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

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

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

ANNUAL FINANCIAL REPORT

BLEDSOE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2006

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

BLEDSOE COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Bledsoe County, Tennessee
For the Year Ended June 30, 2006

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Bledsoe County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

BLEDSOE COUNTY

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

OFFICE OF COUNTY MAYOR

- Liabilities were not determined and recorded on the accounting records of the General Fund resulting in expenditures exceeding appropriations.
- Inventory records were not maintained for assets owned by the general county government.
- Purchase orders were not issued in some required instances and in several instances, invoices were paid without documentation that goods had been received or services had been rendered.
- The agreement between Bledsoe County and the Bledsoe County Emergency Communications District has questionable provisions and deficiencies.

OFFICE OF SHERIFF

- Receipts were not issued at the time collections were received.

OTHER FINDINGS

- County officials had not adopted a central system of accounting, budgeting, and purchasing.
- Duties were not segregated adequately among the officials and employees in the Offices of County Mayor; Road Superintendent; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.
- The general sessions judge also served as county attorney and delinquent tax attorney, contrary to opinions issued by the state attorney general.

INTRODUCTORY SECTION

Bledsoe County Officials
June 30, 2006

Officials

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

Board of County Commissioners

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

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

September 5, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Bledsoe County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 36, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Bledsoe County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bledsoe County, Tennessee, as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Bledsoe County, Tennessee, as of June 30, 2006, 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 September 5, 2006, on our consideration of Bledsoe County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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.

The budgetary comparison information on pages 39 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bledsoe County'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,

John G. Morgan
Comptroller of the Treasury

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BASIC FINANCIAL STATEMENTS

Exhibit A

Bledsoe County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds			Nonmajor Funds	
	General	Ambulance Service	Highway / Public Works	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS					
Cash	$ 0	$ 58,999	$ 0	$ 8,285	$ 67,284
Equity in Pooled Cash and Investments	251,103	236,272	624,292	238,567	1,350,234
Accounts Receivable	14	766,861	1,700	724	769,299
Allowance for Uncollectibles	0	(383,431)	0	0	(383,431)
Due from Other Governments	19,343	0	265,706	8,244	293,293
Due from Other Funds	8,309	0	0	0	8,309
Property Taxes Receivable	1,375,780	0	0	238,002	1,613,782
Allowance for Uncollectible Property Taxes	(41,411)	0	0	(7,162)	(48,573)
Total Assets	$ 1,613,138	$ 678,701	$ 891,698	$ 486,660	$ 3,670,197
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 41,297	$ 0	$ 0	$ 3,617	$ 44,914
Contracts Payable	0	0	5,178	0	5,178
Claims and Judgments Payable	170,000	0	0	0	170,000
Due to Other Funds	0	0	0	8,309	8,309
Deferred Revenue - Current Property Taxes	1,255,994	0	0	214,440	1,470,434
Deferred Revenue - Delinquent Property Taxes	73,890	0	0	15,462	89,352
Other Deferred Revenues	5,500	339,516	130,829	0	475,845
Total Liabilities	$ 1,546,681	$ 339,516	$ 136,007	$ 241,828	$ 2,264,032

(Continued)

Exhibit A

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

	Major Funds			Nonmajor Funds	
	General	Ambulance Service	Highway / Public Works	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)					
Fund Balances					
Reserved for Encumbrances	$ 25,518	$ 0	$ 172,612	$ 500	$ 198,630
Reserved for Alcohol and Drug Treatment	9,474	0	0	0	9,474
Reserved for Sexual Offender Registration	520	0	0	0	520
Reserved for Computer System - Register	25,214	0	0	0	25,214
Reserved for Automation Purposes - General Sessions Court	2,252	0	0	0	2,252
Reserved for Automation Purposes - Chancery Court	354	0	0	0	354
Reserved for Other General Purposes	0	0	0	2,000	2,000
Unreserved, Reported In:					
General Fund	3,125	0	0	0	3,125
Special Revenue Funds	0	339,185	583,079	191,417	1,113,681
Debt Service Funds	0	0	0	50,365	50,365
Capital Projects Funds	0	0	0	550	550
Total Fund Balances	$ 66,457	$ 339,185	$ 755,691	$ 244,832	$ 1,406,165
Total Liabilities and Fund Balances	$ 1,613,138	$ 678,701	$ 891,698	$ 486,660	$ 3,670,197

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

Exhibit B

Bledsoe County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds			Nonmajor Funds	
	General	Ambulance Service	Highway / Public Works	Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 1,343,897	$ 0	$ 0	$ 244,314	$ 1,588,211
Licenses and Permits	4,536	0	0	1,919	6,455
Fines, Forfeitures, and Penalties	23,100	0	0	10,074	33,174
Charges for Current Services	7,543	572,637	0	1,564	581,744
Other Local Revenues	161,245	17,855	47,459	98,199	324,758
Fees Received from County Officials	333,309	0	0	0	333,309
State of Tennessee	285,157	0	1,695,217	175,822	2,156,196
Federal Government	190,628	0	50,000	0	240,628
Other Governments and Citizens Groups	0	0	0	254,765	254,765
Total Revenues	$ 2,349,415	$ 590,492	$ 1,792,676	$ 786,657	$ 5,519,240
Expenditures					
Current:					
General Government	$ 847,249	$ 0	$ 0	$ 6,084	$ 853,333
Finance	267,044	0	0	0	267,044
Administration of Justice	280,766	0	0	0	280,766
Public Safety	973,849	0	0	173,030	1,146,879
Public Health and Welfare	92,257	576,854	0	138,348	807,459
Social, Cultural, and Recreational Services	48,456	0	0	47,081	95,537

(Continued)

Exhibit B

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

	Major Funds			Nonmajor Funds	
	General	Ambulance Service	Highway / Public Works	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)					
Current (Cont.):					
Agricultural and Natural Resources	$ 54,454	$ 0	$ 0	$ 0	$ 54,454
Other Operations	1,484	0	0	0	1,484
Highways	0	0	1,913,750	29,294	1,943,044
Debt Service:					
Principal on Debt	0	0	0	142,265	142,265
Interest on Debt	0	0	0	62,501	62,501
Other Debt Service	0	0	0	3,101	3,101
Capital Projects	0	0	0	99,701	99,701
Total Expenditures	$ 2,565,559	$ 576,854	$ 1,913,750	$ 701,405	$ 5,757,568
Excess (Deficiency) of Revenues Over Expenditures	$ (216,144)	$ 13,638	$ (121,074)	$ 85,252	$ (238,328)
Net Change in Fund Balances	$ (216,144)	$ 13,638	$ (121,074)	$ 85,252	$ (238,328)
Fund Balance, July 1, 2005	282,601	325,547	876,765	159,580	1,644,493
Fund Balance, June 30, 2006	$ 66,457	$ 339,185	$ 755,691	$ 244,832	$ 1,406,165

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

Exhibit C

Bledsoe County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	Agency Funds
ASSETS	
Cash	$ 509,055
Due from Other Governments	33,348
Total Assets	$ 542,403
LIABILITIES	
Due to Other Taxing Units	$ 33,348
Due to Litigants, Heirs, and Others	509,055
Total Liabilities	$ 542,403

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

BLEDSOE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Although Bledsoe County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements 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 Bledsoe County:

A. Reporting Entity

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

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

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

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

Bledsoe County Nursing Home provides nursing care to the citizens of Bledsoe County, and the Bledsoe County Commission appoints its governing body. Patient charges provide the majority of the revenues for the entity. Before the issuance of debt instruments, the nursing home must obtain the County Commission's approval.

The Bledsoe County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Bledsoe County, and the Bledsoe County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

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

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

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

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

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

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

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Bledsoe County reports the following major governmental funds:

General Fund – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

Additionally, Bledsoe County reports the following fund types:

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

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

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Bledsoe County and Bledsoe County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Bledsoe County and the Bledsoe County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase

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

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance is based on historical collection data. The allowance for uncollectible property taxes is equal to 3.01 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court

for collection are not included in taxes receivable since they are neither measurable nor available.

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

Contracts payable of $5,178 in the Highway/Public Works Fund represent amounts due on highway construction projects at June 30, 2006.

Claims and judgments payable of $170,000 in the General Fund at June 30, 2006, represent a judgment rendered against the county during the year in a lawsuit for unpaid medical bills for a prisoner in county custody.

3. Capital Assets

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

4. Compensated Absences

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

5. Long-term Obligations

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

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received

on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which are not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

The county's budgetary basis of accounting is consistent with 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 major appropriation category (the legal level of control) of the General Fund by $200,870. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government, or obligations guaranteed by the U.S. government, or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled or nonpooled investments at June 30, 2006.

B. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 8,309

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

C. Committed Construction

At June 30, 2006, the Highway/Public Works Fund had uncompleted construction projects of $172,612. Funding for these future expenditures will be provided from current funds.

D. Long-term Debt

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 20 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The general obligation bond included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund. Capital outlay notes included in long-term debt will be retired from the General Debt Service Fund and the Solid Waste/Sanitation Fund.

The general obligation bond and capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bond	3.6 to 4.5 %	$ 1,600,000	$ 1,195,000
Capital Outlay Notes	3 to 5.8	694,000	200,574

The annual requirements to amortize the general obligation bond and notes outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending	Bond		Notes	
June 30	Principal	Interest	Principal	Interest
2007	$ 70,000	$ 50,412	$ 78,383	$ 5,977
2008	70,000	47,595	39,535	3,666
2009	75,000	44,631	40,714	2,487
2010	80,000	41,404	41,942	1,258
2011	80,000	38,024	0	0
2012-2016	475,000	132,141	0	0
2017-2019	345,000	23,738	0	0
Totals	$ 1,195,000	$ 377,945	$ 200,574	$ 13,388

There is $50,365 available in the General Debt Service Fund to service long-term debt. Total bonded debt per capita amounted to $97, based on the 2000 federal census. Total debt per capita, including the bond and capital outlay notes, amounted to $113, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2005	$ 1,260,000	$ 277,839
Deductions	(65,000)	(77,265)
Balance, June 30, 2006	$ 1,195,000	$ 200,574
Balance Due Within One Year	$ 70,000	$ 78,383

E. Short-term Debt

Bledsoe County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund and the General Debt Service Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

Fund	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
General	$ 0	$ 200,000	$ (200,000)	$ 0
General Debt Service	0	125,000	(125,000)	0

IV. OTHER INFORMATION

A. Risk Management

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

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

LGPCF reinsures through commercial insurance companies for claims exceeding $100,000 for each insured event.

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Bledsoe County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Bledsoe County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets

restricted by enabling legislation as of the end of the reporting period. Bledsoe County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Bledsoe County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Bledsoe County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Bledsoe County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Event

On August 31, 2006, Bob Swafford left the Office of Sheriff and was succeeded by James Morris.

D. Contingent Liabilities

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

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

E. Joint Ventures

The Bledsoe/Sequatchie Landfill Board operates a regional sanitary landfill, which is owned by Bledsoe County, Sequatchie County, the City of Dunlap, and the City of Pikeville. The landfill is governed by a ten-member board,

including the county mayor and two members appointed by the County Commission. The remaining seven members are appointed by the other joint owners. Bledsoe County has control over budgeting and financing the joint venture only to the extent of representation by the three board members and is responsible for funding approximately 39 percent of any deficits from operation. Bledsoe County made no contributions to the operation of the board during the year examined. Complete financial statements for the Bledsoe/Sequatchie Landfill Board can be obtained from the board's administrative office at the following address:

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

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district is composed of Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie Counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Bledsoe County made no contributions to the DTF for the year ended June 30, 2006, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from their administrative office at the following address:

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

F. Retirement Commitments

Plan Description

Employees of Bledsoe County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years

of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Bledsoe County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Bledsoe County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 7.07 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bledsoe County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Bledsoe County's annual pension cost of $270,590 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Bledsoe County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 21 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	$270,590	100%	$0
6-30-05	250,245	100	0
6-30-04	153,939	100	0

Required Supplementary Information
Schedule of Funding Progress for Bledsoe County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	$7,273	$7,656	$383	95.00%	$3,483	11.00%
6-30-03	6,429	6,830	401	94.13	2,973	13.49
6-30-01	5,738	6,189	451	92.71	2,852	15.81

G. Purchasing Laws

Office of County Mayor

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

Office of Highway Superintendent

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

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit D-1

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 1,343,897	$ 0	$ 0	$ 1,343,897	$ 1,316,009	$ 1,316,009	$ 27,888
Licenses and Permits	4,536	0	0	4,536	6,700	6,700	(2,164)
Fines, Forfeitures, and Penalties	23,100	0	0	23,100	44,400	44,400	(21,300)
Charges for Current Services	7,543	0	0	7,543	6,750	6,750	793
Other Local Revenues	161,245	0	0	161,245	175,000	364,191	(202,946)
Fees Received from County Officials	333,309	0	0	333,309	312,965	317,465	15,844
State of Tennessee	285,157	0	0	285,157	342,080	371,681	(86,524)
Federal Government	190,628	0	0	190,628	162,101	320,450	(129,822)
Total Revenues	$ 2,349,415	$ 0	$ 0	$ 2,349,415	$ 2,366,005	$ 2,747,646	$ (398,231)
Expenditures							
General Government							
County Commission	$ 39,126	$ 0	$ 0	$ 39,126	$ 47,586	$ 47,586	$ 8,460
Board of Equalization	0	0	0	0	400	400	400
County Mayor/Executive	112,016	0	215	112,231	116,110	119,906	7,675
County Attorney	4,662	0	56	4,718	14,200	14,200	9,482
Election Commission	225,800	0	414	226,214	66,538	227,038	824
Register of Deeds	77,280	0	1,241	78,521	81,041	81,041	2,520
Planning	13,255	0	0	13,255	13,700	13,700	445
County Buildings	78,467	0	0	78,467	102,500	108,146	29,679
Other General Administration	296,643	0	0	296,643	373,000	376,492	79,849
Finance							
Property Assessor's Office	97,837	0	30	97,867	100,300	102,532	4,665
Reappraisal Program	5,128	0	0	5,128	8,550	8,550	3,422
County Trustee's Office	86,939	0	365	87,304	89,748	93,255	5,951
County Clerk's Office	77,140	0	456	77,596	86,913	78,913	1,317

