeting, and purchasing had not been adopted

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**PERRY COUNTY, TENNESSEE, AND THE  
PERRY COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Adverse opinions were issued on the financial statements of Perry County, Tennessee, and the Perry County School Department.
2. The audit of the financial statements of Perry County and the Perry County School Department disclosed reportable conditions in internal control. Two of these conditions were considered to be material weaknesses of Perry County.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of Perry County and one instance of noncompliance that is material to the financial statements of the Perry County School Department.
4. The audit disclosed no reportable condition in internal control over major programs.
5. The audit disclosed an unqualified opinion 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 Title 1 Grants to Local Educational Agencies (CFDA No. 84.010), the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), and Community Development Block Grants/State's Program (CFDA No. 14.228) 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. Perry County and the Perry County School Department did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### PERRY COUNTY AND PERRY 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)

Perry County and the Perry County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Perry County and the Perry 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, Perry County’s and the Perry County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion 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. Perry County’s and the Perry County School Department’s financial statements are presented in compliance with these requirements.

### RECOMMENDATION

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

**OFFICE OF COUNTY MAYOR**

**FINDING 05.02      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Our audit disclosed the following deficiencies in purchasing procedures:

- A. In numerous instances, purchase orders were not issued for applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In numerous instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.
- C. In numerous instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.
- D. Several expenditures were coded to expenditure accounts that did not reflect the true nature of the expenditures. Misclassifying expenditures diminishes the usefulness of the accounting records as a management tool. Any misclassifications noted during our examination were reclassified by management in the financial statements of this report.

**RECOMMENDATION**

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. Documentation should be obtained indicating that goods have been received or services have been rendered before invoices are paid. Invoices should be cancelled when paid. Expenditures should be coded to the accounts that most appropriately reflect the true nature of the transactions.

---

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

Our audit disclosed the following deficiencies in budget operations:

- A. General Fund expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) by \$107,479.

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

- B. The General Debt Service Fund’s actual fund balance at July 1, 2004, was \$2,490,445; however, the estimated fund balance reflected in the county’s budget was \$1,745,096. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by \$745,349.

**RECOMMENDATION**

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

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**OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 05.04**      **THE OFFICE DID NOT ISSUE PURCHASE ORDERS FOR SOME APPLICABLE PURCHASES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Purchase orders were not issued for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.

**RECOMMENDATION**

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases.

**FINDING 05.05      TIME CARDS WERE NOT SIGNED BY SUPERVISORS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Highway Department supervisors did not sign the time cards of their employees as evidence of supervisory review and approval. If the supervisors do not review and approve time cards, improper payments could result.

**RECOMMENDATION**

Time cards should be signed by supervisors as evidence of supervisory review and approval.

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**FINDING 05.06      THE ACTUAL FUND BALANCE OF THE HIGHWAY/PUBLIC WORKS FUND EXCEEDED THE ESTIMATED FUND BALANCE BY A MATERIAL AMOUNT**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The Highway/Public Works Fund’s actual fund balance at July 1, 2004, was \$1,653,464; however, the estimated fund balance reflected in the county’s budget was \$1,517,447. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by \$136,017.

**RECOMMENDATION**

The estimated beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.

---

**FINDING 05.07      THE HIGHWAY DEPARTMENT DID NOT RECONCILE FUEL USAGE WITH FUEL PURCHASES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department dispensed fuel from pumps located at the highway garage; however, the department did not reconcile amounts used with amounts purchased and on hand.

**RECOMMENDATION**

The Highway Department should reconcile fuel usage with fuel purchased and on hand, as well as with gallons pumped as indicated on the fuel pump meter.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 05.08      **THE OFFICE HAD DEFICIENCIES IN BIDDING PROCEDURES****

(Noncompliance Under Government Auditing Standards)

Bids had not been solicited for refinishing three gym floors (\$8,518). Section 49-2-203, Tennessee Code Annotated, requires that competitive bids be solicited through advertisement in a local newspaper on all purchases exceeding \$5,000. In addition, bid documentation for several other purchases could not be located.

**RECOMMENDATION**

The School Department should solicit competitive bids for purchases exceeding \$5,000 as required by state statute. Documentation should be on file to support the bid process.

