

**ANNUAL FINANCIAL REPORT  
OF  
CARTER COUNTY, TENNESSEE  
AND  
CARTER 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**  
**CARTER 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*

*CLIFFORD TUCKER, CPA*  
*Audit Manager*

*MARK A. TREECE, CPA*  
*Auditor 4*

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

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

---



---

## CARTER COUNTY, TENNESSEE

### TABLE OF CONTENTS

---



---

|  | Exhibit | Page(s) |
|--|---------|---------|
| Audit Highlights   |         | 1-2     |
| <u>INTRODUCTORY SECTION</u>  |         | 3       |
| Carter County Officials  |         | 5       |
| <u>FINANCIAL SECTION</u>   |         | 7       |
| Independent Auditor's Report   |         | 9-11    |
| BASIC FINANCIAL STATEMENTS:  |         | 13      |
| Fund Financial Statements:   |         |         |
| Governmental Funds:  |         |         |
| Balance Sheet  | A       | 15      |
| Statement of Revenues, Expenditures, and Changes in Fund Balances  | B       | 16      |
| Fiduciary Funds:   |         |         |
| Statement of Fiduciary Assets and Liabilities  | C       | 17      |
| Notes to the Financial Statements  |         | 19-39   |
| REQUIRED SUPPLEMENTARY INFORMATION:  |         | 41      |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget: |         |         |
| General Fund   | D-1     | 43-46   |
| Highway/Public Works Fund  | D-2     | 47      |
| Notes to Required Supplementary Information  |         | 49      |
| COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:  |         | 51      |
| Nonmajor Governmental Funds:   |         | 53      |
| Combining Balance Sheet  | E-1     | 55      |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances                              | E-2     | 56      |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:                   |         |         |
| Courthouse and Jail Maintenance Fund   | E-3     | 57      |
| Solid Waste/Sanitation Fund  | E-4     | 58      |
| Health Department Fund   | E-5     | 59      |
| Drug Control Fund  | E-6     | 60      |

|   | Exhibit | Page(s) |
|---|---------|---------|
| Major Governmental Fund:  |         | 61      |
| Schedule of Revenues, Expenditures, and Changes in Fund<br>Balance – Actual and Budget:           |         |         |
| General Debt Service Fund   | F       | 63      |
| Fiduciary Funds:  |         | 65      |
| Combining Statement of Fiduciary Assets and Liabilities   | G-1     | 67      |
| Combining Statement of Changes in Assets and Liabilities –<br>All Agency Funds                    | G-2     | 68      |
| Miscellaneous Schedules:  |         | 69      |
| Schedule of Changes in Long-term Notes, Other Loans,<br>and Capital Lease                         | H-1     | 71      |
| Schedule of Transfers   | H-2     | 72      |
| Schedule of Salaries and Official Bonds of Principal Officials                                    | H-3     | 73      |
| Schedule of Detailed Revenues – All Governmental<br>Fund Types                                    | H-4     | 74-78   |
| Schedule of Detailed Expenditures – All Governmental<br>Fund Types                                | H-5     | 79-97   |
| Schedule of Detailed Receipts, Disbursements, and<br>Changes in Cash Balances – City Agency Funds | H-6     | 98      |

# ***Audit Highlights***

Annual Financial Report  
Carter 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 Carter County, Tennessee, as of and for the year ended June 30, 2006.

## ***Results***

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

Our audit resulted in 12 findings and recommendations, which we have reviewed with Carter 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:

### **CARTER COUNTY**

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

---

### **OFFICE OF FINANCE DIRECTOR**

- ◆ The county's two convenience centers issued receipts for collections only at customers' requests, violating the state statute requiring receipts for all collections.
  - ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission at the major category level of control (the legal level of control) in the General and Solid Waste/Sanitation Funds.
  - ◆ The finance director had not adequately reviewed certain accounting records.
  - ◆ Records were not adequately maintained for employees' leave.
-

## **OFFICE OF TRUSTEE**

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

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

- ◆ The office did not account for receipts totaling \$185.
  - ◆ Execution docket trial balances did not reconcile with general ledger accounts.
  - ◆ Accounting records had not been properly reconciled with subsidiary records, credit card statements, and bank statements.
- 

## **OFFICE OF SHERIFF**

- ◆ The office had deficiencies in the operations of the commissary.
  - ◆ Receipts were not issued for some collections.
- 

## **OTHER FINDING**

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

---

---

# INTRODUCTORY SECTION

---

---

Carter County Officials  
June 30, 2006

---

**Officials**

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

**Board of County Commissioners**

|                        |                      |
|------------------------|----------------------|
| Dale Fair, Chairperson | Roy Merryman         |
| William Armstrong      | Terry Montgomery     |
| Roscoe Bayless         | Phillip Nave         |
| Jo Ann Blankenship     | Jerry Pearman        |
| Thomas Bowers          | Richard Renfro       |
| Douglas Buckles        | John Snyder          |
| Jackson Buckles        | Amos Stevens, Jr.    |
| Robert Davis           | Richard David Tester |
| Lawrence Hodge         | Lynn Tipton          |
| Wayne Holtsclaw        | Jeff Treadway        |
| John Lewis             | Charles Whaley       |
| Steve Lowrence         | Arlie Woods          |
| Albert Meehan          |                      |

**Financial Management Committee**

|                            |                 |
|----------------------------|-----------------|
| Albert Meehan, Chairperson | John Snyder     |
| Jo Ann Blankenship         | Jack Perkins    |
| Jackson Buckles            | Dallas Williams |
| Dale Fair                  |                 |

**Budget and Finance Committee**

|                              |                |
|------------------------------|----------------|
| Wayne Holtsclaw, Chairperson | Lawrence Hodge |
| William Armstrong            | John Lewis     |
| Roscoe Bayless               | Jeff Treadway  |
| Thomas Bowers                | Arlie Woods    |

---

---

## FINANCIAL SECTION

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

February 15, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Carter County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 39, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Carter County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Carter County, Tennessee, as of June 30, 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 Carter 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.

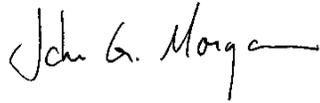
In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2007, on our consideration of Carter County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B, Carter County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The budgetary comparison information on pages 43 through 49 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carter County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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 General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

---

---

## **BASIC FINANCIAL STATEMENTS**

---

---

Exhibit A

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

|  | Major Funds  |                              |                            | Nonmajor                            | Total         |
|--|--------------|------------------------------|----------------------------|-------------------------------------|---------------|
|  | General      | Highway /<br>Public<br>Works | General<br>Debt<br>Service | Other<br>Govern-<br>mental<br>Funds |               |
| <u>ASSETS</u>                                |              |                              |                            |                                     |               |
| Cash   | \$ 122,505   | \$ 0                         | \$ 0                       | \$ 13,401                           | \$ 135,906    |
| Equity in Pooled Cash and Investments        | 888,355      | 1,669,720                    | 2,766,469                  | 151,264                             | 5,475,808     |
| Accounts Receivable                          | 46,390       | 14,785                       | 14,171                     | 43,850                              | 119,196       |
| Due from Other Governments                   | 262,566      | 623,415                      | 0                          | 16,610                              | 902,591       |
| Due from Other Funds                         | 6,282        | 6,540                        | 0                          | 9,601                               | 22,423        |
| Property Taxes Receivable                    | 5,587,593    | 645,239                      | 1,951,822                  | 0                                   | 8,184,654     |
| Allowance for Uncollectible Property Taxes   | (119,674)    | (13,929)                     | (45,561)                   | 0                                   | (179,164)     |
| Total Assets                                 | \$ 6,794,017 | \$ 2,945,770                 | \$ 4,686,901               | \$ 234,726                          | \$ 14,661,414 |
| <u>LIABILITIES AND FUND BALANCES</u>         |              |                              |                            |                                     |               |
| <u>Liabilities</u>                           |              |                              |                            |                                     |               |
| Accounts Payable                             | \$ 144,522   | \$ 66,594                    | \$ 0                       | \$ 59,684                           | \$ 270,800    |
| Payroll Deductions Payable                   | 6,247        | 570                          | 0                          | 0                                   | 6,817         |
| Due to Other Funds                           | 16,141       | 0                            | 0                          | 6,282                               | 22,423        |
| Due to Component Units                       | 8,835        | 0                            | 0                          | 0                                   | 8,835         |
| Other Current Liabilities                    | 59,253       | 9,681                        | 0                          | 0                                   | 68,934        |
| Deferred Revenue - Current Property Taxes    | 5,293,200    | 610,754                      | 1,832,262                  | 0                                   | 7,736,216     |
| Deferred Revenue - Delinquent Property Taxes | 151,377      | 17,810                       | 64,113                     | 0                                   | 233,300       |
| Other Deferred Revenues                      | 162,796      | 305,020                      | 0                          | 0                                   | 467,816       |
| Total Liabilities                            | \$ 5,842,371 | \$ 1,010,429                 | \$ 1,896,375               | \$ 65,966                           | \$ 8,815,141  |
| <u>Fund Balances</u>                         |              |                              |                            |                                     |               |
| Reserved for Encumbrances                    | \$ 114,070   | \$ 32,755                    | \$ 0                       | \$ 0                                | \$ 146,825    |
| Reserved for Alcohol and Drug Treatment      | 128,976      | 0                            | 0                          | 0                                   | 128,976       |
| Reserved for Drug Court                      | 5,873        | 0                            | 0                          | 0                                   | 5,873         |
| Reserved for Sexual Offender Registration    | 2,940        | 0                            | 0                          | 0                                   | 2,940         |
| Unreserved, Reported In:                     |              |                              |                            |                                     |               |
| General Fund                                 | 699,787      | 0                            | 0                          | 0                                   | 699,787       |
| Special Revenue Funds                        | 0            | 1,902,586                    | 0                          | 168,760                             | 2,071,346     |
| Debt Service Funds                           | 0            | 0                            | 2,790,526                  | 0                                   | 2,790,526     |
| Total Fund Balances                          | \$ 951,646   | \$ 1,935,341                 | \$ 2,790,526               | \$ 168,760                          | \$ 5,846,273  |
| Total Liabilities and Fund Balances          | \$ 6,794,017 | \$ 2,945,770                 | \$ 4,686,901               | \$ 234,726                          | \$ 14,661,414 |

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

Exhibit B

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

|   | Major Funds          |                              |                            | Nonmajor<br>Funds                   | Total<br>Governmental<br>Funds |
|---|----------------------|------------------------------|----------------------------|-------------------------------------|--------------------------------|
|   | General              | Highway /<br>Public<br>Works | General<br>Debt<br>Service | Other<br>Govern-<br>mental<br>Funds |                                |
| <b>Revenues</b>                             |                      |                              |                            |                                     |                                |
| Local Taxes                                 | \$ 6,209,195         | \$ 630,423                   | \$ 1,878,807               | \$ 10,664                           | \$ 8,729,089                   |
| Licenses and Permits                        | 323,148              | 0                            | 0                          | 0                                   | 323,148                        |
| Fines, Forfeitures, and Penalties           | 297,390              | 0                            | 0                          | 33,240                              | 330,630                        |
| Charges for Current Services                | 105,958              | 0                            | 0                          | 711,128                             | 817,086                        |
| Other Local Revenues                        | 272,748              | 82,506                       | 368,741                    | 86,828                              | 810,823                        |
| Fees Received from County Officials         | 1,897,788            | 0                            | 0                          | 0                                   | 1,897,788                      |
| State of Tennessee                          | 610,700              | 1,944,138                    | 72,580                     | 256,929                             | 2,884,347                      |
| Federal Government                          | 1,428,447            | 763,075                      | 0                          | 0                                   | 2,191,522                      |
| Other Governments and Citizens Groups       | 219,549              | 11,832                       | 0                          | 0                                   | 231,381                        |
| <b>Total Revenues</b>                       | <b>\$ 11,364,923</b> | <b>\$ 3,431,974</b>          | <b>\$ 2,320,128</b>        | <b>\$ 1,098,789</b>                 | <b>\$ 18,215,814</b>           |
| <b>Expenditures</b>                         |                      |                              |                            |                                     |                                |
| Current:                                    |                      |                              |                            |                                     |                                |
| General Government                          | \$ 1,244,864         | \$ 0                         | \$ 0                       | \$ 7,744                            | \$ 1,252,608                   |
| Finance                                     | 1,053,979            | 0                            | 0                          | 106                                 | 1,054,085                      |
| Administration of Justice                   | 785,457              | 0                            | 0                          | 10,544                              | 796,001                        |
| Public Safety                               | 4,477,876            | 0                            | 0                          | 45,662                              | 4,523,538                      |
| Public Health and Welfare                   | 132,885              | 0                            | 0                          | 1,276,337                           | 1,409,222                      |
| Social, Cultural, and Recreational Services | 102,417              | 0                            | 0                          | 0                                   | 102,417                        |
| Agricultural and Natural Resources          | 105,029              | 0                            | 0                          | 0                                   | 105,029                        |
| Other Operations                            | 2,609,727            | 0                            | 0                          | 7,840                               | 2,617,567                      |
| Highways                                    | 26,675               | 2,746,822                    | 0                          | 0                                   | 2,773,497                      |
| Debt Service:                               |                      |                              |                            |                                     |                                |
| Principal on Debt                           | 4,008                | 0                            | 1,268,963                  | 0                                   | 1,272,971                      |
| Interest on Debt                            | 0                    | 0                            | 315,883                    | 0                                   | 315,883                        |
| Other Debt Service                          | 0                    | 0                            | 64,049                     | 0                                   | 64,049                         |
| Capital Projects                            | 233,882              | 0                            | 0                          | 0                                   | 233,882                        |
| Capital Projects - Donated                  | 0                    | 0                            | 0                          | 418,603                             | 418,603                        |
| <b>Total Expenditures</b>                   | <b>\$ 10,776,799</b> | <b>\$ 2,746,822</b>          | <b>\$ 1,648,895</b>        | <b>\$ 1,766,836</b>                 | <b>\$ 16,939,352</b>           |
| Excess (Deficiency) of Revenues             |                      |                              |                            |                                     |                                |
| Over Expenditures                           | \$ 588,124           | \$ 685,152                   | \$ 671,233                 | \$ (668,047)                        | \$ 1,276,462                   |
| <b>Other Financing Sources (Uses)</b>       |                      |                              |                            |                                     |                                |
| Notes Issued                                | \$ 170,000           | \$ 0                         | \$ 0                       | \$ 0                                | \$ 170,000                     |
| Other Loans Issued                          | 0                    | 0                            | 0                          | 418,603                             | 418,603                        |
| Insurance Recovery                          | 7,669                | 0                            | 0                          | 0                                   | 7,669                          |
| Transfers In                                | 0                    | 0                            | 0                          | 318,088                             | 318,088                        |
| Transfers Out                               | (318,088)            | 0                            | 0                          | 0                                   | (318,088)                      |
| <b>Total Other Financing Sources (Uses)</b> | <b>\$ (140,419)</b>  | <b>\$ 0</b>                  | <b>\$ 0</b>                | <b>\$ 736,691</b>                   | <b>\$ 596,272</b>              |
| Net Change in Fund Balances                 | \$ 447,705           | \$ 685,152                   | \$ 671,233                 | \$ 68,644                           | \$ 1,872,734                   |
| Fund Balance, July 1, 2005                  | 503,941              | 1,250,189                    | 2,119,293                  | 100,116                             | 3,973,539                      |
| Fund Balance, June 30, 2006                 | \$ 951,646           | \$ 1,935,341                 | \$ 2,790,526               | \$ 168,760                          | \$ 5,846,273                   |

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

Exhibit C

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

|   | <u>Agency<br/>Funds</u> |
|---|-------------------------|
| <u>ASSETS</u>                             |                         |
| Cash                                      | \$ 1,713,782            |
| Equity in Pooled Cash and Investments     | 129,346                 |
| Accounts Receivable                       | 109,098                 |
| Due from Other Governments                | 792,466                 |
| Property Taxes Receivable                 | 1,786,158               |
| Allowance of Uncollectible Property Taxes | <u>(41,257)</u>         |
| Total Assets                              | <u>\$ 4,489,593</u>     |
| <u>LIABILITIES</u>                        |                         |
| Due to Other Taxing Units                 | \$ 2,768,429            |
| Due to Litigants, Heirs, and Others       | <u>1,721,164</u>        |
| Total Liabilities                         | <u>\$ 4,489,593</u>     |

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. Reporting Entity**

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

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

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

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

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

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

Administrative Office:

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

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

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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.

Carter County reports the following major governmental funds:

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

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

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

Additionally, Carter County reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund was used during the year to account for the receipt of debt issued by Carter County and contributed to the School Department for building construction and renovations.

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

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

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Carter County and Carter County School Department funds. Each fund’s portion of this pool is displayed on 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. Carter County has adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the

state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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 1.24 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.

Most payables are disaggregated on the face of the financial statements. Other Current Liabilities reflected in the General Fund represent the remaining balance in the county's payroll tax account

and contractor's deposits relating to the HOME Investment Partnerships Program Grant. Other Current Liabilities reflected in the Highway/Public Works Fund represent the remaining balance in the county's payroll tax account. These amounts were liquidated subsequent to June 30, 2006.

**3. Capital Assets**

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

**4. Compensated Absences**

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

**5. Long-term Obligations**

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

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

**6. Fund Equity**

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

## 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 is not budgeted, and the capital projects fund, which adopts project length budgets. All 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/Executive, 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 GAAP basis is presented on the face of each budgetary schedule.

### B. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations at the major category level of control (the legal level of control) in the following funds:

| <u>Fund/Major Appropriation Category</u> | <u>Amount</u><br><u>Overspent</u> |
|--|-----------------------------------|
| General:                                 |                                   |
| Board of Equalization                    | \$ 3,330                          |
| County Buildings                         | 5,685                             |
| County Trustee's Office                  | 145                               |
| General Sessions Court                   | 74                                |
| Drug Court                               | 8,211                             |
| Employee Benefits                        | 4,042                             |
| Solid Waste/Sanitation:                  |                                   |
| Recycling Center                         | 379                               |
| Miscellaneous                            | 1,790                             |

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

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

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

#### Deposits

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

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

#### Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations

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

**Investment Balances.** As of June 30, 2006, Carter County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Carter County and the discretely presented Carter County School Department since both pool their deposits and investments through the county trustee.

| <u>Investment</u>                 | <u>Maturities</u> | <u>Cost</u>             |
|-----------------------------------|-------------------|-------------------------|
| State Treasurer's Investment Pool | Daily             | <u>\$ 93,723</u>        |
| Total                             |                   | <u><u>\$ 93,723</u></u> |

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Carter County has no investment policy that would further limit its investment choices. As of June 30, 2006, Carter County's investment in the State Treasurer's Investment Pool was unrated.

**B. Construction Commitments**

At June 30, 2006, the General Fund had uncompleted construction contracts of approximately \$114,070 for the construction of two bridges. Funding for these future expenditures has been provided.

**C. 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               | Nonmajor governmental | \$ 6,282 |
| Highway/Public Works  | General               | 6,540    |
| Nonmajor governmental | General               | 9,601    |

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

**Due to/from primary government and component units:**

| Receivable Fund   | Payable Fund                   | Amount   |
|---|--------------------------------|----------|
| Component unit:<br>Carter County -<br>School Department | Primary Government:<br>General | \$ 8,835 |

**Interfund transfers:**

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

| Transfers Out | Transfers In<br>Nonmajor<br>Governmental<br>Funds |
|---------------|---|
| General Fund  | \$ 318,088  |
| Total         | \$ 318,088  |

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

**D. Capital Lease**

On September 24, 2003, Carter County entered into a six-year lease-purchase

agreement for a van. The terms of the agreement require total lease payments of \$24,000 at zero percent interest. Title to the van transfers to Carter County at the end of the lease period. The lease payments are made by the General Fund.

Since Carter County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Carter County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

| Year Ending<br>June 30                  | Governmental<br>Funds   |
|---|-------------------------|
| 2007                                    | \$ 4,008                |
| 2008                                    | 4,008                   |
| 2009                                    | 4,008                   |
| 2010                                    | <u>1,622</u>            |
| Total Minimum Lease Payments            | \$ 13,646               |
| Amount Representing Interest            | <u>0</u>                |
| Present Value of Minimum Lease Payments | <u><u>\$ 13,646</u></u> |

**E. Long-term Debt**

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

Notes and Other Loans

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

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to three years for notes and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and the capital lease outstanding as of June 30, 2006, are as follows:

| Type                 | Interest Rate | Original Amount of Issue | Balance 6-30-06 |
|----------------------|---------------|--------------------------|-----------------|
| Capital Outlay Notes | 2.5 to 4.25 % | \$ 1,470,000             | \$ 603,334      |
| Other Loans          | Variable      | 17,050,000               | 8,622,603       |
| Capital Lease        | 0             | 24,000                   | 13,646          |

Carter County entered into loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make a total of \$17,050,000 available to Carter County on an as-needed basis for various renovation and construction projects for the county and the Carter County School Department. At June 30, 2006, \$12,918,603 has been drawn. The balance (\$4,131,397) remains available for future draws under the loan agreements. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, administrator, and debt remarketing) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2006.

| Description  | Original Amount of Loan Agreement | Outstanding Principal 6-30-06 | Interest Type | Interest Rates as of 6-30-06 | Other Fees 6-30-06 |
|--|-----------------------------------|-------------------------------|---------------|------------------------------|--------------------|
| <u>Montgomery County Public Building Authority</u> |                                   |                               |               |                              |                    |
| Montgomery County PBA Loan Program                 | \$ 9,000,000                      | \$ 5,594,000                  | Variable      | 4 %                          | 0.25 %             |
| Montgomery County PBA Loan Program                 | 3,500,000                         | 2,610,000                     | Variable      | 4                            | 0.28               |
| Montgomery County PBA Loan Program                 | 4,550,000                         | <u>418,603</u>                | Variable      | 4.1                          | 0.26               |
| Total  |                                   | <u>\$ 8,622,603</u>           |               |                              |                    |

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2006, including interest payments and other fees, are presented in the following tables. The amount included for the loans does not include the \$4,131,397 which has not yet been drawn by the county.

| Year Ending<br>June 30 | Notes      |           |
|------------------------|------------|-----------|
|                        | Principal  | Interest  |
| 2007                   | \$ 490,001 | \$ 17,947 |
| 2008                   | 56,667     | 4,817     |
| 2009                   | 56,666     | 2,408     |
| Total                  | \$ 603,334 | \$ 25,172 |

| Year Ending<br>June 30 | Other Loan (\$9,000,000) |              |            | Total        |
|------------------------|--------------------------|--------------|------------|--------------|
|                        | Principal                | Interest     | Other Fees |              |
| 2007                   | \$ 591,000               | \$ 223,760   | \$ 14,066  | \$ 828,826   |
| 2008                   | 619,000                  | 200,120      | 12,580     | 831,700      |
| 2009                   | 649,000                  | 175,360      | 11,024     | 835,384      |
| 2010                   | 679,000                  | 149,400      | 9,392      | 837,792      |
| 2011                   | 712,000                  | 122,240      | 7,684      | 841,924      |
| 2012-2014              | 2,344,000                | 190,440      | 11,971     | 2,546,411    |
| Total                  | \$ 5,594,000             | \$ 1,061,320 | \$ 66,717  | \$ 6,722,037 |

| Year Ending<br>June 30 | Other Loan (\$3,500,000) |            |            | Total        |
|------------------------|--------------------------|------------|------------|--------------|
|                        | Principal                | Interest   | Other Fees |              |
| 2007                   | \$ 207,000               | \$ 104,400 | \$ 7,203   | \$ 318,603   |
| 2008                   | 218,000                  | 96,120     | 6,632      | 320,752      |
| 2009                   | 229,000                  | 87,400     | 6,030      | 322,430      |
| 2010                   | 240,000                  | 78,240     | 5,398      | 323,638      |
| 2011                   | 252,000                  | 68,640     | 4,736      | 325,376      |
| 2012-2016              | 1,464,000                | 181,400    | 12,515     | 1,657,915    |
| Total                  | \$ 2,610,000             | \$ 616,200 | \$ 42,514  | \$ 3,268,714 |

| Year Ending<br>June 30 | Other Loan (\$4,550,000) |           |            | Total      |
|------------------------|--------------------------|-----------|------------|------------|
|                        | Principal                | Interest  | Other Fees |            |
| 2007                   | \$ 108,000               | \$ 17,163 | \$ 1,073   | \$ 126,236 |
| 2008                   | 112,000                  | 12,735    | 796        | 125,531    |
| 2009                   | 116,000                  | 8,143     | 509        | 124,652    |
| 2010                   | 82,603                   | 3,386     | 212        | 86,201     |
| Total                  | \$ 418,603               | \$ 41,427 | \$ 2,590   | \$ 462,620 |

There is \$2,790,526 available in the General Debt Service Fund to service

long-term debt. Debt per capita, including notes, the capital lease, and other loans, totaled \$163, 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:

|                             | Notes      | Other<br>Loans | Capital<br>Lease |
|-----------------------------|------------|----------------|------------------|
| Balance, July 1, 2005       | \$ 940,297 | \$ 8,966,000   | \$ 17,654        |
| Additions                   | 170,000    | 418,603        | 0                |
| Deductions                  | (506,963)  | (762,000)      | (4,008)          |
| Balance, June 30, 2006      | \$ 603,334 | \$ 8,622,603   | \$ 13,646        |
| Balance Due Within One Year | \$ 490,001 | \$ 906,000     | \$ 4,008         |

|                             | Compensated<br>Absences | Landfill<br>Closure/<br>Postclosure<br>Care Costs |
|-----------------------------|-------------------------|---|
| Balance, July 1, 2005       | \$ 466,219              | \$ 2,823,812                                      |
| Additions                   | 277,709                 | 32,263  |
| Deductions                  | (216,382)               | (110,938)   |
| Balance, June 30, 2006      | \$ 527,546              | \$ 2,745,137                                      |
| Balance Due Within One Year | \$ 131,886              | \$ 110,938  |

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

**F. Short-term Debt**

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

|                        | Balance<br>7-1-05 | Issued       | Redeemed       | Balance<br>6-30-06 |
|------------------------|-------------------|--------------|----------------|--------------------|
| Tax Anticipation Notes | \$ 0              | \$ 1,000,000 | \$ (1,000,000) | \$ 0               |

#### IV. OTHER INFORMATION

##### A. Risk Management

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

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

##### B. Accounting Changes

For the year ended June 30, 2006, Carter County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. 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. Statement No. 42 also clarifies and establishes accounting requirements for insurance recoveries. In the prior year, Carter County reported the effects of capital impairments upon disposal of the capital assets.

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 Carter 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 Carter 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. Carter County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Carter 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. Carter County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Carter County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

Subsequent to June 30, 2006, Carter County drew loan proceeds of \$1,554,718 and contributed those proceeds to the School Department.

On July 12, 2006, the county's General Debt Service Fund issued a \$1,000,000 tax anticipation note to the General Fund for temporary operating funds.

On August 31, 2006, Dale Fair left the Office of County Mayor and was succeeded by Johnny Holder, Charlotte McKeehan left the Office of Clerk and Master and was succeeded by Melissa Moreland, Johnny Holder left the Office of Register and was succeeded by Edrie Bristol, and John Henson left the Office of Sheriff and was succeeded by Chris Mathes.

**D. Contingent Liabilities**

Carter County is named as a defendant in two lawsuits concerning overcrowding at the county jail. The county attorney is of the opinion that a reasonable estimate or range of potential loss to the county resulting from these lawsuits cannot be made. However, the county has taken steps to correct this problem. In the prior year, the county installed jail pods to relieve the overcrowding problem at the jail. On December 11, 2006, the Carter County Commission approved proceeding with the construction of a 500-bed jail on the current site.

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

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

The Carter County-Elizabethton Solid Waste Disposal System was a joint venture through which Carter County and the City of Elizabethton jointly operated and maintained a landfill. Closure of the landfill was substantially completed during the 1999-2000 year. Carter County, along with the City of Elizabethton, had entered into a contract in-lieu-of a performance bond with the Tennessee Department of Environment and Conservation to ensure proper closure/postclosure care of the Carter County-Elizabethton Landfill. The amount of this contract in-lieu-of a performance bond is \$3,328,125, of which Carter County and the City of Elizabethton are jointly guaranteeing.

Operations of the joint venture were discontinued with the closure of the landfill. Since Carter County is presenting fund financial statements only, the liability for postclosure care costs for the next 24 years is not reported as a liability in the financial statements of the governmental funds. Carter County plans to pay the postclosure care costs as due and bill the City of Elizabethton for one-half of those costs. The amount of postclosure care costs reflected in Note III. E – Long-term Debt at June 30, 2006, was \$2,551,559. This amount is based on estimates of what it would cost to perform all postclosure care in 2006. Actual cost may vary due to inflation, changes in technology, or changes in regulations.

Carter County also operates a class IV landfill with a projected closure date of 2010 and projected postclosure care until 2012. The amount of the estimated closure/postclosure care costs reflected in Note III. E – Long-term Debt at June 30, 2006, for the class IV landfill was \$193,578.

**F. Joint Venture**

The First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the First

Judicial District; Carter, Johnson, and Washington Counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Carter County made no contributions to the DTF for the year ended June 30, 2006, and does not have any equity interest in this joint venture.

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

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

Administrative Offices:

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

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

**G. Jointly Governed Organization**

Carter County is a participant in the Watauga River Regional Water Authority with the City of Elizabethton, the North Elizabethton Utility District, First Utility District, Siam Utility District, Hampton Utility District, Roan Mountain Utility District, and the South Elizabethton Utility District. The authority was created by House Bill 1979 and Senate Bill 1940 of 2001 for the purpose of planning, operating, and maintaining a water and wastewater system in Carter County and the City of Elizabethton. The authority is governed by a seven-member board of directors consisting of the county mayor of Carter County or a named designee and one director to be selected by each of the governing bodies of the six individual utility districts.