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice							
Circuit Court	$ 113,254	$ (1,392)	$ 250	$ 112,112	$ 113,790	$ 113,790	$ 1,678
General Sessions Court	61,248	0	0	61,248	62,626	62,626	1,378
Chancery Court	82,771	0	359	83,130	79,203	83,703	573
Juvenile Court	23,493	0	431	23,924	25,388	25,388	1,464
Public Safety							
Sheriff's Department	490,007	0	400	490,407	463,812	509,163	18,756
Jail	402,031	(270)	387	402,148	204,678	201,278	(200,870)
Fire Prevention and Control	16,250	0	0	16,250	17,250	17,250	1,000
Civil Defense	25,300	0	16,771	42,071	90,050	248,399	206,328
Rescue Squad	6,000	0	0	6,000	6,000	6,000	0
Other Emergency Management	26,409	0	3,869	30,278	20,000	87,101	56,823
County Coroner/Medical Examiner	7,852	0	0	7,852	6,000	10,278	2,426
Public Health and Welfare							
Local Health Center	34,216	0	274	34,490	34,509	37,859	3,369
Dental Health Program	53,497	0	0	53,497	92,650	92,650	39,153
Alcohol and Drug Programs	1,100	0	0	1,100	2,000	2,000	900
Crippled Children Services	971	0	0	971	971	971	0
General Welfare Assistance	2,473	0	0	2,473	2,400	2,473	0
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	1,000	0	0	1,000	1,000	1,000	0
Libraries	38,565	0	0	38,565	38,565	38,565	0
Parks and Fair Boards	8,891	0	0	8,891	11,000	11,000	2,109
Agriculture & Natural Resources							
Agriculture Extension Service	51,454	0	0	51,454	52,200	52,200	746
Soil Conservation	3,000	0	0	3,000	3,000	3,000	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Other Operations							
Other Economic and Community Development	$ 1,484	$ 0	$ 0	$ 1,484	$ 3,000	$ 3,000	$ 1,516
Veterans' Services	0	0	0	0	2,000	2,000	2,000
Contributions to Other Agencies	0	0	0	0	1,064	1,064	1,064
Total Expenditures	$ 2,565,559	$ (1,662)	$ 25,518	$ 2,589,415	$ 2,433,742	$ 2,884,517	$ 295,102
Excess (Deficiency) of Revenues Over Expenditures	$ (216,144)	$ 1,662	$ (25,518)	$ (240,000)	$ (67,737)	$ (136,871)	$ (103,129)
Net Change in Fund Balance	$ (216,144)	$ 1,662	$ (25,518)	$ (240,000)	$ (67,737)	$ (136,871)	$ (103,129)
Fund Balance, July 1, 2005	282,601	(1,662)	0	280,939	209,017	209,017	71,922
Fund Balance, June 30, 2006	$ 66,457	$ 0	$ (25,518)	$ 40,939	$ 141,280	$ 72,146	$ (31,207)

Exhibit D-2

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 572,637	$ 510,000	$ 510,000	$ 62,637
Other Local Revenues	17,855	0	162,024	(144,169)
Total Revenues	$ 590,492	$ 510,000	$ 672,024	$ (81,532)
Expenditures				
Public Health and Welfare				
Ambulance/Emergency Medical Services	$ 576,854	$ 617,400	$ 814,424	$ 237,570
Total Expenditures	$ 576,854	$ 617,400	$ 814,424	$ 237,570
Excess (Deficiency) of Revenues Over Expenditures	$ 13,638	$ (107,400)	$ (142,400)	$ 156,038
Net Change in Fund Balance	$ 13,638	$ (107,400)	$ (142,400)	$ 156,038
Fund Balance, July 1, 2005	325,547	155,974	155,974	169,573
Fund Balance, June 30, 2006	$ 339,185	$ 48,574	$ 13,574	$ 325,611

Exhibit D-3

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Other Local Revenues	$ 47,459	$ 0	$ 0	$ 47,459	$ 5,000	$ 5,000	$ 42,459
State of Tennessee	1,695,217	0	0	1,695,217	1,669,384	1,811,879	(116,662)
Federal Government	50,000	0	0	50,000	0	50,000	0
Total Revenues	$ 1,792,676	$ 0	$ 0	$ 1,792,676	$ 1,674,384	$ 1,866,879	$ (74,203)
Expenditures							
Highways							
Administration	$ 111,046	$ 0	$ 0	$ 111,046	$ 119,243	$ 121,471	$ 10,425
Highway and Bridge Maintenance	1,100,806	0	0	1,100,806	925,950	1,211,227	110,421
Operation and Maintenance of Equipment	206,043	0	0	206,043	191,200	218,550	12,507
Quarry Operations	2,247	0	0	2,247	1,700	2,247	0
Other Charges	62,461	0	0	62,461	78,400	75,200	12,739
Employee Benefits	230,526	0	0	230,526	217,500	233,000	2,474
Capital Outlay	200,621	(172,612)	172,612	200,621	245,000	365,735	165,114
Total Expenditures	$ 1,913,750	$ (172,612)	$ 172,612	$ 1,913,750	$ 1,778,993	$ 2,227,430	$ 313,680
Excess (Deficiency) of Revenues Over Expenditures	$ (121,074)	$ 172,612	$ (172,612)	$ (121,074)	$ (104,609)	$ (360,551)	$ 239,477
Net Change in Fund Balance	$ (121,074)	$ 172,612	$ (172,612)	$ (121,074)	$ (104,609)	$ (360,551)	$ 239,477
Fund Balance, July 1, 2005	876,765	(172,612)	0	704,153	741,734	741,734	(37,581)
Fund Balance, June 30, 2006	$ 755,691	$ 0	$ (172,612)	$ 583,079	$ 637,125	$ 381,183	$ 201,896

BLEDSOE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

A. BUDGETARY INFORMATION

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

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

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. 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 major appropriation category (the legal level of control) of the General Fund by $200,870. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by available fund balance.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

Debt Service Fund

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

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

Capital Projects Fund

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

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

Exhibit E-1

Bledsoe County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Other Special Revenue
ASSETS					
Cash	$ 0	$ 0	$ 0	$ 0	$ 0
Equity in Pooled Cash and Investments	6,045	19,751	134,975	8,076	19,274
Accounts Receivable	0	0	700	0	0
Due from Other Governments	0	0	8,244	0	0
Property Taxes Receivable	0	0	119,001	0	0
Allowance for Uncollectible Property Taxes	0	0	(3,581)	0	0
Total Assets	$ 6,045	$ 19,751	$ 259,339	$ 8,076	$ 19,274
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 0	$ 0	$ 3,617	$ 0	$ 0
Due to Other Funds	0	0	0	0	0
Deferred Revenue - Current Property Taxes	0	0	107,220	0	0
Deferred Revenue - Delinquent Property Taxes	0	0	7,731	0	0
Total Liabilities	$ 0	$ 0	$ 118,568	$ 0	$ 0
Fund Balances					
Reserved for Encumbrances	$ 0	$ 0	$ 0	$ 0	$ 500
Reserved for Other General Purposes	0	2,000	0	0	0
Unreserved	6,045	17,751	140,771	8,076	18,774
Total Fund Balances	$ 6,045	$ 19,751	$ 140,771	$ 8,076	$ 19,274
Total Liabilities and Fund Balances	$ 6,045	$ 19,751	$ 259,339	$ 8,076	$ 19,274

(Continued)

Exhibit E-1

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

	Special Revenue Funds (Cont.)		Debt Service Fund	Capital Projects Fund	
	Constitu - tional Officers - Fees	Total	General Debt Service	HUD Grant Projects	Total Nonmajor Governmental Funds
ASSETS					
Cash	$ 8,285	$ 8,285	$ 0	$ 0	$ 8,285
Equity in Pooled Cash and Investments	0	188,121	49,896	550	238,567
Accounts Receivable	24	724	0	0	724
Due from Other Governments	0	8,244	0	0	8,244
Property Taxes Receivable	0	119,001	119,001	0	238,002
Allowance for Uncollectible Property Taxes	0	(3,581)	(3,581)	0	(7,162)
Total Assets	$ 8,309	$ 320,794	$ 165,316	$ 550	$ 486,660
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 0	$ 3,617	$ 0	$ 0	$ 3,617
Due to Other Funds	8,309	8,309	0	0	8,309
Deferred Revenue - Current Property Taxes	0	107,220	107,220	0	214,440
Deferred Revenue - Delinquent Property Taxes	0	7,731	7,731	0	15,462
Total Liabilities	$ 8,309	$ 126,877	$ 114,951	$ 0	$ 241,828
Fund Balances					
Reserved for Encumbrances	$ 0	$ 500	$ 0	$ 0	$ 500
Reserved for Other General Purposes	0	2,000	0	0	2,000
Unreserved	0	191,417	50,365	550	242,332
Total Fund Balances	$ 0	$ 193,917	$ 50,365	$ 550	$ 244,832
Total Liabilities and Fund Balances	$ 8,309	$ 320,794	$ 165,316	$ 550	$ 486,660

Exhibit E-2

Bledsoe County, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Total	General Debt Service	HUD Grant Projects	Total Nonmajor Governmental Funds
Revenues									
Local Taxes	$ 528	$ 0	$ 127,942	$ 0	$ 0	$ 128,470	$ 115,844	$ 0	$ 244,314
Licenses and Permits	1,069	0	534	0	0	1,603	316	0	1,919
Fines, Forfeitures, and Penalties	6,222	0	0	3,852	0	10,074	0	0	10,074
Charges for Current Services	0	1,564	0	0	0	1,564	0	0	1,564
Other Local Revenues	0	2,752	14,373	460	396	17,981	80,218	0	98,199
State of Tennessee	0	2,000	61,536	0	0	63,536	12,585	99,701	175,822
Other Governments and Citizens Groups	0	38,565	43,200	0	173,000	254,765	0	0	254,765
Total Revenues	$ 7,819	$ 44,881	$ 247,585	$ 4,312	$ 173,396	$ 477,993	$ 208,963	$ 99,701	$ 786,657
Expenditures									
Current:									
General Government	$ 6,084	$ 0	$ 0	$ 0	$ 0	$ 6,084	$ 0	$ 0	$ 6,084
Public Safety	0	0	0	3,236	169,794	173,030	0	0	173,030
Public Health and Welfare	0	0	138,348	0	0	138,348	0	0	138,348
Social, Cultural, and Recreational Services	0	47,081	0	0	0	47,081	0	0	47,081
Highways	0	0	29,294	0	0	29,294	0	0	29,294
Debt Service:									
Principal on Debt	0	0	37,265	0	0	37,265	105,000	0	142,265
Interest on Debt	0	0	5,935	0	0	5,935	56,566	0	62,501
Other Debt Service	0	0	0	0	0	0	3,101	0	3,101
Capital Projects	0	0	0	0	0	0	0	99,701	99,701
Total Expenditures	$ 6,084	$ 47,081	$ 210,842	$ 3,236	$ 169,794	$ 437,037	$ 164,667	$ 99,701	$ 701,405
Excess (Deficiency) of Revenues Over Expenditures	$ 1,735	$ (2,200)	$ 36,743	$ 1,076	$ 3,602	$ 40,956	$ 44,296	$ 0	$ 85,252
Net Change in Fund Balances	$ 1,735	$ (2,200)	$ 36,743	$ 1,076	$ 3,602	$ 40,956	$ 44,296	$ 0	$ 85,252
Fund Balance, July 1, 2005	4,310	21,951	104,028	7,000	15,672	152,961	6,069	550	159,580
Fund Balance, June 30, 2006	$ 6,045	$ 19,751	$ 140,771	$ 8,076	$ 19,274	$ 193,917	$ 50,365	$ 550	$ 244,832

Exhibit E-3

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse & Jail Maintenance Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 528	$ 700	$ 700	$ (172)
Licenses and Permits	1,069	800	800	269
Fines, Forfeitures, and Penalties	6,222	7,393	7,393	(1,171)
Total Revenues	$ 7,819	$ 8,893	$ 8,893	$ (1,074)
Expenditures				
General Government				
County Buildings	$ 6,084	$ 10,150	$ 10,150	$ 4,066
Total Expenditures	$ 6,084	$ 10,150	$ 10,150	$ 4,066
Excess (Deficiency) of Revenues Over Expenditures	$ 1,735	$ (1,257)	$ (1,257)	$ 2,992
Net Change in Fund Balance	$ 1,735	$ (1,257)	$ (1,257)	$ 2,992
Fund Balance, July 1, 2005	4,310	3,500	3,500	810
Fund Balance, June 30, 2006	$ 6,045	$ 2,243	$ 2,243	$ 3,802

Exhibit E-4

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Public Library Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 1,564	$ 6,500	$ 6,500	$ (4,936)
Other Local Revenues	2,752	0	0	2,752
State of Tennessee	2,000	0	0	2,000
Other Governments and Citizens Groups	38,565	0	39,583	(1,018)
Total Revenues	$ 44,881	$ 6,500	$ 46,083	$ (1,202)
Expenditures				
Social, Cultural, and Recreational Services				
Libraries	$ 47,081	$ 40,884	$ 51,829	$ 4,748
Total Expenditures	$ 47,081	$ 40,884	$ 51,829	$ 4,748
Excess (Deficiency) of Revenues Over Expenditures	$ (2,200)	$ (34,384)	$ (5,746)	$ 3,546
Other Financing Sources (Uses)				
Transfers In	$ 0	$ 39,583	$ 0	$ 0
Total Other Financing Sources (Uses)	$ 0	$ 39,583	$ 0	$ 0
Net Change in Fund Balance	$ (2,200)	$ 5,199	$ (5,746)	$ 3,546
Fund Balance, July 1, 2005	21,951	18,000	18,000	3,951
Fund Balance, June 30, 2006	$ 19,751	$ 23,199	$ 12,254	$ 7,497

Exhibit E-5

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 127,942	$ 123,711	$ 123,711	$ 4,231
Licenses and Permits	534	756	756	(222)
Other Local Revenues	14,373	5,500	5,500	8,873
State of Tennessee	61,536	60,737	60,737	799
Other Governments and Citizens Groups	43,200	0	43,200	0
Total Revenues	$ 247,585	$ 190,704	$ 233,904	$ 13,681
Expenditures				
Public Health and Welfare				
Convenience Centers	$ 138,348	$ 195,500	$ 195,500	$ 57,152
Highways				
Litter and Trash Collection	29,294	31,737	30,937	1,643
Principal on Debt				
General Government	37,265	0	37,265	0
Interest on Debt				
General Government	5,935	0	5,935	0
Total Expenditures	$ 210,842	$ 227,237	$ 269,637	$ 58,795
Excess (Deficiency) of Revenues Over Expenditures	$ 36,743	$ (36,533)	$ (35,733)	$ 72,476
Net Change in Fund Balance	$ 36,743	$ (36,533)	$ (35,733)	$ 72,476
Fund Balance, July 1, 2005	104,028	61,832	61,832	42,196
Fund Balance, June 30, 2006	$ 140,771	$ 25,299	$ 26,099	$ 114,672

Exhibit E-6

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 3,852	$ 5,300	$ 5,300	$ (1,448)
Other Local Revenues	460	0	0	460
Total Revenues	$ 4,312	$ 5,300	$ 5,300	$ (988)
Expenditures				
Public Safety				
Sheriff's Department	$ 2,274	$ 3,500	$ 3,500	$ 1,226
Drug Enforcement	962	1,600	1,600	638
Total Expenditures	$ 3,236	$ 5,100	$ 5,100	$ 1,864
Excess (Deficiency) of Revenues Over Expenditures	$ 1,076	$ 200	$ 200	$ 876
Net Change in Fund Balance	$ 1,076	$ 200	$ 200	$ 876
Fund Balance, July 1, 2005	7,000	15,672	15,672	(8,672)
Fund Balance, June 30, 2006	$ 8,076	$ 15,872	$ 15,872	$ (7,796)

Exhibit E-7

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Other Local Revenues	$ 396	$ 0	$ 396	$ 0	$ 0	$ 396
Other Governments and Citizens Groups	173,000	0	173,000	170,000	170,000	3,000
Total Revenues	$ 173,396	$ 0	$ 173,396	$ 170,000	$ 170,000	$ 3,396
Expenditures						
Public Safety						
Other Public Safety	$ 169,794	$ 500	$ 170,294	$ 175,590	$ 176,590	$ 6,296
Total Expenditures	$ 169,794	$ 500	$ 170,294	$ 175,590	$ 176,590	$ 6,296
Excess (Deficiency) of Revenues Over Expenditures	$ 3,602	$ (500)	$ 3,102	$ (5,590)	$ (6,590)	$ 9,692
Net Change in Fund Balance	$ 3,602	$ (500)	$ 3,102	$ (5,590)	$ (6,590)	$ 9,692
Fund Balance, July 1, 2005	15,672	0	15,672	22,145	22,145	(6,473)
Fund Balance, June 30, 2006	$ 19,274	$ (500)	$ 18,774	$ 16,555	$ 15,555	$ 3,219