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**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**GENERAL SESSIONS CLERK:**

**FINDING 05.09      **THE OFFICE HAD DEFICIENCIES IN RECEIPTING AND DEPOSITING COLLECTIONS****

(A. Noncompliance Under Government Auditing Standards; B., C., and D. Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following deficiencies related to receipting and depositing collections in General Sessions Court:

- A. The general sessions court clerk did not deposit collections within three days of receipt. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days after receipt. In addition, deposits were not made intact.
- B. Receipts were issued through the computerized accounting system in most instances. The computer system automatically dates receipts based on the current date unless the system is manually over-ridden for a different date. In the General Sessions Court Clerk’s Office, the date on the computer was always set forward by two days. For example, a receipt issued on April 5, 2005 would be dated April 7, 2005, by the computer. It appears that the date was set forward in an attempt to circumvent provisions of the three-day deposit law cited above. The chief deputy clerk advised that she changed the date because they did not deposit daily.
- C. In several instances, the office manually issued receipts. We examined the manually written receipts and discovered that five receipts totaling \$3,830

were not posted to the computerized general ledger. We investigated each receipt and concluded that two of the receipts were collected for other agencies (the District Attorney's Child Support Office (\$3,500) and the Probation Services Office (\$175). Both agencies confirmed that they received their funds from the clerk's office. Of the three remaining receipts, \$50 was found in the chief deputy clerk's desk and was deposited, \$75 was unaccounted and repaid by the chief deputy clerk, and \$30 remains unaccounted. Issuing receipts manually increases the risks of not posting a receipt to the general ledger or posting the receipt for an incorrect amount.

- D. Auditors performed a cash count on July 13, 2005, and found the cash drawer to be short \$15. However, the correct amount of cash was deposited to the bank on July 15.

### RECOMMENDATION

All collections should be deposited intact within three business days as required by state statute. Receipts should reflect the actual date of collection, and all manually issued receipts should be posted to the computerized general ledger on a current basis. The office cash drawer should be properly maintained.

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**FINDING 05.10      THE OFFICE DID NOT FORWARD COURT ABSTRACTS TO THE DEPARTMENT OF SAFETY**  
(Noncompliance Under Government Auditing Standards)

The General Sessions Clerk's Office did not forward court abstracts to the Department of Safety for a defendant convicted on two offenses (reckless driving and DUI second offense). In one case, the judge ordered the defendant's license suspended for one year, and in the second case, ordered the defendant's license suspended for two years. Section 55-10-306(b)(1), Tennessee Code Annotated, requires the clerk to forward an abstract of such cases to the Department of Safety within 30 days. As of December 16, 2005, these court abstracts had not been reported to the Department of Safety.

### RECOMMENDATION

The clerk should ensure that court abstracts are forwarded to the Department of Safety as required by state statute.

**FINDING 05.11 CERTAIN CASES INVOLVING WORTHLESS CHECKS WERE NOT ADMINISTERED IN COMPLIANCE WITH STATE STATUTES**

(Noncompliance Under Government Auditing Standards)

The general sessions court clerk advised that in certain instances that involved worthless checks, a case number was not assigned, the case information was not recorded on the computer, taxes and court costs were not assessed, a warrant was not issued, the case was not placed on the court docket, and the case was never adjudicated. The office would contact the defendant to come in and retrieve the worthless check. If the worthless check was collected through the clerk's office, a receipt was not issued as required by Section 9-2-103, Tennessee Code Annotated (TCA), taxes and court costs were not collected, and the restitution collected was remitted directly to the individual or merchant who had received the worthless check. Therefore, collections were not deposited to the clerk's bank account, and funds were not disbursed by official prenumbered check as required by Section 5-8-207 TCA. This method of collecting worthless checks circumvents the judicial process, appears to be discriminatory since only certain instances are handled in this manner, violates state statutes regarding the receipt, deposit, and disbursement of court funds, and results in a loss of revenue to the state and county.

**RECOMMENDATION**

All instances involving worthless checks should be assigned a case number, be posted to the computerized accounting system, have taxes and court costs assessed, have a warrant issued, be placed on the court docket, and go before a judge for disposition. Prenumbered receipts should be issued for all collections, all collections should be deposited intact to the office bank account within three days of receipt, and all payments should be disbursed by official prenumbered checks. Applicable taxes and court costs should be collected and remitted to the state and county.