## H. Retirement Commitments

### **Plan Description**

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

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

### **Funding Policy**

Carter County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 12.6 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Carter County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, Carter County's annual pension cost of \$1,221,116 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the

July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Carter County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### Trend Information

| Fiscal<br>Year<br>Ending | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6-30-06                  | \$1,221,116                     | 100%                                | \$0                          |
| 6-30-05                  | 1,162,696                       | 100                                 | 0                            |
| 6-30-04                  | 968,718                         | 100                                 | 0                            |

### Schedule of Funding Progress

(Dollar amounts in thousands)

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|--|
|                                | (a)                             | (b)  | (b) - (a)                 | (a/b)           | (c)                | ((b-a)/c)  |
| 6-30-05                        | \$23,110                        | \$24,187                                   | \$1,077                   | 95.55%          | \$9,110            | 11.82%   |
| 6-30-03                        | 20,586                          | 21,799                                     | 1,213                     | 94.44           | 8,092              | 14.99  |
| 6-30-01                        | 18,530                          | 20,187                                     | 1,657                     | 91.79           | 7,869              | 21.06  |

#### **I. Other Post-employment Benefits**

In addition to the retirement commitments described above, Carter County provides post-employment health care benefits to all employees who retire from the county. To be eligible for benefits, the retired employee must be age 55 with at least 30 years of service, or have ten years of service and be over the age of 60. Benefits are paid until the retirees reach age 65, provided they are not covered under another health insurance plan. Carter County

currently pays health care benefits for ten retirees. During the year, expenditures of \$26,684 were recognized in the General Fund, and expenditures of \$10,511 were recognized in the Highway/Public Works Fund for retirees' health care benefits.

**J. Office of Central Accounting and Budgeting**

**Office of Director of Finance**

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

**K. Purchasing Law**

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

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit D-1

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

|                                       | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2005 | Add:<br>Encumbrances<br>6/30/2006 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts    |                      | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|---------------------|----------------------|--|
|                                       |                           |                                   |                                   |   | Original            | Final                |  |
| <u>Revenues</u>                       |                           |                                   |                                   |   |                     |                      |  |
| Local Taxes                           | \$ 6,209,195              | \$ 0                              | \$ 0                              | \$ 6,209,195  | \$ 5,833,441        | \$ 6,039,441         | \$ 169,754   |
| Licenses and Permits                  | 323,148                   | 0                                 | 0                                 | 323,148   | 335,400             | 335,400              | (12,252)   |
| Fines, Forfeitures, and Penalties     | 297,390                   | 0                                 | 0                                 | 297,390   | 229,600             | 231,300              | 66,090   |
| Charges for Current Services          | 105,958                   | 0                                 | 0                                 | 105,958   | 74,700              | 74,700               | 31,258   |
| Other Local Revenues                  | 272,748                   | 0                                 | 0                                 | 272,748   | 126,500             | 278,182              | (5,434)  |
| Fees Received from County Officials   | 1,897,788                 | 0                                 | 0                                 | 1,897,788   | 1,559,500           | 1,630,773            | 267,015  |
| State of Tennessee                    | 610,700                   | 0                                 | 0                                 | 610,700   | 674,222             | 692,538              | (81,838)   |
| Federal Government                    | 1,428,447                 | 0                                 | 0                                 | 1,428,447   | 76,500              | 1,527,682            | (99,235)   |
| Other Governments and Citizens Groups | 219,549                   | 0                                 | 0                                 | 219,549   | 243,431             | 224,431              | (4,882)  |
| <b>Total Revenues</b>                 | <b>\$ 11,364,923</b>      | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 11,364,923</b>  | <b>\$ 9,153,294</b> | <b>\$ 11,034,447</b> | <b>\$ 330,476</b>  |
| <u>Expenditures</u>                   |                           |                                   |                                   |   |                     |                      |  |
| <u>General Government</u>             |                           |                                   |                                   |   |                     |                      |  |
| County Commission                     | \$ 83,002                 | \$ 0                              | \$ 0                              | \$ 83,002   | \$ 68,000           | \$ 83,833            | \$ 831   |
| Board of Equalization                 | 6,130                     | 0                                 | 0                                 | 6,130   | 2,800               | 2,800                | (3,330)  |
| County Mayor/Executive                | 126,674                   | 0                                 | 0                                 | 126,674   | 121,612             | 127,819              | 1,145  |
| County Attorney                       | 22,335                    | 0                                 | 0                                 | 22,335  | 22,600              | 24,600               | 2,265  |
| Election Commission                   | 184,541                   | 0                                 | 0                                 | 184,541   | 190,164             | 192,109              | 7,568  |
| Register of Deeds                     | 173,862                   | 0                                 | 0                                 | 173,862   | 173,811             | 178,903              | 5,041  |
| Planning                              | 130,839                   | 0                                 | 0                                 | 130,839   | 147,191             | 147,191              | 16,352   |
| County Buildings                      | 517,481                   | 0                                 | 0                                 | 517,481   | 535,804             | 511,796              | (5,685)  |
| Other General Administration          | 0                         | 0                                 | 0                                 | 0   | 500                 | 500                  | 500  |
| <u>Finance</u>                        |                           |                                   |                                   |   |                     |                      |  |
| Accounting and Budgeting              | 276,123                   | (11,756)                          | 0                                 | 264,367   | 296,638             | 293,516              | 29,149   |
| Property Assessor's Office            | 256,702                   | 0                                 | 0                                 | 256,702   | 257,974             | 257,971              | 1,269  |
| Reappraisal Program                   | 69,552                    | 0                                 | 0                                 | 69,552  | 91,015              | 91,015               | 21,463   |
| County Trustee's Office               | 182,248                   | 0                                 | 0                                 | 182,248   | 182,103             | 182,103              | (145)  |

(Continued)

Exhibit D-1

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

|                                      | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2005 | Add:<br>Encumbrances<br>6/30/2006 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |            | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|------------------|------------|--|
|                                      |                           |                                   |                                   |   | Original         | Final      |  |
| <u>Expenditures (Cont.)</u>          |                           |                                   |                                   |   |                  |            |  |
| <u>Finance (Cont.)</u>               |                           |                                   |                                   |   |                  |            |  |
| County Clerk's Office                | \$ 269,354                | \$ 0                              | \$ 0                              | \$ 269,354  | \$ 271,594       | \$ 281,187 | \$ 11,833  |
| <u>Administration of Justice</u>     |                           |                                   |                                   |   |                  |            |  |
| Circuit Court                        | 420,798                   | 0                                 | 0                                 | 420,798   | 415,717          | 429,967    | 9,169  |
| General Sessions Court               | 114,141                   | 0                                 | 0                                 | 114,141   | 114,067          | 114,067    | (74)   |
| Drug Court                           | 8,211                     | 0                                 | 0                                 | 8,211   | 0                | 0          | (8,211)  |
| Chancery Court                       | 198,846                   | 0                                 | 0                                 | 198,846   | 197,431          | 199,836    | 990  |
| Judicial Commissioners               | 23,392                    | 0                                 | 0                                 | 23,392  | 23,692           | 23,692     | 300  |
| Other Administration of Justice      | 20,069                    | 0                                 | 0                                 | 20,069  | 14,900           | 20,770     | 701  |
| <u>Public Safety</u>                 |                           |                                   |                                   |   |                  |            |  |
| Sheriff's Department                 | 2,011,076                 | 0                                 | 0                                 | 2,011,076   | 1,795,148        | 2,052,787  | 41,711   |
| Special Patrols                      | 17,461                    | 0                                 | 0                                 | 17,461  | 24,259           | 24,259     | 6,798  |
| Jail                                 | 1,366,015                 | 0                                 | 0                                 | 1,366,015   | 1,232,251        | 1,375,094  | 9,079  |
| Juvenile Services                    | 99,581                    | 0                                 | 0                                 | 99,581  | 103,306          | 103,306    | 3,725  |
| Fire Prevention and Control          | 299,569                   | 0                                 | 0                                 | 299,569   | 277,500          | 299,666    | 97   |
| Rescue Squad                         | 254,000                   | 0                                 | 0                                 | 254,000   | 254,000          | 254,000    | 0  |
| Other Emergency Management           | 420,610                   | 0                                 | 0                                 | 420,610   | 73,325           | 492,585    | 71,975   |
| Inspection and Regulation            | 3,000                     | 0                                 | 0                                 | 3,000   | 7,247            | 7,247      | 4,247  |
| County Coroner/Medical Examiner      | 5,164                     | 0                                 | 0                                 | 5,164   | 4,550            | 5,700      | 536  |
| Other Public Safety                  | 1,400                     | 0                                 | 0                                 | 1,400   | 950              | 1,400      | 0  |
| <u>Public Health and Welfare</u>     |                           |                                   |                                   |   |                  |            |  |
| Rabies and Animal Control            | 28,743                    | 0                                 | 0                                 | 28,743  | 35,000           | 35,000     | 6,257  |
| Ambulance/Emergency Medical Services | 80,750                    | 0                                 | 0                                 | 80,750  | 80,750           | 80,750     | 0  |
| Crippled Children Services           | 20,542                    | 0                                 | 0                                 | 20,542  | 16,150           | 20,542     | 0  |
| Aid to Dependent Children            | 1,425                     | 0                                 | 0                                 | 1,425   | 1,425            | 1,425      | 0  |
| Other Local Welfare Services         | 0                         | 0                                 | 0                                 | 0   | 1,600            | 1,600      | 1,600  |
| Other Public Health and Welfare      | 1,425                     | 0                                 | 0                                 | 1,425   | 1,425            | 1,425      | 0  |

(Continued)

Exhibit D-1

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2005 | Add:<br>Encumbrances<br>6/30/2006 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |               | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|---------------|--|
|  |                           |                                   |                                   |   | Original         | Final         |  |
| <u>Expenditures (Cont.)</u>                        |                           |                                   |                                   |   |                  |               |  |
| <u>Social, Cultural, and Recreational Services</u> |                           |                                   |                                   |   |                  |               |  |
| Senior Citizens Assistance                         | \$ 42,532                 | \$ 0                              | \$ 0                              | \$ 42,532   | \$ 42,532        | \$ 42,532     | \$ 0   |
| Libraries  | 33,250                    | 0                                 | 0                                 | 33,250  | 33,250           | 33,250        | 0  |
| Parks and Fair Boards                              | 23,750                    | 0                                 | 0                                 | 23,750  | 23,750           | 23,750        | 0  |
| Other Social, Cultural, and Recreational           | 2,885                     | 0                                 | 0                                 | 2,885   | 7,121            | 7,461         | 4,576  |
| <u>Agriculture &amp; Natural Resources</u>         |                           |                                   |                                   |   |                  |               |  |
| Agriculture Extension Service                      | 81,129                    | 0                                 | 0                                 | 81,129  | 91,303           | 91,303        | 10,174   |
| Flood Control                                      | 3,000                     | 0                                 | 0                                 | 3,000   | 3,850            | 3,850         | 850  |
| Other Agriculture & Natural Resources              | 20,900                    | 0                                 | 0                                 | 20,900  | 20,900           | 20,900        | 0  |
| <u>Other Operations</u>                            |                           |                                   |                                   |   |                  |               |  |
| Tourism  | 81,109                    | 0                                 | 0                                 | 81,109  | 81,109           | 81,109        | 0  |
| Industrial Development                             | 5,152                     | 0                                 | 0                                 | 5,152   | 3,875            | 15,762        | 10,610   |
| Housing and Urban Development                      | 235,396                   | 0                                 | 0                                 | 235,396   | 0                | 290,306       | 54,910   |
| Other Economic and Community Development           | 487,768                   | 0                                 | 0                                 | 487,768   | 33,713           | 494,231       | 6,463  |
| Veterans' Services                                 | 23,823                    | 0                                 | 0                                 | 23,823  | 22,710           | 23,864        | 41   |
| Other Charges                                      | 0                         | 0                                 | 0                                 | 0   | 2,000            | 2,000         | 2,000  |
| Contributions to Other Agencies                    | 42,125                    | 0                                 | 0                                 | 42,125  | 44,500           | 44,500        | 2,375  |
| Employee Benefits                                  | 1,485,992                 | 0                                 | 0                                 | 1,485,992   | 1,386,658        | 1,481,950     | (4,042)  |
| Miscellaneous                                      | 248,362                   | 0                                 | 0                                 | 248,362   | 102,000          | 249,396       | 1,034  |
| <u>Highways</u>                                    |                           |                                   |                                   |   |                  |               |  |
| Litter and Trash Collection                        | 26,675                    | 0                                 | 0                                 | 26,675  | 36,422           | 36,422        | 9,747  |
| <u>Principal on Debt</u>                           |                           |                                   |                                   |   |                  |               |  |
| General Government                                 | 4,008                     | 0                                 | 0                                 | 4,008   | 0                | 4,008         | 0  |
| <u>Capital Projects</u>                            |                           |                                   |                                   |   |                  |               |  |
| Other General Government Projects                  | 233,882                   | (135,455)                         | 114,070                           | 212,497   | 15,000           | 236,632       | 24,135   |
| Total Expenditures                                 | \$ 10,776,799             | \$ (147,211)                      | \$ 114,070                        | \$ 10,743,658   | \$ 8,987,192     | \$ 11,103,687 | \$ 360,029   |

(Continued)

Exhibit D-1

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2005 | Add:<br>Encumbrances<br>6/30/2006 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|--------------|--|
|  |                           |                                   |                                   |   | Original         | Final        |  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ 588,124                | \$ 147,211                        | \$ (114,070)                      | \$ 621,265  | \$ 166,102       | \$ (69,240)  | \$ 690,505   |
| <u>Other Financing Sources (Uses)</u>                |                           |                                   |                                   |   |                  |              |  |
| Notes Issued   | \$ 170,000                | \$ 0                              | \$ 0                              | \$ 170,000  | \$ 0             | \$ 170,000   | \$ 0   |
| Insurance Recovery                                   | 7,669                     | 0                                 | 0                                 | 7,669   | 3,500            | 11,169       | (3,500)  |
| Transfers Out  | (318,088)                 | 0                                 | 0                                 | (318,088)   | (169,000)        | (337,400)    | 19,312   |
| Total Other Financing Sources (Uses)                 | \$ (140,419)              | \$ 0                              | \$ 0                              | \$ (140,419)  | \$ (165,500)     | \$ (156,231) | \$ 15,812  |
| Net Change in Fund Balance                           | \$ 447,705                | \$ 147,211                        | \$ (114,070)                      | \$ 480,846  | \$ 602           | \$ (225,471) | \$ 706,317   |
| Fund Balance, July 1, 2005                           | 503,941                   | (147,211)                         | 0                                 | 356,730   | 226,074          | 226,074      | 130,656  |
| Fund Balance, June 30, 2006                          | \$ 951,646                | \$ 0                              | \$ (114,070)                      | \$ 837,576  | \$ 226,676       | \$ 603       | \$ 836,973   |

Exhibit D-2

Carter 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<br>(GAAP<br>Basis) | Add:<br>Encumbrances<br>6/30/2006 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts    |                     | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|---|---------------------|---------------------|--|
|  |                           |                                   |   | Original            | Final               |  |
| <u>Revenues</u>                                      |                           |                                   |   |                     |                     |  |
| Local Taxes  | \$ 630,423                | \$ 0                              | \$ 630,423  | \$ 613,700          | \$ 613,700          | \$ 16,723  |
| Other Local Revenues                                 | 82,506                    | 0                                 | 82,506  | 72,000              | 72,000              | 10,506   |
| State of Tennessee                                   | 1,944,138                 | 0                                 | 1,944,138   | 1,875,963           | 1,875,963           | 68,175   |
| Federal Government                                   | 763,075                   | 0                                 | 763,075   | 12,500              | 12,500              | 750,575  |
| Other Governments and Citizens Groups                | 11,832                    | 0                                 | 11,832  | 13,000              | 13,000              | (1,168)  |
| Total Revenues                                       | <u>\$ 3,431,974</u>       | <u>\$ 0</u>                       | <u>\$ 3,431,974</u>   | <u>\$ 2,587,163</u> | <u>\$ 2,587,163</u> | <u>\$ 844,811</u>  |
| <u>Expenditures</u>                                  |                           |                                   |   |                     |                     |  |
| <u>Highways</u>                                      |                           |                                   |   |                     |                     |  |
| Administration                                       | \$ 215,911                | \$ 210                            | \$ 216,121  | \$ 225,321          | \$ 228,821          | \$ 12,700  |
| Highway and Bridge Maintenance                       | 1,415,956                 | 29,915                            | 1,445,871   | 1,643,323           | 1,626,823           | 180,952  |
| Operation and Maintenance of Equipment               | 508,769                   | 2,443                             | 511,212   | 400,474             | 523,474             | 12,262   |
| Other Charges  | 86,456                    | 187                               | 86,643  | 132,050             | 132,050             | 45,407   |
| Employee Benefits                                    | 411,627                   | 0                                 | 411,627   | 467,000             | 467,000             | 55,373   |
| Capital Outlay                                       | 108,103                   | 0                                 | 108,103   | 443,000             | 333,000             | 224,897  |
| Total Expenditures                                   | <u>\$ 2,746,822</u>       | <u>\$ 32,755</u>                  | <u>\$ 2,779,577</u>   | <u>\$ 3,311,168</u> | <u>\$ 3,311,168</u> | <u>\$ 531,591</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 685,152</u>         | <u>\$ (32,755)</u>                | <u>\$ 652,397</u>   | <u>\$ (724,005)</u> | <u>\$ (724,005)</u> | <u>\$ 1,376,402</u>  |
| Net Change in Fund Balance                           | \$ 685,152                | \$ (32,755)                       | \$ 652,397  | \$ (724,005)        | \$ (724,005)        | \$ 1,376,402   |
| Fund Balance, July 1, 2005                           | 1,250,189                 | 0                                 | 1,250,189   | 724,005             | 724,005             | 526,184  |
| Fund Balance, June 30, 2006                          | <u>\$ 1,935,341</u>       | <u>\$ (32,755)</u>                | <u>\$ 1,902,586</u>   | <u>\$ 0</u>         | <u>\$ 0</u>         | <u>\$ 1,902,586</u>  |

**CARTER 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 Carter County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

The 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 differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

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

| <u>Major Appropriation Category</u> | <u>Amount<br/>Overspent</u> |
|-------------------------------------|-----------------------------|
| Board of Equalization               | \$ 3,330                    |
| County Buildings                    | 5,685                       |
| County Trustee's Office             | 145                         |
| General Sessions Court              | 74                          |
| Drug Court                          | 8,211                       |
| Employee Benefits                   | 4,042                       |

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

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

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

---

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

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

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

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

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

## 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.

---

General Capital Projects Fund – The General Capital Projects Fund is used to account for the receipt of debt issued by Carter County and contributed to the School Department for building construction and renovation.

Exhibit E-1

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

|                                       | <u>Special Revenue Funds</u>          |                                |                      |                  |  |  |
|---------------------------------------|---------------------------------------|--------------------------------|----------------------|------------------|--|--|
|                                       | Courthouse<br>and Jail<br>Maintenance | Solid<br>Waste /<br>Sanitation | Health<br>Department | Drug<br>Control  | Constitu -<br>tional<br>Officers -<br>Fees | Total<br>Nonmajor<br>Governmental<br>Funds |
| <u>ASSETS</u>                         |                                       |                                |                      |                  |  |  |
| Cash                                  | \$ 0                                  | \$ 7,275                       | \$ 0                 | \$ 0             | \$ 6,126                                   | \$ 13,401                                  |
| Equity in Pooled Cash and Investments | 2,762                                 | 64,666                         | 53,802               | 30,034           | 0  | 151,264                                    |
| Accounts Receivable                   | 769                                   | 41,532                         | 0                    | 1,393            | 156  | 43,850                                     |
| Due from Other Governments            | 0                                     | 0                              | 16,610               | 0                | 0  | 16,610                                     |
| Due from Other Funds                  | 0                                     | 0                              | 0                    | 9,601            | 0  | 9,601                                      |
| Total Assets                          | <u>\$ 3,531</u>                       | <u>\$ 113,473</u>              | <u>\$ 70,412</u>     | <u>\$ 41,028</u> | <u>\$ 6,282</u>                            | <u>\$ 234,726</u>                          |
| <u>LIABILITIES AND FUND BALANCES</u>  |                                       |                                |                      |                  |  |  |
| <u>Liabilities</u>                    |                                       |                                |                      |                  |  |  |
| Accounts Payable                      | \$ 295                                | \$ 38,618                      | \$ 14,700            | \$ 6,071         | \$ 0                                       | \$ 59,684                                  |
| Due to Other Funds                    | 0                                     | 0                              | 0                    | 0                | 6,282                                      | 6,282                                      |
| Total Liabilities                     | <u>\$ 295</u>                         | <u>\$ 38,618</u>               | <u>\$ 14,700</u>     | <u>\$ 6,071</u>  | <u>\$ 6,282</u>                            | <u>\$ 65,966</u>                           |
| <u>Fund Balances</u>                  |                                       |                                |                      |                  |  |  |
| Unreserved                            | \$ 3,236                              | \$ 74,855                      | \$ 55,712            | \$ 34,957        | \$ 0                                       | \$ 168,760                                 |
| Total Fund Balances                   | <u>\$ 3,236</u>                       | <u>\$ 74,855</u>               | <u>\$ 55,712</u>     | <u>\$ 34,957</u> | <u>\$ 0</u>                                | <u>\$ 168,760</u>                          |
| Total Liabilities and Fund Balances   | <u>\$ 3,531</u>                       | <u>\$ 113,473</u>              | <u>\$ 70,412</u>     | <u>\$ 41,028</u> | <u>\$ 6,282</u>                            | <u>\$ 234,726</u>                          |

Exhibit E-2

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

|  | Special Revenue Funds                 |                                |                      |                  |  |                     | Capital<br>Projects<br>Fund    | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---------------------------------------|--------------------------------|----------------------|------------------|--|---------------------|--------------------------------|--|
|  | Courthouse<br>and Jail<br>Maintenance | Solid<br>Waste /<br>Sanitation | Health<br>Department | Drug<br>Control  | Constitu -<br>tional<br>Officers -<br>Fees | Total               | General<br>Capital<br>Projects |  |
| <u>Revenues</u>                                      |                                       |                                |                      |                  |  |                     |                                |  |
| Local Taxes  | \$ 10,664                             | \$ 0                           | \$ 0                 | \$ 0             | \$ 0                                       | \$ 10,664           | \$ 0                           | \$ 10,664                                  |
| Fines, Forfeitures, and Penalties                    | 0                                     | 0                              | 0                    | 33,240           | 0  | 33,240              | 0                              | 33,240                                     |
| Charges for Current Services                         | 0                                     | 703,839                        | 0                    | 0                | 7,289                                      | 711,128             | 0                              | 711,128                                    |
| Other Local Revenues                                 | 0                                     | 51,730                         | 425                  | 34,673           | 0  | 86,828              | 0                              | 86,828                                     |
| State of Tennessee                                   | 0                                     | 0                              | 256,929              | 0                | 0  | 256,929             | 0                              | 256,929                                    |
| <b>Total Revenues</b>                                | <b>\$ 10,664</b>                      | <b>\$ 755,569</b>              | <b>\$ 257,354</b>    | <b>\$ 67,913</b> | <b>\$ 7,289</b>                            | <b>\$ 1,098,789</b> | <b>\$ 0</b>                    | <b>\$ 1,098,789</b>                        |
| <u>Expenditures</u>                                  |                                       |                                |                      |                  |  |                     |                                |  |
| Current:   |                                       |                                |                      |                  |  |                     |                                |  |
| General Government                                   | \$ 7,744                              | \$ 0                           | \$ 0                 | \$ 0             | \$ 0                                       | \$ 7,744            | \$ 0                           | \$ 7,744                                   |
| Finance  | 106                                   | 0                              | 0                    | 0                | 0  | 106                 | 0                              | 106  |
| Administration of Justice                            | 3,439                                 | 0                              | 0                    | 0                | 7,105                                      | 10,544              | 0                              | 10,544                                     |
| Public Safety  | 0                                     | 0                              | 0                    | 45,478           | 184  | 45,662              | 0                              | 45,662                                     |
| Public Health and Welfare                            | 0                                     | 855,303                        | 421,034              | 0                | 0  | 1,276,337           | 0                              | 1,276,337                                  |
| Other Operations                                     | 0                                     | 7,590                          | 0                    | 250              | 0  | 7,840               | 0                              | 7,840                                      |
| Capital Projects - Donated                           | 0                                     | 0                              | 0                    | 0                | 0  | 0                   | 418,603                        | 418,603                                    |
| <b>Total Expenditures</b>                            | <b>\$ 11,289</b>                      | <b>\$ 862,893</b>              | <b>\$ 421,034</b>    | <b>\$ 45,728</b> | <b>\$ 7,289</b>                            | <b>\$ 1,348,233</b> | <b>\$ 418,603</b>              | <b>\$ 1,766,836</b>                        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (625)                              | \$ (107,324)                   | \$ (163,680)         | \$ 22,185        | \$ 0                                       | \$ (249,444)        | \$ (418,603)                   | \$ (668,047)                               |
| <u>Other Financing Sources (Uses)</u>                |                                       |                                |                      |                  |  |                     |                                |  |
| Other Loans Issued                                   | \$ 0                                  | \$ 0                           | \$ 0                 | \$ 0             | \$ 0                                       | \$ 0                | \$ 418,603                     | \$ 418,603                                 |
| Transfers In   | 0                                     | 149,088                        | 169,000              | 0                | 0  | 318,088             | 0                              | 318,088                                    |
| <b>Total Other Financing Sources (Uses)</b>          | <b>\$ 0</b>                           | <b>\$ 149,088</b>              | <b>\$ 169,000</b>    | <b>\$ 0</b>      | <b>\$ 0</b>                                | <b>\$ 318,088</b>   | <b>\$ 418,603</b>              | <b>\$ 736,691</b>                          |
| Net Change in Fund Balances                          | \$ (625)                              | \$ 41,764                      | \$ 5,320             | \$ 22,185        | \$ 0                                       | \$ 68,644           | \$ 0                           | \$ 68,644                                  |
| Fund Balance, July 1, 2005                           | 3,861                                 | 33,091                         | 50,392               | 12,772           | 0  | 100,116             | 0                              | 100,116                                    |
| <b>Fund Balance, June 30, 2006</b>                   | <b>\$ 3,236</b>                       | <b>\$ 74,855</b>               | <b>\$ 55,712</b>     | <b>\$ 34,957</b> | <b>\$ 0</b>                                | <b>\$ 168,760</b>   | <b>\$ 0</b>                    | <b>\$ 168,760</b>                          |

Exhibit E-3

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

|   | Actual    | Budgeted Amounts |            | Variance with Final Budget - Positive (Negative) |
|---|-----------|------------------|------------|--|
|   |           | Original         | Final      |  |
| <u>Revenues</u>                                   |           |                  |            |  |
| Local Taxes                                       | \$ 10,664 | \$ 10,000        | \$ 10,000  | \$ 664   |
| Total Revenues                                    | \$ 10,664 | \$ 10,000        | \$ 10,000  | \$ 664   |
| <u>Expenditures</u>                               |           |                  |            |  |
| <u>General Government</u>                         |           |                  |            |  |
| County Buildings                                  | \$ 7,744  | \$ 5,900         | \$ 11,700  | \$ 3,956   |
| <u>Finance</u>                                    |           |                  |            |  |
| Other Finance                                     | 106       | 100              | 100        | (6)  |
| <u>Administration of Justice</u>                  |           |                  |            |  |
| Other Administration of Justice                   | 3,439     | 4,000            | 4,000      | 561  |
| Total Expenditures                                | \$ 11,289 | \$ 10,000        | \$ 15,800  | \$ 4,511   |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (625)  | \$ 0             | \$ (5,800) | \$ 5,175   |
| Net Change in Fund Balance                        | \$ (625)  | \$ 0             | \$ (5,800) | \$ 5,175   |
| Fund Balance, July 1, 2005                        | 3,861     | 0                | 5,800      | (1,939)  |
| Fund Balance, June 30, 2006                       | \$ 3,236  | \$ 0             | \$ 0       | \$ 3,236   |

Exhibit E-4

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

|   | Actual              | Budgeted Amounts  |                     | Variance with Final Budget - Positive (Negative) |
|---|---------------------|-------------------|---------------------|--|
|   |                     | Original          | Final               |  |
| <u>Revenues</u>                                   |                     |                   |                     |  |
| Charges for Current Services                      | \$ 703,839          | \$ 585,500        | \$ 671,500          | \$ 32,339  |
| Other Local Revenues                              | 51,730              | 42,200            | 58,508              | (6,778)  |
| Total Revenues                                    | <u>\$ 755,569</u>   | <u>\$ 627,700</u> | <u>\$ 730,008</u>   | <u>\$ 25,561</u>                                 |
| <u>Expenditures</u>                               |                     |                   |                     |  |
| <u>Public Health and Welfare</u>                  |                     |                   |                     |  |
| Recycling Center                                  | \$ 37,632           | \$ 37,253         | \$ 37,253           | \$ (379)   |
| Landfill Operation and Maintenance                | 813,987             | 508,622           | 868,611             | 54,624   |
| Other Public Health and Welfare                   | 3,684               | 60,000            | 60,000              | 56,316   |
| <u>Other Operations</u>                           |                     |                   |                     |  |
| Miscellaneous                                     | 7,590               | 5,800             | 5,800               | (1,790)  |
| Total Expenditures                                | <u>\$ 862,893</u>   | <u>\$ 611,675</u> | <u>\$ 971,664</u>   | <u>\$ 108,771</u>                                |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (107,324)</u> | <u>\$ 16,025</u>  | <u>\$ (241,656)</u> | <u>\$ 134,332</u>                                |
| <u>Other Financing Sources (Uses)</u>             |                     |                   |                     |  |
| Transfers In                                      | \$ 149,088          | \$ 0              | \$ 168,400          | \$ (19,312)                                      |
| Total Other Financing Sources (Uses)              | <u>\$ 149,088</u>   | <u>\$ 0</u>       | <u>\$ 168,400</u>   | <u>\$ (19,312)</u>                               |
| Net Change in Fund Balance                        | \$ 41,764           | \$ 16,025         | \$ (73,256)         | \$ 115,020                                       |
| Fund Balance, July 1, 2005                        | <u>33,091</u>       | <u>0</u>          | <u>89,281</u>       | <u>(56,190)</u>                                  |
| Fund Balance, June 30, 2006                       | <u>\$ 74,855</u>    | <u>\$ 16,025</u>  | <u>\$ 16,025</u>    | <u>\$ 58,830</u>                                 |