Exhibit E-8

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 115,844	$ 101,329	$ 101,329	$ 14,515
Licenses and Permits	316	0	0	316
Other Local Revenues	80,218	55,920	55,920	24,298
State of Tennessee	12,585	0	0	12,585
Total Revenues	$ 208,963	$ 157,249	$ 157,249	$ 51,714
Expenditures				
Principal on Debt				
General Government	$ 105,000	$ 171,256	$ 110,000	$ 5,000
Interest on Debt				
General Government	56,566	0	61,256	4,690
Other Debt Service				
General Government	3,101	2,030	5,030	1,929
Total Expenditures	$ 164,667	$ 173,286	$ 176,286	$ 11,619
Excess (Deficiency) of Revenues Over Expenditures	$ 44,296	$ (16,037)	$ (19,037)	$ 63,333
Net Change in Fund Balance	$ 44,296	$ (16,037)	$ (19,037)	$ 63,333
Fund Balance, July 1, 2005	6,069	33,191	33,191	(27,122)
Fund Balance, June 30, 2006	$ 50,365	$ 17,154	$ 14,154	$ 36,211

Fiduciary Funds

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

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

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

Exhibit F-1

Bledsoe County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	Agency Funds		
	Cities - Sales Tax	Constitutional Officers - Agency	Total
ASSETS			
Cash	$ 0	$ 509,055	$ 509,055
Due from Other Governments	33,348	0	33,348
Total Assets	$ 33,348	$ 509,055	$ 542,403
LIABILITIES			
Due to Other Taxing Units	$ 33,348	$ 0	$ 33,348
Due to Litigants, Heirs, and Others	0	509,055	509,055
Total Liabilities	$ 33,348	$ 509,055	$ 542,403

Exhibit F-2

Bledsoe County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 180,884	$ 180,884	$ 0
Due From Other Governments	28,652	33,348	28,652	33,348
Total Assets	$ 28,652	$ 214,232	$ 209,536	$ 33,348
Liabilities				
Due to Other Taxing Units	$ 28,652	$ 214,232	$ 209,536	$ 33,348
Total Liabilities	$ 28,652	$ 214,232	$ 209,536	$ 33,348
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 435,211	$ 1,800,776	$ 1,726,932	$ 509,055
Total Assets	$ 435,211	$ 1,800,776	$ 1,726,932	$ 509,055
Liabilities				
Due to Litigants, Heirs, and Others	$ 435,211	$ 1,800,776	$ 1,726,932	$ 509,055
Total Liabilities	$ 435,211	$ 1,800,776	$ 1,726,932	$ 509,055
Totals - All Agency Funds				
Assets				
Cash	$ 435,211	$ 1,800,776	$ 1,726,932	$ 509,055
Equity in Pooled Cash and Investments	0	180,884	180,884	0
Due From Other Governments	28,652	33,348	28,652	33,348
Total Assets	$ 463,863	$ 2,015,008	$ 1,936,468	$ 542,403
Liabilities				
Due to Other Taxing Units	$ 28,652	$ 214,232	$ 209,536	$ 33,348
Due to Litigants, Heirs, and Others	435,211	1,800,776	1,726,932	509,055
Total Liabilities	$ 463,863	$ 2,015,008	$ 1,936,468	$ 542,403

MISCELLANEOUS SCHEDULES

Exhibit G-1

Bledsoe County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE							
Payable through General Debt Service Fund							
Jail Renovations and School Bus	$ 460,000	4 to 5.8 %	8-1-1994	8-1-06	$ 80,000	$ 40,000	$ 40,000
Payable through Solid Waste Sanitation Fund							
Bledsoe - Sequatchie Landfill Closure	234,000	3	8-29-03	8-29-09	$ 197,839	$ 37,265	$ 160,574
Total Notes Payable					$ 277,839	$ 77,265	$ 200,574
BONDS PAYABLE							
Payable through General Debt Service Fund							
Public Improvement Bond-Series 1998	1,600,000	3.6 to 4.5	9-1-1998	9-1-18	$ 1,260,000	$ 65,000	$ 1,195,000

Exhibit G-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	$ 70,000	$ 50,412	$ 120,412
2008	70,000	47,595	117,595
2009	75,000	44,631	119,631
2010	80,000	41,404	121,404
2011	80,000	38,024	118,024
2012	85,000	34,496	119,496
2013	90,000	30,711	120,711
2014	95,000	26,676	121,676
2015	100,000	22,397	122,397
2016	105,000	17,861	122,861
2017	110,000	13,050	123,050
2018	115,000	7,987	122,987
2019	120,000	2,700	122,700
Total	$ 1,195,000	$ 377,944	$ 1,572,944

Exhibit G-3

Bledsoe County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	$ 57,802	$ 25,000	State Farm Fire and Casualty Company
Highway Superintendent	Section 8-24-102, TCA	55,052	100,000	"
Trustee	Section 8-24-102, TCA	50,048	379,400	"
Assessor of Property	Section 8-24-102, TCA	50,048	10,000	"
County Clerk	Section 8-24-102, TCA	50,048	25,000	"
Circuit Court Clerk	Section 8-24-102, TCA	50,048	25,000	"
Clerk and Master	Section 8-24-102, TCA	50,048	25,000	"
Register	Section 8-24-102, TCA	50,048	15,000	"
Sheriff	Section 8-24-102, TCA	55,571 (1)	25,000	"
Employee Dishonesty Bond Coverage:				
General County			150,000	Tennessee School Boards Risk Management Trust
Highway Department			150,000	Local Government Property and Casualty Fund

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

Exhibit G-4

Bledsoe County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2006

		Special Revenue Funds			
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service
Local Taxes					
County Property Taxes					
Current Property Tax	$ 994,977	$ 0	$ 0	$ 104,093	$ 0
Trustee's Collections - Prior Year	59,800	0	0	11,812	0
Circuit/Clerk & Master Collections - Prior Years	47,097	0	0	7,518	0
Interest and Penalty	10,169	0	0	1,871	0
Payments in-Lieu-of Taxes - T.V.A.	6,466	0	0	821	0
Payments in-Lieu-of Taxes - Local Utilities	1,126	0	0	123	0
County Local Option Taxes					
Local Option Sales Tax	68,386	0	0	0	0
Litigation Tax - General	13,490	528	0	0	0
Business Tax	26,152	0	0	0	0
Statutory Local Taxes					
Bank Excise Tax	16,288	0	0	1,704	0
Wholesale Beer Tax	99,946	0	0	0	0
Total Local Taxes	$ 1,343,897	$ 528	$ 0	$ 127,942	$ 0
Licenses and Permits					
Licenses					
Marriage Licenses	$ 95	$ 0	$ 0	$ 0	$ 0
Cable TV Franchise	3,539	0	0	534	0
Permits					
Beer Permits	902	1,069	0	0	0
Total Licenses and Permits	$ 4,536	$ 1,069	$ 0	$ 534	$ 0
Fines, Forfeitures, and Penalties					
Circuit Court					
Fines	$ 1,794	$ 6,079	$ 0	$ 0	$ 0
Officers Costs	1,293	0	0	0	0
Drug Control Fines	0	0	0	0	0
Drug Court Fees	37	48	0	0	0
Jail Fees	172	0	0	0	0
DUI Treatment Fines	80	95	0	0	0

(Continued)

Exhibit G-4

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

		Special Revenue Funds			
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service
Fines, Forfeitures, and Penalties (Cont.)					
General Sessions Court					
Fines	$ 6,972	$ 0	$ 0	$ 0	$ 0
Officers Costs	6,863	0	0	0	0
Drug Control Fines	0	0	0	0	0
Drug Court Fees	400	0	0	0	0
Jail Fees	1,013	0	0	0	0
DUI Treatment Fines	1,848	0	0	0	0
Data Entry Fee - General Sessions Court	788	0	0	0	0
Juvenile Court					
Fines	1,620	0	0	0	0
Officers Costs	52	0	0	0	0
Drug Court Fees	66	0	0	0	0
Chancery Court					
Data Entry Fee - Chancery Court	102	0	0	0	0
Other Fines, Forfeitures, and Penalties					
Proceeds from Confiscated Property	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	$ 23,100	$ 6,222	$ 0	$ 0	$ 0
Charges for Current Services					
General Service Charges					
Patient Charges	$ 0	$ 0	$ 0	$ 0	$ 572,637
Fees					
Copy Fees	0	0	807	0	0
Library Fees	0	0	757	0	0
Vending Machine Collections	205	0	0	0	0
Data Processing Fee - Register	6,878	0	0	0	0
Sexual Offender Registration Fees - Sheriff	460	0	0	0	0
Total Charges for Current Services	$ 7,543	$ 0	$ 1,564	$ 0	$ 572,637
Other Local Revenues					
Recurring Items					
Investment Income	$ 0	$ 0	$ 0	$ 0	$ 0
Lease/Rentals	90,000	0	0	0	0

(Continued)

Exhibit G-4

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

		Special Revenue Funds			
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service
Other Local Revenues (Cont.)					
Recurring Items (Cont.)					
Sale of Materials and Supplies	$ 0	$ 0	$ 448	$ 0	$ 0
Sale of Recycled Materials	0	0	0	14,196	0
Miscellaneous Refunds	69,368	0	1,310	177	17,855
Nonrecurring Items					
Insurance Recovery	935	0	0	0	0
Contributions & Gifts	545	0	994	0	0
Other Local Revenues					
Other Local Revenues	397	0	0	0	0
Total Other Local Revenues	$ 161,245	$ 0	$ 2,752	$ 14,373	$ 17,855
Fees Received from County Officials					
Fees-In-Lieu of Salary					
County Clerk	$ 83,018	$ 0	$ 0	$ 0	$ 0
Circuit Court Clerk	14,345	0	0	0	0
General Sessions Court Clerk	30,060	0	0	0	0
Clerk and Master	34,220	0	0	0	0
Juvenile Court Clerk	1,235	0	0	0	0
Register	62,375	0	0	0	0
Sheriff	5,454	0	0	0	0
Trustee	102,602	0	0	0	0
Total Fees Received from County Officials	$ 333,309	$ 0	$ 0	$ 0	$ 0
State of Tennessee					
General Government Grants					
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0
State Reappraisal Grant	6,101	0	0	0	0
Solid Waste Grants	0	0	0	6,822	0
Health and Welfare Grants					
Other Health and Welfare Grants	55,213	0	0	0	0
Public Works Grants					
State Aid Program	0	0	0	0	0
Litter Program	0	0	0	42,129	0

(Continued)

Exhibit G-4

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

		Special Revenue Funds			
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service
State of Tennessee (Cont.)					
Other State Revenues					
Income Tax	$ 4,127	$ 0	$ 0	$ 0	$ 0
Beer Tax	8,048	0	0	0	0
Alcoholic Beverage Tax	25,008	0	0	0	0
State Revenue Sharing - T.V.A.	120,295	0	0	12,585	0
Contracted Prisoner Boarding	36,890	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	20,475	0	0	0	0
Other State Grants	0	0	2,000	0	0
Total State of Tennessee	$ 285,157	$ 0	$ 2,000	$ 61,536	$ 0
Federal Government					
Federal Through State					
Homeland Security Grants	$ 30,128	$ 0	$ 0	$ 0	$ 0
Other Federal through State	160,500	0	0	0	0
Total Federal Government	$ 190,628	$ 0	$ 0	$ 0	$ 0
Other Governments and Citizens Groups					
Other Governments					
Contributions	$ 0	$ 0	$ 38,565	$ 43,200	$ 0
Total Other Governments and Citizens Groups	$ 0	$ 0	$ 38,565	$ 43,200	$ 0
Total	$ 2,349,415	$ 7,819	$ 44,881	$ 247,585	$ 590,492

(Continued)

Exhibit G-4

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Other Special Revenue	Highway / Public Works	General Debt Service	HUD Grant Projects	Total
Local Taxes					
County Property Taxes					
Current Property Tax	$ 0	$ 0	$ 104,092	$ 0	$ 1,203,162
Trustee's Collections - Prior Year	0	0	4,430	0	76,042
Circuit/Clerk & Master Collections - Prior Years	0	0	4,075	0	58,690
Interest and Penalty	0	0	798	0	12,838
Payments in-Lieu-of Taxes - T.V.A.	0	0	629	0	7,916
Payments in-Lieu-of Taxes - Local Utilities	0	0	116	0	1,365
County Local Option Taxes					
Local Option Sales Tax	0	0	0	0	68,386
Litigation Tax - General	0	0	0	0	14,018
Business Tax	0	0	0	0	26,152
Statutory Local Taxes					
Bank Excise Tax	0	0	1,704	0	19,696
Wholesale Beer Tax	0	0	0	0	99,946
Total Local Taxes	$ 0	$ 0	$ 115,844	$ 0	$ 1,588,211
Licenses and Permits					
Licenses					
Marriage Licenses	$ 0	$ 0	$ 0	$ 0	$ 95
Cable TV Franchise	0	0	316	0	4,389
Permits					
Beer Permits	0	0	0	0	1,971
Total Licenses and Permits	$ 0	$ 0	$ 316	$ 0	$ 6,455
Fines, Forfeitures, and Penalties					
Circuit Court					
Fines	$ 0	$ 0	$ 0	$ 0	$ 7,873
Officers Costs	0	0	0	0	1,293
Drug Control Fines	0	0	0	0	1,330
Drug Court Fees	0	0	0	0	85
Jail Fees	0	0	0	0	172
DUI Treatment Fines	0	0	0	0	175

(Continued)

Exhibit G-4

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Other Special Revenue	Highway / Public Works	General Debt Service	HUD Grant Projects	Total
Fines, Forfeitures, and Penalties (Cont.)					
General Sessions Court					
Fines	$ 0	$ 0	$ 0	$ 0	$ 6,972
Officers Costs	0	0	0	0	6,863
Drug Control Fines	0	0	0	0	2,262
Drug Court Fees	0	0	0	0	400
Jail Fees	0	0	0	0	1,013
DUI Treatment Fines	0	0	0	0	1,848
Data Entry Fee - General Sessions Court	0	0	0	0	788
Juvenile Court					
Fines	0	0	0	0	1,620
Officers Costs	0	0	0	0	52
Drug Court Fees	0	0	0	0	66
Chancery Court					
Data Entry Fee - Chancery Court	0	0	0	0	102
Other Fines, Forfeitures, and Penalties					
Proceeds from Confiscated Property	0	0	0	0	260
Total Fines, Forfeitures, and Penalties	$ 0	$ 0	$ 0	$ 0	$ 33,174
Charges for Current Services					
General Service Charges					
Patient Charges	$ 0	$ 0	$ 0	$ 0	$ 572,637
Fees					
Copy Fees	0	0	0	0	807
Library Fees	0	0	0	0	757
Vending Machine Collections	0	0	0	0	205
Data Processing Fee - Register	0	0	0	0	6,878
Sexual Offender Registration Fees - Sheriff	0	0	0	0	460
Total Charges for Current Services	$ 0	$ 0	$ 0	$ 0	$ 581,744
Other Local Revenues					
Recurring Items					
Investment Income	$ 0	$ 0	$ 80,218	$ 0	$ 80,218
Lease/Rentals	0	0	0	0	90,000