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**FINDING 05.12 THE OFFICE HAD DEFICIENCIES RELATED TO EXPUNGEMENT ORDERS**

(Noncompliance Under Government Auditing Standards)

The office had deficiencies related to expungement orders as follows:

- A. The clerk is authorized by state statutes to charge fees for expunging court records. Section 40-32-101(d)(2), Tennessee Code Annotated (TCA), requires the clerk to assess a \$50 fee to be remitted to the Tennessee Bureau of Investigation (TBI) against certain persons where the charges were dismissed upon successful completion of a diversion program. Section 8-21-401(f)(5), TCA, provides for a \$100 clerk fee for expungements. The clerk had been charging a \$50 expungement fee for cases that did not involve diversion and placed this fee in his fee account.

- B. Expungement orders are typically processed through General Sessions Court by the chief deputy clerk. During the course of the audit, we received information about three expungement orders that were not handled properly. Two defendants paid the \$50 expungement fee. However, their cases were never expunged, the fee was not receipted or recorded on the computerized accounting system, and the office was unable to account for the \$100. In the third case, auditor's found an expungement order with \$50 attached to it in the chief deputy's desk drawer. A manual receipt had been issued for the \$50, but the receipt had not been entered into the computerized accounting system.
  
- C. A file for non-public expungement case information was not maintained by the office. Section 40-35-313(b), TCA, provides that defendants may apply to the court for an order to expunge a case from all official records other than non-public records retained by the court. Because this file was not maintained, auditors were unable to determine whether other expungement orders were handled incorrectly by the office.

### RECOMMENDATION

The office should collect the proper fees for expunging cases and remit the appropriate fees to the TBI and/or the county. Records should be expunged in compliance with court orders. A file for non-public expungement case information should be maintained by the clerk's office.

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FINDING 05.13      **THE OFFICE HAD DEFICIENCIES RELATED TO DISMISSED CASES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

We examined 35 traffic violations issued by the Tennessee Highway Patrol. Our audit revealed several administrative deficiencies related to these cases. The office created a case and assessed costs when a citation was received. Often, when cases were dismissed, fees and court costs associated with these cases had not been removed from the computer docket file. In other cases, a judgment and disposition had been noted on the computer docket file even though a judgment and disposition had not been reached, based on information in the actual case file. On three cases, the computer docket file reflected that the cases had been dismissed although the general sessions judge had not signed the citation to indicate that the cases were dismissed. In another case, the general sessions court clerk advised that he dismissed a charge for driving without the proper registration documents because the judge typically dismissed that type of citation. In another case, the computer docket file indicated that a case had been dismissed but the paperwork could not be located for inspection.

## RECOMMENDATION

Appropriate court documents should be signed by the general sessions judge prior to cases being removed from the computer docket files. Once a case has been dismissed, all court costs and fees should be removed from the computer docket file, and the file should reflect the judgment for the case. Internal controls should be implemented to ensure all court documents are on file for inspection.

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### FINDING 05.14      **GENERAL SESSIONS COURT DID NOT PREPARE AN EXECUTION DOCKET TRIAL BALANCE** (Material Noncompliance Under Government Auditing Standards)

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

## RECOMMENDATION

The general sessions court clerk should prepare and reconcile a trial balance of execution docket cause balances with cash journal accounts as required by state statutes. To further comply with state statutes, the clerk should report and pay to the state Treasurer's Office any unclaimed funds held for more than one year.

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## **CIRCUIT CLERK:**

### FINDING 05.15      **THE CIRCUIT COURT CLERK DID NOT POST SHORT-TERM ACCOUNT ACTIVITY TO THE CASH JOURNAL** (Internal Control – Reportable Condition Under Government Auditing Standards)

Short-term account activity was not properly posted to the cash journal during the year. Our examination of the clerk's subsidiary investment ledger revealed that an investment of \$16,323 and interest earned of \$500 had not been posted in the cash journal. We provided audit adjustments for the clerk to approve and post so that the office's account balances would be presented properly in the financial statements of this report.

RECOMMENDATION

The clerk should post all short-term account activity to the accounting records on a timely basis.

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**OFFICE OF SHERIFF**

**FINDING 05.16      **THE OFFICE HAD DEFICIENCIES IN ACCOUNTING FOR INMATES' PERSONAL PROPERTY**  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

The sheriff utilized an envelope system to account for inmates' personal property. Our audit revealed the following deficiencies:

- A. Inmates were not required to sign the envelopes as evidence that the personal property was received or disbursed.
- B. The inmates' personal property was not listed on the envelopes in several instances.
- C. One envelope did not reflect the inmate's name.
- D. A knife was missing from one inmate's envelope, and the chief jailer could not provide an explanation.
- E. All jailers and deputies had access to the inmates' envelopes.