Exhibit E-5

Carter County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Health Department Fund  
For the Year Ended June 30, 2006

|  | Actual              | Budgeted Amounts    |                     | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|--|
|  |                     | Original            | Final               |  |
| <u>Revenues</u>                                      |                     |                     |                     |  |
| Other Local Revenues                                 | \$ 425              | \$ 1,500            | \$ 1,675            | \$ (1,250)   |
| State of Tennessee                                   | 256,929             | 0                   | 246,205             | 10,724   |
| Total Revenues                                       | <u>\$ 257,354</u>   | <u>\$ 1,500</u>     | <u>\$ 247,880</u>   | <u>\$ 9,474</u>  |
| <u>Expenditures</u>                                  |                     |                     |                     |  |
| <u>Public Health and Welfare</u>                     |                     |                     |                     |  |
| Local Health Center                                  | \$ 421,034          | \$ 169,000          | \$ 421,649          | \$ 615   |
| Total Expenditures                                   | <u>\$ 421,034</u>   | <u>\$ 169,000</u>   | <u>\$ 421,649</u>   | <u>\$ 615</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (163,680)</u> | <u>\$ (167,500)</u> | <u>\$ (173,769)</u> | <u>\$ 10,089</u>   |
| <u>Other Financing Sources (Uses)</u>                |                     |                     |                     |  |
| Transfers In   | \$ 169,000          | \$ 169,000          | \$ 169,000          | \$ 0   |
| Total Other Financing Sources (Uses)                 | <u>\$ 169,000</u>   | <u>\$ 169,000</u>   | <u>\$ 169,000</u>   | <u>\$ 0</u>  |
| Net Change in Fund Balance                           | \$ 5,320            | \$ 1,500            | \$ (4,769)          | \$ 10,089  |
| Fund Balance, July 1, 2005                           | 50,392              | 0                   | 6,269               | 44,123   |
| Fund Balance, June 30, 2006                          | <u>\$ 55,712</u>    | <u>\$ 1,500</u>     | <u>\$ 1,500</u>     | <u>\$ 54,212</u>   |

Exhibit E-6

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

|  | Actual                  | Budgeted Amounts     |                      | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|-------------------------|----------------------|----------------------|--|
|  |                         | Original             | Final                |  |
| <u>Revenues</u>                                      |                         |                      |                      |  |
| Fines, Forfeitures, and Penalties                    | \$ 33,240               | \$ 13,000            | \$ 21,000            | \$ 12,240  |
| Other Local Revenues                                 | 34,673                  | 9,000                | 23,500               | 11,173   |
| State of Tennessee                                   | 0                       | 5,000                | 5,000                | (5,000)  |
| Total Revenues                                       | <u>\$ 67,913</u>        | <u>\$ 27,000</u>     | <u>\$ 49,500</u>     | <u>\$ 18,413</u>   |
| <u>Expenditures</u>                                  |                         |                      |                      |  |
| <u>Public Safety</u>                                 |                         |                      |                      |  |
| Sheriff's Department                                 | \$ 45,478               | \$ 26,000            | \$ 48,500            | \$ 3,022   |
| <u>Other Operations</u>                              |                         |                      |                      |  |
| Miscellaneous  | 250                     | 200                  | 200                  | (50)   |
| Total Expenditures                                   | <u>\$ 45,728</u>        | <u>\$ 26,200</u>     | <u>\$ 48,700</u>     | <u>\$ 2,972</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 22,185</u>        | <u>\$ 800</u>        | <u>\$ 800</u>        | <u>\$ 21,385</u>   |
| Net Change in Fund Balance                           | \$ 22,185               | \$ 800               | \$ 800               | \$ 21,385  |
| Fund Balance, July 1, 2005                           | <u>12,772</u>           | <u>0</u>             | <u>0</u>             | <u>12,772</u>  |
| Fund Balance, June 30, 2006                          | <u><u>\$ 34,957</u></u> | <u><u>\$ 800</u></u> | <u><u>\$ 800</u></u> | <u><u>\$ 34,157</u></u>                                      |

# Major Governmental Fund

## General Debt Service Fund

---

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

---

Exhibit F

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

|   | Actual              | Budgeted Amounts    |                     | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
|   |                     | Original            | Final               |  |
| <u>Revenues</u>                                   |                     |                     |                     |  |
| Local Taxes                                       | \$ 1,878,807        | \$ 1,856,000        | \$ 1,856,000        | \$ 22,807  |
| Other Local Revenues                              | 368,741             | 75,000              | 75,000              | 293,741  |
| State of Tennessee                                | 72,580              | 30,000              | 30,000              | 42,580   |
| Total Revenues                                    | <u>\$ 2,320,128</u> | <u>\$ 1,961,000</u> | <u>\$ 1,961,000</u> | <u>\$ 359,128</u>                                |
| <u>Expenditures</u>                               |                     |                     |                     |  |
| <u>Principal on Debt</u>                          |                     |                     |                     |  |
| General Government                                | \$ 506,963          | \$ 505,973          | \$ 506,963          | \$ 0   |
| Education   | 762,000             | 762,000             | 762,000             | 0  |
| <u>Interest on Debt</u>                           |                     |                     |                     |  |
| General Government                                | 24,676              | 21,726              | 24,676              | 0  |
| Education   | 291,207             | 432,905             | 432,905             | 141,698  |
| <u>Other Debt Service</u>                         |                     |                     |                     |  |
| General Government                                | 37,483              | 30,000              | 38,000              | 517  |
| Education   | 26,566              | 35,000              | 35,000              | 8,434  |
| Total Expenditures                                | <u>\$ 1,648,895</u> | <u>\$ 1,787,604</u> | <u>\$ 1,799,544</u> | <u>\$ 150,649</u>                                |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 671,233</u>   | <u>\$ 173,396</u>   | <u>\$ 161,456</u>   | <u>\$ 509,777</u>                                |
| Net Change in Fund Balance                        | \$ 671,233          | \$ 173,396          | \$ 161,456          | \$ 509,777                                       |
| Fund Balance, July 1, 2005                        | <u>2,119,293</u>    | <u>163,396</u>      | <u>163,396</u>      | <u>1,955,897</u>                                 |
| Fund Balance, June 30, 2006                       | <u>\$ 2,790,526</u> | <u>\$ 336,792</u>   | <u>\$ 324,852</u>   | <u>\$ 2,465,674</u>                              |

# Fiduciary Funds

---

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

---

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

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

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

Exhibit G-1

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

|  | Agency Funds             |   |   | Total               |
|--|--------------------------|---|---|---------------------|
|  | Cities -<br>Sales<br>Tax | City<br>School<br>ADA -<br>Elizabethton | Constitu-<br>tional<br>Officers -<br>Agency |                     |
| <u>ASSETS</u>                              |                          |   |   |                     |
| Cash                                       | \$ 0                     | \$ 0                                    | \$ 1,713,782                                | \$ 1,713,782        |
| Equity in Pooled Cash and Investments      | 0                        | 129,346                                 | 0   | 129,346             |
| Accounts Receivable                        | 0                        | 101,716                                 | 7,382                                       | 109,098             |
| Due from Other Governments                 | 597,380                  | 195,086                                 | 0   | 792,466             |
| Property Taxes Receivable                  | 0                        | 1,786,158                               | 0   | 1,786,158           |
| Allowance for Uncollectible Property Taxes | 0                        | (41,257)                                | 0   | (41,257)            |
| Total Assets                               | <u>\$ 597,380</u>        | <u>\$ 2,171,049</u>                     | <u>\$ 1,721,164</u>                         | <u>\$ 4,489,593</u> |
| <u>LIABILITIES</u>                         |                          |   |   |                     |
| Due to Other Taxing Units                  | \$ 597,380               | \$ 2,171,049                            | \$ 0  | \$ 2,768,429        |
| Due to Litigants, Heirs, and Others        | 0                        | 0                                       | 1,721,164                                   | 1,721,164           |
| Total Liabilities                          | <u>\$ 597,380</u>        | <u>\$ 2,171,049</u>                     | <u>\$ 1,721,164</u>                         | <u>\$ 4,489,593</u> |

Exhibit G-2

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

|  | Beginning<br>Balance | Additions            | Deductions           | Ending<br>Balance   |
|--|----------------------|----------------------|----------------------|---------------------|
| <u>Cities - Sales Tax Fund</u>               |                      |                      |                      |                     |
| <u>Assets</u>                                |                      |                      |                      |                     |
| Equity in Pooled Cash and Investments        | \$ 0                 | \$ 3,362,478         | \$ 3,362,478         | \$ 0                |
| Due from Other Governments                   | 511,584              | 597,380              | 511,584              | 597,380             |
| <b>Total Assets</b>                          | <b>\$ 511,584</b>    | <b>\$ 3,959,858</b>  | <b>\$ 3,874,062</b>  | <b>\$ 597,380</b>   |
| <u>Liabilities</u>                           |                      |                      |                      |                     |
| Due to Other Taxing Units                    | \$ 511,584           | \$ 3,959,858         | \$ 3,874,062         | \$ 597,380          |
| <b>Total Liabilities</b>                     | <b>\$ 511,584</b>    | <b>\$ 3,959,858</b>  | <b>\$ 3,874,062</b>  | <b>\$ 597,380</b>   |
| <u>City School ADA - Elizabethton Fund</u>   |                      |                      |                      |                     |
| <u>Assets</u>                                |                      |                      |                      |                     |
| Equity in Pooled Cash and Investments        | \$ 107,315           | \$ 2,776,652         | \$ 2,754,621         | \$ 129,346          |
| Accounts Receivable                          | 0                    | 101,716              | 0                    | 101,716             |
| Due from Other Governments                   | 175,413              | 195,086              | 175,413              | 195,086             |
| Property Taxes Receivable                    | 1,778,186            | 1,786,158            | 1,778,186            | 1,786,158           |
| Allowance for Uncollectible Property Taxes   | (42,685)             | (41,257)             | (42,685)             | (41,257)            |
| <b>Total Assets</b>                          | <b>\$ 2,018,229</b>  | <b>\$ 4,818,355</b>  | <b>\$ 4,665,535</b>  | <b>\$ 2,171,049</b> |
| <u>Liabilities</u>                           |                      |                      |                      |                     |
| Due to Other Taxing Units                    | \$ 2,018,229         | \$ 4,818,355         | \$ 4,665,535         | \$ 2,171,049        |
| <b>Total Liabilities</b>                     | <b>\$ 2,018,229</b>  | <b>\$ 4,818,355</b>  | <b>\$ 4,665,535</b>  | <b>\$ 2,171,049</b> |
| <u>Constitutional Officers - Agency Fund</u> |                      |                      |                      |                     |
| <u>Assets</u>                                |                      |                      |                      |                     |
| Cash   | \$ 3,554,970         | \$ 11,159,569        | \$ 13,000,757        | \$ 1,713,782        |
| Accounts Receivable                          | 6,405                | 7,382                | 6,405                | 7,382               |
| <b>Total Assets</b>                          | <b>\$ 3,561,375</b>  | <b>\$ 11,166,951</b> | <b>\$ 13,007,162</b> | <b>\$ 1,721,164</b> |
| <u>Liabilities</u>                           |                      |                      |                      |                     |
| Due to Litigants, Heirs, and Others          | \$ 3,561,375         | \$ 11,166,951        | \$ 13,007,162        | \$ 1,721,164        |
| <b>Total Liabilities</b>                     | <b>\$ 3,561,375</b>  | <b>\$ 11,166,951</b> | <b>\$ 13,007,162</b> | <b>\$ 1,721,164</b> |
| <u>Totals - All Agency Funds</u>             |                      |                      |                      |                     |
| <u>Assets</u>                                |                      |                      |                      |                     |
| Cash   | \$ 3,554,970         | \$ 11,159,569        | \$ 13,000,757        | \$ 1,713,782        |
| Equity in Pooled Cash and Investments        | 107,315              | 6,139,130            | 6,117,099            | 129,346             |
| Accounts Receivable                          | 6,405                | 109,098              | 6,405                | 109,098             |
| Due from Other Governments                   | 686,997              | 792,466              | 686,997              | 792,466             |
| Property Taxes Receivable                    | 1,778,186            | 1,786,158            | 1,778,186            | 1,786,158           |
| Allowance for Uncollectible Property Taxes   | (42,685)             | (41,257)             | (42,685)             | (41,257)            |
| <b>Total Assets</b>                          | <b>\$ 6,091,188</b>  | <b>\$ 19,945,164</b> | <b>\$ 21,546,759</b> | <b>\$ 4,489,593</b> |
| <u>Liabilities</u>                           |                      |                      |                      |                     |
| Due to Other Taxing Units                    | \$ 2,529,813         | \$ 8,778,213         | \$ 8,539,597         | \$ 2,768,429        |
| Due to Litigants, Heirs, and Others          | 3,561,375            | 11,166,951           | 13,007,162           | 1,721,164           |
| <b>Total Liabilities</b>                     | <b>\$ 6,091,188</b>  | <b>\$ 19,945,164</b> | <b>\$ 21,546,759</b> | <b>\$ 4,489,593</b> |

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit H-1

Carter County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Capital Lease  
For the Year Ended June 30, 2006

| Description of Indebtedness                       | Original<br>Amount<br>of Issue | Interest<br>Rate | Date<br>of<br>Issue | Last<br>Maturity<br>Date | Outstanding<br>7-1-05 | Issued<br>During<br>Period | Paid and/or<br>Matured<br>During<br>Period | Outstanding<br>6-30-06 |
|---|--------------------------------|------------------|---------------------|--------------------------|-----------------------|----------------------------|--|------------------------|
| <u>NOTES PAYABLE</u>                              |                                |                  |                     |                          |                       |                            |  |                        |
| <u>Payable through General Debt Service Fund</u>  |                                |                  |                     |                          |                       |                            |  |                        |
| Public Safety                                     | \$ 214,900                     | 2.81 %           | 10-1-03             | 2-1-06                   | \$ 73,630             | \$ 0                       | \$ 73,630                                  | \$ 0                   |
| Jail Project                                      | 1,000,000                      | 2.5              | 6-1-04              | 3-1-07                   | 666,667               | 0                          | 333,333                                    | 333,334                |
| Jail Improvements                                 | 300,000                        | 2.97             | 10-28-04            | 3-1-07                   | 200,000               | 0                          | 100,000                                    | 100,000                |
| Patrol Cars                                       | 170,000                        | 4.25             | 3-31-06             | 3-1-09                   | 0                     | 170,000                    | 0  | 170,000                |
| Total Payable through General Debt Service Fund   |                                |                  |                     |                          | <u>\$ 940,297</u>     | <u>\$ 170,000</u>          | <u>\$ 506,963</u>                          | <u>\$ 603,334</u>      |
| Total Notes Payable                               |                                |                  |                     |                          | <u>\$ 940,297</u>     | <u>\$ 170,000</u>          | <u>\$ 506,963</u>                          | <u>\$ 603,334</u>      |
| <u>OTHER LOANS PAYABLE</u>                        |                                |                  |                     |                          |                       |                            |  |                        |
| <u>Public Building Authority Loan Agreements:</u> |                                |                  |                     |                          |                       |                            |  |                        |
| <u>Payable through General Debt Service Fund</u>  |                                |                  |                     |                          |                       |                            |  |                        |
| County and School Renovation and Construction     | 9,000,000                      | Variable         | 7-20-1999           | 5-25-14                  | \$ 6,158,000          | \$ 0                       | \$ 564,000                                 | \$ 5,594,000           |
| County and School Renovation and Construction     | 3,500,000                      | Variable         | 6-14-01             | 5-25-16                  | 2,808,000             | 0                          | 198,000                                    | 2,610,000              |
| County and School Renovation and Construction     | (1)                            | Variable         | 11-21-05            | 5-25-33                  | 0                     | 418,603                    | 0  | 418,603                |
| Total Payable through General Debt Service Fund   |                                |                  |                     |                          | <u>\$ 8,966,000</u>   | <u>\$ 418,603</u>          | <u>\$ 762,000</u>                          | <u>\$ 8,622,603</u>    |
| Total Other Loans Payable                         |                                |                  |                     |                          | <u>\$ 8,966,000</u>   | <u>\$ 418,603</u>          | <u>\$ 762,000</u>                          | <u>\$ 8,622,603</u>    |
| <u>CAPITAL LEASE PAYABLE</u>                      |                                |                  |                     |                          |                       |                            |  |                        |
| <u>Payable through General Fund</u>               |                                |                  |                     |                          |                       |                            |  |                        |
| County Van  | 24,000                         | 0                | 9-24-03             | 12-31-09                 | \$ 17,654             | \$ 0                       | \$ 4,008                                   | \$ 13,646              |
| Total Payable through General Fund                |                                |                  |                     |                          | <u>\$ 17,654</u>      | <u>\$ 0</u>                | <u>\$ 4,008</u>                            | <u>\$ 13,646</u>       |
| Total Capital Lease Payable                       |                                |                  |                     |                          | <u>\$ 17,654</u>      | <u>\$ 0</u>                | <u>\$ 4,008</u>                            | <u>\$ 13,646</u>       |

(1) The total amount approved was \$4,550,000, of which \$4,131,397 remains available for draws as of June 30, 2006.

Exhibit H-2

Carter County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2006

| <u>From Fund</u> | <u>To Fund</u>         | <u>Purpose</u>             | <u>Amount</u>     |
|------------------|------------------------|----------------------------|-------------------|
| General          | Solid Waste/Sanitation | To provide operating funds | \$ 149,088        |
| General          | Health Department      | To provide operating funds | <u>169,000</u>    |
| Total Transfers  |                        |                            | <u>\$ 318,088</u> |

Exhibit H-3

Carter 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, <u>TCA</u>                               | \$ 84,297                 | \$ 50,000 | Western Surety Company                        |
| Road Superintendent                             | Section 8-24-102, <u>TCA</u>                               | 67,152                    | 100,000   | "   |
| Trustee   | Section 8-24-102, <u>TCA</u>                               | 61,048                    | 1,207,774 | "   |
| Assessor of Property                            | Section 8-24-102, <u>TCA</u>                               | 61,048                    | 10,000    | "   |
| Finance Director                                | County Commission  | 48,571                    | 50,000    | Continental Casualty Company                  |
| County Clerk                                    | Section 8-24-102, <u>TCA</u>                               | 61,048                    | 50,000    | Western Surety Company                        |
| Circuit and General Sessions Court Clerk        | Section 8-24-102, <u>TCA</u>                               | 61,048                    | 50,000    | "   |
| Clerk and Master                                | Section 8-24-102, <u>TCA</u> ,<br>and Chancery Court Judge | 62,548 (1)                | 70,000    | American Casualty Company                     |
| Register  | Section 8-24-102, <u>TCA</u>                               | 61,048                    | 25,000    | Western Surety Company                        |
| Sheriff   | Section 8-24-102, <u>TCA</u> ,<br>and County Commission    | 73,671 (2)                | 25,000    | "   |
| Employee Blanket Bonds:                         |  |                           |           |   |
| Public Employee Dishonesty - County Departments |  |                           | 150,000   | Tennessee School Boards Risk Management Trust |

(1) Includes special commissioner fees of \$1,500.

(2) Includes workhouse salary supplement of \$6,000 and law enforcement salary supplement of \$519.

Exhibit H-4

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

|  | Special Revenue Funds |                                 |                          |                   |              |                                |                        | Debt Service Fund    | Total               |
|--|-----------------------|---------------------------------|--------------------------|-------------------|--------------|--------------------------------|------------------------|----------------------|---------------------|
|  | General               | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Health Department | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service |                     |
| <u>Local Taxes</u>                               |                       |                                 |                          |                   |              |                                |                        |                      |                     |
| <u>County Property Taxes</u>                     |                       |                                 |                          |                   |              |                                |                        |                      |                     |
| Current Property Tax                             | \$ 4,120,625          | \$ 0                            | \$ 0                     | \$ 0              | \$ 0         | \$ 0                           | 485,283                | \$ 1,745,036         | \$ 6,350,944        |
| Trustee's Collections - Prior Year               | 121,547               | 0                               | 0                        | 0                 | 0            | 0                              | 11,458                 | 54,149               | 187,154             |
| Circuit/Clerk & Master Collections - Prior Years | 39,036                | 0                               | 0                        | 0                 | 0            | 0                              | 4,362                  | 10,080               | 53,478              |
| Interest and Penalty                             | 38,833                | 0                               | 0                        | 0                 | 0            | 0                              | 4,055                  | 14,820               | 57,708              |
| Payments in-Lieu-of Taxes - T.V.A.               | 10,231                | 0                               | 0                        | 0                 | 0            | 0                              | 983                    | 4,554                | 15,768              |
| Payments in-Lieu-of Taxes - Local Utilities      | 66,410                | 0                               | 0                        | 0                 | 0            | 0                              | 7,821                  | 28,124               | 102,355             |
| Payments in-Lieu-of Taxes - Other                | 4,872                 | 0                               | 0                        | 0                 | 0            | 0                              | 574                    | 2,063                | 7,509               |
| <u>County Local Option Taxes</u>                 |                       |                                 |                          |                   |              |                                |                        |                      |                     |
| Local Option Sales Tax                           | 869,094               | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 869,094             |
| Hotel/Motel Tax                                  | 74,649                | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 74,649              |
| Litigation Tax - General                         | 239,287               | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 239,287             |
| Litigation Tax - Special Purpose                 | 0                     | 10,664                          | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 10,664              |
| Litigation Tax - Jail, Workhouse, or Courthouse  | 39,194                | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 39,194              |
| Business Tax                                     | 318,386               | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 318,386             |
| Mineral Severance Tax                            | 0                     | 0                               | 0                        | 0                 | 0            | 0                              | 110,330                | 0                    | 110,330             |
| <u>Statutory Local Taxes</u>                     |                       |                                 |                          |                   |              |                                |                        |                      |                     |
| Bank Excise Tax                                  | 47,181                | 0                               | 0                        | 0                 | 0            | 0                              | 5,557                  | 19,981               | 72,719              |
| Wholesale Beer Tax                               | 213,325               | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 213,325             |
| Interstate Telecommunications Tax                | 6,525                 | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 6,525               |
| <b>Total Local Taxes</b>                         | <b>\$ 6,209,195</b>   | <b>\$ 10,664</b>                | <b>\$ 0</b>              | <b>\$ 0</b>       | <b>\$ 0</b>  | <b>\$ 0</b>                    | <b>630,423</b>         | <b>\$ 1,878,807</b>  | <b>\$ 8,729,089</b> |
| <u>Licenses and Permits</u>                      |                       |                                 |                          |                   |              |                                |                        |                      |                     |
| <u>Licenses</u>                                  |                       |                                 |                          |                   |              |                                |                        |                      |                     |
| Marriage Licenses                                | \$ 2,133              | \$ 0                            | \$ 0                     | \$ 0              | \$ 0         | \$ 0                           | \$ 0                   | \$ 0                 | 2,133               |
| Cable TV Franchise                               | 252,306               | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 252,306             |
| <u>Permits</u>                                   |                       |                                 |                          |                   |              |                                |                        |                      |                     |
| Beer Permits                                     | 750                   | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 750                 |
| Building Permits                                 | 2,702                 | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 2,702               |
| Electrical Permits                               | 41,653                | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 41,653              |
| Food Handling Permits                            | 75                    | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 75                  |
| Other Permits                                    | 23,529                | 0                               | 0                        | 0                 | 0            | 0                              | 0                      | 0                    | 23,529              |
| <b>Total Licenses and Permits</b>                | <b>\$ 323,148</b>     | <b>\$ 0</b>                     | <b>\$ 0</b>              | <b>\$ 0</b>       | <b>\$ 0</b>  | <b>\$ 0</b>                    | <b>\$ 0</b>            | <b>\$ 0</b>          | <b>\$ 323,148</b>   |

(Continued)



Exhibit H-4

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

|  | Special Revenue Funds |                                 |                          |                   |                  |                                |                        | Debt Service Fund    | Total             |
|--|-----------------------|---------------------------------|--------------------------|-------------------|------------------|--------------------------------|------------------------|----------------------|-------------------|
|  | General               | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Health Department | Drug Control     | Constitutional Officers - Fees | Highway / Public Works | General Debt Service |                   |
| <u>Fines, Forfeitures, and Penalties (Cont.)</u> |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| <u>Judicial District Drug Program</u>            |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| Data Entry Fee - Other Courts                    | \$ 36                 | \$ 0                            | \$ 0                     | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 36             |
| Courtroom Security Fee                           | 201                   | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 201               |
| <u>Other Fines, Forfeitures, and Penalties</u>   |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| Proceeds from Confiscated Property               | 0                     | 0                               | 0                        | 0                 | 9,601            | 0                              | 0                      | 0                    | 9,601             |
| <b>Total Fines, Forfeitures, and Penalties</b>   | <b>\$ 297,390</b>     | <b>\$ 0</b>                     | <b>\$ 0</b>              | <b>\$ 0</b>       | <b>\$ 33,240</b> | <b>\$ 0</b>                    | <b>\$ 0</b>            | <b>\$ 0</b>          | <b>\$ 330,630</b> |
| <u>Charges for Current Services</u>              |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| <u>General Service Charges</u>                   |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| Transfer Waste Stations Collection Charge        | \$ 0                  | \$ 0                            | \$ 648,770               | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 648,770        |
| Tipping Fees                                     | 0                     | 0                               | 55,069                   | 0                 | 0                | 0                              | 0                      | 0                    | 55,069            |
| Work Release Charges for Board                   | 43,953                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 43,953            |
| <u>Fees</u>                                      |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| Copy Fees  | 6,952                 | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 6,952             |
| Telephone Commissions                            | 22,497                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 22,497            |
| Constitutional Officers' Fees and Commissions    | 0                     | 0                               | 0                        | 0                 | 0                | 5,789                          | 0                      | 0                    | 5,789             |
| Special Commissioner Fees/Special Master Fees    | 0                     | 0                               | 0                        | 0                 | 0                | 1,500                          | 0                      | 0                    | 1,500             |
| Data Processing Fee - Register                   | 20,870                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 20,870            |
| Data Processing Fee - Sheriff                    | 9,646                 | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 9,646             |
| Sexual Offender Registration Fees - Sheriff      | 2,040                 | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 2,040             |
| <b>Total Charges for Current Services</b>        | <b>\$ 105,958</b>     | <b>\$ 0</b>                     | <b>\$ 703,839</b>        | <b>\$ 0</b>       | <b>\$ 0</b>      | <b>\$ 7,289</b>                | <b>\$ 0</b>            | <b>\$ 0</b>          | <b>\$ 817,086</b> |
| <u>Other Local Revenues</u>                      |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| <u>Recurring Items</u>                           |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| Investment Income                                | \$ 1,089              | \$ 0                            | \$ 0                     | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 368,741           | \$ 369,830        |
| Lease/Rentals                                    | 20,500                | 0                               | 1,250                    | 0                 | 0                | 0                              | 0                      | 0                    | 21,750            |
| Commissary Sales                                 | 6,318                 | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 6,318             |
| Sale of Gasoline                                 | 0                     | 0                               | 0                        | 0                 | 0                | 0                              | 82,161                 | 0                    | 82,161            |
| Sale of Recycled Materials                       | 0                     | 0                               | 29,502                   | 0                 | 0                | 0                              | 0                      | 0                    | 29,502            |
| Retirees' Insurance Payments                     | 17,224                | 0                               | 0                        | 0                 | 0                | 0                              | 345                    | 0                    | 17,569            |
| Miscellaneous Refunds                            | 123,066               | 0                               | 18,476                   | 425               | 18,198           | 0                              | 0                      | 0                    | 160,165           |
| <u>Nonrecurring Items</u>                        |                       |                                 |                          |                   |                  |                                |                        |                      |                   |
| Sale of Equipment                                | 12,330                | 0                               | 2,502                    | 0                 | 16,475           | 0                              | 0                      | 0                    | 31,307            |

Exhibit H-4

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

|  | Special Revenue Funds |                                 |                          |                   |                  |                                |                        | Debt Service Fund    | Total               |
|--|-----------------------|---------------------------------|--------------------------|-------------------|------------------|--------------------------------|------------------------|----------------------|---------------------|
|  | General               | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Health Department | Drug Control     | Constitutional Officers - Fees | Highway / Public Works | General Debt Service |                     |
| <u>Other Local Revenues (Cont.)</u>              |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| <u>Nonrecurring Items (Cont.)</u>                |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| Sale of Property                                 | \$ 56,721             | \$ 0                            | \$ 0                     | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 56,721           |
| Contributions & Gifts                            | 35,500                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 35,500              |
| <b>Total Other Local Revenues</b>                | <b>\$ 272,748</b>     | <b>\$ 0</b>                     | <b>\$ 51,730</b>         | <b>\$ 425</b>     | <b>\$ 34,673</b> | <b>\$ 0</b>                    | <b>\$ 82,506</b>       | <b>\$ 368,741</b>    | <b>\$ 810,823</b>   |
| <u>Fees Received from County Officials</u>       |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| <u>Fees-In-Lieu of Salary</u>                    |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| County Clerk                                     | \$ 444,695            | \$ 0                            | \$ 0                     | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 444,695          |
| Circuit Court Clerk                              | 175,043               | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 175,043             |
| General Sessions Court Clerk                     | 368,499               | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 368,499             |
| Clerk and Master                                 | 138,287               | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 138,287             |
| Register   | 273,323               | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 273,323             |
| Sheriff  | 10,171                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 10,171              |
| Trustee  | 487,770               | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 487,770             |
| <b>Total Fees Received from County Officials</b> | <b>\$ 1,897,788</b>   | <b>\$ 0</b>                     | <b>\$ 0</b>              | <b>\$ 0</b>       | <b>\$ 0</b>      | <b>\$ 0</b>                    | <b>\$ 0</b>            | <b>\$ 0</b>          | <b>\$ 1,897,788</b> |
| <u>State of Tennessee</u>                        |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| <u>General Government Grants</u>                 |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| Juvenile Services Program                        | \$ 14,130             | \$ 0                            | \$ 0                     | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 14,130           |
| State Reappraisal Grant                          | 19,215                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 19,215              |
| <u>Public Safety Grants</u>                      |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| Law Enforcement Training Programs                | 23,978                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 23,978              |
| <u>Health and Welfare Grants</u>                 |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| Health Department Programs                       | 0                     | 0                               | 0                        | 256,929           | 0                | 0                              | 0                      | 0                    | 256,929             |
| <u>Public Works Grants</u>                       |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| State Aid Program                                | 0                     | 0                               | 0                        | 0                 | 0                | 0                              | 63,161                 | 0                    | 63,161              |
| Litter Program                                   | 41,530                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 41,530              |
| <u>Other State Revenues</u>                      |                       |                                 |                          |                   |                  |                                |                        |                      |                     |
| Income Tax                                       | 92,875                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 92,875              |
| Beer Tax   | 17,212                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 17,212              |
| Alcoholic Beverage Tax                           | 58,331                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 58,331              |
| Mixed Drink Tax                                  | 2,470                 | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 2,470               |
| State Revenue Sharing - T.V.A.                   | 0                     | 0                               | 0                        | 0                 | 0                | 0                              | 20,184                 | 72,580               | 92,764              |