(Continued)

Exhibit G-4

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Other Special Revenue	Highway / Public Works	General Debt Service	HUD Grant Projects	Total
Other Local Revenues (Cont.)					
Recurring Items (Cont.)					
Sale of Materials and Supplies	$ 0	$ 0	$ 0	$ 0	$ 448
Sale of Recycled Materials	0	0	0	0	14,196
Miscellaneous Refunds	396	47,459	0	0	137,025
Nonrecurring Items					
Insurance Recovery	0	0	0	0	935
Contributions & Gifts	0	0	0	0	1,539
Other Local Revenues					
Other Local Revenues	0	0	0	0	397
Total Other Local Revenues	$ 396	$ 47,459	$ 80,218	$ 0	$ 324,758
Fees Received from County Officials					
Fees-In-Lieu of Salary					
County Clerk	$ 0	$ 0	$ 0	$ 0	$ 83,018
Circuit Court Clerk	0	0	0	0	14,345
General Sessions Court Clerk	0	0	0	0	30,060
Clerk and Master	0	0	0	0	34,220
Juvenile Court Clerk	0	0	0	0	1,235
Register	0	0	0	0	62,375
Sheriff	0	0	0	0	5,454
Trustee	0	0	0	0	102,602
Total Fees Received from County Officials	$ 0	$ 0	$ 0	$ 0	$ 333,309
State of Tennessee					
General Government Grants					
Juvenile Services Program	$ 0	$ 0	$ 0	$ 0	$ 9,000
State Reappraisal Grant	0	0	0	0	6,101
Solid Waste Grants	0	0	0	0	6,822
Health and Welfare Grants					
Other Health and Welfare Grants	0	0	0	0	55,213
Public Works Grants					
State Aid Program	0	151,530	0	0	151,530
Litter Program	0	0	0	0	42,129

(Continued)

Exhibit G-4

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Other Special Revenue	Highway / Public Works	General Debt Service	HUD Grant Projects	Total
State of Tennessee (Cont.)					
Other State Revenues					
Income Tax	$ 0	$ 0	$ 0	$ 0	$ 4,127
Beer Tax	0	0	0	0	8,048
Alcoholic Beverage Tax	0	0	0	0	25,008
State Revenue Sharing - T.V.A.	0	0	12,585	0	145,465
Contracted Prisoner Boarding	0	0	0	0	36,890
Gasoline and Motor Fuel Tax	0	1,533,739	0	0	1,533,739
Petroleum Special Tax	0	9,948	0	0	9,948
Registrar's Salary Supplement	0	0	0	0	20,475
Other State Grants	0	0	0	99,701	101,701
Total State of Tennessee	$ 0	$ 1,695,217	$ 12,585	$ 99,701	$ 2,156,196
Federal Government					
Federal Through State					
Homeland Security Grants	$ 0	$ 0	$ 0	$ 0	$ 30,128
Other Federal through State	0	50,000	0	0	210,500
Total Federal Government	$ 0	$ 50,000	$ 0	$ 0	$ 240,628
Other Governments and Citizens Groups					
Other Governments					
Contributions	$ 173,000	$ 0	$ 0	$ 0	$ 254,765
Total Other Governments and Citizens Groups	$ 173,000	$ 0	$ 0	$ 0	$ 254,765
Total	$ 173,396	$ 1,792,676	$ 208,963	$ 99,701	$ 5,519,240

Exhibit G-5

Bledsoe County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund				
General Government				
County Commission				
Board and Committee Members Fees	$	31,984		
Data Processing Services		5,980		
Dues and Memberships		1,071		
Legal Notices, Recording, and Court Costs		91		
Total County Commission			$	39,126
County Mayor/Executive				
County Official/Administrative Officer	$	57,802		
Assistant(s)		17,167		
Secretary(ies)		15,000		
Other Salaries & Wages		1,362		
Communication		3,980		
Data Processing Services		8,756		
Dues and Memberships		550		
Travel		4,608		
Office Supplies		2,651		
Data Processing Equipment		140		
Total County Mayor/Executive				112,016
County Attorney				
Legal Services	$	2,100		
Legal Notices, Recording, and Court Costs		2,562		
Total County Attorney				4,662
Election Commission				
County Official/Administrative Officer	$	40,038		
Election Commission		3,425		
Election Workers		9,070		
Communication		643		
Legal Notices, Recording, and Court Costs		428		
Travel		597		
Data Processing Supplies		170,797		
Office Supplies		802		
Total Election Commission				225,800
Register of Deeds				
County Official/Administrative Officer	$	50,048		
Clerical Personnel		18,000		
Communication		1,064		
Data Processing Services		5,690		

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
General Government (Cont.)				
Register of Deeds (Cont.)				
Dues and Memberships	$	443		
Office Supplies		2,035		
Total Register of Deeds			$	77,280
Planning				
Board and Committee Members Fees	$	4,200		
Contracts with Government Agencies		8,500		
Other Contracted Services		555		
Total Planning				13,255
County Buildings				
Custodial Personnel	$	15,000		
Communication		500		
Maintenance & Repair Services - Buildings		8,416		
Custodial Supplies		2,069		
Electricity		24,881		
Water and Sewer		5,978		
Other Supplies and Materials		21,623		
Total County Buildings				78,467
Other General Administration				
Other Salaries & Wages	$	12,477		
Social Security		89,061		
State Retirement		80,851		
Medical Insurance		14,450		
Unemployment Compensation		4,775		
Maintenance & Repair Services - Office Equipment		7,808		
Postal Charges		10,798		
Travel		2,420		
Penalties		4,566		
Other Contracted Services		2,243		
Office Supplies		1,944		
Other Supplies and Materials		1,231		
Building and Contents Insurance		17,234		
Refunds		409		
Trustee's Commission		26,158		
Workers' Compensation Insurance		19,718		
Liability Claims		500		
Total Other General Administration				296,643

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
Finance				
Property Assessor's Office				
County Official/Administrative Officer	$	50,048		
Deputy(ies)		23,620		
Clerical Personnel		19,464		
Communication		1,166		
Contracts with Government Agencies		2,400		
Printing, Stationery, and Forms		30		
Other Contracted Services		675		
Office Supplies		434		
Total Property Assessor's Office			$	97,837
Reappraisal Program				
Data Processing Services	$	1,709		
Travel		1,491		
Other Contracted Services		1,818		
Other Supplies and Materials		110		
Total Reappraisal Program				5,128
County Trustee's Office				
County Official/Administrative Officer	$	50,048		
Deputy(ies)		14,820		
Communication		1,172		
Data Processing Services		10,113		
Dues and Memberships		288		
Legal Notices, Recording, and Court Costs		72		
Printing, Stationery, and Forms		848		
Travel		153		
Data Processing Supplies		327		
Office Supplies		360		
Premiums on Corporate Surety Bonds		1,288		
Data Processing Equipment		7,450		
Total County Trustee's Office				86,939
County Clerk's Office				
County Official/Administrative Officer	$	50,048		
Deputy(ies)		24,505		
Communication		1,385		
Dues and Memberships		278		
Office Supplies		924		
Total County Clerk's Office				77,140

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
Administration of Justice				
Circuit Court				
County Official/Administrative Officer	$	50,048		
Accountants/Bookkeepers		16,200		
Secretary(ies)		9,696		
Clerical Personnel		16,366		
Jury and Witness Fees		11,437		
Communication		3,086		
Dues and Memberships		278		
Travel		361		
Office Supplies		5,782		
Total Circuit Court			$	113,254
General Sessions Court				
Judge(s)	$	61,248		
Total General Sessions Court				61,248
Chancery Court				
County Official/Administrative Officer	$	50,048		
Deputy(ies)		24,505		
Secretary(ies)		4,565		
Communication		1,254		
Dues and Memberships		338		
Travel		476		
Office Supplies		1,585		
Total Chancery Court				82,771
Juvenile Court				
Social Workers	$	21,388		
Communication		226		
Travel		1,000		
Office Supplies		879		
Total Juvenile Court				23,493
Public Safety				
Sheriff's Department				
County Official/Administrative Officer	$	55,052		
Deputy(ies)		254,732		
Youth Service Officer(s)		82,319		
Salary Supplements		4,150		
In-Service Training		4,605		
Communication		8,539		

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
Public Safety (Cont.)				
Sheriff's Department (Cont.)				
Data Processing Services	$	2,500		
Maintenance & Repair Services - Equipment		3,956		
Maintenance & Repair Services - Vehicles		13,684		
Gasoline		41,332		
Office Supplies		585		
Uniforms		1,188		
Law Enforcement Equipment		3,308		
Motor Vehicles		14,057		
Total Sheriff's Department			$	490,007
Jail				
Supervisor/Director	$	20,072		
Guards		66,661		
Medical and Dental Services		239,054		
Other Contracted Services		16,721		
Custodial Supplies		2,083		
Electricity		7,021		
Food Supplies		39,747		
Office Supplies		1,590		
Water and Sewer		7,109		
Other Supplies and Materials		1,973		
Total Jail				402,031
Fire Prevention and Control				
Contributions	$	15,750		
Other Charges		500		
Total Fire Prevention and Control				16,250
Civil Defense				
Communication	$	362		
Dues and Memberships		25		
Travel		180		
Other Supplies and Materials		5,913		
Other Charges		18,820		
Total Civil Defense				25,300
Rescue Squad				
Contributions	$	6,000		
Total Rescue Squad				6,000

(Continued)

Exhibit G-5

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

General Fund (Cont.)				
Public Safety (Cont.)				
Other Emergency Management				
Contributions	$	20,000		
Other Supplies and Materials		3,650		
Other Charges		2,759		
Total Other Emergency Management			$	26,409
County Coroner/Medical Examiner				
Medical and Dental Services	$	7,652		
Travel		200		
Total County Coroner/Medical Examiner				7,852
Public Health and Welfare				
Local Health Center				
Custodial Personnel	$	4,720		
Communication		3,170		
Contracts with Government Agencies		11,960		
Dues and Memberships		100		
Maintenance & Repair Services - Buildings		42		
Postal Charges		74		
Other Contracted Services		1,082		
Custodial Supplies		362		
Electricity		9,029		
Office Supplies		631		
Utilities		3,046		
Total Local Health Center				34,216
Dental Health Program				
Secretary(ies)	$	5,600		
Other Salaries & Wages		44,162		
Social Security		3,735		
Total Dental Health Program				53,497
Alcohol and Drug Programs				
Other Supplies and Materials	$	1,100		
Total Alcohol and Drug Programs				1,100
Crippled Children Services				
Contracts with Government Agencies	$	971		
Total Crippled Children Services				971

(Continued)

Exhibit G-5

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

General Fund (Cont.)			
Public Health and Welfare (Cont.)			
General Welfare Assistance			
Contributions	$ 2,473		
Total General Welfare Assistance		$ 2,473	
Social, Cultural, and Recreational Services			
Senior Citizens Assistance			
Contributions	$ 1,000		
Total Senior Citizens Assistance		1,000	
Libraries			
Contributions	$ 38,565		
Total Libraries		38,565	
Parks and Fair Boards			
Contributions	$ 6,500		
Electricity	2,391		
Total Parks and Fair Boards		8,891	
Agriculture & Natural Resources			
Agriculture Extension Service			
Salary Supplements	$ 40,155		
Communication	3,230		
Transportation - Other than Students	2,000		
Other Supplies and Materials	6,069		
Total Agriculture Extension Service		51,454	
Soil Conservation			
Contributions	$ 3,000		
Total Soil Conservation		3,000	
Other Operations			
Other Economic and Community Development			
Contracts with Other Public Agencies	$ 1,484		
Total Other Economic and Community Development		1,484	
Total General Fund			$ 2,565,559
Courthouse & Jail Maintenance Fund			
General Government			
County Buildings			
Maintenance & Repair Services - Buildings	$ 5,854		

(Continued)

Exhibit G-5

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

Courthouse & Jail Maintenance Fund (Cont.)			
General Government (Cont.)			
County Buildings (Cont.)			
Other Supplies and Materials	$ 158		
Trustee's Commission	72		
Total County Buildings		$ 6,084	
Total Courthouse & Jail Maintenance Fund			$ 6,084
Public Library Fund			
Social, Cultural, and Recreational Services			
Libraries			
Assistant(s)	$ 7,789		
Librarians	24,505		
Social Security	2,218		
Communication	2,055		
Dues and Memberships	50		
Maintenance & Repair Services - Buildings	180		
Postal Charges	900		
Travel	482		
Other Contracted Services	983		
Data Processing Supplies	1,100		
Library Books/Media	2,822		
Other Supplies and Materials	441		
Other Charges	3,556		
Total Libraries		$ 47,081	
Total Public Library Fund			47,081
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Convenience Centers			
Truck Drivers	$ 15,225		
Other Salaries & Wages	49,144		
Social Security	3,631		
State Retirement	1,012		
Communication	1,279		
Other Contracted Services	49,684		
Electricity	1,840		
Equipment and Machinery Parts	3,217		
Water and Sewer	179		
Other Supplies and Materials	3,533		
Building and Contents Insurance	7,000		

(Continued)

Exhibit G-5

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

Solid Waste/Sanitation Fund (Cont.)			
Public Health and Welfare (Cont.)			
Convenience Centers (Cont.)			
Trustee's Commission	$ 2,604		
Total Convenience Centers		$ 138,348	
Highways			
Litter and Trash Collection			
Education Media Personnel	$ 5,024		
Clerical Personnel	4,700		
Other Salaries & Wages	15,135		
Social Security	1,643		
State Retirement	150		
Other Supplies and Materials	2,642		
Total Litter and Trash Collection		29,294	
Principal on Debt			
General Government			
Principal on Notes	$ 37,265		
Total General Government		37,265	
Interest on Debt			
General Government			
Interest on Notes	$ 5,935		
Total General Government		5,935	
Total Solid Waste/Sanitation Fund			$ 210,842
Ambulance Service Fund			
Public Health and Welfare			
Ambulance/Emergency Medical Services			
Medical Personnel	$ 220,813		
Part-time Personnel	29,749		
Overtime Pay	50,459		
In-Service Training	4,109		
Social Security	22,772		
State Retirement	6,801		
Medical Insurance	35,774		
Unemployment Compensation	1,025		
Communication	2,564		
Consultants	3,000		
Dues and Memberships	305		
Legal Notices, Recording, and Court Costs	46		

(Continued)

Exhibit G-5

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

Ambulance Service Fund (Cont.)			
Public Health and Welfare (Cont.)			
Ambulance/Emergency Medical Services (Cont.)			
Licenses	$ 667		
Maintenance & Repair Services - Buildings	3,390		
Maintenance & Repair Services - Equipment	2,039		
Maintenance & Repair Services - Vehicles	8,395		
Postal Charges	822		
Travel	1,533		
Other Contracted Services	2,302		
Data Processing Supplies	2,336		
Drugs and Medical Supplies	13,208		
Electricity	2,756		
Gasoline	15,868		
Office Supplies	2,434		
Tires and Tubes	666		
Uniforms	4,683		
Other Supplies and Materials	605		
Liability Insurance	6,000		
Refunds	582		
Vehicle and Equipment Insurance	5,500		
Workers' Compensation Insurance	30,000		
Other Charges	19,077		
Communication Equipment	1,454		
Motor Vehicles	67,120		
Other Capital Outlay	8,000		
Total Ambulance/Emergency Medical Services		$ 576,854	
Total Ambulance Service Fund			$ 576,854
Drug Control Fund			
Public Safety			
Sheriff's Department			
Travel	$ 469		
Uniforms	335		
Law Enforcement Equipment	1,470		
Total Sheriff's Department		$ 2,274	
Drug Enforcement			
Other Supplies and Materials	$ 930		
Trustee's Commission	32		
Total Drug Enforcement		962	
Total Drug Control Fund			3,236