RECOMMENDATION

The sheriff should establish policies and procedures for receiving and disbursing inmates' personal property. If an envelope system is used, each envelope should reflect, at a minimum, the following information: inmate's name, booking officer's name, date and listing of the items received or disbursed, and the inmate's and officer's initials for each receipt and disbursement of property. In addition, inmate envelopes should be maintained in a restricted area with limited access.

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**FINDING 05.17      THE SHERIFF REMOVED CASH BOND RECEIPTS FROM  
THE JAIL FOR SAFEKEEPING**  
(Internal Control – Reportable Condition Under Government Auditing  
Standards)

On nights and weekends, jailers collect and issue receipts for cash bonds. Because the sheriff does not consider security at the jail to be adequate, the sheriff writes a personal check for the sum of the cash bonds on hand, leaves the check at the jail, and takes the cash away from the jail. The sheriff holds the cash overnight or over a weekend and then returns the cash to the jail and retrieves his check.

**RECOMMENDATION**

The sheriff should not personally hold office cash for safekeeping. Access to cash could be restricted by the use of a safe or, as an alternative, a lockbox system could be established for depositing and safekeeping of cash bond collections. Under either system, the bookkeeper would be the only person with access to the safe or lockbox. The bookkeeper should reconcile receipts with cash in the safe/lockbox after each night and weekend shift. Cash bond collections should be deposited to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated.

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**FINDING 05.18      THE SHERIFF ENTERED INTO AN ORAL AGREEMENT FOR  
TELEPHONE SERVICES**  
(Noncompliance Under Government Auditing Standards)

The sheriff advised auditors that he had entered into an oral agreement with a vendor to provide inmate telephone services on a trial basis. Under the agreement, the vendor would provide inmate telephone services, including the necessary equipment and installation, and would receive all fees generated by use of the equipment. A written contract would be executed after an unspecified period if the vendor determines the arrangement is profitable. The County Commission did not approve this agreement. Section 7-51-904, Tennessee Code Annotated (TCA), requires such contracts, leases, or lease-purchase agreements to be approved by resolution of the County Commission. Section 5-6-108, TCA, provides that the county mayor is the chief financial officer of the county and has the care and custody of all county property.

**RECOMMENDATION**

Telephone contracts should be approved by the County Commission and should be entered into by the county mayor as chief financial officer of the county. The county should seek to negotiate a profit sharing arrangement with potential vendors for the desired telephone contract.

**FINDING 05.19      SHERIFF DEPARTMENT TIME SHEETS WERE NOT SIGNED BY SUPERVISORS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Sheriff Department supervisors did not sign the time sheets of their employees as evidence of supervisory review and approval. If the supervisors do not review and approve time sheets, improper payments could result.

**RECOMMENDATION**

Time sheets should be signed by supervisors as evidence of supervisory review and approval.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 05.20      THE REQUIRED AMOUNT OF LOCAL OPTION SALES TAX REVENUE WAS NOT EXPENDED FOR EDUCATION PURPOSES**  
(Material Noncompliance Under Government Auditing Standards)

During the year, we conducted an analysis of the county’s local option sales tax collections versus expenditures and discovered that Perry County had not expended the required amount of these collections for educational purposes. Section 67-6-712, Tennessee Code Annotated, requires that at least one-half of sales tax revenue be expended for education purposes. In addition, Perry County voters approved an additional one-half cent increase in the local sales tax rate in 1996 that was allocated 100 percent for the repayment of school indebtedness related to the 1996/1999 school building program. Based on our review, we determined that Perry County had placed local option sales tax revenues of \$185,454, which should have been earmarked for education, into the county’s General Fund. Therefore, we proposed and the county accepted an audit adjustment of \$185,454 to establish a reserve for sales tax – education in the financial statements of the county’s General Fund.

**RECOMMENDATION**

The County Commission should ensure that the required amount of local option sales tax collections is expended for educational purposes as required by state statute.

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**FINDING 05.21 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

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**FINDING 05.22 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

**RECOMMENDATION**

County officials should consider adopting the County Financial Management System of 1981 or a private act which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

**PERRY COUNTY, TENNESSEE, AND THE  
PERRY 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.