Exhibit H-4

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

|  | Special Revenue Funds |                                 |                          |                   |                  |                                |                        | Debt Service Fund    | Total                |
|--|-----------------------|---------------------------------|--------------------------|-------------------|------------------|--------------------------------|------------------------|----------------------|----------------------|
|  | General               | Courthouse and Jail Maintenance | Solid Waste / Sanitation | Health Department | Drug Control     | Constitutional Officers - Fees | Highway / Public Works | General Debt Service |                      |
| <u>State of Tennessee (Cont.)</u>                  |                       |                                 |                          |                   |                  |                                |                        |                      |                      |
| <u>Other State Revenues (Cont.)</u>                |                       |                                 |                          |                   |                  |                                |                        |                      |                      |
| Emergency Hospital - Prisoners                     | \$ 21,640             | \$ 0                            | \$ 0                     | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 21,640            |
| Contracted Prisoner Boarding                       | 301,085               | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 301,085              |
| Gasoline and Motor Fuel Tax                        | 0                     | 0                               | 0                        | 0                 | 0                | 0                              | 1,815,148              | 0                    | 1,815,148            |
| Petroleum Special Tax                              | 0                     | 0                               | 0                        | 0                 | 0                | 0                              | 45,645                 | 0                    | 45,645               |
| Registrar's Salary Supplement                      | 16,380                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 16,380               |
| Other State Grants                                 | 1,154                 | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 1,154                |
| Other State Revenues                               | 700                   | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 700                  |
| <b>Total State of Tennessee</b>                    | <b>\$ 610,700</b>     | <b>\$ 0</b>                     | <b>\$ 0</b>              | <b>\$ 256,929</b> | <b>\$ 0</b>      | <b>\$ 0</b>                    | <b>\$ 1,944,138</b>    | <b>\$ 72,580</b>     | <b>\$ 2,884,347</b>  |
| <u>Federal Government</u>                          |                       |                                 |                          |                   |                  |                                |                        |                      |                      |
| <u>Federal Through State</u>                       |                       |                                 |                          |                   |                  |                                |                        |                      |                      |
| Community Development                              | \$ 460,518            | \$ 0                            | \$ 0                     | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 460,518           |
| Civil Defense Reimbursement                        | 6,321                 | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 6,321                |
| Disaster Relief                                    | 54,824                | 0                               | 0                        | 0                 | 0                | 0                              | 29,991                 | 0                    | 84,815               |
| Homeland Security Grants                           | 576,134               | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 576,134              |
| <u>Direct Federal Revenue</u>                      |                       |                                 |                          |                   |                  |                                |                        |                      |                      |
| Police Service (Lake Area)                         | 17,198                | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 17,198               |
| FHA Grant  | 235,396               | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 235,396              |
| Forest Service                                     | 74,532                | 0                               | 0                        | 0                 | 0                | 0                              | 18,904                 | 0                    | 93,436               |
| Other Direct Federal Revenue                       | 3,524                 | 0                               | 0                        | 0                 | 0                | 0                              | 714,180                | 0                    | 717,704              |
| <b>Total Federal Government</b>                    | <b>\$ 1,428,447</b>   | <b>\$ 0</b>                     | <b>\$ 0</b>              | <b>\$ 0</b>       | <b>\$ 0</b>      | <b>\$ 0</b>                    | <b>\$ 763,075</b>      | <b>\$ 0</b>          | <b>\$ 2,191,522</b>  |
| <u>Other Governments and Citizens Groups</u>       |                       |                                 |                          |                   |                  |                                |                        |                      |                      |
| <u>Other Governments</u>                           |                       |                                 |                          |                   |                  |                                |                        |                      |                      |
| Contributions                                      | \$ 500                | \$ 0                            | \$ 0                     | \$ 0              | \$ 0             | \$ 0                           | \$ 0                   | \$ 0                 | \$ 500               |
| Contracted Services                                | 218,944               | 0                               | 0                        | 0                 | 0                | 0                              | 11,832                 | 0                    | 230,776              |
| <u>Citizens Groups</u>                             |                       |                                 |                          |                   |                  |                                |                        |                      |                      |
| Donations  | 105                   | 0                               | 0                        | 0                 | 0                | 0                              | 0                      | 0                    | 105                  |
| <b>Total Other Governments and Citizens Groups</b> | <b>\$ 219,549</b>     | <b>\$ 0</b>                     | <b>\$ 0</b>              | <b>\$ 0</b>       | <b>\$ 0</b>      | <b>\$ 0</b>                    | <b>\$ 11,832</b>       | <b>\$ 0</b>          | <b>\$ 231,381</b>    |
| <b>Total</b>                                       | <b>\$ 11,364,923</b>  | <b>\$ 10,664</b>                | <b>\$ 755,569</b>        | <b>\$ 257,354</b> | <b>\$ 67,913</b> | <b>\$ 7,289</b>                | <b>\$ 3,431,974</b>    | <b>\$ 2,320,128</b>  | <b>\$ 18,215,814</b> |

Exhibit H-5

Carter 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          | \$ | 55,396 |           |
| Audit Services                            |    | 12,855 |           |
| Dues and Memberships                      |    | 5,573  |           |
| Legal Notices, Recording, and Court Costs |    | 900    |           |
| Postal Charges                            |    | 2,500  |           |
| Travel                                    |    | 3,667  |           |
| Other Supplies and Materials              |    | 180    |           |
| Other Charges                             |    | 1,931  |           |
| Total County Commission                   |    |        | \$ 83,002 |

Board of Equalization

|                                  |    |       |       |
|----------------------------------|----|-------|-------|
| Board and Committee Members Fees | \$ | 5,030 |       |
| Travel                           |    | 958   |       |
| Other Supplies and Materials     |    | 142   |       |
| Total Board of Equalization      |    |       | 6,130 |

County Mayor/Executive

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 84,297 |         |
| Secretary(ies)                         |    | 28,794 |         |
| Dues and Memberships                   |    | 1,775  |         |
| Postal Charges                         |    | 465    |         |
| Rentals                                |    | 2,703  |         |
| Travel                                 |    | 5,561  |         |
| Library Books/Media                    |    | 420    |         |
| Office Supplies                        |    | 750    |         |
| Other Supplies and Materials           |    | 44     |         |
| Premiums on Corporate Surety Bonds     |    | 116    |         |
| Other Charges                          |    | 1,647  |         |
| Office Equipment                       |    | 102    |         |
| Total County Mayor/Executive           |    |        | 126,674 |

County Attorney

|                        |    |        |        |
|------------------------|----|--------|--------|
| Other Salaries & Wages | \$ | 500    |        |
| Legal Services         |    | 21,835 |        |
| Total County Attorney  |    |        | 22,335 |

Election Commission

|                           |    |        |  |
|---------------------------|----|--------|--|
| Supervisor/Director       | \$ | 54,943 |  |
| Deputy(ies)               |    | 24,785 |  |
| Data Processing Personnel |    | 20,123 |  |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

|   |    |        |            |
|---|----|--------|------------|
| Other Salaries & Wages                    | \$ | 5,000  |            |
| Board and Committee Members Fees          |    | 9,157  |            |
| Election Workers                          |    | 23,624 |            |
| Legal Notices, Recording, and Court Costs |    | 6,538  |            |
| Maintenance Agreements                    |    | 8,954  |            |
| Postal Charges                            |    | 6,736  |            |
| Rentals                                   |    | 1,143  |            |
| Travel                                    |    | 4,267  |            |
| Office Supplies                           |    | 3,223  |            |
| Other Supplies and Materials              |    | 13,936 |            |
| Data Processing Equipment                 |    | 2,112  |            |
| Total Election Commission                 |    |        | \$ 184,541 |

Register of Deeds

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 61,048 |         |
| Deputy(ies)                            |    | 29,850 |         |
| Clerical Personnel                     |    | 14,909 |         |
| Other Salaries & Wages                 |    | 17,471 |         |
| Dues and Memberships                   |    | 592    |         |
| Postal Charges                         |    | 2,700  |         |
| Rentals                                |    | 6,349  |         |
| Travel                                 |    | 2,174  |         |
| Data Processing Supplies               |    | 19,825 |         |
| Office Supplies                        |    | 9,039  |         |
| Other Supplies and Materials           |    | 9,205  |         |
| Premiums on Corporate Surety Bonds     |    | 100    |         |
| Office Equipment                       |    | 600    |         |
| Total Register of Deeds                |    |        | 173,862 |

Planning

|  |    |        |  |
|--|----|--------|--|
| Supervisor/Director                      | \$ | 28,108 |  |
| Data Processing Personnel                |    | 15,875 |  |
| Clerical Personnel                       |    | 6,348  |  |
| Other Salaries & Wages                   |    | 11,507 |  |
| Board and Committee Members Fees         |    | 6,300  |  |
| Communication                            |    | 2,383  |  |
| Contracts with Government Agencies       |    | 11,500 |  |
| Maintenance & Repair Services - Vehicles |    | 3,476  |  |
| Postal Charges                           |    | 250    |  |
| Travel                                   |    | 263    |  |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

|                                    |    |        |            |
|------------------------------------|----|--------|------------|
| Gasoline                           | \$ | 1,348  |            |
| Office Supplies                    |    | 1,485  |            |
| Premiums on Corporate Surety Bonds |    | 100    |            |
| Other Charges                      |    | 38,334 |            |
| Office Equipment                   |    | 3,562  |            |
| Total Planning                     |    |        | \$ 130,839 |

County Buildings

|   |    |         |         |
|---|----|---------|---------|
| Custodial Personnel                       | \$ | 11,956  |         |
| Maintenance Personnel                     |    | 996     |         |
| Other Salaries & Wages                    |    | 54,517  |         |
| Communication                             |    | 62,816  |         |
| Maintenance & Repair Services - Buildings |    | 147,772 |         |
| Maintenance & Repair Services - Equipment |    | 15,499  |         |
| Maintenance & Repair Services - Vehicles  |    | 4,556   |         |
| Pest Control                              |    | 1,200   |         |
| Travel                                    |    | 92      |         |
| Custodial Supplies                        |    | 10,312  |         |
| Electricity                               |    | 107,688 |         |
| Gasoline                                  |    | 1,931   |         |
| Uniforms                                  |    | 2,536   |         |
| Utilities                                 |    | 22,197  |         |
| Water and Sewer                           |    | 30,764  |         |
| Building and Contents Insurance           |    | 11,379  |         |
| Workers' Compensation Insurance           |    | 30,044  |         |
| Other Charges                             |    | 1,226   |         |
| Total County Buildings                    |    |         | 517,481 |

Finance

Accounting and Budgeting

|   |    |         |  |
|---|----|---------|--|
| Supervisor/Director                       | \$ | 48,571  |  |
| Deputy(ies)                               |    | 48,235  |  |
| Accountants/Bookkeepers                   |    | 148,428 |  |
| In-Service Training                       |    | 600     |  |
| Dues and Memberships                      |    | 265     |  |
| Legal Notices, Recording, and Court Costs |    | 1,469   |  |
| Maintenance Agreements                    |    | 5,181   |  |
| Postal Charges                            |    | 74      |  |
| Travel                                    |    | 788     |  |
| Data Processing Supplies                  |    | 7,851   |  |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

|                                    |    |       |            |
|------------------------------------|----|-------|------------|
| Office Supplies                    | \$ | 9,850 |            |
| Premiums on Corporate Surety Bonds |    | 450   |            |
| Other Charges                      |    | 1,653 |            |
| Office Equipment                   |    | 2,708 |            |
| Total Accounting and Budgeting     |    |       | \$ 276,123 |

Property Assessor's Office

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer   | \$ | 61,048 |         |
| Deputy(ies)                              |    | 53,283 |         |
| Data Processing Personnel                |    | 22,363 |         |
| Assessment Personnel                     |    | 22,311 |         |
| Secretary(ies)                           |    | 27,915 |         |
| Other Salaries & Wages                   |    | 13,411 |         |
| Communication                            |    | 2,010  |         |
| Contracts with Government Agencies       |    | 8,132  |         |
| Dues and Memberships                     |    | 1,479  |         |
| Maintenance & Repair Services - Vehicles |    | 804    |         |
| Postal Charges                           |    | 5,200  |         |
| Printing, Stationery, and Forms          |    | 50     |         |
| Rentals                                  |    | 1,520  |         |
| Travel                                   |    | 1,491  |         |
| Office Supplies                          |    | 2,277  |         |
| Premiums on Corporate Surety Bonds       |    | 100    |         |
| Other Charges                            |    | 25,155 |         |
| Motor Vehicles                           |    | 7,817  |         |
| Office Equipment                         |    | 336    |         |
| Total Property Assessor's Office         |    |        | 256,702 |

Reappraisal Program

|                              |    |        |        |
|------------------------------|----|--------|--------|
| Supervisor/Director          | \$ | 25,822 |        |
| Data Processing Personnel    |    | 24,368 |        |
| Communication                |    | 41     |        |
| Data Processing Services     |    | 5,963  |        |
| Postal Charges               |    | 8,290  |        |
| Travel                       |    | 3,102  |        |
| Office Supplies              |    | 1,428  |        |
| Other Supplies and Materials |    | 538    |        |
| Total Reappraisal Program    |    |        | 69,552 |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

|  |    |        |            |
|--|----|--------|------------|
| County Official/Administrative Officer           | \$ | 61,048 |            |
| Deputy(ies)                                      |    | 68,068 |            |
| Clerical Personnel                               |    | 21,182 |            |
| Contracts with Government Agencies               |    | 8,132  |            |
| Dues and Memberships                             |    | 592    |            |
| Maintenance & Repair Services - Office Equipment |    | 5,046  |            |
| Postal Charges                                   |    | 8,293  |            |
| Rentals  |    | 1,370  |            |
| Travel   |    | 789    |            |
| Office Supplies                                  |    | 4,209  |            |
| Premiums on Corporate Surety Bonds               |    | 2,927  |            |
| Other Charges                                    |    | 212    |            |
| Office Equipment                                 |    | 380    |            |
| Total County Trustee's Office                    |    |        | \$ 182,248 |

County Clerk's Office

|  |    |         |         |
|--|----|---------|---------|
| County Official/Administrative Officer | \$ | 61,048  |         |
| Deputy(ies)                            |    | 144,876 |         |
| Accountants/Bookkeepers                |    | 7,509   |         |
| Data Processing Personnel              |    | 3,547   |         |
| Other Salaries & Wages                 |    | 18,560  |         |
| Dues and Memberships                   |    | 632     |         |
| Postal Charges                         |    | 2,500   |         |
| Rentals                                |    | 1,987   |         |
| Travel                                 |    | 366     |         |
| Office Supplies                        |    | 4,487   |         |
| Other Supplies and Materials           |    | 9       |         |
| Premiums on Corporate Surety Bonds     |    | 116     |         |
| Data Processing Equipment              |    | 18,320  |         |
| Office Equipment                       |    | 5,397   |         |
| Total County Clerk's Office            |    |         | 269,354 |

Administration of Justice

Circuit Court

|   |    |         |
|---|----|---------|
| County Official/Administrative Officer    | \$ | 61,048  |
| Clerical Personnel                        |    | 307,821 |
| Other Salaries & Wages                    |    | 3,586   |
| Debt Collection Services                  |    | 540     |
| Dues and Memberships                      |    | 552     |
| Legal Notices, Recording, and Court Costs |    | 182     |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

|                                    |    |              |         |
|------------------------------------|----|--------------|---------|
| Postal Charges                     | \$ | 1,022        |         |
| Rentals                            |    | 8,247        |         |
| Travel                             |    | 60           |         |
| Office Supplies                    |    | 16,954       |         |
| Other Supplies and Materials       |    | 10,933       |         |
| Premiums on Corporate Surety Bonds |    | 277          |         |
| Office Equipment                   |    | <u>9,576</u> |         |
| Total Circuit Court                | \$ |              | 420,798 |

General Sessions Court

|                              |    |              |         |
|------------------------------|----|--------------|---------|
| Judge(s)                     | \$ | 108,717      |         |
| Debt Collection Services     |    | 108          |         |
| Dues and Memberships         |    | 445          |         |
| Postal Charges               |    | 150          |         |
| Travel                       |    | 1,924        |         |
| Library Books/Media          |    | 552          |         |
| Office Supplies              |    | <u>2,245</u> |         |
| Total General Sessions Court |    |              | 114,141 |

Drug Court

|                                 |    |              |       |
|---------------------------------|----|--------------|-------|
| Remittance of Revenue Collected | \$ | <u>8,211</u> |       |
| Total Drug Court                |    |              | 8,211 |

Chancery Court

|  |    |              |         |
|--|----|--------------|---------|
| County Official/Administrative Officer | \$ | 61,048       |         |
| Clerical Personnel                     |    | 120,974      |         |
| Dues and Memberships                   |    | 552          |         |
| Maintenance Agreements                 |    | 5,603        |         |
| Postal Charges                         |    | 1,000        |         |
| Rentals                                |    | 1,887        |         |
| Office Supplies                        |    | 3,335        |         |
| Premiums on Corporate Surety Bonds     |    | 164          |         |
| Office Equipment                       |    | <u>4,283</u> |         |
| Total Chancery Court                   |    |              | 198,846 |

Judicial Commissioners

|                              |    |               |        |
|------------------------------|----|---------------|--------|
| Other Salaries & Wages       | \$ | <u>23,392</u> |        |
| Total Judicial Commissioners |    |               | 23,392 |

(Continued)

## Exhibit H-5

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

General Fund (Cont.)Administration of Justice (Cont.)Other Administration of Justice

|                                       |    |        |           |
|---------------------------------------|----|--------|-----------|
| Board and Committee Members Fees      | \$ | 400    |           |
| Jury and Witness Fees                 |    | 14,145 |           |
| Postal Charges                        |    | 1,000  |           |
| Other Charges                         |    | 4,524  |           |
| Total Other Administration of Justice |    |        | \$ 20,069 |

Public SafetySheriff's Department

|   |    |         |
|---|----|---------|
| County Official/Administrative Officer    | \$ | 73,152  |
| Deputy(ies)                               |    | 849,031 |
| Investigator(s)                           |    | 184,511 |
| Accountants/Bookkeepers                   |    | 22,157  |
| Mechanic(s)                               |    | 23,186  |
| Clerical Personnel                        |    | 50,283  |
| Part-time Personnel                       |    | 13,590  |
| School Resource Officer                   |    | 111,984 |
| Other Salaries & Wages                    |    | 9,600   |
| In-Service Training                       |    | 13,350  |
| Communication                             |    | 18,269  |
| Dues and Memberships                      |    | 2,031   |
| Maintenance & Repair Services - Buildings |    | 807     |
| Maintenance & Repair Services - Equipment |    | 17,991  |
| Maintenance & Repair Services - Vehicles  |    | 45,013  |
| Medical and Dental Services               |    | 7,466   |
| Postal Charges                            |    | 1,236   |
| Rentals                                   |    | 2,035   |
| Transportation - Other than Students      |    | 1,113   |
| Travel                                    |    | 15,947  |
| Other Contracted Services                 |    | 1,973   |
| Custodial Supplies                        |    | 7,572   |
| Gasoline                                  |    | 111,023 |
| Office Supplies                           |    | 5,649   |
| Tires and Tubes                           |    | 11,355  |
| Uniforms                                  |    | 25,033  |
| Premiums on Corporate Surety Bonds        |    | 100     |
| Vehicle and Equipment Insurance           |    | 137,413 |
| Workers' Compensation Insurance           |    | 32,202  |
| Other Charges                             |    | 7,557   |
| Law Enforcement Equipment                 |    | 27,954  |
| Motor Vehicles                            |    | 175,678 |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

|                            |          |              |
|----------------------------|----------|--------------|
| Office Equipment           | \$ 4,815 |              |
| Total Sheriff's Department |          | \$ 2,011,076 |

Special Patrols

|                           |           |        |
|---------------------------|-----------|--------|
| Secretary(ies)            | \$ 17,061 |        |
| Other Contracted Services | 400       |        |
| Total Special Patrols     |           | 17,461 |

Jail

|   |           |           |
|---|-----------|-----------|
| Medical Personnel                         | \$ 52,946 |           |
| Dispatchers/Radio Operators               | 76,428    |           |
| Guards                                    | 642,298   |           |
| Cafeteria Personnel                       | 48,791    |           |
| Maintenance & Repair Services - Buildings | 9,198     |           |
| Maintenance & Repair Services - Equipment | 1,460     |           |
| Medical and Dental Services               | 246,435   |           |
| Transportation - Other than Students      | 8,668     |           |
| Custodial Supplies                        | 31,692    |           |
| Food Preparation Supplies                 | 2,725     |           |
| Food Supplies                             | 216,864   |           |
| Workers' Compensation Insurance           | 28,510    |           |
| Total Jail                                |           | 1,366,015 |

Juvenile Services

|                                    |           |        |
|------------------------------------|-----------|--------|
| Youth Service Officer(s)           | \$ 50,473 |        |
| Contracts with Government Agencies | 47,138    |        |
| Dues and Memberships               | 50        |        |
| Travel                             | 1,920     |        |
| Total Juvenile Services            |           | 99,581 |

Fire Prevention and Control

|                                   |            |         |
|-----------------------------------|------------|---------|
| Contributions                     | \$ 262,403 |         |
| Other Charges                     | 37,166     |         |
| Total Fire Prevention and Control |            | 299,569 |

Rescue Squad

|                    |            |         |
|--------------------|------------|---------|
| Other Charges      | \$ 254,000 |         |
| Total Rescue Squad |            | 254,000 |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

|  |    |         |            |
|--|----|---------|------------|
| Supervisor/Director                              | \$ | 28,020  |            |
| Secretary(ies)                                   |    | 18,958  |            |
| Other Fringe Benefits                            |    | 13,894  |            |
| Communication                                    |    | 1,648   |            |
| Maintenance & Repair Services - Equipment        |    | 144     |            |
| Maintenance & Repair Services - Office Equipment |    | 363     |            |
| Maintenance & Repair Services - Vehicles         |    | 514     |            |
| Postal Charges                                   |    | 406     |            |
| Printing, Stationery, and Forms                  |    | 344     |            |
| Travel   |    | 605     |            |
| Other Contracted Services                        |    | 217     |            |
| Gasoline   |    | 1,460   |            |
| Instructional Supplies and Materials             |    | 479     |            |
| Office Supplies                                  |    | 1,284   |            |
| Uniforms   |    | 326     |            |
| Other Supplies and Materials                     |    | 438     |            |
| Office Equipment                                 |    | 401     |            |
| Other Equipment                                  |    | 351,109 |            |
| Total Other Emergency Management                 |    |         | \$ 420,610 |

Inspection and Regulation

|                                 |    |       |       |
|---------------------------------|----|-------|-------|
| Supervisor/Director             | \$ | 3,000 |       |
| Total Inspection and Regulation |    |       | 3,000 |

County Coroner/Medical Examiner

|                                       |    |       |       |
|---------------------------------------|----|-------|-------|
| Other Per Diem & Fees                 | \$ | 2,997 |       |
| Travel                                |    | 1,767 |       |
| Premiums on Corporate Surety Bonds    |    | 400   |       |
| Total County Coroner/Medical Examiner |    |       | 5,164 |

Other Public Safety

|                                  |    |       |       |
|----------------------------------|----|-------|-------|
| Board and Committee Members Fees | \$ | 1,400 |       |
| Total Other Public Safety        |    |       | 1,400 |

Public Health and Welfare

Rabies and Animal Control

|                                 |    |        |        |
|---------------------------------|----|--------|--------|
| Other Salaries & Wages          | \$ | 14,484 |        |
| Other Contracted Services       |    | 14,259 |        |
| Total Rabies and Animal Control |    |        | 28,743 |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

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

Crippled Children Services

|                                  |           |        |
|----------------------------------|-----------|--------|
| Contributions                    | \$ 20,542 |        |
| Total Crippled Children Services |           | 20,542 |

Aid to Dependent Children

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

Other Public Health and Welfare

|                                       |          |       |
|---------------------------------------|----------|-------|
| Contributions                         | \$ 1,425 |       |
| Total Other Public Health and Welfare |          | 1,425 |

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

|                 |           |        |
|-----------------|-----------|--------|
| Contributions   | \$ 33,250 |        |
| Total Libraries |           | 33,250 |

Parks and Fair Boards

|                             |           |        |
|-----------------------------|-----------|--------|
| Contributions               | \$ 23,750 |        |
| Total Parks and Fair Boards |           | 23,750 |

Other Social, Cultural, and Recreational

|  |          |       |
|--|----------|-------|
| Contributions                                  | \$ 2,885 |       |
| Total Other Social, Cultural, and Recreational |          | 2,885 |

Agriculture & Natural Resources

Agriculture Extension Service

|                        |           |
|------------------------|-----------|
| Other Salaries & Wages | \$ 65,288 |
| Other Fringe Benefits  | 5,501     |
| Communication          | 1,211     |
| Contributions          | 2,398     |
| Travel                 | 1,242     |
| Electricity            | 2,115     |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

|                                     |    |       |           |
|-------------------------------------|----|-------|-----------|
| Office Supplies                     | \$ | 161   |           |
| Utilities                           |    | 1,928 |           |
| Water and Sewer                     |    | 292   |           |
| Office Equipment                    |    | 993   |           |
| Total Agriculture Extension Service |    |       | \$ 81,129 |

Flood Control

|                              |    |       |       |
|------------------------------|----|-------|-------|
| Other Supplies and Materials | \$ | 3,000 |       |
| Total Flood Control          |    |       | 3,000 |

Other Agriculture & Natural Resources

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

Other Operations

Tourism

|               |    |        |        |
|---------------|----|--------|--------|
| Contributions | \$ | 81,109 |        |
| Total Tourism |    |        | 81,109 |

Industrial Development

|                              |    |       |       |
|------------------------------|----|-------|-------|
| Engineering Services         | \$ | 5,152 |       |
| Total Industrial Development |    |       | 5,152 |

Housing and Urban Development

|                                     |    |         |         |
|-------------------------------------|----|---------|---------|
| Engineering Services                | \$ | 15,728  |         |
| Other Charges                       |    | 219,668 |         |
| Total Housing and Urban Development |    |         | 235,396 |

Other Economic and Community Development

|  |    |         |         |
|--|----|---------|---------|
| Contributions                                  | \$ | 27,250  |         |
| Other Contracted Services                      |    | 437,518 |         |
| Other Charges                                  |    | 23,000  |         |
| Total Other Economic and Community Development |    |         | 487,768 |

Veterans' Services

|                     |    |        |  |
|---------------------|----|--------|--|
| Supervisor/Director | \$ | 21,341 |  |
| Postal Charges      |    | 300    |  |
| Travel              |    | 999    |  |
| Office Supplies     |    | 739    |  |

(Continued)

## Exhibit H-5

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

General Fund (Cont.)Other Operations (Cont.)Veterans' Services (Cont.)

|                          |        |           |
|--------------------------|--------|-----------|
| Office Equipment         | \$ 444 |           |
| Total Veterans' Services |        | \$ 23,823 |

Contributions to Other Agencies

|                                       |           |        |
|---------------------------------------|-----------|--------|
| Contributions                         | \$ 42,125 |        |
| Total Contributions to Other Agencies |           | 42,125 |

Employee Benefits

|                                  |            |           |
|----------------------------------|------------|-----------|
| Social Security                  | \$ 263,204 |           |
| State Retirement                 | 487,972    |           |
| Employee and Dependent Insurance | 649,818    |           |
| Unemployment Compensation        | 19,505     |           |
| Employer Medicare                | 65,493     |           |
| Total Employee Benefits          |            | 1,485,992 |

Miscellaneous

|                      |           |         |
|----------------------|-----------|---------|
| Postal Charges       | \$ 18,204 |         |
| Trustee's Commission | 131,362   |         |
| Other Charges        | 25,000    |         |
| Land                 | 73,623    |         |
| Other Construction   | 173       |         |
| Total Miscellaneous  |           | 248,362 |

HighwaysLitter and Trash Collection

|                                      |           |        |
|--------------------------------------|-----------|--------|
| Guards                               | \$ 19,993 |        |
| Social Security                      | 2,000     |        |
| Instructional Supplies and Materials | 825       |        |
| Other Supplies and Materials         | 2,857     |        |
| Liability Insurance                  | 500       |        |
| Workers' Compensation Insurance      | 500       |        |
| Total Litter and Trash Collection    |           | 26,675 |

Principal on DebtGeneral Government

|                             |          |       |
|-----------------------------|----------|-------|
| Principal on Capital Leases | \$ 4,008 |       |
| Total General Government    |          | 4,008 |