(Continued)

Exhibit G-5

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

Other Special Revenue Fund			
Public Safety			
Other Public Safety			
Supervisor/Director	$ 18,397		
Dispatchers/Radio Operators	71,352		
Overtime Pay	23,723		
In-Service Training	1,499		
Social Security	8,625		
State Retirement	5,607		
Maintenance & Repair Services - Buildings	185		
Maintenance & Repair Services - Equipment	6,225		
Postal Charges	12		
Travel	2,800		
Other Contracted Services	13,248		
Electricity	2,923		
Office Supplies	1,928		
Uniforms	55		
Water and Sewer	1,210		
Building and Contents Insurance	3,500		
Workers' Compensation Insurance	6,000		
Other Charges	980		
Data Processing Equipment	1,525		
Total Other Public Safety		$ 169,794	
Total Other Special Revenue Fund			$ 169,794
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 55,052		
Data Processing Personnel	20,091		
Secretary(ies)	14,428		
Communication	3,863		
Data Processing Services	3,488		
Dues and Memberships	2,429		
Legal Notices, Recording, and Court Costs	319		
Postal Charges	412		
Travel	431		
Other Contracted Services	1,431		
Data Processing Supplies	241		
Electricity	4,804		
Office Supplies	647		
Propane Gas	819		

(Continued)

Exhibit G-5

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

Highway/Public Works Fund (Cont.)		
Highways (Cont.)		
Administration (Cont.)		
Water and Sewer	$ 1,283	
Other Supplies and Materials	538	
Other Charges	770	
Total Administration		$ 111,046
Highway and Bridge Maintenance		
Foremen	$ 31,030	
Equipment Operators	110,798	
Truck Drivers	106,554	
Laborers	80,169	
Overtime Pay	19,940	
Freight Expenses	100	
Other Contracted Services	48,936	
Asphalt	440,528	
Concrete	609	
Crushed Stone	243,763	
Other Road Supplies	990	
Pipe - Metal	10,802	
Propane Gas	761	
Road Signs	2,257	
Other Supplies and Materials	2,028	
Other Charges	1,541	
Total Highway and Bridge Maintenance		1,100,806
Operation and Maintenance of Equipment		
Mechanic(s)	$ 23,456	
Nightwatchmen	31,660	
Freight Expenses	486	
Maintenance & Repair Services - Equipment	2,791	
Maintenance & Repair Services - Vehicles	3,215	
Diesel Fuel	65,409	
Equipment and Machinery Parts	36,117	
Garage Supplies	3,434	
Gasoline	18,148	
Lubricants	3,324	
Propane Gas	2,092	
Small Tools	366	
Tires and Tubes	13,536	
Other Supplies and Materials	848	
Other Charges	1,161	
Total Operation and Maintenance of Equipment		206,043

(Continued)

Exhibit G-5

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Quarry Operations			
Other Charges	$ 2,247		
Total Quarry Operations		$ 2,247	
Other Charges			
Building and Contents Insurance	$ 1,540		
Liability Insurance	10,000		
Trustee's Commission	15,440		
Vehicle and Equipment Insurance	10,000		
Workers' Compensation Insurance	25,481		
Total Other Charges		62,461	
Employee Benefits			
Social Security	$ 37,565		
State Retirement	32,418		
Employee and Dependent Insurance	155,493		
Unemployment Compensation	4,512		
Other Fringe Benefits	538		
Total Employee Benefits		230,526	
Capital Outlay			
Furniture and Fixtures	$ 205		
Highway Equipment	1,929		
Office Equipment	1,277		
State Aid Projects	147,210		
Other Capital Outlay	50,000		
Total Capital Outlay		200,621	
Total Highway/Public Works Fund			$ 1,913,750
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Bonds	$ 65,000		
Principal on Notes	40,000		
Total General Government		$ 105,000	
Interest on Debt			
General Government			
Interest on Bonds	$ 53,096		
Interest on Notes	3,470		
Total General Government		56,566	

(Continued)

Exhibit G-5

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

General Debt Service Fund (Cont.)			
Other Debt Service			
General Government			
Fiscal Agent Charges	$ 708		
Trustee's Commission	2,393		
Total General Government		$ 3,101	
Total General Debt Service Fund			$ 164,667
HUD Grant Projects Fund			
Capital Projects			
General Administration Projects			
Building Improvements	$ 99,701		
Total General Administration Projects		$ 99,701	
Total HUD Grant Projects Fund			99,701
Total Governmental Funds - Primary Government			$ 5,757,568

Exhibit G-6

Bledsoe County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 180,884
Cash Disbursements	
Remittance of Revenues Collected	$ 179,075
Trustee's Commission	1,809
Total Cash Disbursements	$ 180,884
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2005	0
Cash Balance, June 30, 2006	$ 0

ANNUAL FINANCIAL REPORT

BLEDSOE COUNTY SCHOOL DEPARTMENT

A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

DEVAN FLYNN
JUNE ROGERS, CGFM
JENI BOYETTE
State Auditors

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

BLEDSOE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE
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Audit Highlights
Annual Financial Report
Bledsoe County School Department
For the Year Ended June 30, 2006

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Bledsoe County School Department as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

BLEDSOE COUNTY SCHOOL DEPARTMENT

- Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- Inventory records for assets were not currently maintained, except for assets purchased with federal grant funds.
- The office did not develop a disaster recovery plan for computerized data.
- County officials had not adopted a central system of accounting, budgeting, and purchasing.
- Duties were not segregated adequately among the official and employees at the School Department.
- The general sessions judge also served as the attorney for the Board of Education which does not comply with opinions issued by the state Attorney General's Office.

INTRODUCTORY SECTION

Bledsoe County School Officials
June 30, 2006

Official

Thad Colvard, Director of Schools

Board of Education

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

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

September 5, 2006

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Bledsoe County School Department, a component unit of Bledsoe County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 30, which collectively comprise a portion of the Bledsoe County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Bledsoe County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

As described in Note I, the Bledsoe County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require 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 Bledsoe County School Department as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Bledsoe County School Department as of June 30, 2006, 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 September 5, 2006, on our consideration of the Bledsoe County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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.

The budgetary comparison information on pages 33 through 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bledsoe County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, and miscellaneous schedules are presented for purposes of

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

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Bledsoe County, Tennessee
Balance Sheet - Governmental Funds
Bledsoe County School Department
June 30, 2006

	Major Funds		Nonmajor Funds	
	General Purpose School	Education Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS				
Cash	$ 0	$ 0	$ 38,090	$ 38,090
Equity in Pooled Cash and Investments	927,039	353,433	235,770	1,516,242
Accounts Receivable	2,087	0	303	2,390
Due from Other Governments	183,412	66,219	88,234	337,865
Due from Other Funds	193	0	53	246
Property Taxes Receivable	1,281,804	120,190	0	1,401,994
Allowance for Uncollectible Property Taxes	(38,582)	(3,618)	0	(42,200)
Prepaid Items	2,299	0	0	2,299
Restricted Assets:				
Customer Deposits	0	0	1,822	1,822
Total Assets	$ 2,358,252	$ 536,224	$ 364,272	$ 3,258,748
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 2,461	$ 0	$ 185	$ 2,646
Accrued Payroll	1,475	0	15,005	16,480
Payroll Deductions Payable	7,122	0	52	7,174
Due to Other Funds	53	0	193	246
Due to State of Tennessee	541	0	0	541
Current Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	0	0	1,822	1,822
Deferred Revenue - Current Property Taxes	1,154,903	108,291	0	1,263,194
Deferred Revenue - Delinquent Property Taxes	83,264	7,807	0	91,071
Other Deferred Revenues	15,000	33,000	0	48,000
Total Liabilities	$ 1,264,819	$ 149,098	$ 17,257	$ 1,431,174
Fund Balances				
Reserved for Encumbrances	$ 0	$ 0	$ 18,410	$ 18,410
Reserved for Career Ladder - Extended Contract	14,453	0	0	14,453
Reserved for Career Ladder Program	1,288	0	0	1,288
Reserved for Title I Grants to Local Education Agencies	0	0	40,376	40,376
Reserved for Special Education - Grants to States	0	0	22,943	22,943
Other Federal Reserves	0	0	34,966	34,966
Unreserved, Reported In:				
General Fund	1,077,692	0	0	1,077,692
Special Revenue Funds	0	0	230,320	230,320
Debt Service Funds	0	387,126	0	387,126
Total Fund Balances	$ 1,093,433	$ 387,126	$ 347,015	$ 1,827,574
Total Liabilities and Fund Balances	$ 2,358,252	$ 536,224	$ 364,272	$ 3,258,748

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

Exhibit B

Bledsoe County, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Bledsoe County School Department
For the Year Ended June 30, 2006

	Major Funds		Nonmajor Funds	
	General Purpose School	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues				
Local Taxes	$ 1,480,039	$ 536,008	$ 0	$ 2,016,047
Licenses and Permits	4,764	565	0	5,329
Charges for Current Services	579	0	321,200	321,779
Other Local Revenues	55,770	0	1,793	57,563
State of Tennessee	9,406,741	12,711	79,340	9,498,792
Federal Government	473,429	0	1,792,089	2,265,518
Total Revenues	$ 11,421,322	$ 549,284	$ 2,194,422	$ 14,165,028
Expenditures				
Current:				
Instruction	$ 6,531,106	$ 0	$ 849,424	$ 7,380,530
Support Services	3,948,080	0	394,484	4,342,564
Operation of Non-Instructional Services	502,469	0	955,876	1,458,345
Capital Outlay	131,509	0	0	131,509
Debt Service:				
Principal on Debt	9,000	390,000	0	399,000
Interest on Debt	0	491,245	0	491,245
Other Debt Service	0	21,810	0	21,810
Total Expenditures	$ 11,122,164	$ 903,055	$ 2,199,784	$ 14,225,003
Excess (Deficiency) of Revenues Over Expenditures	$ 299,158	$ (353,771)	$ (5,362)	$ (59,975)
Other Financing Sources (Uses)				
Transfers In	$ 52,944	$ 325,000	$ 0	$ 377,944
Transfers Out	(325,000)	0	(52,944)	(377,944)
Total Other Financing Sources (Uses)	$ (272,056)	$ 325,000	$ (52,944)	$ 0
Net Change in Fund Balances	$ 27,102	$ (28,771)	$ (58,306)	$ (59,975)
Fund Balance, July 1, 2005	1,066,331	415,897	405,321	1,887,549
Fund Balance, June 30, 2006	$ 1,093,433	$ 387,126	$ 347,015	$ 1,827,574

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

BLEDSOE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department does not have any 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the Education 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 School Department receives cash.

The School Department reports the following major governmental funds:

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

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

Additionally, the School Department reports the following fund type:

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.01 percent of total taxes levied.

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

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

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

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

3. Prepaid Items

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

4. Restricted Assets

Certain resources set aside for student lunches are classified as restricted assets on the balance sheet because their use is limited by the purpose for which they were collected. The Customer Deposits Payable account is used to report resources held for student lunch payments.

5. 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.

6. Compensated Absences

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

7. 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.

8. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

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

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

The School Department's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and 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 Education Debt Service Fund major appropriation category by $355. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Bledsoe County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements 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. Bledsoe County, the School Department's primary government, is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government, or obligations guaranteed by the U.S. government, or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The School Department had no pooled or nonpooled investments at June 30, 2006.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Purpose School	Nonmajor governmental	$ 193
Nonmajor governmental	General Purpose School	53

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

	Transfers In	
Transfers Out	General Purpose School Fund	Education Debt Service Fund
General Purpose School Fund	$ 0	$ 325,000
Nonmajor governmental funds	52,944	0
Total	$ 52,944	$ 325,000

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

C. Commitment

The Tennessee Department of Environment and Conservation performed assessment and remediation activities on a leaking underground gas storage tank at the Bledsoe County Bus Garage. The state department incurred total costs for cleaning up the site of $308,316 as specified in an Amended Agreed Final Order between the county and the state department dated July 20, 2004. Bledsoe County agreed to pay back all costs of these activities to the state department at a rate of $500 a month. During the year, the School Department made payments totaling $12,000 to the state department from the Education Debt Service Fund, which included an additional annual payment of $6,000. On June 30, 2006, the outstanding balance owed by the School Department was $228,316, which has been included in the School Department's schedule of long-term debt in this report.

D. Long-term Debt

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 25 years for bonds and ten years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2006, will be retired from the Education Debt Service Fund. The capital outlay note outstanding at June 30, 2006, will be retired from the General Purpose School Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	3 to 4.7 %	$ 7,500,000	$ 6,785,000
General Obligation Bonds - Refunding	2 to 4.25	5,510,000	4,940,000
Capital Outlay Note	0	90,000	36,000

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2006, including interest payments on bonds, are presented in the following table:

Year Ending June 30	Bonds Principal	Bonds Interest	Note Principal
2007	$ 405,000	$ 479,445	$ 9,000
2008	425,000	466,045	9,000
2009	440,000	450,970	9,000
2010	450,000	435,445	9,000
2011	470,000	418,795	
2012-2016	2,690,000	1,802,149	0
2017-2021	3,355,000	1,183,505	0
2022-2026	2,975,000	422,711	0
2027	515,000	12,103	0
Total	$ 11,725,000	$ 5,671,168	$ 36,000

There is $387,126 available in the Education Debt Service Fund to service long-term debt. Bonded debt per capita amounted to $948, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other long-term liabilities amounted to $969, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2005	$ 12,115,000	$ 45,000
Deductions	(390,000)	(9,000)
Balance, June 30, 2006	$ 11,725,000	$ 36,000
Balance Due Within One Year	$ 405,000	$ 9,000

	Other Long-term Liabilities
Balance, July 1, 2005	$ 240,316
Deductions	(12,000)
Balance, June 30, 2006	$ 228,316
Balance Due Within One Year	$ 6,000

IV. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. During 2006, 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 the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, and casualty insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance coverage to their employees through the Local Government Group Insurance Fund (LGGIF), a

public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since the county is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that the county will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

On August 15, 2006, Thad Colvard left the Office of Director of Schools and was succeeded by Clettis McDaniel.

D. Contingent Liabilities

The School Department's attorney stated that there was no pending or threatened litigation against the School Department at June 30, 2006.

E. Retirement Commitments

Plan Description

Employees of Bledsoe County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability

benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Bledsoe County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

SCHOOL TEACHERS

Plan Description

The Bledsoe County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service.

Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Bledsoe County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Bledsoe County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were $347,368, $335,805, and $190,537, respectively, equal to the required contributions for each year.

F. Other Post-employment Benefits

In addition to the retirement commitments described above, the board agreed by contract to pay the county's portion and the individual's portion of the director's (Thad Colvard, left employment August 15, 2006) medical and health insurance expenses through the group plan currently available to board employees or acquired for board employees in the future, beginning immediately upon the director's retirement or resignation as director of schools, through and until such date that the director attains Medicare insurance coverage.

G. Purchasing Law

Purchasing procedures for the Bledsoe County School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding $10,000.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit C

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Bledsoe County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 1,480,039	$ 0	$ 1,480,039	$ 1,416,334	$ 1,416,334	$ 63,705
Licenses and Permits	4,764	0	4,764	5,016	5,016	(252)
Charges for Current Services	579	0	579	5,000	5,000	(4,421)
Other Local Revenues	55,770	0	55,770	35,620	35,620	20,150
State of Tennessee	9,406,741	0	9,406,741	9,635,594	9,609,658	(202,917)
Federal Government	473,429	0	473,429	311,375	474,638	(1,209)
Total Revenues	$ 11,421,322	$ 0	$ 11,421,322	$ 11,408,939	$ 11,546,266	$ (124,944)
Expenditures						
Instruction						
Regular Instruction Program	$ 4,829,640	$ 0	$ 4,829,640	$ 4,893,255	$ 4,897,255	$ 67,615
Alternative Instruction Program	63,196	0	63,196	60,678	63,378	182
Special Education Program	1,190,425	(11,376)	1,179,049	1,224,733	1,222,733	43,684
Vocational Education Program	322,576	0	322,576	346,092	346,092	23,516
Adult Education Program	125,269	0	125,269	176,033	183,802	58,533
Support Services						
Attendance	63,034	0	63,034	81,618	81,618	18,584
Health Services	80,553	0	80,553	82,964	82,964	2,411
Other Student Support	305,374	0	305,374	303,937	312,669	7,295
Regular Instruction Program	412,820	0	412,820	413,234	413,037	217
Alternative Instruction Program	25	0	25	800	800	775
Special Education Program	124,012	0	124,012	129,627	129,627	5,615
Vocational Education Program	31,914	0	31,914	35,342	40,431	8,517
Adult Programs	142,102	0	142,102	63,631	142,381	279
Board of Education	270,012	0	270,012	264,779	276,013	6,001
Director of Schools	109,838	0	109,838	115,451	115,451	5,613

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Support Services (Cont.)						
Office of the Principal	$ 483,071	$ 0	$ 483,071	$ 487,038	$ 486,590	$ 3,519
Fiscal Services	90,379	0	90,379	93,051	91,891	1,512
Operation of Plant	844,373	0	844,373	795,014	855,014	10,641
Maintenance of Plant	218,309	0	218,309	231,738	231,738	13,429
Transportation	772,264	(75,600)	696,664	671,722	704,972	8,308
Operation of Non-Instructional Services						
Food Service	56,608	0	56,608	56,750	56,751	143
Community Services	445,861	0	445,861	496,871	522,071	76,210
Capital Outlay						
Regular Capital Outlay	131,509	0	131,509	28,683	153,683	22,174
Principal on Debt						
Education	9,000	0	9,000	9,000	9,000	0
Other Debt Service						
Education	0	0	0	325,000	0	0
Total Expenditures	$ 11,122,164	$ (86,976)	$ 11,035,188	$ 11,387,041	$ 11,419,961	$ 384,773
Excess (Deficiency) of Revenues Over Expenditures	$ 299,158	$ 86,976	$ 386,134	$ 21,898	$ 126,305	$ 259,829
Other Financing Sources (Uses)						
Transfers In	$ 52,944	$ 0	$ 52,944	$ 360	$ 52,631	$ 313
Transfers Out	(325,000)	0	(325,000)	0	(325,000)	0
Total Other Financing Sources (Uses)	$ (272,056)	$ 0	$ (272,056)	$ 360	$ (272,369)	$ 313

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Net Change in Fund Balance	$ 27,102	$ 86,976	$ 114,078	$ 22,258	$ (146,064)	$ 260,142
Fund Balance, July 1, 2005	1,066,331	(86,976)	979,355	502,008	502,008	477,347
Fund Balance, June 30, 2006	$ 1,093,433	$ 0	$ 1,093,433	$ 524,266	$ 355,944	$ 737,489

BLEDSOE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF BLEDSOE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

BUDGETARY INFORMATION

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

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

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Other Education Special Revenue Fund – The Other Education Special Revenue Fund is used to account for general operations of the Bledsoe/Sequatchie Vocational School. This fund was closed during the year.

Exhibit D-1

Bledsoe County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Bledsoe County School Department
June 30, 2006

	Special Revenue Funds		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
ASSETS			
Cash	$ 0	$ 38,090	$ 38,090
Equity in Pooled Cash and Investments	98,425	137,345	235,770
Accounts Receivable	0	303	303
Due from Other Governments	0	88,234	88,234
Due from Other Funds	53	0	53
Restricted Assets:			
Customer Deposits	0	1,822	1,822
Total Assets	$ 98,478	$ 265,794	$ 364,272
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 0	$ 185	$ 185
Accrued Payroll	0	15,005	15,005
Payroll Deductions Payable	0	52	52
Due to Other Funds	193	0	193
Current Liabilities Payable from Restricted Assets:			
Customer Deposits Payable	0	1,822	1,822
Total Liabilities	$ 193	$ 17,064	$ 17,257
Fund Balances			
Reserved for Encumbrances	$ 0	$ 18,410	$ 18,410
Reserved for Title I Grants to Local Education Agencies	40,376	0	40,376
Reserved for Special Education - Grants to States	22,943	0	22,943
Other Federal Reserves	34,966	0	34,966
Unreserved	0	230,320	230,320
Total Fund Balances	$ 98,285	$ 248,730	$ 347,015
Total Liabilities and Fund Balances	$ 98,478	$ 265,794	$ 364,272

Exhibit D-2

Bledsoe County, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Bledsoe County School Department
For the Year Ended June 30, 2006

	Special Revenue Funds			
	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Total Nonmajor Governmental Funds
Revenues				
Charges for Current Services	$ 0	$ 321,200	$ 0	$ 321,200
Other Local Revenues	0	1,793	0	1,793
State of Tennessee	27,113	52,227	0	79,340
Federal Government	1,196,300	595,789	0	1,792,089
Total Revenues	$ 1,223,413	$ 971,009	$ 0	$ 2,194,422
Expenditures				
Current:				
Instruction	$ 827,143	$ 0	$ 22,281	$ 849,424
Support Services	394,484	0	0	394,484
Operation of Non-Instructional Services	273	955,603	0	955,876
Total Expenditures	$ 1,221,900	$ 955,603	$ 22,281	$ 2,199,784
Excess (Deficiency) of Revenues Over Expenditures	$ 1,513	$ 15,406	$ (22,281)	$ (5,362)
Other Financing Sources (Uses)				
Transfers Out	$ (11,014)	$ 0	$ (41,930)	$ (52,944)
Total Other Financing Sources (Uses)	$ (11,014)	$ 0	$ (41,930)	$ (52,944)
Net Change in Fund Balances	$ (9,501)	$ 15,406	$ (64,211)	$ (58,306)
Fund Balance, July 1, 2005	107,786	233,324	64,211	405,321
Fund Balance, June 30, 2006	$ 98,285	$ 248,730	$ 0	$ 347,015

Exhibit D-3

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Bledsoe County School Department
School Federal Projects Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
State of Tennessee	$ 27,113	$ 0	$ 27,113	$ 28,047	$ 28,047	$ (934)
Federal Government	1,196,300	0	1,196,300	1,407,888	1,372,681	(176,381)
Total Revenues	$ 1,223,413	$ 0	$ 1,223,413	$ 1,435,935	$ 1,400,728	$ (177,315)
Expenditures						
Instruction						
Regular Instruction Program	$ 368,278	$ 0	$ 368,278	$ 396,250	$ 383,792	$ 15,514
Special Education Program	433,555	(7,350)	426,205	532,339	572,874	146,669
Vocational Education Program	25,310	0	25,310	79,244	25,310	0
Support Services						
Other Student Support	62,864	0	62,864	73,322	63,400	536
Regular Instruction Program	272,479	0	272,479	356,312	376,543	104,064
Special Education Program	50,089	0	50,089	71,102	81,659	31,570
Transportation	9,052	0	9,052	13,548	12,647	3,595
Operation of Non-Instructional Services						
Community Services	273	0	273	0	500	227
Total Expenditures	$ 1,221,900	$ (7,350)	$ 1,214,550	$ 1,522,117	$ 1,516,725	$ 302,175
Excess (Deficiency) of Revenues Over Expenditures	$ 1,513	$ 7,350	$ 8,863	$ (86,182)	$ (115,997)	$ 124,860
Other Financing Sources (Uses)						
Transfers Out	$ (11,014)	$ 0	$ (11,014)	$ (19,011)	$ (14,302)	$ 3,288
Total Other Financing Sources (Uses)	$ (11,014)	$ 0	$ (11,014)	$ (19,011)	$ (14,302)	$ 3,288

(Continued)

Exhibit D-3

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Net Change in Fund Balance	$ (9,501)	$ 7,350	$ (2,151)	$ (105,193)	$ (130,299)	$ 128,148
Fund Balance, July 1, 2005	107,786	(7,350)	100,436	130,299	130,299	(29,863)
Fund Balance, June 30, 2006	$ 98,285	$ 0	$ 98,285	$ 25,106	$ 0	$ 98,285

Exhibit D-4

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Bledsoe County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Charges for Current Services	$ 321,200	$ 0	$ 321,200	$ 490,892	$ 490,892	$ (169,692)
Other Local Revenues	1,793	0	1,793	4,500	4,500	(2,707)
State of Tennessee	52,227	0	52,227	97,000	97,000	(44,773)
Federal Government	595,789	0	595,789	631,000	631,000	(35,211)
Total Revenues	$ 971,009	$ 0	$ 971,009	$ 1,223,392	$ 1,223,392	$ (252,383)
Expenditures						
Operation of Non-Instructional Services						
Food Service	$ 898,645	$ 18,410	$ 917,055	$ 1,092,587	$ 1,092,587	$ 175,532
Community Services	56,958	0	56,958	102,268	102,268	45,310
Total Expenditures	$ 955,603	$ 18,410	$ 974,013	$ 1,194,855	$ 1,194,855	$ 220,842
Excess (Deficiency) of Revenues Over Expenditures	$ 15,406	$ (18,410)	$ (3,004)	$ 28,537	$ 28,537	$ (31,541)
Net Change in Fund Balance	$ 15,406	$ (18,410)	$ (3,004)	$ 28,537	$ 28,537	$ (31,541)
Fund Balance, July 1, 2005	233,324	0	233,324	0	0	233,324
Fund Balance, June 30, 2006	$ 248,730	$ (18,410)	$ 230,320	$ 28,537	$ 28,537	$ 201,783

Exhibit D-5

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Bledsoe County School Department
Other Education Special Revenue Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Total Revenues	$ 0	$ 0	$ 0	$ 0
Expenditures				
Instruction				
Other	$ 22,281	$ 0	$ 22,281	$ 0
Total Expenditures	$ 22,281	$ 0	$ 22,281	$ 0
Excess (Deficiency) of Revenues Over Expenditures	$ (22,281)	$ 0	$ (22,281)	$ 0
Other Financing Sources (Uses)				
Transfers Out	$ (41,930)	$ (82,317)	$ (41,930)	$ 0
Total Other Financing Sources (Uses)	$ (41,930)	$ (82,317)	$ (41,930)	$ 0
Net Change in Fund Balance	$ (64,211)	$ (82,317)	$ (64,211)	$ 0
Fund Balance, July 1, 2005	64,211	82,317	82,317	(18,106)
Fund Balance, June 30, 2006	$ 0	$ 0	$ 18,106	$ (18,106)

Major Governmental Fund

Education Debt Service Fund

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

Exhibit E

Bledsoe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Bledsoe County School Department
Education Debt Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 536,008	$ 533,562	$ 533,562	$ 2,446
Licenses and Permits	565	415	415	150
State of Tennessee	12,711	11,367	11,367	1,344
Total Revenues	$ 549,284	$ 545,344	$ 545,344	$ 3,940
Expenditures				
Principal on Debt				
Education	$ 390,000	$ 396,000	$ 390,000	$ 0
Interest on Debt				
Education	491,245	491,245	491,245	0
Other Debt Service				
Education	21,810	15,455	21,455	(355)
Total Expenditures	$ 903,055	$ 902,700	$ 902,700	$ (355)
Excess (Deficiency) of Revenues Over Expenditures	$ (353,771)	$ (357,356)	$ (357,356)	$ 3,585
Other Financing Sources (Uses)				
Transfers In	$ 325,000	$ 325,000	$ 325,000	$ 0
Total Other Financing Sources (Uses)	$ 325,000	$ 325,000	$ 325,000	$ 0
Net Change in Fund Balance	$ (28,771)	$ (32,356)	$ (32,356)	$ 3,585
Fund Balance, July 1, 2005	415,897	408,079	408,079	7,818
Fund Balance, June 30, 2006	$ 387,126	$ 375,723	$ 375,723	$ 11,403

MISCELLANEOUS SCHEDULES

Exhibit F-1

Bledsoe County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
Bledsoe County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Adjustment	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE								
Payable through General Purpose School Fund								
Computer Lab Equipment	$ 90,000	0 %	6-30-00	6-30-10	$ 45,000	$ 0	$ 9,000	$ 36,000
BONDS PAYABLE								
Payable through Education Debt Service Fund								
School Bonds Series 2001	7,500,000	3 to 4.7	10-1-01	10-1-26	$ 6,955,000	$ 20,000 (1)	$ 190,000	$ 6,785,000
School Refunding Series 2003	5,510,000	2 to 4.25	5-29-03	12-1-22	5,160,000	(20,000) (1)	200,000	4,940,000
Total Bonds Payable					$ 12,115,000	$ 0	$ 390,000	$ 11,725,000

(1) During the prior year, the principal payments for these bonds were reversed when reflected on this schedule. The adjustment shown is to properly reflect the difference in the prior-year payments and correct the balances of the bonds outstanding at July 1, 2005.