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Capital Projects

Other General Government Projects

|   |    |               |                   |
|---|----|---------------|-------------------|
| Architects                              | \$ | 200,000       |                   |
| Bridge Construction                     |    | 21,632        |                   |
| Other Construction                      |    | 12,250        |                   |
| Total Other General Government Projects |    | <u>12,250</u> | \$ <u>233,882</u> |

Total General Fund \$ 10,776,799

Courthouse & Jail Maintenance Fund

General Government

County Buildings

|   |    |              |          |
|---|----|--------------|----------|
| Maintenance & Repair Services - Buildings | \$ | <u>7,744</u> |          |
| Total County Buildings                    |    |              | \$ 7,744 |

Finance

Other Finance

|                      |    |            |     |
|----------------------|----|------------|-----|
| Trustee's Commission | \$ | <u>106</u> |     |
| Total Other Finance  |    |            | 106 |

Administration of Justice

Other Administration of Justice

|                                       |    |              |              |
|---------------------------------------|----|--------------|--------------|
| Data Processing Equipment             | \$ | <u>3,439</u> |              |
| Total Other Administration of Justice |    |              | <u>3,439</u> |

Total Courthouse & Jail Maintenance Fund 11,289

Solid Waste/Sanitation Fund

Public Health and Welfare

Recycling Center

|   |    |              |           |
|---|----|--------------|-----------|
| Supervisor/Director                       | \$ | 7,691        |           |
| Laborers                                  |    | 14,079       |           |
| Other Fringe Benefits                     |    | 3,500        |           |
| Communication                             |    | 641          |           |
| Maintenance & Repair Services - Equipment |    | 5,662        |           |
| Gasoline                                  |    | 570          |           |
| Utilities                                 |    | 2,597        |           |
| Other Charges                             |    | 2,892        |           |
| Total Recycling Center                    |    | <u>2,892</u> | \$ 37,632 |

Landfill Operation and Maintenance

|                     |    |        |  |
|---------------------|----|--------|--|
| Supervisor/Director | \$ | 33,275 |  |
|---------------------|----|--------|--|

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

|   |    |         |            |
|---|----|---------|------------|
| Laborers                                  | \$ | 130,051 |            |
| Social Security                           |    | 9,634   |            |
| State Retirement                          |    | 20,888  |            |
| Employee and Dependent Insurance          |    | 32,435  |            |
| Unemployment Compensation                 |    | 1,055   |            |
| Employer Medicare                         |    | 2,250   |            |
| Bank Charges                              |    | 25      |            |
| Communication                             |    | 1,475   |            |
| Evaluation and Testing                    |    | 35,790  |            |
| Maintenance & Repair Services - Buildings |    | 8,955   |            |
| Maintenance & Repair Services - Equipment |    | 106,656 |            |
| Postal Charges                            |    | 20      |            |
| Rentals                                   |    | 3,175   |            |
| Travel                                    |    | 617     |            |
| Disposal Fees                             |    | 350,437 |            |
| Crushed Stone                             |    | 11,499  |            |
| Diesel Fuel                               |    | 23,542  |            |
| Fuel Oil                                  |    | 2,512   |            |
| Garage Supplies                           |    | 300     |            |
| Gasoline                                  |    | 11,816  |            |
| Lubricants                                |    | 1,853   |            |
| Office Supplies                           |    | 4,338   |            |
| Uniforms                                  |    | 3,108   |            |
| Utilities                                 |    | 5,187   |            |
| Premiums on Corporate Surety Bonds        |    | 201     |            |
| Other Charges                             |    | 12,893  |            |
| Total Landfill Operation and Maintenance  |    |         | \$ 813,987 |
| <br>                                      |    |         |            |
| <u>Other Public Health and Welfare</u>    |    |         |            |
| Other Contracted Services                 | \$ | 3,684   |            |
| Total Other Public Health and Welfare     |    |         | 3,684      |
| <br>                                      |    |         |            |
| <u>Other Operations</u>                   |    |         |            |
| <u>Miscellaneous</u>                      |    |         |            |
| Trustee's Commission                      | \$ | 7,590   |            |
| Total Miscellaneous                       |    |         | 7,590      |
| <br>                                      |    |         |            |
| Total Solid Waste/Sanitation Fund         |    |         | \$ 862,893 |

(Continued)

Exhibit H-5

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

|  |    |         |            |
|--|----|---------|------------|
| <u>Health Department Fund</u>                  |    |         |            |
| <u>Public Health and Welfare</u>               |    |         |            |
| <u>Local Health Center</u>                     |    |         |            |
| Supervisor/Director                            | \$ | 5,562   |            |
| Medical Personnel                              |    | 19,200  |            |
| Secretary(ies)                                 |    | 2,160   |            |
| Other Salaries & Wages                         |    | 180,565 |            |
| Social Security                                |    | 70,552  |            |
| Communication                                  |    | 11,636  |            |
| Contracts with Government Agencies             |    | 40,852  |            |
| Maintenance & Repair Services - Buildings      |    | 36,530  |            |
| Pest Control                                   |    | 80      |            |
| Postal Charges                                 |    | 1,506   |            |
| Travel   |    | 1,607   |            |
| Drugs and Medical Supplies                     |    | 2,889   |            |
| Utilities                                      |    | 31,192  |            |
| Other Supplies and Materials                   |    | 9,769   |            |
| Other Charges                                  |    | 6,934   |            |
| Total Local Health Center                      |    |         | \$ 421,034 |
| Total Health Department Fund                   |    |         | \$ 421,034 |
| <br><u>Drug Control Fund</u>                   |    |         |            |
| <u>Public Safety</u>                           |    |         |            |
| <u>Sheriff's Department</u>                    |    |         |            |
| Animal Food and Supplies                       | \$ | 862     |            |
| Other Supplies and Materials                   |    | 6,008   |            |
| Other Charges                                  |    | 23,928  |            |
| Motor Vehicles                                 |    | 14,680  |            |
| Total Sheriff's Department                     |    |         | \$ 45,478  |
| <br><u>Other Operations</u>                    |    |         |            |
| <u>Miscellaneous</u>                           |    |         |            |
| Trustee's Commission                           | \$ | 250     |            |
| Total Miscellaneous                            |    |         | 250        |
| Total Drug Control Fund                        |    |         | 45,728     |
| <br><u>Constitutional Officers - Fees Fund</u> |    |         |            |
| <u>Administration of Justice</u>               |    |         |            |
| <u>Circuit Court Clerk</u>                     |    |         |            |
| Bank Charges                                   | \$ | 1,467   |            |
| Total Circuit Court Clerk                      |    |         | \$ 1,467   |

(Continued)

Exhibit H-5

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court Clerk

|                                    |          |          |
|------------------------------------|----------|----------|
| Bank Charges                       | \$ 4,138 |          |
| Total General Sessions Court Clerk |          | \$ 4,138 |

Chancery Court

|   |          |       |
|---|----------|-------|
| Special Commissioner Fees/Special Master Fees | \$ 1,500 |       |
| Total Chancery Court                          |          | 1,500 |

Public Safety

Sheriff's Department

|                            |        |            |
|----------------------------|--------|------------|
| Bank Charges               | \$ 184 |            |
| Total Sheriff's Department |        | <u>184</u> |

|   |  |          |
|---|--|----------|
| Total Constitutional Officers - Fees Fund |  | \$ 7,289 |
|---|--|----------|

Highway/Public Works Fund

Highways

Administration

|  |              |            |
|--|--------------|------------|
| County Official/Administrative Officer           | \$ 67,152    |            |
| Assistant(s)                                     | 35,089       |            |
| Supervisor/Director                              | 27,179       |            |
| Secretary(ies)                                   | 38,045       |            |
| Dues and Memberships                             | 3,351        |            |
| Legal Notices, Recording, and Court Costs        | 77           |            |
| Maintenance & Repair Services - Office Equipment | 223          |            |
| Postal Charges                                   | 115          |            |
| Printing, Stationery, and Forms                  | 82           |            |
| Travel   | 146          |            |
| Other Contracted Services                        | 36,387       |            |
| Office Supplies                                  | 2,635        |            |
| Other Charges                                    | 609          |            |
| Communication Equipment                          | 3,284        |            |
| Office Equipment                                 | <u>1,537</u> |            |
| Total Administration                             |              | \$ 215,911 |

Highway and Bridge Maintenance

|                     |           |
|---------------------|-----------|
| Foremen             | \$ 63,428 |
| Equipment Operators | 138,523   |
| Truck Drivers       | 261,443   |
| Laborers            | 252,621   |
| Rentals             | 900       |

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

|                                      |    |         |              |
|--------------------------------------|----|---------|--------------|
| Other Contracted Services            | \$ | 2,357   |              |
| Asphalt - Hot Mix                    |    | 391,807 |              |
| Asphalt - Liquid                     |    | 2,242   |              |
| Concrete                             |    | 336     |              |
| Crushed Stone                        |    | 251,474 |              |
| Other Road Supplies                  |    | 6,137   |              |
| Pipe                                 |    | 15,649  |              |
| Road Signs                           |    | 8,864   |              |
| Small Tools                          |    | 351     |              |
| Uniforms                             |    | 17,874  |              |
| Wood Products                        |    | 268     |              |
| Other Supplies and Materials         |    | 1,682   |              |
| Total Highway and Bridge Maintenance |    |         | \$ 1,415,956 |

Operation and Maintenance of Equipment

|  |    |         |         |
|--|----|---------|---------|
| Mechanic(s)                                  | \$ | 81,388  |         |
| Freight Expenses                             |    | 2,080   |         |
| Maintenance & Repair Services - Equipment    |    | 16,797  |         |
| Other Contracted Services                    |    | 1,016   |         |
| Diesel Fuel                                  |    | 132,044 |         |
| Equipment and Machinery Parts                |    | 117,111 |         |
| Garage Supplies                              |    | 5,549   |         |
| Gasoline                                     |    | 108,420 |         |
| Lubricants                                   |    | 6,808   |         |
| Small Tools                                  |    | 1,979   |         |
| Tires and Tubes                              |    | 28,021  |         |
| Other Supplies and Materials                 |    | 7,556   |         |
| Total Operation and Maintenance of Equipment |    |         | 508,769 |

Other Charges

|                                    |    |        |        |
|------------------------------------|----|--------|--------|
| Communication                      | \$ | 8,719  |        |
| Electricity                        |    | 9,078  |        |
| Natural Gas                        |    | 6,613  |        |
| Water and Sewer                    |    | 1,645  |        |
| Judgments                          |    | 9,101  |        |
| Premiums on Corporate Surety Bonds |    | 231    |        |
| Trustee's Commission               |    | 30,130 |        |
| Vehicle and Equipment Insurance    |    | 18,964 |        |
| Other Charges                      |    | 1,975  |        |
| Total Other Charges                |    |        | 86,456 |

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

|                                  |    |         |            |
|----------------------------------|----|---------|------------|
| Social Security                  | \$ | 58,621  |            |
| State Retirement                 |    | 105,595 |            |
| Employee and Dependent Insurance |    | 160,462 |            |
| Unemployment Compensation        |    | 3,839   |            |
| Employer Medicare                |    | 13,710  |            |
| Other Fringe Benefits            |    | 2,350   |            |
| Workers' Compensation Insurance  |    | 67,050  |            |
| Total Employee Benefits          |    |         | \$ 411,627 |

Capital Outlay

|                        |    |        |         |
|------------------------|----|--------|---------|
| Furniture and Fixtures | \$ | 194    |         |
| Highway Equipment      |    | 48,377 |         |
| Motor Vehicles         |    | 1,534  |         |
| Other Capital Outlay   |    | 57,998 |         |
| Total Capital Outlay   |    |        | 108,103 |

Total Highway/Public Works Fund \$ 2,746,822

General Debt Service Fund

Principal on Debt

General Government

|                          |    |         |            |
|--------------------------|----|---------|------------|
| Principal on Notes       | \$ | 506,963 |            |
| Total General Government |    |         | \$ 506,963 |

Education

|                          |    |         |         |
|--------------------------|----|---------|---------|
| Principal on Other Loans | \$ | 762,000 |         |
| Total Education          |    |         | 762,000 |

Interest on Debt

General Government

|                          |    |        |        |
|--------------------------|----|--------|--------|
| Interest on Notes        | \$ | 24,676 |        |
| Total General Government |    |        | 24,676 |

Education

|                         |    |         |         |
|-------------------------|----|---------|---------|
| Interest on Other Loans | \$ | 291,207 |         |
| Total Education         |    |         | 291,207 |

Other Debt Service

General Government

|                          |    |        |        |
|--------------------------|----|--------|--------|
| Trustee's Commission     | \$ | 37,483 |        |
| Total General Government |    |        | 37,483 |

(Continued)

Exhibit H-5

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

General Debt Service Fund (Cont.)

Other Debt Service (Cont.)

Education

|                    |           |           |
|--------------------|-----------|-----------|
| Other Debt Service | \$ 26,566 |           |
| Total Education    |           | \$ 26,566 |

Total General Debt Service Fund \$ 1,648,895

General Capital Projects Fund

Capital Projects - Donated

Capital Projects Donated to Other Entities

|  |            |            |
|--|------------|------------|
| Contributions                                    | \$ 386,753 |            |
| Other Debt Issuance Charges                      | 31,850     |            |
| Total Capital Projects Donated to Other Entities |            | \$ 418,603 |

Total General Capital Projects Fund 418,603

Total Governmental Funds - Primary Government \$ 16,939,352

Exhibit H-6

Carter County, Tennessee  
Schedule of Detailed Receipts, Disbursements, and Changes  
in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2006

|  | Cities -<br>Sales Tax<br>Fund | City<br>School<br>ADA -<br>Elizabethton<br>Fund | Total               |
|--|-------------------------------|---|---------------------|
| <u>Cash Receipts</u>                                       |                               |   |                     |
| Current Property Taxes                                     | \$ 0                          | \$ 1,552,922                                    | \$ 1,552,922        |
| Trustee's Collections - Prior Years                        | 0                             | 53,062  | 53,062              |
| Circuit/Clerk and Master Collections -<br>Prior Years      | 0                             | 17,444  | 17,444              |
| Interest and Penalty                                       | 0                             | 15,550  | 15,550              |
| Payments in-Lieu-of Taxes - Local Utilities                | 0                             | 25,167  | 25,167              |
| Payments in-Lieu-of Taxes - Other                          | 0                             | 1,846   | 1,846               |
| Local Option Sales Tax                                     | 3,362,478                     | 1,088,838                                       | 4,451,316           |
| Bank Excise Tax  | 0                             | 17,883  | 17,883              |
| Interstate Telecommunications Tax                          | 0                             | 2,533   | 2,533               |
| Marriage Licenses  | 0                             | 554   | 554                 |
| Mixed Drink Tax  | 0                             | 637   | 637                 |
| Donations  | 0                             | 216   | 216                 |
| Total Cash Receipts  | <u>\$ 3,362,478</u>           | <u>\$ 2,776,652</u>                             | <u>\$ 6,139,130</u> |
| <u>Cash Disbursements</u>                                  |                               |   |                     |
| Remittance of Revenues Collected                           | \$ 3,328,853                  | \$ 2,710,690                                    | \$ 6,039,543        |
| Trustee's Commission                                       | 33,625                        | 43,931  | 77,556              |
| Total Cash Disbursements                                   | <u>\$ 3,362,478</u>           | <u>\$ 2,754,621</u>                             | <u>\$ 6,117,099</u> |
| Excess of Cash Receipts Over<br>(Under) Cash Disbursements | \$ 0                          | \$ 22,031                                       | \$ 22,031           |
| Cash Balance, July 1, 2005                                 | 0                             | 107,315   | 107,315             |
| Cash Balance, June 30, 2006                                | <u>\$ 0</u>                   | <u>\$ 129,346</u>                               | <u>\$ 129,346</u>   |

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

*CLIFFORD TUCKER, CPA*  
*Audit Manager*

*MARK A. TREECE, CPA*  
*Auditor 4*

*MARIE ELLIOTT, CPA*  
*J. DAVID FRAKES, CGFM*  
*DOUG SANDIDGE, CISA, CFE*  
*State Auditors*

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

---



---

**CARTER COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
TABLE OF CONTENTS**

---



---

|   | Exhibit | Page(s) |
|---|---------|---------|
| Audit Highlights  |         | 1       |
| <u>INTRODUCTORY SECTION</u>   |         | 3       |
| Carter County School Officials  |         | 5       |
| <u>FINANCIAL SECTION</u>  |         | 7       |
| Independent Auditor's Report  |         | 9-11    |
| BASIC FINANCIAL STATEMENTS:   |         | 13      |
| Fund Financial Statements:  |         |         |
| Governmental Funds:   |         |         |
| Balance Sheet   | A       | 15      |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances  | B       | 16      |
| Notes to the Financial Statements   |         | 17-33   |
| REQUIRED SUPPLEMENTARY INFORMATION:   |         | 35      |
| Schedules of Revenues, Expenditures, and Changes in Fund<br>Balances – Actual (Budgetary Basis) and Budget: |         |         |
| General Purpose School Fund   | C-1     | 37-38   |
| Central Cafeteria Fund  | C-2     | 39      |
| Notes to the Required Supplementary Information   |         | 41      |
| COMBINING AND INDIVIDUAL FUND FINANCIAL<br>STATEMENTS AND SCHEDULES:  |         | 43      |
| Nonmajor Governmental Funds:  |         | 45      |
| Combining Balance Sheet   | D-1     | 47      |
| Combining Statement of Revenues, Expenditures, and<br>Changes in Fund Balances                              | D-2     | 48      |
| Schedules of Revenues, Expenditures, and Changes in Fund<br>Balances – Actual and Budget:                   |         |         |
| School Federal Projects Fund  | D-3     | 49      |
| Other Education Special Revenue Fund  | D-4     | 50      |

|  | Exhibit | Page(s) |
|--|---------|---------|
| Miscellaneous Schedules:   |         | 51      |
| Schedule of Changes in Long-term Notes and Capital Leases          | E-1     | 53      |
| Schedule of Transfers  | E-2     | 54      |
| Schedule of Salaries and Official Bonds of Principal Officials     | E-3     | 55      |
| Schedule of Detailed Revenues – All Governmental<br>Fund Types     | E-4     | 56-58   |
| Schedule of Detailed Expenditures – All Governmental<br>Fund Types | E-5     | 59-74   |

# ***Audit Highlights***

Annual Financial Report  
Carter 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 Carter County School Department as of and for the year ended June 30, 2006.

## ***Results***

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

Our audit resulted in one finding and recommendation, which we have reviewed with Carter County School Department management. The detailed finding and recommendation is included in the Single Audit Section of this report.

## ***Finding***

The following is a summary of the audit finding:

### **OFFICE OF DIRECTOR OF SCHOOLS**

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

---

---

# INTRODUCTORY SECTION

---

---

Carter County School Officials  
June 30, 2006

---

**Official**

Dallas Williams, Director of Schools

**Board of Education**

Bobby McClain, Chairperson  
Dale Colbaugh  
Chuck Madgett  
Ted Maxwell

Daniel Holder  
Lee Morrow  
Jack Pearman  
Richard Winters

---

---

## FINANCIAL SECTION

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

February 15, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Carter County School Department, a component unit of Carter County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 33, which collectively comprise a portion of the Carter County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Carter County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

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

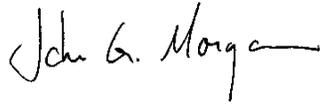
In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2007, on our consideration of the Carter County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Carter County School Department has adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and Governmental Accounting Standards Board Statement No. 47, Accounting for Termination Benefits.

The budgetary comparison information on pages 37 through 41 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carter County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

---

---

## **BASIC FINANCIAL STATEMENTS**

---

---

Exhibit A

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

|   | Major Funds            |                     | Nonmajor                 | Total                |
|---|------------------------|---------------------|--------------------------|----------------------|
|   | General Purpose School | Central Cafeteria   | Other Governmental Funds |                      |
| <u>ASSETS</u>   |                        |                     |                          |                      |
| Cash  | \$ 632,342             | \$ 84,729           | \$ 102,014               | \$ 819,085           |
| Equity in Pooled Cash and Investments                   | 3,260,185              | 1,074,493           | 320,012                  | 4,654,690            |
| Accounts Receivable                                     | 54,651                 | 0                   | 392                      | 55,043               |
| Due from Other Governments                              | 776,581                | 0                   | 84,527                   | 861,108              |
| Due from Other Funds                                    | 16,304                 | 0                   | 30,514                   | 46,818               |
| Due from Primary Government                             | 8,835                  | 0                   | 0                        | 8,835                |
| Property Taxes Receivable                               | 5,145,598              | 0                   | 0                        | 5,145,598            |
| Allowance for Uncollectible Property Taxes              | (118,853)              | 0                   | 0                        | (118,853)            |
| Total Assets  | <u>\$ 9,775,643</u>    | <u>\$ 1,159,222</u> | <u>\$ 537,459</u>        | <u>\$ 11,472,324</u> |
| <u>LIABILITIES AND FUND BALANCES</u>                    |                        |                     |                          |                      |
| <u>Liabilities</u>                                      |                        |                     |                          |                      |
| Accounts Payable  | \$ 364,512             | \$ 11,456           | \$ 20,923                | \$ 396,891           |
| Payroll Deductions Payable                              | 845,211                | 0                   | 813                      | 846,024              |
| Contracts Payable                                       | 0                      | 0                   | 99,197                   | 99,197               |
| Retainage Payable                                       | 0                      | 0                   | 11,022                   | 11,022               |
| Deferred Compensation Payable                           | 58,765                 | 0                   | 0                        | 58,765               |
| Due to Other Funds                                      | 30,514                 | 0                   | 16,304                   | 46,818               |
| Due to Cities   | 0                      | 0                   | 101,716                  | 101,716              |
| Other Current Liabilities                               | 632,342                | 40,120              | 102,014                  | 774,476              |
| Deferred Revenue - Current Property Taxes               | 4,836,013              | 0                   | 0                        | 4,836,013            |
| Deferred Revenue - Delinquent Property Taxes            | 165,250                | 0                   | 0                        | 165,250              |
| Other Deferred Revenues                                 | 288,758                | 0                   | 0                        | 288,758              |
| Total Liabilities                                       | <u>\$ 7,221,365</u>    | <u>\$ 51,576</u>    | <u>\$ 351,989</u>        | <u>\$ 7,624,930</u>  |
| <u>Fund Balances</u>                                    |                        |                     |                          |                      |
| Reserved for Encumbrances                               | \$ 286,630             | \$ 0                | \$ 1,029,307             | \$ 1,315,937         |
| Reserved for Career Ladder - Extended Contract          | 104,871                | 0                   | 0                        | 104,871              |
| Reserved for Career Ladder Program                      | 17,338                 | 0                   | 0                        | 17,338               |
| Reserved for Title I Grants to Local Education Agencies | 0                      | 0                   | 55,015                   | 55,015               |
| Reserved for Innovative Education Program Strategies    | 0                      | 0                   | 637                      | 637                  |
| Reserved for Special Education - Grants to States       | 0                      | 0                   | 205,535                  | 205,535              |
| Other Federal Reserves                                  | 0                      | 0                   | 39,872                   | 39,872               |
| Unreserved, Reported In:                                |                        |                     |                          |                      |
| General Fund  | 2,145,439              | 0                   | 0                        | 2,145,439            |
| Special Revenue Funds                                   | 0                      | 1,107,646           | 12,847                   | 1,120,493            |
| Capital Projects Funds (Deficit)                        | 0                      | 0                   | (1,157,743)              | (1,157,743)          |
| Total Fund Balances                                     | <u>\$ 2,554,278</u>    | <u>\$ 1,107,646</u> | <u>\$ 185,470</u>        | <u>\$ 3,847,394</u>  |
| Total Liabilities and Fund Balances                     | <u>\$ 9,775,643</u>    | <u>\$ 1,159,222</u> | <u>\$ 537,459</u>        | <u>\$ 11,472,324</u> |

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

Exhibit B

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

|   | Major Funds            |                     | Nonmajor                 | Total                |
|---|------------------------|---------------------|--------------------------|----------------------|
|   | General Purpose School | Central Cafeteria   | Other Governmental Funds |                      |
| <b>Revenues</b>                         |                        |                     |                          |                      |
| Local Taxes                             | \$ 8,308,968           | \$ 0                | \$ 0                     | \$ 8,308,968         |
| Licenses and Permits                    | 1,658                  | 0                   | 0                        | 1,658                |
| Charges for Current Services            | 302,928                | 913,740             | 0                        | 1,216,668            |
| Other Local Revenues                    | 343,816                | 31,993              | 500                      | 376,309              |
| State of Tennessee                      | 25,712,019             | 32,627              | 0                        | 25,744,646           |
| Federal Government                      | 955,536                | 1,602,598           | 4,730,005                | 7,288,139            |
| Other Governments and Citizens Groups   | 647                    | 0                   | 386,753                  | 387,400              |
| Total Revenues                          | <u>\$ 35,625,572</u>   | <u>\$ 2,580,958</u> | <u>\$ 5,117,258</u>      | <u>\$ 43,323,788</u> |
| <b>Expenditures</b>                     |                        |                     |                          |                      |
| Current:                                |                        |                     |                          |                      |
| Instruction                             | \$ 21,440,793          | \$ 0                | \$ 2,998,532             | \$ 24,439,325        |
| Support Services                        | 11,487,682             | 0                   | 679,183                  | 12,166,865           |
| Operation of Non-Instructional Services | 851,289                | 2,390,086           | 982,439                  | 4,223,814            |
| Capital Outlay                          | 402,387                | 0                   | 0                        | 402,387              |
| Debt Service:                           |                        |                     |                          |                      |
| Principal on Debt                       | 181,725                | 0                   | 0                        | 181,725              |
| Interest on Debt                        | 163,671                | 0                   | 0                        | 163,671              |
| Capital Projects                        | 0                      | 0                   | 413,596                  | 413,596              |
| Capital Projects - Donated              | 0                      | 0                   | 101,716                  | 101,716              |
| Total Expenditures                      | <u>\$ 34,527,547</u>   | <u>\$ 2,390,086</u> | <u>\$ 5,175,466</u>      | <u>\$ 42,093,099</u> |
| Excess (Deficiency) of Revenues         |                        |                     |                          |                      |
| Over Expenditures                       | <u>\$ 1,098,025</u>    | <u>\$ 190,872</u>   | <u>\$ (58,208)</u>       | <u>\$ 1,230,689</u>  |
| <b>Other Financing Sources (Uses)</b>   |                        |                     |                          |                      |
| Insurance Recovery                      | \$ 142,952             | \$ 0                | \$ 0                     | \$ 142,952           |
| Transfers In                            | 0                      | 0                   | 41,717                   | 41,717               |
| Transfers Out                           | (41,717)               | 0                   | 0                        | (41,717)             |
| Total Other Financing Sources (Uses)    | <u>\$ 101,235</u>      | <u>\$ 0</u>         | <u>\$ 41,717</u>         | <u>\$ 142,952</u>    |
| Net Change in Fund Balances             | \$ 1,199,260           | \$ 190,872          | \$ (16,491)              | \$ 1,373,641         |
| Fund Balance, July 1, 2005              | 1,355,018              | 916,774             | 201,961                  | 2,473,753            |
| Fund Balance, June 30, 2006             | <u>\$ 2,554,278</u>    | <u>\$ 1,107,646</u> | <u>\$ 185,470</u>        | <u>\$ 3,847,394</u>  |

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. Reporting Entity**

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

The School Department issues separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements.

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

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department 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 county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due.

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

The School Department reports the following major governmental funds:

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

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

Additionally, the School Department reports the following fund type:

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

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

**1. Deposits and Investments**

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

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

## 2. Receivables and Payables

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 1.24 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.

Most payables are disaggregated on the face of the financial statements. The Other Current Liabilities reflected in the General Purpose School, School Federal Projects, Central Cafeteria, and Other Education Special Revenue Funds represent the remaining balances in the teachers' insurance clearing accounts.

Retainage payable in the School Department's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the School Department's nonmajor governmental funds.

**3. Capital Assets**

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

**4. Compensated Absences**

The School Department has various policies related to vacation and sick leave benefits. Certain employees of the School Department are allowed to accumulate unused vacation benefits, but are only paid for 40 days of their unused vacation leave upon termination. The School Department, in accordance with contract provisions, allows all certified personnel to accumulate an unlimited amount of earned but unused sick leave benefits, which will be paid to employees at a rate of \$10 per day upon retirement. A liability for these benefits is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Non-certified employees are allowed to accumulate earned but unused sick leave benefits. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts to these employees when they separate from service with the government.

**5. Long-term Obligations**

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

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by

outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The School Department has designated \$21,400 of the General Purpose School Fund's unreserved fund balance for use by the extended school program as of June 30, 2006.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all the School Department's governmental funds except for the capital projects fund, which adopts project length budgets. 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 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 the General Purpose School Fund major categories: Regular Instruction Program, Alternative Instruction Program, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the 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 schedule.

### B. Fund Deficit

The Education Capital Projects Fund had a fund deficit of \$1,157,743 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$1,029,307 being reserved as encumbrances and the recognition of current liabilities of \$214,820 as of June 30, 2006. Funding for these future expenditures and liabilities have been provided for through the issuance of a loan agreement by the primary government.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

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

#### Deposits

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

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

#### Investments

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

Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2006, Carter County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Carter County and the School Department since both pool their deposits and investments through the county trustee.

| <u>Investment</u>                 | <u>Maturities</u> | <u>Cost</u>             |
|-----------------------------------|-------------------|-------------------------|
| State Treasurer's Investment Pool | Daily             | <u>\$ 93,723</u>        |
| Total                             |                   | <u><u>\$ 93,723</u></u> |

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Carter County has no investment policy that would further limit its investment choices. As of June 30, 2006, Carter County's investment in the State Treasurer's Investment Pool was unrated.

**B. Construction Commitments**

At June 30, 2006, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$1,029,307 for additions to Cloudland High School.

**C. Interfund Receivables, Payables, and Transfers**

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

**Due to/from other funds:**

| <u>Receivable Fund</u> | <u>Payable Fund</u>    | <u>Amount</u> |
|------------------------|------------------------|---------------|
| General Purpose School | Nonmajor governmental  | \$ 16,304     |
| Nonmajor governmental  | General Purpose School | 30,514        |

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

**Due to/from primary government:**

| Receivable Fund    | Payable Fund        | Amount   |
|--------------------|---------------------|----------|
| Component unit:    |                     |          |
| School Department: | Primary government: |          |
| General Purpose    | General Fund        | \$ 8,835 |
| School Fund        |                     |          |

This balance of \$8,835 due to the General Purpose School Fund from the General Fund resulted from revenues incorrectly posted to the wrong fund.

**Interfund transfers:**

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

| Transfer Out                | Transfer In<br>Nonmajor<br>Governmental<br>Funds |
|-----------------------------|--|
| General Purpose School Fund | \$ 41,717  |
| Total                       | \$ 41,717  |

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.

**D. Capital Lease**

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

Since the School Department is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but

the School Department is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

| Year Ending<br>June 30                     | Governmental<br>Funds |
|--|-----------------------|
| 2007                                       | \$ 334,331            |
| 2008                                       | 334,331               |
| 2009                                       | 334,331               |
| 2010                                       | 334,331               |
| 2011                                       | 334,331               |
| 2012-2016                                  | 1,671,655             |
| 2017-2018                                  | 359,105               |
| Total Minimum Lease Payments               | \$ 3,702,415          |
| Amount Representing Interest               | (976,672)             |
| Present Value of Minimum<br>Lease Payments | <u>\$ 2,725,743</u>   |

**E. Long-term Debt**

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

Note

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

The capital outlay note is a direct obligation and pledges the full faith and credit of the government. The capital outlay note outstanding was issued for an original term of 18 years. The note included in long-term debt as of June 30, 2006, will be retired from the General Purpose School Fund.

The capital outlay note and capital lease outstanding as of June 30, 2006, are as follows:

| Type                | Interest<br>Rate |   | Original<br>Amount<br>of Issue | Balance<br>6-30-06 |
|---------------------|------------------|---|--------------------------------|--------------------|
| Capital Outlay Note | 0                | % | \$ 199,164                     | \$ 28,105          |
| Capital Lease       | 5.8              |   | 3,200,000                      | 2,725,743          |

The annual requirements to amortize the note outstanding as of June 30, 2006, are presented in the following table:

| Year Ending<br>June 30 | Note             |
|------------------------|------------------|
| 2007                   | \$ 11,065        |
| 2008                   | 11,065           |
| 2009                   | <u>5,975</u>     |
| Total                  | <u>\$ 28,105</u> |

Changes in Long-term Liabilities

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

Governmental Activities:

|                             | Note             | Capital<br>Lease    | Compensated<br>Absences |
|-----------------------------|------------------|---------------------|-------------------------|
| Balance, July 1, 2005       | \$ 39,170        | \$ 2,896,403        | \$ 623,841              |
| Additions                   | 0                | 0                   | 238,436                 |
| Deductions                  | <u>(11,065)</u>  | <u>(170,660)</u>    | <u>(221,747)</u>        |
| Balance, June 30, 2006      | <u>\$ 28,105</u> | <u>\$ 2,725,743</u> | <u>\$ 640,530</u>       |
| Balance Due Within One Year | <u>\$ 11,065</u> | <u>\$ 180,825</u>   | <u>\$ 232,834</u>       |

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

**IV. OTHER INFORMATION**

**A. Risk Management**

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

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

**B. Accounting Changes**

For the year ended June 30, 2006, Carter County has adopted the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and GASB Statement No. 47, Accounting for Termination Benefits.

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. Statement No. 42 also clarifies and establishes accounting requirements for insurance recoveries.

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.

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 Carter County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. 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 Carter 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.

**C. Subsequent Event**

Subsequent to June 30, 2006, Carter County, the primary government, drew loan proceeds of \$1,554,718 and contributed those proceeds to the School Department.

**D. Contingent Liabilities**

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

**E. Jointly Governed Organizations**

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

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

**F. Retirement Commitments**

**Plan Description**

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

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

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

## SCHOOL TEACHERS

### **Plan Description**

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the 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 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 \$1,088,526, \$1,082,672, and \$637,105, respectively, equal to the required contributions for each year.

**G. Other Post-employment Benefits**

In addition to the retirement commitments described above, the School Department provides post-retirement medical, dental, and life insurance benefits, in accordance with contract provisions, to all certified teachers who upon retirement are (a) at least 55 years of age or have at least 25 years of service and (b) have been employed with the Carter County School System for at least 15 years total with the last five years preceding retirement having been in the Carter County School System. Post-retirement health care and life insurance benefits are also provided to paraprofessionals who retire from the School Department. To be eligible for benefits, the employee must meet one of the following criteria. The employee may be of any age but have at least 30 years of service, or age 60 with at least 15 years of service, or age 55 with at least 17 years of service. Benefits are paid until the retirees reach age 65. Currently, 110 school retirees meet those eligibility requirements. During the year, expenditures totaling \$358,843 were recognized for post-employment health care.

**H. Termination Benefits**

The Carter County School Department has entered into a retirement incentive bonus payment plan, in accordance with contract provisions. This plan is available to all certified teachers who are (a) at least 55 years of age or have at least 25 years of service and (b) have been employed with the Carter County School System for at least 15 years total with the last five years preceding retirement having been in the Carter County School System. The plan gives teachers who have met the above requirements and are between the ages of 62 to 65, a one-time bonus, of between \$2,000 to \$5,000 when the employee retires. Thirteen employees participated in the program during the 2005-06 fiscal year receiving bonuses totaling \$78,435. These bonuses were paid from the General Purpose School Fund.

**I. Office of Central Accounting and Budgeting**

**Office of Director of Finance**

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

**J. Purchasing Law**

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

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit C-1

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

|                                       | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2005 | Add:<br>Encumbrances<br>6/30/2006 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts     |                      | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|----------------------|----------------------|--|
|                                       |                           |                                   |                                   |   | Original             | Final                |  |
| <u>Revenues</u>                       |                           |                                   |                                   |   |                      |                      |  |
| Local Taxes                           | \$ 8,308,968              | \$ 0                              | \$ 0                              | \$ 8,308,968  | \$ 7,626,575         | \$ 7,626,575         | \$ 682,393   |
| Licenses and Permits                  | 1,658                     | 0                                 | 0                                 | 1,658   | 1,500                | 1,500                | 158  |
| Charges for Current Services          | 302,928                   | 0                                 | 0                                 | 302,928   | 266,000              | 323,000              | (20,072)   |
| Other Local Revenues                  | 343,816                   | 0                                 | 0                                 | 343,816   | 83,600               | 127,975              | 215,841  |
| State of Tennessee                    | 25,712,019                | 0                                 | 0                                 | 25,712,019  | 25,694,061           | 25,684,425           | 27,594   |
| Federal Government                    | 955,536                   | 0                                 | 0                                 | 955,536   | 166,400              | 1,178,403            | (222,867)  |
| Other Governments and Citizens Groups | 647                       | 0                                 | 0                                 | 647   | 0                    | 0                    | 647  |
| <b>Total Revenues</b>                 | <b>\$ 35,625,572</b>      | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 35,625,572</b>  | <b>\$ 33,838,136</b> | <b>\$ 34,941,878</b> | <b>\$ 683,694</b>  |
| <u>Expenditures</u>                   |                           |                                   |                                   |   |                      |                      |  |
| <u>Instruction</u>                    |                           |                                   |                                   |   |                      |                      |  |
| Regular Instruction Program           | \$ 17,137,519             | \$ 0                              | \$ 0                              | \$ 17,137,519   | \$ 17,432,405        | \$ 17,359,624        | \$ 222,105   |
| Alternative Instruction Program       | 94,666                    | 0                                 | 0                                 | 94,666  | 155,585              | 115,245              | 20,579   |
| Special Education Program             | 2,672,118                 | 0                                 | 0                                 | 2,672,118   | 2,700,505            | 2,686,559            | 14,441   |
| Vocational Education Program          | 1,419,339                 | 0                                 | 0                                 | 1,419,339   | 1,437,280            | 1,464,221            | 44,882   |
| Adult Education Program               | 117,151                   | 0                                 | 0                                 | 117,151   | 107,222              | 122,222              | 5,071  |
| <u>Support Services</u>               |                           |                                   |                                   |   |                      |                      |  |
| Health Services                       | 135,656                   | 0                                 | 0                                 | 135,656   | 140,861              | 139,861              | 4,205  |
| Other Student Support                 | 783,972                   | 0                                 | 0                                 | 783,972   | 795,855              | 791,960              | 7,988  |
| Regular Instruction Program           | 1,293,169                 | 0                                 | 0                                 | 1,293,169   | 1,294,783            | 1,302,883            | 9,714  |
| Alternative Instruction Program       | 101,841                   | 0                                 | 0                                 | 101,841   | 0                    | 112,140              | 10,299   |
| Special Education Program             | 381,298                   | 0                                 | 0                                 | 381,298   | 351,795              | 386,711              | 5,413  |
| Vocational Education Program          | 97,520                    | 0                                 | 0                                 | 97,520  | 104,845              | 105,295              | 7,775  |
| Adult Programs                        | 33,651                    | 0                                 | 0                                 | 33,651  | 38,191               | 38,191               | 4,540  |
| Board of Education                    | 830,502                   | 0                                 | 0                                 | 830,502   | 859,850              | 870,850              | 40,348   |
| Director of Schools                   | 343,312                   | 0                                 | 0                                 | 343,312   | 349,165              | 352,620              | 9,308  |

(Continued)

Exhibit C-1

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2005 | Add:<br>Encumbrances<br>6/30/2006 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |               | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|---------------|--|
|  |                           |                                   |                                   |   | Original         | Final         |  |
| <u>Expenditures (Cont.)</u>                    |                           |                                   |                                   |   |                  |               |  |
| <u>Support Services (Cont.)</u>                |                           |                                   |                                   |   |                  |               |  |
| Office of the Principal                        | \$ 2,072,897              | \$ 0                              | \$ 0                              | \$ 2,072,897  | \$ 2,057,800     | \$ 2,083,300  | \$ 10,403  |
| Fiscal Services                                | 183,095                   | 0                                 | 0                                 | 183,095   | 204,193          | 195,693       | 12,598   |
| Operation of Plant                             | 2,380,003                 | 0                                 | 0                                 | 2,380,003   | 2,317,092        | 2,459,486     | 79,483   |
| Maintenance of Plant                           | 654,348                   | 0                                 | 0                                 | 654,348   | 653,644          | 658,747       | 4,399  |
| Transportation                                 | 1,976,463                 | 0                                 | 286,630                           | 2,263,093   | 1,870,649        | 2,303,026     | 39,933   |
| Central and Other                              | 219,955                   | 0                                 | 0                                 | 219,955   | 221,800          | 222,000       | 2,045  |
| <u>Operation of Non-Instructional Services</u> |                           |                                   |                                   |   |                  |               |  |
| Community Services                             | 851,289                   | 0                                 | 0                                 | 851,289   | 155,551          | 1,077,518     | 226,229  |
| <u>Capital Outlay</u>                          |                           |                                   |                                   |   |                  |               |  |
| Regular Capital Outlay                         | 402,387                   | (54,000)                          | 0                                 | 348,387   | 200,000          | 392,805       | 44,418   |
| <u>Principal on Debt</u>                       |                           |                                   |                                   |   |                  |               |  |
| Education                                      | 181,725                   | 0                                 | 0                                 | 181,725   | 161,065          | 179,875       | (1,850)  |
| <u>Interest on Debt</u>                        |                           |                                   |                                   |   |                  |               |  |
| Education                                      | 163,671                   | 0                                 | 0                                 | 163,671   | 184,700          | 165,890       | 2,219  |
| Total Expenditures                             | \$ 34,527,547             | \$ (54,000)                       | \$ 286,630                        | \$ 34,760,177   | \$ 33,794,836    | \$ 35,586,722 | \$ 826,545   |
| <u>Excess (Deficiency) of Revenues</u>         |                           |                                   |                                   |   |                  |               |  |
| Over Expenditures                              | \$ 1,098,025              | \$ 54,000                         | \$ (286,630)                      | \$ 865,395  | \$ 43,300        | \$ (644,844)  | \$ 1,510,239   |
| <u>Other Financing Sources (Uses)</u>          |                           |                                   |                                   |   |                  |               |  |
| Insurance Recovery                             | \$ 142,952                | \$ 0                              | \$ 0                              | \$ 142,952  | \$ 0             | \$ 141,065    | \$ 1,887   |
| Transfers Out                                  | (41,717)                  | 0                                 | 0                                 | (41,717)  | (43,300)         | (43,300)      | 1,583  |
| Total Other Financing Sources (Uses)           | \$ 101,235                | \$ 0                              | \$ 0                              | \$ 101,235  | \$ (43,300)      | \$ 97,765     | \$ 3,470   |
| Net Change in Fund Balance                     | \$ 1,199,260              | \$ 54,000                         | \$ (286,630)                      | \$ 966,630  | \$ 0             | \$ (547,079)  | \$ 1,513,709   |
| Fund Balance, July 1, 2005                     | 1,355,018                 | (54,000)                          | 0                                 | 1,301,018   | 1,105,131        | 1,105,131     | 195,887  |
| Fund Balance, June 30, 2006                    | \$ 2,554,278              | \$ 0                              | \$ (286,630)                      | \$ 2,267,648  | \$ 1,105,131     | \$ 558,052    | \$ 1,709,596   |

Exhibit C-2

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

|   | Actual              | Budgeted Amounts    |                     | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
|   |                     | Original            | Final               |  |
| <u>Revenues</u>                                   |                     |                     |                     |  |
| Charges for Current Services                      | \$ 913,740          | \$ 868,170          | \$ 868,170          | \$ 45,570  |
| Other Local Revenues                              | 31,993              | 10,200              | 10,200              | 21,793   |
| State of Tennessee                                | 32,627              | 33,000              | 33,000              | (373)  |
| Federal Government                                | 1,602,598           | 1,527,000           | 1,527,000           | 75,598   |
| Total Revenues                                    | <u>\$ 2,580,958</u> | <u>\$ 2,438,370</u> | <u>\$ 2,438,370</u> | <u>\$ 142,588</u>                                |
| <u>Expenditures</u>                               |                     |                     |                     |  |
| <u>Operation of Non-Instructional Services</u>    |                     |                     |                     |  |
| Food Service                                      | \$ 2,390,086        | \$ 2,438,370        | \$ 2,438,370        | \$ 48,284  |
| Total Expenditures                                | <u>\$ 2,390,086</u> | <u>\$ 2,438,370</u> | <u>\$ 2,438,370</u> | <u>\$ 48,284</u>                                 |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 190,872</u>   | <u>\$ 0</u>         | <u>\$ 0</u>         | <u>\$ 190,872</u>                                |
| Net Change in Fund Balance                        | \$ 190,872          | \$ 0                | \$ 0                | \$ 190,872                                       |
| Fund Balance, July 1, 2005                        | 916,774             | 834,088             | 834,088             | 82,686   |
| Fund Balance, June 30, 2006                       | <u>\$ 1,107,646</u> | <u>\$ 834,088</u>   | <u>\$ 834,088</u>   | <u>\$ 273,558</u>                                |

**CARTER COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CARTER 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 Carter County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

---

---

**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.

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

## Capital Projects Fund

---

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

---

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

## Exhibit D-1

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

|   | <u>Special Revenue Funds</u> |                  |                   | <u>Capital</u>      | <u>Total</u>        |
|---|------------------------------|------------------|-------------------|---------------------|---------------------|
|   | <u>School</u>                | <u>Other</u>     |                   | <u>Projects</u>     |                     |
|   | <u>Federal</u>               | <u>Education</u> | <u>Total</u>      | <u>Capital</u>      | <u>Nonmajor</u>     |
|   | <u>Projects</u>              | <u>Special</u>   |                   | <u>Projects</u>     | <u>Governmental</u> |
|   |                              | <u>Revenue</u>   |                   |                     | <u>Funds</u>        |
| <u>ASSETS</u>   |                              |                  |                   |                     |                     |
| Cash  | \$ 79,058                    | \$ 22,956        | \$ 102,014        | \$ 0                | \$ 102,014          |
| Equity in Pooled Cash and Investments                   | 220,366                      | 13,262           | 233,628           | 86,384              | 320,012             |
| Accounts Receivable                                     | 392                          | 0                | 392               | 0                   | 392                 |
| Due from Other Governments                              | 84,527                       | 0                | 84,527            | 0                   | 84,527              |
| Due from Other Funds                                    | 30,514                       | 0                | 30,514            | 0                   | 30,514              |
| Total Assets  | <u>\$ 414,857</u>            | <u>\$ 36,218</u> | <u>\$ 451,075</u> | <u>\$ 86,384</u>    | <u>\$ 537,459</u>   |
| <u>LIABILITIES AND FUND BALANCES</u>                    |                              |                  |                   |                     |                     |
| <u>Liabilities</u>                                      |                              |                  |                   |                     |                     |
| Accounts Payable  | \$ 17,623                    | \$ 415           | \$ 18,038         | \$ 2,885            | \$ 20,923           |
| Payroll Deductions Payable                              | 813                          | 0                | 813               | 0                   | 813                 |
| Contracts Payable                                       | 0                            | 0                | 0                 | 99,197              | 99,197              |
| Retainage Payable                                       | 0                            | 0                | 0                 | 11,022              | 11,022              |
| Due to Other Funds                                      | 16,304                       | 0                | 16,304            | 0                   | 16,304              |
| Due to Cities   | 0                            | 0                | 0                 | 101,716             | 101,716             |
| Other Current Liabilities                               | 79,058                       | 22,956           | 102,014           | 0                   | 102,014             |
| Total Liabilities                                       | <u>\$ 113,798</u>            | <u>\$ 23,371</u> | <u>\$ 137,169</u> | <u>\$ 214,820</u>   | <u>\$ 351,989</u>   |
| <u>Fund Balances</u>                                    |                              |                  |                   |                     |                     |
| Reserved for Encumbrances                               | \$ 0                         | \$ 0             | \$ 0              | \$ 1,029,307        | \$ 1,029,307        |
| Reserved for Title I Grants to Local Education Agencies | 55,015                       | 0                | 55,015            | 0                   | 55,015              |
| Reserved for Innovative Education Program Strategies    | 637                          | 0                | 637               | 0                   | 637                 |
| Reserved for Special Education - Grants to States       | 205,535                      | 0                | 205,535           | 0                   | 205,535             |
| Other Federal Reserves                                  | 39,872                       | 0                | 39,872            | 0                   | 39,872              |
| Unreserved (Deficit)                                    | 0                            | 12,847           | 12,847            | (1,157,743)         | (1,144,896)         |
| Total Fund Balances                                     | <u>\$ 301,059</u>            | <u>\$ 12,847</u> | <u>\$ 313,906</u> | <u>\$ (128,436)</u> | <u>\$ 185,470</u>   |
| Total Liabilities and Fund Balances                     | <u>\$ 414,857</u>            | <u>\$ 36,218</u> | <u>\$ 451,075</u> | <u>\$ 86,384</u>    | <u>\$ 537,459</u>   |

Exhibit D-2

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

|  | Special Revenue Funds         |  |                     | Capital<br>Projects<br>Fund      | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------------|--|---------------------|----------------------------------|--|
|  | School<br>Federal<br>Projects | Other<br>Education<br>Special<br>Revenue | Total               | Education<br>Capital<br>Projects |  |
| <u>Revenues</u>                                      |                               |  |                     |                                  |  |
| Other Local Revenues                                 | \$ 0                          | \$ 500                                   | \$ 500              | \$ 0                             | \$ 500                                     |
| Federal Government                                   | 3,743,421                     | 986,584                                  | 4,730,005           | 0                                | 4,730,005                                  |
| Other Governments and Citizens Groups                | 0                             | 0  | 0                   | 386,753                          | 386,753                                    |
| Total Revenues                                       | <u>\$ 3,743,421</u>           | <u>\$ 987,084</u>                        | <u>\$ 4,730,505</u> | <u>\$ 386,753</u>                | <u>\$ 5,117,258</u>                        |
| <u>Expenditures</u>                                  |                               |  |                     |                                  |  |
| Current:   |                               |  |                     |                                  |  |
| Instruction  | \$ 2,998,532                  | \$ 0                                     | \$ 2,998,532        | \$ 0                             | \$ 2,998,532                               |
| Support Services                                     | 679,183                       | 0  | 679,183             | 0                                | 679,183                                    |
| Operation of Non-Instructional Services              | 0                             | 982,439                                  | 982,439             | 0                                | 982,439                                    |
| Capital Projects                                     | 0                             | 0  | 0                   | 413,596                          | 413,596                                    |
| Capital Projects - Donated                           | 0                             | 0  | 0                   | 101,716                          | 101,716                                    |
| Total Expenditures                                   | <u>\$ 3,677,715</u>           | <u>\$ 982,439</u>                        | <u>\$ 4,660,154</u> | <u>\$ 515,312</u>                | <u>\$ 5,175,466</u>                        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ 65,706                     | \$ 4,645                                 | \$ 70,351           | \$ (128,559)                     | \$ (58,208)                                |
| <u>Other Financing Sources (Uses)</u>                |                               |  |                     |                                  |  |
| Transfers In   | \$ 41,717                     | \$ 0                                     | \$ 41,717           | \$ 0                             | \$ 41,717                                  |
| Total Other Financing Sources (Uses)                 | <u>\$ 41,717</u>              | <u>\$ 0</u>                              | <u>\$ 41,717</u>    | <u>\$ 0</u>                      | <u>\$ 41,717</u>                           |
| Net Change in Fund Balances                          | \$ 107,423                    | \$ 4,645                                 | \$ 112,068          | \$ (128,559)                     | \$ (16,491)                                |
| Fund Balance, July 1, 2005                           | 193,636                       | 8,202                                    | 201,838             | 123                              | 201,961                                    |
| Fund Balance, June 30, 2006                          | <u>\$ 301,059</u>             | <u>\$ 12,847</u>                         | <u>\$ 313,906</u>   | <u>\$ (128,436)</u>              | <u>\$ 185,470</u>                          |

## Exhibit D-3

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

|  | Actual       | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|--------------|------------------|--------------|--|
|  |              | Original         | Final        |  |
| <u>Revenues</u>                                      |              |                  |              |  |
| Federal Government                                   | \$ 3,743,421 | \$ 3,932,467     | \$ 3,947,182 | \$ (203,761)   |
| Total Revenues                                       | \$ 3,743,421 | \$ 3,932,467     | \$ 3,947,182 | \$ (203,761)   |
| <u>Expenditures</u>                                  |              |                  |              |  |
| <u>Instruction</u>                                   |              |                  |              |  |
| Regular Instruction Program                          | \$ 1,648,413 | \$ 1,627,326     | \$ 1,687,018 | \$ 38,605  |
| Alternative Instruction Program                      | 6,848        | 8,033            | 6,848        | 0  |
| Special Education Program                            | 1,172,114    | 1,324,670        | 1,297,190    | 125,076  |
| Vocational Education Program                         | 171,157      | 171,568          | 171,157      | 0  |
| <u>Support Services</u>                              |              |                  |              |  |
| Health Services                                      | 63,237       | 45,170           | 68,362       | 5,125  |
| Other Student Support                                | 153,464      | 157,642          | 158,186      | 4,722  |
| Regular Instruction Program                          | 216,142      | 334,688          | 332,088      | 115,946  |
| Special Education Program                            | 205,345      | 224,430          | 226,858      | 21,513   |
| Vocational Education Program                         | 7,252        | 5,000            | 7,252        | 0  |
| Transportation                                       | 33,743       | 33,940           | 33,940       | 197  |
| Total Expenditures                                   | \$ 3,677,715 | \$ 3,932,467     | \$ 3,988,899 | \$ 311,184   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ 65,706    | \$ 0             | \$ (41,717)  | \$ 107,423   |
| <u>Other Financing Sources (Uses)</u>                |              |                  |              |  |
| Transfers In   | \$ 41,717    | \$ 56,000        | \$ 41,717    | \$ 0   |
| Transfers Out  | 0            | (56,000)         | 0            | 0  |
| Total Other Financing Sources (Uses)                 | \$ 41,717    | \$ 0             | \$ 41,717    | \$ 0   |
| Net Change in Fund Balance                           | \$ 107,423   | \$ 0             | \$ 0         | \$ 107,423   |
| Fund Balance, July 1, 2005                           | 193,636      | 0                | 0            | 193,636  |
| Fund Balance, June 30, 2006                          | \$ 301,059   | \$ 0             | \$ 0         | \$ 301,059   |

## Exhibit D-4

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

|  | Actual                  | Budgeted Amounts    |                     | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|-------------------------|---------------------|---------------------|--|
|  |                         | Original            | Final               |  |
| <u>Revenues</u>                                      |                         |                     |                     |  |
| Other Local Revenues                                 | \$ 500                  | \$ 0                | \$ 0                | \$ 500   |
| Federal Government                                   | 986,584                 | 1,013,348           | 1,013,348           | (26,764)   |
| Total Revenues                                       | <u>\$ 987,084</u>       | <u>\$ 1,013,348</u> | <u>\$ 1,013,348</u> | <u>\$ (26,264)</u>   |
| <u>Expenditures</u>                                  |                         |                     |                     |  |
| <u>Operation of Non-Instructional Services</u>       |                         |                     |                     |  |
| Early Childhood Education                            | \$ 982,439              | \$ 1,013,348        | \$ 1,013,348        | \$ 30,909  |
| Total Expenditures                                   | <u>\$ 982,439</u>       | <u>\$ 1,013,348</u> | <u>\$ 1,013,348</u> | <u>\$ 30,909</u>   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 4,645</u>         | <u>\$ 0</u>         | <u>\$ 0</u>         | <u>\$ 4,645</u>  |
| Net Change in Fund Balance                           | \$ 4,645                | \$ 0                | \$ 0                | \$ 4,645   |
| Fund Balance, July 1, 2005                           | 8,202                   | 0                   | 0                   | 8,202  |
| Fund Balance, June 30, 2006                          | <u><u>\$ 12,847</u></u> | <u><u>\$ 0</u></u>  | <u><u>\$ 0</u></u>  | <u><u>\$ 12,847</u></u>                                      |

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit E-1

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

| Description of Indebtedness                        | Original<br>Amount<br>of Issue | Interest<br>Rate | Date<br>of<br>Issue | Last<br>Maturity<br>Date | Outstanding<br>7-1-05 | Paid and/or<br>Matured<br>During<br>Period | Outstanding<br>6-30-06 |
|--|--------------------------------|------------------|---------------------|--------------------------|-----------------------|--|------------------------|
| <u>NOTES PAYABLE</u>                               |                                |                  |                     |                          |                       |  |                        |
| <u>Payable through General Purpose School Fund</u> |                                |                  |                     |                          |                       |  |                        |
| EPA Asbestos Removal                               | \$ 199,164                     | 0 %              | 10-23-1991          | 5-30-09                  | \$ 39,170             | \$ 11,065                                  | \$ 28,105              |
| Total Payable through General Purpose School Fund  |                                |                  |                     |                          | <u>\$ 39,170</u>      | <u>\$ 11,065</u>                           | <u>\$ 28,105</u>       |
| Total Notes Payable                                |                                |                  |                     |                          | <u>\$ 39,170</u>      | <u>\$ 11,065</u>                           | <u>\$ 28,105</u>       |
| <u>CAPITAL LEASES PAYABLE</u>                      |                                |                  |                     |                          |                       |  |                        |
| <u>Payable through General Purpose School Fund</u> |                                |                  |                     |                          |                       |  |                        |
| Energy Lighting and Control Equipment              | 3,200,000                      | 5.8              | 11-25-02            | 7-15-17                  | \$ 2,896,403          | \$ 170,660                                 | \$ 2,725,743           |
| Total Payable through General Purpose School Fund  |                                |                  |                     |                          | <u>\$ 2,896,403</u>   | <u>\$ 170,660</u>                          | <u>\$ 2,725,743</u>    |
| Total Capital Leases Payable                       |                                |                  |                     |                          | <u>\$ 2,896,403</u>   | <u>\$ 170,660</u>                          | <u>\$ 2,725,743</u>    |

Exhibit E-2

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

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

Exhibit E-3

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

| Official               | Authorization for Salary                                  | Salary<br>Paid<br>During<br>Period | Bond      | Surety   |
|------------------------|---|------------------------------------|-----------|--|
| Director of Schools    | State Board of Education and<br>County Board of Education | \$ 89,505                          | \$ 50,000 | Western Surety Company                           |
| Employee Blanket Bonds | Public Employee Dishonesty - School Department            |                                    | 150,000   | Tennessee School Boards<br>Risk Management Trust |