Exhibit F-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	$ 405,000	$ 479,445	$ 884,445
2008	425,000	466,045	891,045
2009	440,000	450,970	890,970
2010	450,000	435,445	885,445
2011	470,000	418,795	888,795
2012	495,000	400,733	895,733
2013	515,000	381,756	896,756
2014	535,000	361,753	896,753
2015	560,000	340,402	900,402
2016	585,000	317,505	902,505
2017	610,000	293,010	903,010
2018	635,000	266,693	901,693
2019	665,000	238,562	903,562
2020	705,000	208,572	913,572
2021	740,000	176,669	916,669
2022	775,000	143,032	918,032
2023	820,000	107,423	927,423
2024	435,000	78,843	513,843
2025	460,000	57,810	517,810
2026	485,000	35,602	520,602
2027	515,000	12,103	527,103
Total	$ 11,725,000	$ 5,671,168	$ 17,396,168

Exhibit F-3

Bledsoe County, Tennessee
Schedule of Transfers
Bledsoe County School Department
For the Year Ended June 30, 2006

From Fund	To Fund	Purpose	Amount
School Federal Projects	General Purpose School	Indirect costs	$ 11,014
Other Education Special Revenue	General Purpose School	Operating expenses	41,930
General Purpose School	Education Debt Service	Debt retirement	325,000
Total Transfers			$ 377,944

Exhibit F-4

Bledsoe County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Bledsoe County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and local Board of Education	$ 84,758 (1)	(2)	
Employee Dishonesty Bond Coverage School Employees			$ 150,000	Tennessee School Boards Risk Management Trust

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

Exhibit F-5

Bledsoe County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Bledsoe County School Department
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Total
Local Taxes					
County Property Taxes					
Current Property Tax	$ 1,121,230	$ 0	$ 0	$ 105,133	$ 1,226,363
Trustee's Collections - Prior Year	70,875	0	0	6,645	77,520
Circuit/Clerk & Master Collections - Prior Years	54,699	0	0	5,128	59,827
Interest and Penalty	11,966	0	0	1,122	13,088
Payments in-Lieu-of Taxes - T.V.A.	7,377	0	0	692	8,069
Payments in-Lieu-of Taxes - Local Utilities	1,272	0	0	119	1,391
County Local Option Taxes					
Local Option Sales Tax	190,627	0	0	415,448	606,075
Statutory Local Taxes					
Bank Excise Tax	18,354	0	0	1,721	20,075
Interstate Telecommunications Tax	3,639	0	0	0	3,639
Total Local Taxes	$ 1,480,039	$ 0	$ 0	$ 536,008	$ 2,016,047
Licenses and Permits					
Licenses					
Marriage Licenses	$ 826	$ 0	$ 0	$ 0	$ 826
Cable TV Franchise	3,938	0	0	565	4,503
Total Licenses and Permits	$ 4,764	$ 0	$ 0	$ 565	$ 5,329
Charges for Current Services					
Education Charges					
Lunch Payments - Children	$ 0	$ 0	$ 160,234	$ 0	$ 160,234
Lunch Payments - Adults	0	0	35,410	0	35,410
Income from Breakfast	0	0	22,826	0	22,826
A la carte Sales	0	0	102,730	0	102,730
School Based Health Services - FFS	479	0	0	0	479
Other Charges for Services					
Other Charges for Services	100	0	0	0	100
Total Charges for Current Services	$ 579	$ 0	$ 321,200	$ 0	$ 321,779
Other Local Revenues					
Recurring Items					
Investment Income	$ 0	$ 0	$ 1,793	$ 0	$ 1,793
Lease/Rentals	650	0	0	0	650
Miscellaneous Refunds	25,676	0	0	0	25,676
Nonrecurring Items					
Sale of Equipment	6,250	0	0	0	6,250
Damages Recovered from Individuals	2,087	0	0	0	2,087
Contributions & Gifts	20,989	0	0	0	20,989
Other Local Revenues					
Other Local Revenues	118	0	0	0	118
Total Other Local Revenues	$ 55,770	$ 0	$ 1,793	$ 0	$ 57,563
State of Tennessee					
State Education Funds					
Basic Education Program	$ 8,896,670	$ 0	$ 0	$ 0	$ 8,896,670
School Food Service	11,410	0	0	0	11,410
Career Ladder Program	101,849	0	0	0	101,849
Career Ladder - Extended Contract	44,641	0	0	0	44,641
Other State Revenues					
State Revenue Sharing - T.V.A.	135,559	0	0	12,711	148,270
Other State Grants	216,262	0	20,531	0	236,793
Other State Revenues	350	27,113	31,696	0	59,159
Total State of Tennessee	$ 9,406,741	$ 27,113	$ 52,227	$ 12,711	$ 9,498,792

(Continued)

Exhibit F-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Total
Federal Government					
Federal Through State					
USDA School Lunch Program	$ 0	$ 0	$ 426,946	$ 0	$ 426,946
Breakfast	0	0	166,122	0	166,122
USDA - Other	0	0	2,721	0	2,721
Adult Education State Grant Program	81,241	0	0	0	81,241
Vocational Education - Basic Grants to States	0	62,418	0	0	62,418
Title I Grants to Local Education Agencies	0	458,867	0	0	458,867
Innovative Education Program Strategies	0	64,947	0	0	64,947
Special Education - Grants to States	14,799	443,810	0	0	458,609
Special Education Preschool Grants	0	30,468	0	0	30,468
Eisenhower Professional Development State Grants	0	123,152	0	0	123,152
Other Federal through State	377,389	12,638	0	0	390,027
Total Federal Government	$ 473,429	$ 1,196,300	$ 595,789	$ 0	$ 2,265,518
Total	$ 11,421,322	$ 1,223,413	$ 971,009	$ 549,284	$ 14,165,028

Exhibit F-6

Bledsoe County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Bledsoe County School Department
For the Year Ended June 30, 2006

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 3,457,477	
Career Ladder Program	44,770	
Career Ladder Extended Contracts	31,000	
Homebound Teachers	3,983	
Educational Assistants	208,597	
Certified Substitute Teachers	67,741	
Social Security	211,004	
State Retirement	208,246	
Life Insurance	289	
Medical Insurance	316,708	
Employer Medicare	51,884	
Maintenance & Repair Services - Equipment	300	
Other Contracted Services	1,684	
Instructional Supplies and Materials	80,530	
Textbooks	126,920	
Regular Instruction Equipment	18,507	
Total Regular Instruction Program		$ 4,829,640
Alternative Instruction Program		
Teachers	$ 44,964	
Career Ladder Program	1,000	
Educational Assistants	3,973	
Social Security	2,685	
State Retirement	2,528	
Medical Insurance	7,084	
Employer Medicare	628	
Instructional Supplies and Materials	334	
Total Alternative Instruction Program		63,196
Special Education Program		
Teachers	$ 727,042	
Career Ladder Program	14,000	
Homebound Teachers	4,420	
Clerical Personnel	22,601	
Educational Assistants	174,580	
Other Salaries & Wages	8,198	
Social Security	55,734	
State Retirement	54,693	
Medical Insurance	70,575	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)		
Instruction (Cont.)		
Special Education Program (Cont.)		
Employer Medicare	$ 13,035	
Maintenance & Repair Services - Equipment	3,964	
Travel	76	
Other Contracted Services	7,750	
Instructional Supplies and Materials	11,480	
Other Supplies and Materials	3,461	
Special Education Equipment	18,816	
Total Special Education Program		$ 1,190,425
Vocational Education Program		
Teachers	$ 247,397	
Career Ladder Program	5,800	
Certified Substitute Teachers	6,485	
Social Security	15,427	
State Retirement	13,827	
Medical Insurance	20,865	
Employer Medicare	3,621	
Other Contracted Services	1,935	
Instructional Supplies and Materials	3,860	
Textbooks	3,352	
Vocational Instruction Equipment	7	
Total Vocational Education Program		322,576
Adult Education Program		
Teachers	$ 34,530	
Career Ladder Program	1,000	
Temporary Personnel	18,072	
Other Salaries & Wages	27,997	
Social Security	4,933	
State Retirement	3,835	
Medical Insurance	2,679	
Employer Medicare	1,154	
Instructional Supplies and Materials	19,782	
Other Equipment	11,287	
Total Adult Education Program		125,269
Support Services		
Attendance		
Supervisor/Director	$ 46,394	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Attendance (Cont.)		
Career Ladder Program	$ 792	
Social Security	3,010	
State Retirement	2,682	
Employer Medicare	704	
Travel	1,583	
Other Supplies and Materials	1,851	
Attendance Equipment	6,018	
Total Attendance		$ 63,034
Health Services		
Medical Personnel	$ 65,333	
Social Security	3,945	
State Retirement	3,593	
Medical Insurance	2,386	
Employer Medicare	923	
Travel	1,087	
Other Supplies and Materials	2,738	
In Service/Staff Development	548	
Total Health Services		80,553
Other Student Support		
Career Ladder Program	$ 5,000	
Guidance Personnel	131,105	
Psychological Personnel	79,089	
School Resource Officer	25,038	
Social Security	14,065	
State Retirement	12,134	
Medical Insurance	26,300	
Employer Medicare	3,289	
Evaluation and Testing	6,406	
Other Contracted Services	114	
Other Supplies and Materials	2,834	
Total Other Student Support		305,374
Regular Instruction Program		
Supervisor/Director	$ 66,383	
Career Ladder Program	10,000	
Career Ladder Extended Contracts	6,000	
Librarians	123,440	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Regular Instruction Program (Cont.)		
Materials Supervisor	$ 29,743	
Instructional Computer Personnel	47,836	
Other Salaries & Wages	37,155	
Social Security	18,959	
State Retirement	18,171	
Medical Insurance	19,481	
Employer Medicare	4,434	
Travel	13,976	
Other Contracted Services	1,954	
Library Books/Media	4,475	
Other Supplies and Materials	363	
In Service/Staff Development	10,450	
Total Regular Instruction Program		$ 412,820
Alternative Instruction Program		
Other Supplies and Materials	$ 25	
Total Alternative Instruction Program		25
Special Education Program		
Supervisor/Director	$ 60,953	
Career Ladder Program	2,000	
Career Ladder Extended Contracts	2,000	
Secretary(ies)	27,782	
Social Security	5,465	
State Retirement	5,537	
Medical Insurance	3,992	
Employer Medicare	1,278	
Travel	4,966	
Other Contracted Services	4,065	
Other Supplies and Materials	4,131	
Other Charges	1,843	
Total Special Education Program		124,012
Vocational Education Program		
Supervisor/Director	$ 21,740	
Clerical Personnel	7,200	
Social Security	1,465	
State Retirement	509	
Employer Medicare	398	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Vocational Education Program (Cont.)		
Travel	$ 602	
Total Vocational Education Program		$ 31,914
Adult Programs		
Supervisor/Director	$ 96,310	
Career Ladder Program	1,000	
Social Security	5,492	
State Retirement	5,307	
Medical Insurance	10,245	
Employer Medicare	1,284	
Advertising	124	
Communication	4,341	
Evaluation and Testing	3,750	
Travel	5,831	
Other Contracted Services	240	
Other Charges	8,178	
Total Adult Programs		142,102
Board of Education		
Other Salaries & Wages	$ 8,000	
Board and Committee Members Fees	24,300	
Social Security	1,986	
State Retirement	192	
Medical Insurance	378	
Unemployment Compensation	10,822	
Employer Medicare	464	
Audit Services	5,000	
Dues and Memberships	6,704	
Legal Services	1,734	
Travel	11,634	
Other Contracted Services	158	
Office Supplies	108	
Liability Insurance	61,924	
Trustee's Commission	47,475	
Workers' Compensation Insurance	88,557	
Refund to Applicant for Criminal Investigation	576	
Total Board of Education		270,012

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Director of Schools		
County Official/Administrative Officer	$ 80,158	
Career Ladder Program	1,000	
Social Security	5,129	
State Retirement	4,662	
Medical Insurance	3,276	
Employer Medicare	1,199	
Communication	7,561	
Dues and Memberships	1,298	
Postal Charges	753	
Travel	3,836	
Other Contracted Services	955	
Office Supplies	11	
Total Director of Schools		$ 109,838
Office of the Principal		
Principals	$ 298,519	
Career Ladder Program	7,000	
Career Ladder Extended Contracts	2,000	
Secretary(ies)	100,877	
Social Security	24,156	
State Retirement	24,046	
Medical Insurance	17,714	
Employer Medicare	5,649	
Communication	3,110	
Total Office of the Principal		483,071
Fiscal Services		
Accountants/Bookkeepers	$ 73,418	
Social Security	4,317	
State Retirement	2,111	
Medical Insurance	1,000	
Employer Medicare	1,010	
Data Processing Services	5,462	
Other Contracted Services	1,295	
Office Supplies	1,766	
Total Fiscal Services		90,379
Operation of Plant		
Custodial Personnel	$ 261,258	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Operation of Plant (Cont.)		
Social Security	$ 15,829	
State Retirement	17,015	
Medical Insurance	1,243	
Employer Medicare	3,702	
Rentals	1	
Other Contracted Services	78,919	
Custodial Supplies	103	
Electricity	315,324	
Natural Gas	75,960	
Water and Sewer	26,260	
Other Supplies and Materials	48,759	
Total Operation of Plant		$ 844,373
Maintenance of Plant		
Supervisor/Director	$ 58,064	
Maintenance Personnel	64,227	
Other Salaries & Wages	17,740	
Social Security	7,838	
State Retirement	8,989	
Medical Insurance	8,556	
Employer Medicare	1,833	
Maintenance & Repair Services - Buildings	2,309	
Maintenance & Repair Services - Equipment	12,699	
Other Contracted Services	23,988	
Other Supplies and Materials	12,066	
Total Maintenance of Plant		218,309
Transportation		
Supervisor/Director	$ 29,435	
Mechanic(s)	26,355	
Bus Drivers	343,148	
Other Salaries & Wages	18,718	
Social Security	25,935	
State Retirement	28,377	
Medical Insurance	1,148	
Employer Medicare	6,065	
Contracts with Parents	1,451	
Laundry Service	736	
Maintenance & Repair Services - Vehicles	673	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Transportation (Cont.)		
Medical and Dental Services	$ 2,500	
Travel	3,600	
Other Contracted Services	3,442	
Gasoline	141,383	
Tires and Tubes	17,883	
Vehicle Parts	41,503	
Other Supplies and Materials	4,312	
Transportation Equipment	75,600	
Total Transportation		$ 772,264
Operation of Non-Instructional Services		
Food Service		
Supervisor/Director	$ 25,193	
Other Salaries & Wages	22,799	
Social Security	2,964	
State Retirement	2,592	
Employer Medicare	693	
Travel	2,106	
Other Charges	261	
Total Food Service		56,608
Community Services		
Supervisor/Director	$ 50,198	
Teachers	126,793	
Accountants/Bookkeepers	200	
Bus Drivers	23,197	
Clerical Personnel	990	
Educational Assistants	37,201	
Temporary Personnel	3,981	
Other Salaries & Wages	56,643	
Social Security	17,218	
State Retirement	17,330	
Medical Insurance	7,208	
Employer Medicare	4,027	
Communication	1,938	
Travel	4,561	
Other Contracted Services	28,845	
Gasoline	3,481	
Instructional Supplies and Materials	37,357	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)			
Operation of Non-Instructional Services (Cont.)			
Community Services (Cont.)			
Other Supplies and Materials	$ 8,720		
Workers' Compensation Insurance	518		
In Service/Staff Development	417		
Regular Instruction Equipment	15,038		
Total Community Services		$ 445,861	
Capital Outlay			
Regular Capital Outlay			
Social Security	$ 74		
State Retirement	71		
Employer Medicare	17		
Engineering Services	2,010		
Building Improvements	30,512		
Other Capital Outlay	98,825		
Total Regular Capital Outlay		131,509	
Principal on Debt			
Education			
Principal on Notes	$ 9,000		
Total Education		9,000	
Total General Purpose School Fund			$ 11,122,164
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 178,905		
Educational Assistants	63,326		
Certified Substitute Teachers	4,495		
Social Security	14,388		
State Retirement	14,002		
Medical Insurance	17,339		
Employer Medicare	3,365		
Other Contracted Services	200		
Instructional Supplies and Materials	34,432		
Regular Instruction Equipment	37,826		
Total Regular Instruction Program		$ 368,278	