Exhibit E-4

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

|   | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Other<br>Education<br>Special<br>Revenue | Education<br>Capital<br>Projects | Total        |
|---|------------------------------|-------------------------------|----------------------|--|----------------------------------|--------------|
| <u>Local Taxes</u>                                  |                              |                               |                      |  |                                  |              |
| <u>County Property Taxes</u>                        |                              |                               |                      |  |                                  |              |
| Current Property Tax                                | \$ 4,621,986                 | \$ 0                          | \$ 0                 | \$ 0                                     | \$ 0                             | \$ 4,621,986 |
| Trustee's Collections - Prior Year                  | 167,677                      | 0                             | 0                    | 0  | 0                                | 167,677      |
| Circuit/Clerk & Master Collections - Prior Years    | 52,727                       | 0                             | 0                    | 0  | 0                                | 52,727       |
| Interest and Penalty                                | 46,785                       | 0                             | 0                    | 0  | 0                                | 46,785       |
| Payments in-Lieu-of Taxes - T.V.A.                  | 15,046                       | 0                             | 0                    | 0  | 0                                | 15,046       |
| Payments in-Lieu-of Taxes - Local Utilities         | 74,445                       | 0                             | 0                    | 0  | 0                                | 74,445       |
| Payments in-Lieu-of Taxes - Other                   | 5,584                        | 0                             | 0                    | 0  | 0                                | 5,584        |
| <u>County Local Option Taxes</u>                    |                              |                               |                      |  |                                  |              |
| Local Option Sales Tax                              | 3,263,080                    | 0                             | 0                    | 0  | 0                                | 3,263,080    |
| <u>Statutory Local Taxes</u>                        |                              |                               |                      |  |                                  |              |
| Bank Excise Tax                                     | 53,635                       | 0                             | 0                    | 0  | 0                                | 53,635       |
| Interstate Telecommunications Tax                   | 8,003                        | 0                             | 0                    | 0  | 0                                | 8,003        |
| Total Local Taxes                                   | \$ 8,308,968                 | \$ 0                          | \$ 0                 | \$ 0                                     | \$ 0                             | \$ 8,308,968 |
| <u>Licenses and Permits</u>                         |                              |                               |                      |  |                                  |              |
| <u>Licenses</u>                                     |                              |                               |                      |  |                                  |              |
| Marriage Licenses                                   | \$ 1,658                     | \$ 0                          | \$ 0                 | \$ 0                                     | \$ 0                             | \$ 1,658     |
| Total Licenses and Permits                          | \$ 1,658                     | \$ 0                          | \$ 0                 | \$ 0                                     | \$ 0                             | \$ 1,658     |
| <u>Charges for Current Services</u>                 |                              |                               |                      |  |                                  |              |
| <u>Education Charges</u>                            |                              |                               |                      |  |                                  |              |
| Lunch Payments - Children                           | \$ 0                         | \$ 0                          | \$ 398,034           | \$ 0                                     | \$ 0                             | \$ 398,034   |
| Lunch Payments - Adults                             | 0                            | 0                             | 76,232               | 0  | 0                                | 76,232       |
| Income from Breakfast                               | 0                            | 0                             | 172,267              | 0  | 0                                | 172,267      |
| Special Milk Sales                                  | 0                            | 0                             | 2,884                | 0  | 0                                | 2,884        |
| A la carte Sales                                    | 0                            | 0                             | 164,660              | 0  | 0                                | 164,660      |
| Contract for Instructional Services with Other LEAs | 54,504                       | 0                             | 0                    | 0  | 0                                | 54,504       |
| Receipts from Individual Schools                    | 84,933                       | 0                             | 0                    | 0  | 0                                | 84,933       |
| Community Service Fees - Children                   | 163,491                      | 0                             | 0                    | 0  | 0                                | 163,491      |
| <u>Other Charges for Services</u>                   |                              |                               |                      |  |                                  |              |
| Other Charges for Services                          | 0                            | 0                             | 99,663               | 0  | 0                                | 99,663       |
| Total Charges for Current Services                  | \$ 302,928                   | \$ 0                          | \$ 913,740           | \$ 0                                     | \$ 0                             | \$ 1,216,668 |

(Continued)

Exhibit E-4

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

|   | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Other<br>Education<br>Special<br>Revenue | Education<br>Capital<br>Projects | Total         |
|---|------------------------------|-------------------------------|----------------------|--|----------------------------------|---------------|
| <u>Other Local Revenues</u>                   |                              |                               |                      |  |                                  |               |
| <u>Recurring Items</u>                        |                              |                               |                      |  |                                  |               |
| Investment Income                             | \$ 940                       | \$ 0                          | \$ 31,976            | \$ 0                                     | \$ 0                             | \$ 32,916     |
| Lease/Rentals                                 | 3,600                        | 0                             | 0                    | 0  | 0                                | 3,600         |
| Miscellaneous Refunds                         | 286,728                      | 0                             | 17                   | 0  | 0                                | 286,745       |
| <u>Nonrecurring Items</u>                     |                              |                               |                      |  |                                  |               |
| Sale of Equipment                             | 8,011                        | 0                             | 0                    | 0  | 0                                | 8,011         |
| Damages Recovered from Individuals            | 251                          | 0                             | 0                    | 0  | 0                                | 251           |
| Contributions & Gifts                         | 5,780                        | 0                             | 0                    | 500                                      | 0                                | 6,280         |
| <u>Other Local Revenues</u>                   |                              |                               |                      |  |                                  |               |
| Other Local Revenues                          | 38,506                       | 0                             | 0                    | 0  | 0                                | 38,506        |
| Total Other Local Revenues                    | \$ 343,816                   | \$ 0                          | \$ 31,993            | \$ 500                                   | \$ 0                             | \$ 376,309    |
| <u>State of Tennessee</u>                     |                              |                               |                      |  |                                  |               |
| <u>State Education Funds</u>                  |                              |                               |                      |  |                                  |               |
| Basic Education Program                       | \$ 24,455,086                | \$ 0                          | \$ 0                 | \$ 0                                     | \$ 0                             | \$ 24,455,086 |
| School Food Service                           | 0                            | 0                             | 32,627               | 0  | 0                                | 32,627        |
| Driver Education                              | 16,220                       | 0                             | 0                    | 0  | 0                                | 16,220        |
| Other State Education Funds                   | 38,716                       | 0                             | 0                    | 0  | 0                                | 38,716        |
| Career Ladder Program                         | 438,732                      | 0                             | 0                    | 0  | 0                                | 438,732       |
| Career Ladder - Extended Contract             | 261,683                      | 0                             | 0                    | 0  | 0                                | 261,683       |
| Other Vocational                              | 25,120                       | 0                             | 0                    | 0  | 0                                | 25,120        |
| <u>Other State Revenues</u>                   |                              |                               |                      |  |                                  |               |
| Mixed Drink Tax                               | 1,898                        | 0                             | 0                    | 0  | 0                                | 1,898         |
| State Revenue Sharing - T.V.A.                | 423,453                      | 0                             | 0                    | 0  | 0                                | 423,453       |
| Other State Grants                            | 51,111                       | 0                             | 0                    | 0  | 0                                | 51,111        |
| Total State of Tennessee                      | \$ 25,712,019                | \$ 0                          | \$ 32,627            | \$ 0                                     | \$ 0                             | \$ 25,744,646 |
| <u>Federal Government</u>                     |                              |                               |                      |  |                                  |               |
| <u>Federal Through State</u>                  |                              |                               |                      |  |                                  |               |
| USDA School Lunch Program                     | \$ 0                         | \$ 0                          | \$ 1,201,781         | \$ 0                                     | \$ 0                             | \$ 1,201,781  |
| Breakfast                                     | 0                            | 0                             | 400,817              | 0  | 0                                | 400,817       |
| USDA - Other                                  | 30,383                       | 0                             | 0                    | 78,831                                   | 0                                | 109,214       |
| Adult Education State Grant Program           | 106,257                      | 0                             | 0                    | 0  | 0                                | 106,257       |
| Vocational Education - Basic Grants to States | 0                            | 179,568                       | 0                    | 0  | 0                                | 179,568       |
| Other Vocational                              | 0                            | 50,226                        | 0                    | 0  | 0                                | 50,226        |
| Title I Grants to Local Education Agencies    | 0                            | 1,507,508                     | 0                    | 0  | 0                                | 1,507,508     |

(Continued)

Exhibit E-4

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

|  | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Other<br>Education<br>Special<br>Revenue | Education<br>Capital<br>Projects | Total         |
|--|------------------------------|-------------------------------|----------------------|--|----------------------------------|---------------|
| <u>Federal Government (Cont.)</u>                |                              |                               |                      |  |                                  |               |
| <u>Federal Through State (Cont.)</u>             |                              |                               |                      |  |                                  |               |
| Innovative Education Program Strategies          | \$ 0                         | \$ 19,541                     | \$ 0                 | \$ 0                                     | \$ 0                             | \$ 19,541     |
| Special Education - Grants to States             | 17,086                       | 1,376,964                     | 0                    | 0  | 0                                | 1,394,050     |
| Special Education Preschool Grants               | 0                            | 71,567                        | 0                    | 0  | 0                                | 71,567        |
| Eisenhower Professional Development State Grants | 0                            | 471,908                       | 0                    | 0  | 0                                | 471,908       |
| Other Federal through State                      | 745,097                      | 66,139                        | 0                    | 0  | 0                                | 811,236       |
| <u>Direct Federal Revenue</u>                    |                              |                               |                      |  |                                  |               |
| Forest Service                                   | 56,713                       | 0                             | 0                    | 0  | 0                                | 56,713        |
| Other Direct Federal Revenue                     | 0                            | 0                             | 0                    | 907,753                                  | 0                                | 907,753       |
| Total Federal Government                         | \$ 955,536                   | \$ 3,743,421                  | \$ 1,602,598         | \$ 986,584                               | \$ 0                             | \$ 7,288,139  |
| <u>Other Governments and Citizens Groups</u>     |                              |                               |                      |  |                                  |               |
| <u>Other Governments</u>                         |                              |                               |                      |  |                                  |               |
| Contributions                                    | \$ 0                         | \$ 0                          | \$ 0                 | \$ 0                                     | \$ 386,753                       | \$ 386,753    |
| <u>Citizens Groups</u>                           |                              |                               |                      |  |                                  |               |
| Donations  | 647                          | 0                             | 0                    | 0  | 0                                | 647           |
| Total Other Governments and Citizens Groups      | \$ 647                       | \$ 0                          | \$ 0                 | \$ 0                                     | \$ 386,753                       | \$ 387,400    |
| Total  | \$ 35,625,572                | \$ 3,743,421                  | \$ 2,580,958         | \$ 987,084                               | \$ 386,753                       | \$ 43,323,788 |

Exhibit E-5

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

General Purpose School Fund

Instruction

Regular Instruction Program

|   |               |               |
|---|---------------|---------------|
| Teachers                                  | \$ 11,465,192 |               |
| Career Ladder Program                     | 260,736       |               |
| Career Ladder Extended Contracts          | 140,500       |               |
| Educational Assistants                    | 321,739       |               |
| Other Salaries & Wages                    | 22,250        |               |
| Certified Substitute Teachers             | 87,505        |               |
| Non-certified Substitute Teachers         | 171,395       |               |
| Social Security                           | 753,377       |               |
| State Retirement                          | 685,578       |               |
| Life Insurance                            | 11,288        |               |
| Medical Insurance                         | 1,865,490     |               |
| Dental Insurance                          | 95,156        |               |
| Unemployment Compensation                 | 10,761        |               |
| Employer Medicare                         | 176,079       |               |
| Other Fringe Benefits                     | 309,992       |               |
| Maintenance & Repair Services - Equipment | 8,185         |               |
| Instructional Supplies and Materials      | 305,500       |               |
| Textbooks                                 | 374,386       |               |
| Other Supplies and Materials              | 4,105         |               |
| Other Charges                             | 32,775        |               |
| Regular Instruction Equipment             | 35,530        |               |
| Total Regular Instruction Program         |               | \$ 17,137,519 |

Alternative Instruction Program

|   |           |        |
|---|-----------|--------|
| Teachers                                  | \$ 70,620 |        |
| Career Ladder Program                     | 995       |        |
| Social Security                           | 4,100     |        |
| State Retirement                          | 3,939     |        |
| Life Insurance                            | 50        |        |
| Medical Insurance                         | 12,192    |        |
| Dental Insurance                          | 429       |        |
| Unemployment Compensation                 | 52        |        |
| Employer Medicare                         | 959       |        |
| Maintenance & Repair Services - Equipment | 178       |        |
| Instructional Supplies and Materials      | 443       |        |
| Other Supplies and Materials              | 709       |        |
| Total Alternative Instruction Program     |           | 94,666 |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program

|   |              |  |
|---|--------------|--|
| Teachers                                  | \$ 1,594,624 |  |
| Career Ladder Program                     | 29,000       |  |
| Career Ladder Extended Contracts          | 5,000        |  |
| Homebound Teachers                        | 77,502       |  |
| Educational Assistants                    | 194,092      |  |
| Other Salaries & Wages                    | 100          |  |
| Social Security                           | 114,931      |  |
| State Retirement                          | 118,292      |  |
| Life Insurance                            | 1,670        |  |
| Medical Insurance                         | 346,989      |  |
| Dental Insurance                          | 14,063       |  |
| Unemployment Compensation                 | 1,736        |  |
| Employer Medicare                         | 26,880       |  |
| Other Fringe Benefits                     | 3,381        |  |
| Maintenance & Repair Services - Equipment | 170          |  |
| Other Contracted Services                 | 118,025      |  |
| Instructional Supplies and Materials      | 12,025       |  |
| Other Supplies and Materials              | 9,986        |  |
| Other Charges                             | 3,652        |  |
| Total Special Education Program           | \$ 2,672,118 |  |

Vocational Education Program

|   |            |  |
|---|------------|--|
| Teachers                                  | \$ 981,459 |  |
| Career Ladder Program                     | 23,000     |  |
| Career Ladder Extended Contracts          | 14,000     |  |
| Educational Assistants                    | 9,902      |  |
| Social Security                           | 61,914     |  |
| State Retirement                          | 59,290     |  |
| Life Insurance                            | 650        |  |
| Medical Insurance                         | 140,335    |  |
| Dental Insurance                          | 5,559      |  |
| Unemployment Compensation                 | 750        |  |
| Employer Medicare                         | 14,481     |  |
| Maintenance & Repair Services - Equipment | 3,607      |  |
| Other Contracted Services                 | 4,110      |  |
| Instructional Supplies and Materials      | 60,876     |  |
| Textbooks                                 | 33,805     |  |
| Other Supplies and Materials              | 518        |  |
| Vocational Instruction Equipment          | 5,083      |  |
| Total Vocational Education Program        | 1,419,339  |  |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program

|                                      |    |        |            |
|--------------------------------------|----|--------|------------|
| Teachers                             | \$ | 54,627 |            |
| Other Salaries & Wages               |    | 25,080 |            |
| Social Security                      |    | 4,942  |            |
| State Retirement                     |    | 7,892  |            |
| Life Insurance                       |    | 25     |            |
| Medical Insurance                    |    | 4,790  |            |
| Dental Insurance                     |    | 215    |            |
| Unemployment Compensation            |    | 119    |            |
| Employer Medicare                    |    | 1,156  |            |
| Other Contracted Services            |    | 435    |            |
| Instructional Supplies and Materials |    | 13,819 |            |
| Other Equipment                      |    | 4,051  |            |
| Total Adult Education Program        |    |        | \$ 117,151 |

Support Services

Health Services

|                            |    |        |         |
|----------------------------|----|--------|---------|
| Medical Personnel          | \$ | 79,669 |         |
| Social Security            |    | 4,628  |         |
| State Retirement           |    | 7,461  |         |
| Life Insurance             |    | 100    |         |
| Medical Insurance          |    | 21,562 |         |
| Dental Insurance           |    | 856    |         |
| Unemployment Compensation  |    | 92     |         |
| Employer Medicare          |    | 1,082  |         |
| Travel                     |    | 5,248  |         |
| Drugs and Medical Supplies |    | 14,958 |         |
| Total Health Services      |    |        | 135,656 |

Other Student Support

|                                  |    |         |  |
|----------------------------------|----|---------|--|
| Career Ladder Program            | \$ | 9,742   |  |
| Guidance Personnel               |    | 487,921 |  |
| Career Ladder Extended Contracts |    | 20,500  |  |
| Attendants                       |    | 28,493  |  |
| Social Security                  |    | 33,429  |  |
| State Retirement                 |    | 31,117  |  |
| Life Insurance                   |    | 361     |  |
| Medical Insurance                |    | 71,276  |  |
| Dental Insurance                 |    | 2,704   |  |
| Unemployment Compensation        |    | 467     |  |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

|                                    |    |        |            |
|------------------------------------|----|--------|------------|
| Employer Medicare                  | \$ | 7,819  |            |
| Other Fringe Benefits              |    | 2,601  |            |
| Contracts with Government Agencies |    | 57,000 |            |
| Evaluation and Testing             |    | 30,373 |            |
| Travel                             |    | 169    |            |
| Total Other Student Support        |    |        | \$ 783,972 |

Regular Instruction Program

|   |    |         |           |
|---|----|---------|-----------|
| Supervisor/Director                       | \$ | 281,469 |           |
| Career Ladder Program                     |    | 26,995  |           |
| Career Ladder Extended Contracts          |    | 29,000  |           |
| Librarians                                |    | 480,381 |           |
| Other Salaries & Wages                    |    | 33,945  |           |
| Social Security                           |    | 52,828  |           |
| State Retirement                          |    | 49,138  |           |
| Life Insurance                            |    | 473     |           |
| Medical Insurance                         |    | 99,779  |           |
| Dental Insurance                          |    | 4,041   |           |
| Unemployment Compensation                 |    | 539     |           |
| Employer Medicare                         |    | 12,355  |           |
| Other Fringe Benefits                     |    | 15,141  |           |
| Maintenance & Repair Services - Equipment |    | 29,221  |           |
| Travel                                    |    | 17,732  |           |
| Penalties                                 |    | 29      |           |
| Other Contracted Services                 |    | 3,045   |           |
| Library Books/Media                       |    | 69,985  |           |
| Office Supplies                           |    | 341     |           |
| Other Supplies and Materials              |    | 33,571  |           |
| In Service/Staff Development              |    | 34,350  |           |
| Other Charges                             |    | 17,616  |           |
| Other Equipment                           |    | 1,195   |           |
| Total Regular Instruction Program         |    |         | 1,293,169 |

Alternative Instruction Program

|                        |    |        |
|------------------------|----|--------|
| Supervisor/Director    | \$ | 47,323 |
| Career Ladder Program  |    | 1,000  |
| Secretary(ies)         |    | 11,207 |
| Other Salaries & Wages |    | 20,179 |
| Social Security        |    | 4,854  |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

|                                       |    |       |            |
|---------------------------------------|----|-------|------------|
| State Retirement                      | \$ | 4,070 |            |
| Life Insurance                        |    | 50    |            |
| Medical Insurance                     |    | 9,993 |            |
| Dental Insurance                      |    | 431   |            |
| Unemployment Compensation             |    | 99    |            |
| Employer Medicare                     |    | 1,135 |            |
| Other Contracted Services             |    | 1,500 |            |
| Total Alternative Instruction Program |    |       | \$ 101,841 |

Special Education Program

|   |    |        |         |
|---|----|--------|---------|
| Supervisor/Director                       | \$ | 61,392 |         |
| Career Ladder Program                     |    | 9,000  |         |
| Psychological Personnel                   |    | 44,854 |         |
| Career Ladder Extended Contracts          |    | 6,000  |         |
| Assessment Personnel                      |    | 82,300 |         |
| Clerical Personnel                        |    | 24,522 |         |
| Social Security                           |    | 13,750 |         |
| State Retirement                          |    | 14,285 |         |
| Life Insurance                            |    | 126    |         |
| Medical Insurance                         |    | 32,532 |         |
| Dental Insurance                          |    | 1,077  |         |
| Unemployment Compensation                 |    | 155    |         |
| Employer Medicare                         |    | 3,216  |         |
| Maintenance & Repair Services - Equipment |    | 1,992  |         |
| Travel                                    |    | 25,386 |         |
| Penalties                                 |    | 32     |         |
| Other Contracted Services                 |    | 8,009  |         |
| Other Supplies and Materials              |    | 25,718 |         |
| In Service/Staff Development              |    | 11,411 |         |
| Other Charges                             |    | 15,541 |         |
| Total Special Education Program           |    |        | 381,298 |

Vocational Education Program

|                       |    |        |
|-----------------------|----|--------|
| Supervisor/Director   | \$ | 58,030 |
| Career Ladder Program |    | 1,000  |
| Social Security       |    | 3,690  |
| State Retirement      |    | 3,384  |
| Life Insurance        |    | 26     |
| Medical Insurance     |    | 5,070  |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

|                                    |    |        |           |
|------------------------------------|----|--------|-----------|
| Dental Insurance                   | \$ | 224    |           |
| Unemployment Compensation          |    | 29     |           |
| Employer Medicare                  |    | 863    |           |
| Travel                             |    | 14,361 |           |
| Penalties                          |    | 15     |           |
| Other Supplies and Materials       |    | 2,749  |           |
| In Service/Staff Development       |    | 625    |           |
| Other Charges                      |    | 5,291  |           |
| Other Equipment                    |    | 2,163  |           |
| Total Vocational Education Program |    |        | \$ 97,520 |

Adult Programs

|                              |    |        |        |
|------------------------------|----|--------|--------|
| Other Salaries & Wages       | \$ | 19,941 |        |
| Social Security              |    | 1,236  |        |
| State Retirement             |    | 2,513  |        |
| Life Insurance               |    | 25     |        |
| Medical Insurance            |    | 4,670  |        |
| Dental Insurance             |    | 215    |        |
| Unemployment Compensation    |    | 26     |        |
| Employer Medicare            |    | 289    |        |
| In Service/Staff Development |    | 3,956  |        |
| Other Charges                |    | 780    |        |
| Total Adult Programs         |    |        | 33,651 |

Board of Education

|                                  |    |         |         |
|----------------------------------|----|---------|---------|
| Board and Committee Members Fees | \$ | 9,900   |         |
| Social Security                  |    | 614     |         |
| State Retirement                 |    | 794     |         |
| Unemployment Compensation        |    | 9       |         |
| Employer Medicare                |    | 144     |         |
| Dues and Memberships             |    | 11,401  |         |
| Legal Services                   |    | 3,225   |         |
| Travel                           |    | 8,023   |         |
| Liability Insurance              |    | 337,804 |         |
| Trustee's Commission             |    | 184,061 |         |
| Workers' Compensation Insurance  |    | 270,439 |         |
| Other Charges                    |    | 4,088   |         |
| Total Board of Education         |    |         | 830,502 |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)  
Support Services (Cont.)

Director of Schools

|   |    |        |            |
|---|----|--------|------------|
| County Official/Administrative Officer    | \$ | 89,505 |            |
| Secretary(ies)                            |    | 99,186 |            |
| Social Security                           |    | 11,475 |            |
| State Retirement                          |    | 15,951 |            |
| Life Insurance                            |    | 126    |            |
| Medical Insurance                         |    | 26,377 |            |
| Dental Insurance                          |    | 883    |            |
| Unemployment Compensation                 |    | 155    |            |
| Employer Medicare                         |    | 2,684  |            |
| Other Fringe Benefits                     |    | 4,453  |            |
| Communication                             |    | 67,043 |            |
| Dues and Memberships                      |    | 2,929  |            |
| Maintenance & Repair Services - Equipment |    | 4,088  |            |
| Postal Charges                            |    | 4,021  |            |
| Travel                                    |    | 4,373  |            |
| Penalties                                 |    | 5      |            |
| Office Supplies                           |    | 4,407  |            |
| In Service/Staff Development              |    | 500    |            |
| Other Charges                             |    | 2,617  |            |
| Administration Equipment                  |    | 2,534  |            |
| Total Director of Schools                 |    |        | \$ 343,312 |

Office of the Principal

|                                  |    |         |
|----------------------------------|----|---------|
| Principals                       | \$ | 694,967 |
| Career Ladder Program            |    | 36,000  |
| Career Ladder Extended Contracts |    | 27,000  |
| Assistant Principals             |    | 533,726 |
| Secretary(ies)                   |    | 207,610 |
| Clerical Personnel               |    | 49,134  |
| Social Security                  |    | 93,220  |
| State Retirement                 |    | 103,393 |
| Life Insurance                   |    | 1,179   |
| Medical Insurance                |    | 254,789 |
| Dental Insurance                 |    | 10,079  |
| Unemployment Compensation        |    | 1,218   |
| Employer Medicare                |    | 21,801  |
| Other Fringe Benefits            |    | 13,482  |
| Penalties                        |    | 133     |
| Other Contracted Services        |    | 21,028  |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

|                               |    |       |              |
|-------------------------------|----|-------|--------------|
| Office Supplies               | \$ | 2,525 |              |
| Administration Equipment      |    | 1,613 |              |
| Total Office of the Principal |    |       | \$ 2,072,897 |

Fiscal Services

|                           |    |         |         |
|---------------------------|----|---------|---------|
| Accountants/Bookkeepers   | \$ | 30,079  |         |
| Social Security           |    | 1,893   |         |
| State Retirement          |    | 3,917   |         |
| Life Insurance            |    | 25      |         |
| Medical Insurance         |    | 4,642   |         |
| Dental Insurance          |    | 215     |         |
| Unemployment Compensation |    | 26      |         |
| Employer Medicare         |    | 443     |         |
| Travel                    |    | 227     |         |
| Other Contracted Services |    | 141,628 |         |
| Total Fiscal Services     |    |         | 183,095 |

Operation of Plant

|                           |    |         |           |
|---------------------------|----|---------|-----------|
| Custodial Personnel       | \$ | 683,252 |           |
| Social Security           |    | 41,904  |           |
| State Retirement          |    | 71,398  |           |
| Life Insurance            |    | 963     |           |
| Medical Insurance         |    | 179,428 |           |
| Dental Insurance          |    | 8,036   |           |
| Unemployment Compensation |    | 1,583   |           |
| Employer Medicare         |    | 9,798   |           |
| Other Fringe Benefits     |    | 24,294  |           |
| Rentals                   |    | 12,000  |           |
| Disposal Fees             |    | 3,607   |           |
| Other Contracted Services |    | 22,738  |           |
| Custodial Supplies        |    | 99,010  |           |
| Electricity               |    | 861,593 |           |
| Fuel Oil                  |    | 372     |           |
| Natural Gas               |    | 302,714 |           |
| Water and Sewer           |    | 57,313  |           |
| Total Operation of Plant  |    |         | 2,380,003 |

Maintenance of Plant

|                     |    |        |  |
|---------------------|----|--------|--|
| Supervisor/Director | \$ | 35,859 |  |
|---------------------|----|--------|--|

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)  
Support Services (Cont.)

Maintenance of Plant (Cont.)

|   |    |         |            |
|---|----|---------|------------|
| Maintenance Personnel                     | \$ | 265,157 |            |
| Social Security                           |    | 19,056  |            |
| State Retirement                          |    | 37,435  |            |
| Life Insurance                            |    | 302     |            |
| Medical Insurance                         |    | 52,539  |            |
| Dental Insurance                          |    | 2,585   |            |
| Unemployment Compensation                 |    | 334     |            |
| Employer Medicare                         |    | 4,456   |            |
| Other Fringe Benefits                     |    | 9,312   |            |
| Laundry Service                           |    | 3,699   |            |
| Maintenance & Repair Services - Buildings |    | 81,918  |            |
| Maintenance & Repair Services - Equipment |    | 49,417  |            |
| Travel                                    |    | 1,173   |            |
| Disposal Fees                             |    | 972     |            |
| Other Contracted Services                 |    | 69,250  |            |
| General Construction Materials            |    | 7,863   |            |
| Other Supplies and Materials              |    | 10,130  |            |
| Other Charges                             |    | 2,891   |            |
| Total Maintenance of Plant                |    |         | \$ 654,348 |

Transportation

|  |    |         |
|--|----|---------|
| Supervisor/Director                      | \$ | 35,859  |
| Mechanic(s)                              |    | 140,449 |
| Bus Drivers                              |    | 559,907 |
| Clerical Personnel                       |    | 21,529  |
| Social Security                          |    | 46,372  |
| State Retirement                         |    | 90,378  |
| Life Insurance                           |    | 1,722   |
| Medical Insurance                        |    | 325,072 |
| Dental Insurance                         |    | 14,718  |
| Unemployment Compensation                |    | 1,917   |
| Employer Medicare                        |    | 10,845  |
| Other Fringe Benefits                    |    | 32,381  |
| Contracts with Parents                   |    | 5,490   |
| Laundry Service                          |    | 4,464   |
| Maintenance & Repair Services - Vehicles |    | 6,267   |
| Penalties                                |    | 2,391   |
| Other Contracted Services                |    | 2,620   |
| Gasoline                                 |    | 262,573 |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

|                              |    |         |              |
|------------------------------|----|---------|--------------|
| Lubricants                   | \$ | 5,971   |              |
| Tires and Tubes              |    | 30,492  |              |
| Vehicle Parts                |    | 101,677 |              |
| Other Supplies and Materials |    | 4,027   |              |
| Other Charges                |    | 28,130  |              |
| Transportation Equipment     |    | 241,212 |              |
| Total Transportation         |    |         | \$ 1,976,463 |

Central and Other

|   |    |         |         |
|---|----|---------|---------|
| Data Processing Personnel                 | \$ | 156,447 |         |
| Social Security                           |    | 9,285   |         |
| State Retirement                          |    | 19,712  |         |
| Life Insurance                            |    | 101     |         |
| Medical Insurance                         |    | 16,286  |         |
| Dental Insurance                          |    | 862     |         |
| Unemployment Compensation                 |    | 104     |         |
| Employer Medicare                         |    | 2,172   |         |
| Maintenance & Repair Services - Equipment |    | 3,742   |         |
| Travel                                    |    | 7,471   |         |
| Data Processing Supplies                  |    | 2,234   |         |
| Office Supplies                           |    | 500     |         |
| In Service/Staff Development              |    | 1,039   |         |
| Total Central and Other                   |    |         | 219,955 |

Operation of Non-Instructional Services

Community Services

|                           |    |         |  |
|---------------------------|----|---------|--|
| Supervisor/Director       | \$ | 56,888  |  |
| Teachers                  |    | 3,060   |  |
| Part-time Personnel       |    | 409,746 |  |
| Other Salaries & Wages    |    | 120,076 |  |
| Social Security           |    | 35,481  |  |
| State Retirement          |    | 26,902  |  |
| Life Insurance            |    | 53      |  |
| Medical Insurance         |    | 14,556  |  |
| Dental Insurance          |    | 457     |  |
| Unemployment Compensation |    | 1,463   |  |
| Employer Medicare         |    | 8,299   |  |
| Travel                    |    | 7,843   |  |
| Penalties                 |    | 45      |  |

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

|                                      |    |        |            |
|--------------------------------------|----|--------|------------|
| Other Contracted Services            | \$ | 3,821  |            |
| Food Supplies                        |    | 39,502 |            |
| Instructional Supplies and Materials |    | 46,122 |            |
| Other Supplies and Materials         |    | 8,206  |            |
| In Service/Staff Development         |    | 12,656 |            |
| Other Charges                        |    | 56,113 |            |
| Total Community Services             |    |        | \$ 851,289 |