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)		
Instruction (Cont.)		
Special Education Program		
Teachers	$ 16,665	
Educational Assistants	263,888	
Other Salaries & Wages	16,021	
Social Security	18,083	
State Retirement	19,673	
Employer Medicare	4,261	
Contracts with Other School Systems	15,000	
Contracts with Private Agencies	9,465	
Travel	485	
Other Contracted Services	19,032	
Instructional Supplies and Materials	43,632	
Special Education Equipment	7,350	
Total Special Education Program		$ 433,555
Vocational Education Program		
Travel	$ 1,000	
Instructional Supplies and Materials	1,500	
Vocational Instruction Equipment	22,810	
Total Vocational Education Program		25,310
Support Services		
Other Student Support		
Other Salaries & Wages	$ 49,851	
Social Security	2,763	
State Retirement	1,186	
Medical Insurance	2,199	
Employer Medicare	712	
Travel	5,443	
Other Contracted Services	710	
Total Other Student Support		62,864
Regular Instruction Program		
Supervisor/Director	$ 45,615	
Instructional Computer Personnel	8,697	
Clerical Personnel	27,529	
In-Service Training	59,310	
Social Security	8,434	
State Retirement	7,923	
Medical Insurance	7,034	

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)			
Support Services (Cont.)			
Regular Instruction Program (Cont.)			
Employer Medicare	$ 1,972		
Travel	14,139		
Other Supplies and Materials	16,733		
In Service/Staff Development	75,093		
Total Regular Instruction Program		$ 272,479	
Special Education Program			
Psychological Personnel	$ 3,524		
Clerical Personnel	21,484		
Social Security	1,533		
State Retirement	1,694		
Employer Medicare	359		
Travel	4,412		
In Service/Staff Development	17,083		
Total Special Education Program		50,089	
Transportation			
Bus Drivers	$ 807		
Social Security	50		
State Retirement	44		
Employer Medicare	12		
Contracts with Parents	8,139		
Total Transportation		9,052	
Operation of Non-Instructional Services			
Community Services			
Other Supplies and Materials	$ 273		
Total Community Services		273	
Total School Federal Projects Fund			$ 1,221,900
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 5,423		
Clerical Personnel	24,987		
Cafeteria Personnel	301,147		
Social Security	20,291		
State Retirement	21,874		

(Continued)

Exhibit F-6

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

Central Cafeteria Fund (Cont.)			
Operation of Non-Instructional Services (Cont.)			
Food Service (Cont.)			
Employer Medicare	$ 4,740		
Communication	2,152		
Maintenance & Repair Services - Equipment	10,237		
Travel	9,449		
Other Contracted Services	5,876		
Food Preparation Supplies	38,225		
Food Supplies	388,477		
Office Supplies	6,839		
Uniforms	434		
Other Supplies and Materials	361		
In Service/Staff Development	17,198		
Other Charges	116		
Food Service Equipment	40,819		
Total Food Service		$ 898,645	
Community Services			
Supervisor/Director	$ 2,611		
Other Salaries & Wages	21,705		
Social Security	1,509		
State Retirement	1,900		
Employer Medicare	353		
Communication	30		
Travel	3,323		
Food Preparation Supplies	1,781		
Food Supplies	20,975		
Utilities	2,719		
Other Charges	52		
Total Community Services		56,958	
Total Central Cafeteria Fund			$ 955,603
Other Education Special Revenue Fund			
Instruction			
Other			
Refunds	$ 22,281		
Total Other		$ 22,281	
Total Other Education Special Revenue Fund			22,281

(Continued)

Exhibit F-6

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

Education Debt Service Fund			
Principal on Debt			
Education			
Principal on Bonds	$ 390,000		
Total Education		$ 390,000	
Interest on Debt			
Education			
Interest on Bonds	$ 491,245		
Total Education		491,245	
Other Debt Service			
Education			
Fiscal Agent Charges	$ 3,200		
Trustee's Commission	6,610		
Other Debt Service	12,000		
Total Education		21,810	
Total Education Debt Service Fund			$ 903,055
Total Governmental Funds - Bledsoe County School Department			$ 14,225,003

SINGLE AUDIT REPORT

BLEDSOE COUNTY, TENNESSEE

AND

BLEDSOE COUNTY SCHOOL DEPARTMENT

FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

DEVAN FLYNN
JUNE ROGERS, CGFM
JENI BOYETTE
State Auditors

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

SINGLE AUDIT REPORT
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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

September 5, 2006

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Bledsoe County, Tennessee, and the Bledsoe County School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Bledsoe County's and the Bledsoe County School Department's basic financial statements and have issued our reports thereon dated September 5, 2006. Our reports on the financial statements of Bledsoe County, Tennessee, and the Bledsoe County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bledsoe County's and the Bledsoe County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.03, 06.04, 06.05, 06.06, 06.07, 06.09, and 06.10.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bledsoe County's and the Bledsoe County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.08, and 06.11.

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

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

Very truly yours,

John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/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

September 5, 2006

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

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

Compliance

We have audited the compliance of Bledsoe County and the Bledsoe County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2006. Bledsoe County's and the Bledsoe County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Bledsoe County's and the Bledsoe County School Department's management. Our responsibility is to express an opinion on Bledsoe County's and the Bledsoe County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and

material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bledsoe County's and the Bledsoe County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bledsoe County's and the Bledsoe County School Department's compliance with those requirements.

In our opinion, Bledsoe County and the Bledsoe County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Bledsoe County and the Bledsoe County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bledsoe County's and the Bledsoe County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Bledsoe County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.07, 06.10, 06.12, and 06.13.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Bledsoe County, Tennessee, and the Bledsoe County School Department, as of and for the year ended June 30, 2006, and have issued our reports thereon dated September 5, 2006. Our reports on the financial statements of Bledsoe County and the Bledsoe County School Department express adverse opinions because the

government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/yu

Bledsoe County, Tennessee, and the Bledsoe County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	N/A	$ 64,565
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	$ 166,122
National School Lunch Program	10.555	N/A	429,667
Total Passed-through State Department of Education			$ 595,789
Passed-through State Department of Human Services:			
Summer Food Service Program For Children	10.559	N/A	$ 52,227
Total U.S. Department of Agriculture			$ 712,581
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-04-02	$ 99,701
U.S. Department of Labor:			
Passed-through Southeast Tennessee Development District:			
WIA Youth Activities	17.259	(2)	$ 32,448
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027749-00	$ 81,241
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	$ 473,178
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	456,562
Special Education - Preschool Grants	84.173	N/A	21,080
Vocational Education - Basic Grants to States	84.048	N/A	62,418
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	12,638
Even Start - State Educational Agencies	84.213	(2)	99,105
State Grants for Innovative Programs	84.298	N/A	6,108
Education Technology State Grants	84.318	(2)	8,986
Rural Education	84.358	N/A	58,839
Improving Teacher Quality State Grants	84.367	N/A	113,441
Hurricane Education Recovery	84.938	N/A	13,118
Total Passed-through State Department of Education			$ 1,325,473
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-04-10231-02	$ 22,176
Passed-through Sequatchie County Board of Education:			
Twenty-First Century Community Learning Centers	84.287	(2)	$ 165,616
Total U.S. Department of Education			$ 1,594,506
U.S. Elections Assistance Commission:			
Passed-through State Office of the Secretary of State:			
Help America Vote Act	90.401	N/A	$ 160,500
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-06-027160-00	$ 15,926

(continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services (Cont.):			
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05-020797-01	$ 29,000
Total U.S. Department of Health and Human Services			$ 44,926
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(3)	$ 10,807
Homeland Security Grant Program	97.067	Z-05-025133-00	19,321
Total U.S. Department of Homeland Security			$ 30,128
Total Expenditures of Federal Awards			$ 2,674,790

State Grants		Contract Number	
Safe Schools Act - State Department of Education	N/A	(2)	$ 14,943
Family Resource Center - State Department of Education	N/A	(2)	13,036
Adult Education - State Department of Labor and Workforce Development	N/A	Z-06-027160-00	8,027
Adult Education - State Department of Labor and Workforce Development	N/A	Z-06-027749-00	21,596
Early Childhood Education - State Department of Education	N/A	(2)	65,000
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	93,660
Juvenile Services Program - State Department of Children Services	N/A	Z-06-002570-00	9,000
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	6,101
Health Access Community Initiative Project - State Department of Health	N/A	GG-06-11794-00	55,213
Hazard Elimination Program - State Department of Transportation	N/A	(2)	50,000
Litter Program - State Department of Transportation	N/A	Z-06-027934-00	42,129
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011334-00	6,822
Total State Grants			$ 385,527

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) Z-04-022418-02: $7,607; Z-03-017725-00: $3,200

Bledsoe County, Tennessee, and the Bledsoe County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

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 Bledsoe County, Tennessee, and the Bledsoe County School Department for the year ended June 30, 2005, which have not been corrected.

BLEDSOE COUNTY AND BLEDSOE COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
05.03	13	Inventory records were not properly maintained
05.05	14	The office did not develop a disaster recovery plan

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
05.09	17	Collections were not deposited properly

OTHER FINDINGS

Finding Number	Page Number	Subject
05.10	17	A central system of accounting, budgeting, and purchasing had not been adopted

OTHER FINDINGS (Cont.)

Finding Number	Page Number	Subject
05.11	18	Duties were not segregated adequately in the Offices of County Mayor; Road Superintendent; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register and Sheriff
05.12	18	The general sessions judge also served as county attorney, contrary to opinions issued by the state Attorney General's Office

BLEDSOE COUNTY, TENNESSEE, AND THE
BLEDSOE COUNTY SCHOOL DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

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

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

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

4. The audit disclosed two reportable condition in internal control over major programs.

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

6. The audit revealed two findings that are required to be reported under Section 510(a) of OMB Circular A-133.

7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.

8. A threshold of $300,000 was used to distinguish between Type A and Type B federal programs.

9. Bledsoe County and the Bledsoe County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

BLEDSOE COUNTY AND BLEDSOE COUNTY SCHOOL DEPARTMENT

FINDING 06.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 06.02 **LIABILITIES WERE NOT DETERMINED AND RECORDED ON THE ACCOUNTING RECORDS RESULTING IN EXPENDITURES EXCEEDING APPROPRIATIONS**
(Material Noncompliance Under Government Auditing Standards)

Liabilities for a court-ordered judgment ($170,000) and unpaid medical bills for county prisoners ($40,021) were not determined and recorded on the accounting records of the General Fund at June 30, 2006, as required by generally accepted accounting principles. Adjustments were presented to management for approval and posting to properly present these liabilities in the financial statements of this report. As a result of these adjustments, expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) by $200,870.

Section 5-9-401, Tennessee Code Annotated, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that 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."

RECOMMENDATION

Liabilities should be determined and recorded on the accounting records at year-end as required by generally accepted accounting principles. Expenditures should be held within appropriations approved by the County Commission.

FINDING 06.03 **INVENTORY RECORDS WERE NOT MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Inventory records were not maintained for assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles.

RECOMMENDATION

The office should maintain inventory records of all assets as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

FINDING 06.04 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

B. In several instances, invoices were paid without documentation that goods had been received 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.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders in all applicable instances and by obtaining documentation that goods have been received or services have been rendered.

FINDING 06.05 **THE AGREEMENT BETWEEN BLEDSOE COUNTY AND THE BLEDSOE COUNTY EMERGENCY COMMUNICATIONS DISTRICT HAS QUESTIONABLE PROVISIONS AND DEFICIENCIES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

We noted the following concerns and/or deficiencies involving the county's administration of the Bledsoe County Emergency Communications District:

A. Bledsoe County and the Bledsoe County Emergency Communications District entered into an interlocal agreement for Bledsoe County to administer the emergency communications district effective July 1, 2004. The agreement transferred complete control of the daily operations, employees, control of the property, and ownership of its public safety answering point (PSAP) equipment to Bledsoe County. However, the district's board of directors still exists, maintains a checking account, and makes quarterly payments to the county for providing services to the district. We question whether the agreement is consistent with Section 7-86-105(b)(6), Tennessee Code Annotated, requiring a board to govern the affairs of the district. We also question the authority of the board to transfer ownership of property purchased with district funds to Bledsoe County.

B. Bledsoe County did not account for the district's transactions in an enterprise fund (business-type fund) using the economic resources measurement focus and the accrual basis of accounting, but accounted for the district's transactions in a special revenue fund (governmental fund type) using the current financial resources measurement focus and the modified accrual basis of accounting. The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts requires that the financial operations of the Tennessee emergency communications districts be accounted for in an enterprise fund. Due to the inconsistencies in the contract provisions compared with the intent of the state emergency communications districts' regulatory board on how emergency communications districts should be organized and accounted, questions exist on how Bledsoe County should account for the district's operations.

RECOMMENDATION

County officials, the district's board, and the state emergency communications districts' regulatory board should review the interlocal agreement to ensure that it complies with state statutes and determine the proper procedures for accounting.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.06 **INVENTORY RECORDS WERE NOT PROPERLY MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Department did maintain inventory records for assets for the year ended June 30, 2005; however, these records had not been updated for the year ended June 30, 2006, except for assets purchased with federal grant funds. Generally accepted accounting principles require accountability for all department-owned assets, such as equipment, furniture, and vehicles.

RECOMMENDATION

The School Department should currently maintain inventory records of all assets as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

FINDING 06.07 **THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN**

(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

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

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 06.08 **THE OFFICE DID NOT PROPERLY ISSUE RECEIPTS FOR FUNDS COLLECTED**

(Noncompliance Under Government Auditing Standards)

Receipts were not issued at the time of collection. Instead, receipts were issued for collections at the time bank deposits were prepared. The practice of issuing receipts subsequent to the actual collection increases the risks that funds will not be properly accounted. Since receipts were not issued at the point of collection, we were unable to determine if the Sheriff's office had complied with Section 5-8-207, Tennessee Code Annotated. This statute requires officials to deposit all receipts within three days of collection.

RECOMMENDATION

Receipts should be issued at the time of collection for all funds received, and all deposits should be made within three business days as required by state statutes.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.09 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.10 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR; ROAD SUPERINTENDENT; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Due to limited resources, personnel were not able to properly segregate duties.

FINDING 06.11 **THE GENERAL SESSIONS JUDGE ALSO SERVED AS COUNTY ATTORNEY, SCHOOL BOARD ATTORNEY, AND DELINQUENT TAX ATTORNEY, CONTRARY TO OPINIONS ISSUED BY THE STATE ATTORNEY GENERAL'S OFFICE**
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

PART III, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS
For the Year Ended June 30, 2006

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture:	06.12		Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.10 - Duties were not adequately segregated in the Office of Director of Schools	$ 0
Passed-through State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program		10.553			
School Lunch Program		10.555			
U.S. Department of Education:					
Passed-through State Department of Education:					
Title 1 Grant to Local Educational Agencies		84.010			
Special Education Cluster:					
Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			
U.S. Department of Agriculture:	06.13		Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.07 - The School Department did not have a disaster recovery plan.	0
Passed-through State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program		10.553			
School Lunch Program		10.555			
U.S. Department of Education:					
Passed-through State Department of Education:					
Title 1 Grant to Local Educational Agencies		84.010			
Special Education Cluster:					
Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			

BLEDSOE COUNTY, TENNESSEE, AND THE
BLEDSOE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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

Office of Director of Schools – Corrective Action Plan for Current Year Findings

FINDINGS 06.10 and 06.12

Contact Person:	Clettis McDaniel (Current Director of Schools)
Corrective Action Planned:	Due to limited resources and personnel, management is not able to properly segregate duties among employees.
Anticipated completion date:	None

FINDINGS 06.07 and 06.13

Contact Person:	Clettis McDaniel (Current Director of Schools)
Corrective Action Planned:	Review procedures
Anticipated completion date:	None