Capital Outlay

Regular Capital Outlay

|                              |    |         |         |
|------------------------------|----|---------|---------|
| Architects                   | \$ | 10,659  |         |
| Building Construction        |    | 679     |         |
| Building Improvements        |    | 143,681 |         |
| Site Development             |    | 725     |         |
| Other Capital Outlay         |    | 246,643 |         |
| Total Regular Capital Outlay |    |         | 402,387 |

Principal on Debt

Education

|                             |    |         |         |
|-----------------------------|----|---------|---------|
| Principal on Notes          | \$ | 11,065  |         |
| Principal on Capital Leases |    | 170,660 |         |
| Total Education             |    |         | 181,725 |

Interest on Debt

Education

|                            |    |         |         |
|----------------------------|----|---------|---------|
| Interest on Capital Leases | \$ | 163,671 |         |
| Total Education            |    |         | 163,671 |

Total General Purpose School Fund \$ 34,527,547

School Federal Projects Fund

Instruction

Regular Instruction Program

|                        |    |           |  |
|------------------------|----|-----------|--|
| Teachers               | \$ | 1,001,016 |  |
| Educational Assistants |    | 94,056    |  |
| Social Security        |    | 66,678    |  |
| State Retirement       |    | 62,310    |  |
| Life Insurance         |    | 863       |  |
| Medical Insurance      |    | 183,913   |  |

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

|   |    |        |              |
|---|----|--------|--------------|
| Dental Insurance                          | \$ | 7,383  |              |
| Unemployment Compensation                 |    | 1,072  |              |
| Employer Medicare                         |    | 15,594 |              |
| Maintenance & Repair Services - Equipment |    | 6,464  |              |
| Other Contracted Services                 |    | 11,942 |              |
| Instructional Supplies and Materials      |    | 99,441 |              |
| Regular Instruction Equipment             |    | 97,681 |              |
| Total Regular Instruction Program         |    |        | \$ 1,648,413 |

Alternative Instruction Program

|                                       |    |       |       |
|---------------------------------------|----|-------|-------|
| Other Contracted Services             | \$ | 6,848 |       |
| Total Alternative Instruction Program |    |       | 6,848 |

Special Education Program

|                                      |    |         |           |
|--------------------------------------|----|---------|-----------|
| Teachers                             | \$ | 64,353  |           |
| Educational Assistants               |    | 502,726 |           |
| Other Salaries & Wages               |    | 101,992 |           |
| Social Security                      |    | 39,882  |           |
| State Retirement                     |    | 73,722  |           |
| Life Insurance                       |    | 1,404   |           |
| Medical Insurance                    |    | 256,267 |           |
| Dental Insurance                     |    | 11,998  |           |
| Unemployment Compensation            |    | 1,506   |           |
| Employer Medicare                    |    | 9,332   |           |
| Other Contracted Services            |    | 56,067  |           |
| Instructional Supplies and Materials |    | 24,357  |           |
| Other Supplies and Materials         |    | 28,508  |           |
| Total Special Education Program      |    |         | 1,172,114 |

Vocational Education Program

|                           |    |        |  |
|---------------------------|----|--------|--|
| Teachers                  | \$ | 16,671 |  |
| Social Security           |    | 895    |  |
| State Retirement          |    | 917    |  |
| Life Insurance            |    | 13     |  |
| Medical Insurance         |    | 3,905  |  |
| Dental Insurance          |    | 108    |  |
| Unemployment Compensation |    | 13     |  |
| Employer Medicare         |    | 209    |  |
| Travel                    |    | 5,983  |  |

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

|                                      |    |         |            |
|--------------------------------------|----|---------|------------|
| Instructional Supplies and Materials | \$ | 24,612  |            |
| Other Charges                        |    | 10,422  |            |
| Vocational Instruction Equipment     |    | 107,409 |            |
| Total Vocational Education Program   |    |         | \$ 171,157 |

Support Services

Health Services

|                           |    |        |        |
|---------------------------|----|--------|--------|
| Medical Personnel         | \$ | 46,453 |        |
| Social Security           |    | 2,880  |        |
| State Retirement          |    | 5,853  |        |
| Life Insurance            |    | 48     |        |
| Medical Insurance         |    | 6,869  |        |
| Dental Insurance          |    | 409    |        |
| Unemployment Compensation |    | 52     |        |
| Employer Medicare         |    | 673    |        |
| Total Health Services     |    |        | 63,237 |

Other Student Support

|                                    |    |        |         |
|------------------------------------|----|--------|---------|
| Social Workers                     | \$ | 20,575 |         |
| Attendants                         |    | 42,162 |         |
| Other Salaries & Wages             |    | 41,150 |         |
| Social Security                    |    | 6,445  |         |
| State Retirement                   |    | 4,125  |         |
| Life Insurance                     |    | 28     |         |
| Medical Insurance                  |    | 3,177  |         |
| Dental Insurance                   |    | 237    |         |
| Unemployment Compensation          |    | 208    |         |
| Employer Medicare                  |    | 1,508  |         |
| Contracts with Government Agencies |    | 14,000 |         |
| Travel                             |    | 634    |         |
| In Service/Staff Development       |    | 1,159  |         |
| Other Charges                      |    | 18,056 |         |
| Total Other Student Support        |    |        | 153,464 |

Regular Instruction Program

|                        |    |        |  |
|------------------------|----|--------|--|
| Supervisor/Director    | \$ | 46,782 |  |
| Other Salaries & Wages |    | 38,421 |  |
| Social Security        |    | 5,282  |  |
| State Retirement       |    | 4,686  |  |

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

|                                   |    |        |            |
|-----------------------------------|----|--------|------------|
| Life Insurance                    | \$ | 35     |            |
| Medical Insurance                 |    | 7,138  |            |
| Dental Insurance                  |    | 311    |            |
| Unemployment Compensation         |    | 52     |            |
| Employer Medicare                 |    | 1,235  |            |
| Travel                            |    | 4,941  |            |
| In Service/Staff Development      |    | 91,797 |            |
| Other Charges                     |    | 15,462 |            |
| Total Regular Instruction Program |    |        | \$ 216,142 |

Special Education Program

|                                 |    |         |         |
|---------------------------------|----|---------|---------|
| Supervisor/Director             | \$ | 1,288   |         |
| Secretary(ies)                  |    | 19,850  |         |
| Other Salaries & Wages          |    | 112,510 |         |
| Social Security                 |    | 8,376   |         |
| State Retirement                |    | 3,771   |         |
| Life Insurance                  |    | 76      |         |
| Medical Insurance               |    | 13,897  |         |
| Dental Insurance                |    | 646     |         |
| Unemployment Compensation       |    | 134     |         |
| Employer Medicare               |    | 1,959   |         |
| Travel                          |    | 8,090   |         |
| Penalties                       |    | 18      |         |
| Other Contracted Services       |    | 21,913  |         |
| Other Supplies and Materials    |    | 5,237   |         |
| In Service/Staff Development    |    | 3,102   |         |
| Other Charges                   |    | 4,478   |         |
| Total Special Education Program |    |         | 205,345 |

Vocational Education Program

|                                    |    |       |       |
|------------------------------------|----|-------|-------|
| In Service/Staff Development       | \$ | 7,252 |       |
| Total Vocational Education Program |    |       | 7,252 |

Transportation

|                   |    |        |  |
|-------------------|----|--------|--|
| Bus Drivers       | \$ | 19,955 |  |
| Social Security   |    | 1,227  |  |
| State Retirement  |    | 2,514  |  |
| Life Insurance    |    | 50     |  |
| Medical Insurance |    | 9,227  |  |

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

|                           |    |     |           |
|---------------------------|----|-----|-----------|
| Dental Insurance          | \$ | 431 |           |
| Unemployment Compensation |    | 52  |           |
| Employer Medicare         |    | 287 |           |
| Total Transportation      |    |     | \$ 33,743 |

Total School Federal Projects Fund \$ 3,677,715

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

|   |    |         |              |
|---|----|---------|--------------|
| Supervisor/Director                       | \$ | 49,464  |              |
| Clerical Personnel                        |    | 17,672  |              |
| Cafeteria Personnel                       |    | 735,914 |              |
| Other Salaries & Wages                    |    | 27,476  |              |
| Social Security                           |    | 50,483  |              |
| State Retirement                          |    | 75,242  |              |
| Life Insurance                            |    | 1,337   |              |
| Medical Insurance                         |    | 245,489 |              |
| Dental Insurance                          |    | 11,152  |              |
| Unemployment Compensation                 |    | 225     |              |
| Employer Medicare                         |    | 11,807  |              |
| Other Fringe Benefits                     |    | 32,939  |              |
| Communication                             |    | 4,593   |              |
| Dues and Memberships                      |    | 132     |              |
| Maintenance & Repair Services - Equipment |    | 30,659  |              |
| Travel                                    |    | 4,473   |              |
| Other Contracted Services                 |    | 66,897  |              |
| Food Preparation Supplies                 |    | 66,311  |              |
| Food Supplies                             |    | 904,222 |              |
| Office Supplies                           |    | 1,486   |              |
| Uniforms                                  |    | 4,813   |              |
| Other Supplies and Materials              |    | 14,859  |              |
| In Service/Staff Development              |    | 4,408   |              |
| Other Charges                             |    | 924     |              |
| Food Service Equipment                    |    | 27,109  |              |
| Total Food Service                        |    |         | \$ 2,390,086 |

Total Central Cafeteria Fund 2,390,086

(Continued)

Exhibit E-5

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

Other Education Special Revenue Fund  
Operation of Non-Instructional Services

Early Childhood Education

|   |    |         |            |
|---|----|---------|------------|
| Supervisor/Director                       | \$ | 44,849  |            |
| Teachers                                  |    | 258,863 |            |
| Clerical Personnel                        |    | 24,994  |            |
| Educational Assistants                    |    | 105,224 |            |
| Other Salaries & Wages                    |    | 138,632 |            |
| Non-certified Substitute Teachers         |    | 8,519   |            |
| Social Security                           |    | 33,857  |            |
| State Retirement                          |    | 45,626  |            |
| Life Insurance                            |    | 570     |            |
| Medical Insurance                         |    | 123,569 |            |
| Dental Insurance                          |    | 4,873   |            |
| Unemployment Compensation                 |    | 615     |            |
| Employer Medicare                         |    | 7,918   |            |
| Operating Lease Payments                  |    | 9,237   |            |
| Maintenance & Repair Services - Equipment |    | 250     |            |
| Travel                                    |    | 5,120   |            |
| Food Supplies                             |    | 78,831  |            |
| Instructional Supplies and Materials      |    | 35,562  |            |
| In Service/Staff Development              |    | 17,744  |            |
| Other Charges                             |    | 37,586  |            |
| Total Early Childhood Education           |    |         | \$ 982,439 |

Total Other Education Special Revenue Fund \$ 982,439

Education Capital Projects Fund

Capital Projects

Education Capital Projects

|   |    |         |            |
|---|----|---------|------------|
| Engineering Services                      | \$ | 49,973  |            |
| Legal Notices, Recording, and Court Costs |    | 168     |            |
| Building Improvements                     |    | 363,455 |            |
| Total Education Capital Projects          |    |         | \$ 413,596 |

Capital Projects - Donated

Capital Projects Donated to Other Entities

|  |    |         |         |
|--|----|---------|---------|
| Contributions                                    | \$ | 101,716 |         |
| Total Capital Projects Donated to Other Entities |    |         | 101,716 |

Total Education Capital Projects Fund 515,312

Total Governmental Funds - Carter County School Department \$ 42,093,099

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

*CLIFFORD TUCKER, CPA*  
*Audit Manager*

*MARK A. TREECE, CPA*  
*Auditor 4*

*MARIE ELLIOTT, CPA*  
*BRAD BURKE, CPA, CIA*  
*J. DAVID FRAKES, CGFM*  
*DOUG SANDIDGE, CISA, CFE*  
*State Auditors*

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

---

---

## SINGLE AUDIT REPORT TABLE OF CONTENTS

---

---

|  | Page(s) |
|--|---------|
| Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of<br>Financial Statements Performed in Accordance With<br><u>Government Auditing Standards</u> | 1-2     |
| Report on Compliance With Requirements Applicable to Each<br>Major Program and Internal Control Over Compliance in<br>Accordance With <u>OMB Circular A-133</u>  | 3-5     |
| Schedule of Expenditures of Federal Awards and State Grants  | 7-9     |
| Schedule of Audit Findings Not Corrected   | 11-12   |
| Schedule of Findings and Questioned Costs  | 13-22   |
| Auditee Reporting Responsibilities   | 23      |



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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

February 15, 2007

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Carter County, Tennessee, and the Carter County School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Carter County's and the Carter County School Department's basic financial statements and have issued our reports thereon dated February 15, 2007. Our reports on the financial statements of Carter County, Tennessee, and the Carter County School Department, express adverse opinions because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Carter County's and the Carter County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.04, 06.05, 06.07, 06.09, 06.10, and 06.12.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 06.02, 06.07, 06.09, and 06.10 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter County's and the Carter County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.03, 06.06, 06.08, and 06.11.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rc



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

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

February 15, 2007

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

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan

and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carter County's and the Carter County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carter County's and the Carter County School Department's compliance with those requirements.

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

### Internal Control Over Compliance

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

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

### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Carter County, Tennessee, and the Carter County School Department, as of and for the year ended June 30, 2006, and have issued our report thereon dated February 15, 2007. Our reports on the financial statements of Carter County, Tennessee, and the Carter County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

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

| Federal/Pass-through Agency/State<br>Grantor Program Title                | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Expenditures |
|---|---------------------------|--|--------------|
| U.S. Department of Agriculture:   |                           |  |              |
| Direct Program:   |                           |  |              |
| Watershed Protection and Flood Prevention                                 | 10.904                    | (3)  | \$ 714,180   |
| Passed-through State Department of Agriculture:                           |                           |  |              |
| Food Donation (Noncash Assistance)  | 10.550                    | N/A  | 239,321      |
| Passed-through State Department of Education:                             |                           |  |              |
| Child Nutrition Cluster:  |                           |  |              |
| School Breakfast Program  | 10.553                    | N/A  | 400,817      |
| National School Lunch Program   | 10.555                    | N/A  | 1,201,781    |
| Passed-through State Department of Human Services:                        |                           |  |              |
| Child and Adult Care Food Program   | 10.558                    | N/A  | 109,214      |
| Total U.S. Department of Agriculture                                      |                           |  | \$ 2,665,313 |
| U.S. Department of Housing and Urban Development:                         |                           |  |              |
| Passed-through State Department of Economic and<br>Community Development: |                           |  |              |
| Community Development Block Grants/State's Program                        | 14.228                    | GG-03-10098-00                               | \$ 460,517   |
| Passed-through State Housing Development Agency:                          |                           |  |              |
| HOME Investment Partnerships Program                                      | 14.239                    | HM-04-05                                     | 235,396      |
| Total U.S. Department of Housing and Urban Development                    |                           |  | \$ 695,913   |
| U.S. Department of the Interior:  |                           |  |              |
| Direct Programs:  |                           |  |              |
| Payments in-Lieu-of Taxes   | 15.226                    | N/A  | \$ 75,617    |
| Total U.S. Department of the Interior                                     |                           |  | \$ 75,617    |
| U.S. Department of Justice:   |                           |  |              |
| Passed-through State Department of Military:                              |                           |  |              |
| State Domestic Preparedness Equipment Support Program                     | 16.007                    | Z-03-017731-00                               | \$ 263       |
| Total U.S. Department of Justice  |                           |  | \$ 263       |
| Federal Emergency Management Agency:                                      |                           |  |              |
| Passed-through State Department of Military:                              |                           |  |              |
| Disaster Assistance   | 83.516                    | Z-03-015788-00                               | \$ 29,991    |
| Hazard Mitigation Grant   | 83.548                    | GG-99-08276-00                               | 54,824       |
| Total Federal Emergency Management Agency                                 |                           |  | \$ 84,815    |
| U.S. Department of Education:   |                           |  |              |
| Passed-through State Department of Education:                             |                           |  |              |
| Title I Grants to Local Educational Agencies                              | 84.010                    | N/A  | \$ 1,562,447 |
| Special Education Cluster:  |                           |  |              |
| Special Education - Grants to States                                      | 84.027                    | N/A  | 1,393,363    |
| Special Education - Preschool Grants                                      | 84.173                    | N/A  | 72,957       |

(Continued)

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

| Federal/Pass-through Agency/State<br>Grantor Program Title              | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Expenditures |
|---|---------------------------|--|--------------|
| U.S. Department of Education (Cont.):                                   |                           |  |              |
| Vocational Education - Basic Grants to States                           | 84.048                    | N/A  | \$ 179,568   |
| Safe and Drug-Free Schools and Communities - State Grants               | 84.186                    | (2)  | 47,858       |
| Twenty-First Century Community Learning Centers                         | 84.287                    | (2)  | 514,733      |
| State Grants for Innovative Programs                                    | 84.298                    | N/A  | 18,907       |
| Education Technology State Grants                                       | 84.318                    | (2)  | 76,131       |
| Improving Teacher Quality State Grants                                  | 84.367                    | N/A  | 299,259      |
| Hurricane Education Recovery  | 84.938                    | (2)  | 18,315       |
| Passed-through State Department of Labor and<br>Workforce Development:  |                           |  |              |
| Adult Education - State Grant Program                                   | 84.002                    | (4)  | \$ 106,257   |
| Passed-through State Department of Human Services:                      |                           |  |              |
| Rehabilitation Services - Vocational<br>Rehabilitation Grants to States | 84.126                    | GG-04-10222-02                               | 96,883       |
| Passed-through Unicoi County School Department:                         |                           |  |              |
| English Language Acquisition Grants                                     | 84.365                    | N/A  | 2,827        |
| Total U.S. Department of Education                                      |                           |  | \$ 4,389,505 |
| U.S. Department of Health and Human Services:                           |                           |  |              |
| Passed-through State Department of Education:                           |                           |  |              |
| Temporary Assistance for Needy Families                                 | 93.558                    | Z-06-027165-00                               | \$ 40,447    |
| Passed-through Upper East Tennessee<br>Human Development Agency:        |                           |  |              |
| Head Start  | 93.600                    | N/A  | 907,753      |
| Passed-through State Department of Health:                              |                           |  |              |
| Block Grants for Prevention and<br>Treatment of Substance Abuse         | 93.959                    | Z-05-020787-00                               | 110,590      |
| Total U.S. Department of Health and Human Services                      |                           |  | \$ 1,058,790 |
| Corporation for National and Community Service:                         |                           |  |              |
| Passed-through State Department of Education:                           |                           |  |              |
| Learn and Serve America - School and<br>Community Based Program         | 94.004                    | (2)  | \$ 5,612     |
| Total Corporation for National and Community Service                    |                           |  | \$ 5,612     |
| U.S. Department of Homeland Security:                                   |                           |  |              |
| Passed-through State Department of Military:                            |                           |  |              |
| Homeland Security Cluster:  |                           |  |              |
| State Domestic Preparedness Equipment Support Program                   | 97.004                    | (5)  | \$ 395,110   |
| Homeland Security Grant Program   | 97.067                    | Z-05-025139-00                               | 87,132       |
| Emergency Management Performance Grants                                 | 97.042                    | (6)  | 17,371       |
| Total U.S. Department of Homeland Security                              |                           |  | \$ 499,613   |
| Total Expenditures of Federal Awards                                    |                           |  | \$ 9,475,441 |

(Continued)

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

| <u>State Grants</u>   |     | <u>Contract<br/>Number</u> |    |                |
|---|-----|----------------------------|----|----------------|
| Juvenile Services Program - State Commission on<br>Children and Youth         | N/A | (2)                        | \$ | 14,130         |
| State Reappraisal - Comptroller of the Treasury                               | N/A | (2)                        |    | 19,215         |
| Litter Program - State Department of Transportation                           | N/A | (2)                        |    | 41,530         |
| Health Department Program - State Department<br>of Health                     | N/A | (2)                        |    | 256,929        |
| Safe Schools Act Grant - State Department of Education                        | N/A | (2)                        |    | 38,716         |
| Adult Basic Education - State Department of Education                         | N/A | (2)                        |    | 25,000         |
| Family Resource Center Grant - State<br>Department of Education               | N/A | (2)                        |    | 33,300         |
| Lottery for Education Afterschool Programs -<br>State Department of Education | N/A | (2)                        |    | 17,811         |
|   |     |                            |    | <hr/>          |
| Total State Grants  |     |                            | \$ | <u>446,631</u> |

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) 68-4741-5-541: \$499,343; 68-4741-5-540: \$214,837
- (4) Z-05-022202-00: \$6,111; Z-06-027756-00: \$100,146
- (5) Z-04-022424-00: \$357,890; Z-04-020076-00: \$37,220
- (6) Z-05-025364-00: \$6,322; Z-06-032870-00: \$11,049

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

**CARTER COUNTY AND CARTER 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 FINANCE DIRECTOR**

| Finding Number | Page Number | Subject   |
|----------------|-------------|---|
| 05.02          | 13          | Receipts were not always written for collections at the convenience centers |
| 05.03B         | 13          | The office had budget deficiencies  |
| 05.05          | 15          | The finance director had not adequately reviewed various records            |

**OFFICE OF TRUSTEE**

| Finding Number | Page Number | Subject  |
|----------------|-------------|--|
| 05.06          | 16          | The trustee's depository used an unauthorized method of paying county warrants |

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

| Finding Number | Page Number | Subject  |
|----------------|-------------|--|
| 05.07          | 17          | Deficiencies existed in the accounting records                               |
| 05.08          | 17          | Execution docket trial balances did not reconcile with cash journal accounts |

**OTHER FINDING**

| Finding<br>Number | Page<br>Number | Subject   |
|-------------------|----------------|---|
| 05.11             | 19             | Duties were not segregated adequately in the<br>Offices of Clerk and Master, Register, and<br>Sheriff |

---

---

**CARTER COUNTY, TENNESSEE, AND THE  
CARTER 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 Carter County and the Carter County School Department.
2. The audit of the financial statements of Carter County and the Carter County School Department disclosed reportable conditions in internal control. Four of these conditions were considered to be material weaknesses in Carter County. None of these conditions were considered to be a material weakness in the Carter County School Department.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Carter County and the Carter County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Watershed Protection and Flood Prevention (CFDA No. 10.904), the Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Community Development Block Grants/State's Program (CFDA No. 14.228), HOME Investment Partnerships Program (CFDA No. 14.239), the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Homeland Security Cluster: State Domestic Preparedness Equipment Support Program and Homeland Security Grant Program (CFDA Nos. 97.004 and 97.067) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Carter County and the Carter County School Department did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

### CARTER COUNTY AND CARTER COUNTY SCHOOL DEPARTMENT

#### FINDING 06.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

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

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

#### RECOMMENDATION

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

**OFFICE OF FINANCE DIRECTOR**

**FINDING 06.02      **RECEIPTS WERE NOT ALWAYS WRITTEN FOR COLLECTIONS AT THE CONVENIENCE CENTERS****  
(Internal Control – Material Weakness Under Government Auditing Standards)

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

**RECOMMENDATION**

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

---

**FINDING 06.03      **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS****  
(Noncompliance Under Government Auditing Standards)

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

| <u>Fund/Major Category</u>   | <u>Expenditures<br/>Over<br/>Appropriations</u> |
|------------------------------|---|
| General Fund:                |   |
| Board of Equalization        | \$ 3,330  |
| County Buildings             | 5,685   |
| County Trustee's Office      | 145   |
| General Sessions Court       | 74  |
| Drug Court                   | 8,211   |
| Employee Benefits            | 4,042   |
| Solid Waste/Sanitation Fund: |   |
| Recycling Center             | 379   |
| Miscellaneous                | 1,790   |

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

Expenditures and encumbrances should be held within appropriations approved by the County Commission.

---

**FINDING 06.04      THE FINANCE DIRECTOR HAD NOT ADEQUATELY REVIEWED CERTAIN ACCOUNTING RECORDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

- A. Some prior-year receivables and payables were incorrectly posted to the current year’s operations. Also, several payroll liability accounts in the General Fund and Highway/Public Works Fund reflected negative balances at June 30, 2006.
- B. Numerous federal and state grants and other revenues were incorrectly classified in the fund accounting records. These misclassifications included the Community Development Block Grant classified as State Aid, the Homeland Security Grant classified as Contributions, contracted services revenue related to the Sheriff’s Department classified as Law Enforcement Training Program, and both medical reimbursements for state prisoners and the Law Enforcement Training Program revenues classified as miscellaneous refunds. Misclassifying revenues diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control.
- C. Adult Education revenues were incorrectly posted to the General Fund instead of the General Purpose School Fund. Management was not aware of this error until we brought it to their attention.

We proposed to the finance director adjustments to correct the presentation of the above-noted items in the financial statements of this report. The finance director approved the adjustments.

#### RECOMMENDATION

The finance director should review the accounting records to ensure that the records are accurately maintained and that errors detected are corrected promptly. Revenues should be

coded to accounts and funds that most appropriately reflect the true nature of the transactions.

---

**FINDING 06.05      **RECORDS WERE NOT MAINTAINED FOR EMPLOYEES' LEAVE****  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Schedules of leave balances, amounts earned, and amounts used as of and for the year ended June 30, 2006, were not prepared until we requested them in January 2007. When we did obtain the schedules, the balances had not been reconciled with amounts reflected on employee timesheets submitted by individual departments.

**RECOMMENDATION**

The Finance Department should maintain schedules of leave balances, amounts earned and used on a current basis and should ensure that amounts reflected on the schedules agree with amounts reflected on leave records maintained by individual departments.

---

**OFFICE OF TRUSTEE**

**FINDING 06.06      **THE TRUSTEE'S DEPOSITORY USED AN UNAUTHORIZED METHOD OF PAYING COUNTY WARRANTS****  
(Noncompliance Under Government Auditing Standards)

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

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

**RECOMMENDATION**

The office's depository should not deduct warrants from the office's bank account until the warrants have been presented to the trustee for payment. As an alternative to this practice,

the trustee should consider implementing a checking system for disbursing county funds as authorized by state statute.

---

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

**FINDING 06.07**      **THE OFFICE DID NOT ACCOUNT FOR RECEIPTS TOTALING \$185**  
(Internal Control – Material Weakness Under Government Auditing Standards)

During our audit, we discovered two instances totaling \$185 where receipts had not been accounted for. In those instances, receipts had been written for collections, but the receipts had not been posted to the general ledger, and the funds collected had not been deposited to the office bank account. These discrepancies had not been detected by office personnel during their daily posting and balancing procedures. When we presented these deficiencies to management, employees posted the receipts to the general ledger and deposited personal funds to the office bank account for the unaccounted funds.

**RECOMMENDATION**

The official should ensure that all receipts are posted to the general ledger, and all collections are deposited to the office bank account.

---

**FINDING 06.08**      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**  
(Noncompliance Under Government Auditing Standards)

At June 30, 2006, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with general ledger accounts by \$629 and \$2,010, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer’s Office.

**RECOMMENDATION**

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

**FINDING 06.09      ACCOUNTING RECORDS HAD NOT BEEN PROPERLY RECONCILED WITH SUBSIDIARY RECORDS, CREDIT CARD STATEMENTS, AND BANK STATEMENTS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The following deficiencies were noted in the maintenance and reconciliation of the accounting records:

- A. Many errors occurred in posting credit card collection transactions to the accounting records. The office did not retain copies of all statements received from the credit card companies, and it did not reconcile those statements with the general ledger. Consequently, posting errors remained undetected and uncorrected.
- B. As of May 8, 2006, the official had not performed bank reconciliations since June 30, 2005; however, prior to the completion of our audit, the official did reconcile bank statements for the year ended June 30, 2006. The failure to reconcile bank statements on a current basis allowed several material errors to occur and not be detected or corrected until after year end.
- C. The office maintained a listing of checks received and being held by the office due to insufficient funds. However, this list contained errors and was not reconciled with the general ledger.
- D. Subsidiary records maintained for short-term accounts contained several errors. These accounts had not been reconciled with bank statements and the general ledger.

We provided management with audit adjustments to correct the errors we detected and to properly reflect the transactions and balances in the financial statements of this report. Management accepted these adjustments.

**RECOMMENDATION**

The office should reconcile the general ledger with its subsidiary records, bank statements, and credit card statements on a monthly basis to ensure that transactions are properly posted and errors detected are corrected promptly.

**OFFICE OF SHERIFF**

**FINDING 06.10**      **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The Sheriff's Department established a commissary during the year, but did not properly maintain accounting records for its operations. The cash journal that was established to account for the commissary did not reflect all commissary transactions, and the journal had not been totaled and reconciled with balances carried forward from the previous month. Consequently, bank statements had not been reconciled with the commissary cash journal.

A computerized system was used to allocate commissary receipts and disbursement transactions to individual inmate accounts. However, the information on that system was never reconciled with the commissary cash journal or with any other records to verify the accuracy of amounts posted. We requested a trial balance of inmate accounts be generated from that computerized system as of June 30, 2006; however, the office could not retrieve a trial balance for that date.

**RECOMMENDATION**

The cash journal should be properly maintained and should reflect all commissary transactions. Commissary activity for each month should be totaled, and balances should be carried forward to the subsequent month. Bank statements should be reconciled with the cash journal monthly. A trial balance of inmate accounts should be generated and reconciled with the cash journal monthly.

---

**FINDING 06.11**      **RECEIPTS WERE NOT ISSUED FOR SOME COLLECTIONS**  
(Noncompliance Under Government Auditing Standards)

The office received various funds for items including calendar sales, reimbursements for emergency hospital expenses for state prisoners, and payments for patrolling lake areas. The Sheriff's Department forwarded the funds directly to the county trustee without issuing a receipt for the collections. Section 9-2-103, Tennessee Code Annotated, requires receipts to be issued for all collections.

**RECOMMENDATION**

The office should issue receipts for all collections as required by state statute.

**OTHER FINDING AND RECOMMENDATION**

**FINDING 06.12**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal programs.

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

There were no audit findings relative to federal awards presented in the prior or current years' Schedules of Findings and Questioned Costs.