

**ANNUAL FINANCIAL REPORT
OF
HUMPHREYS COUNTY, TENNESSEE
AND
HUMPHREYS 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
HUMPHREYS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

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

HUMPHREYS COUNTY, TENNESSEE

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Audit Highlights

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

Results

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

Findings

The following are summaries of the audit findings:

HUMPHREYS COUNTY

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

OFFICE OF COUNTY EXECUTIVE

- ◆ The office did not have a formal purchase order system.

OFFICE OF ROAD SUPERVISOR

- ◆ The office used a mechanical warrant-signing machine to affix the official's signature. A log was not maintained to document the warrants issued, the warrant numbers processed, and the employee operating the machine. Also, the mechanical counter on the machine could be reset; therefore, we could not ensure that all warrants were accounted for accurately.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ The county used a questionable method of funding workers' compensation expenses, general liability insurance, official's corporate surety bonds, and employees' dishonesty bonds.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Humphreys County Officials

June 30, 2006

Officials

Jaycee Rawlings, County Executive
Ronald Carter, Road Supervisor
Wanda Adkins, Trustee
Vickie Cowell, Assessor of Property
Betty Etheridge, County Clerk
Elaine Choate, Circuit and General Sessions Courts Clerk
Michael Bullion, Clerk and Master
Jan Crowell, Register
Ronnie Toungette, Sheriff

Board of County Commissioners

Jaycee Rawlings, Chairman	Billy Hugh Link
Robert Reid, Chairman Pro Tem	Walter Reid Long
Robert Davis	Larry Mayberry
Reed Dreaden	Odell Nichols
James Graham	Rebecca Peek
Alvin Hall	Glenn Shivers
William Hickerson	Jessie Wallace
Ronald Hughes	

County Road Advisory Committee

Leonard Parnell, Chairman
Charles Beacham
John Brady Dunn
Bill Johnson
Dennis King
John Moore
Michael Simpson

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

October 23, 2006

Humphreys County Executive and
Board of County Commissioners
Humphreys County, Tennessee

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Humphreys County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 43, 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 Humphreys 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, business-type 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, business-type activities, and discretely presented component units are not reasonably determinable.

As described in Note I, Humphreys 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 Humphreys County, Tennessee, as of June 30, 2006, or the changes in its financial position, or its cash flows, where applicable, 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 Humphreys County, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, 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 October 23, 2006, on our consideration of Humphreys County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 47 through 53 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 Humphreys 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 and General Capital Projects Funds, and miscellaneous schedules are presented for purposes of

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
ASSETS							
Cash	\$ 2,828	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,181	\$ 7,009
Equity in Pooled Cash and Investments	2,125,930	337,856	1,291,064	1,963,096	780,255	245,001	6,743,202
Accounts Receivable	0	1,424	8,481	0	0	0	9,905
Due from Other Governments	148,809	3,780	288,241	0	92,002	0	532,832
Due from Other Funds	4,181	0	0	0	0	0	4,181
Property Taxes Receivable	1,950,565	605,348	302,674	504,457	538,087	201,783	4,102,914
Allowance for Uncollectible Property Taxes	(52,305)	(16,233)	(8,117)	(13,528)	(14,429)	(5,411)	(110,023)
Total Assets	\$ 4,180,008	\$ 932,175	\$ 1,882,343	\$ 2,454,025	\$ 1,395,915	\$ 445,554	\$ 11,290,020
LIABILITIES AND FUND BALANCES							
<u>Liabilities</u>							
Accounts Payable	\$ 41,236	\$ 15,932	\$ 0	\$ 0	\$ 0	\$ 4,709	\$ 61,877
Contracts Payable	0	0	65,378	0	108,923	0	174,301
Retainage Payable	0	0	0	0	51,707	0	51,707
Due to Other Funds	0	0	0	0	0	4,181	4,181
Capital Outlay Notes Payable	5,100	0	0	0	0	0	5,100
Deferred Revenue - Current Property Taxes	1,840,936	571,325	285,662	476,104	507,844	190,442	3,872,313
Deferred Revenue - Delinquent Property Taxes	49,698	15,419	7,709	12,795	13,739	5,414	104,774
Other Deferred Revenues	61,145	0	144,102	0	0	0	205,247
Total Liabilities	\$ 1,998,115	\$ 602,676	\$ 502,851	\$ 488,899	\$ 682,213	\$ 204,746	\$ 4,479,500
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 8,080	\$ 0	\$ 277,242	\$ 0	\$ 83,746	\$ 0	\$ 369,068
Reserved for Alcohol and Drug Treatment	46,790	0	0	0	0	0	46,790
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	130,215	0	0	0	0	0	130,215
Reserved for Sexual Offender Registration	180	0	0	0	0	0	180
Reserved for Automation Purposes - Circuit Court	428	0	0	0	0	0	428
Reserved for Automation Purposes - General Sessions Court	11,903	0	0	0	0	0	11,903
Reserved for Automation Purposes - Chancery Court	406	0	0	0	0	0	406

(Continued)

Exhibit A

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Unreserved, Reported In:							
General Fund	\$ 1,983,891	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,983,891
Special Revenue Funds	0	329,499	1,102,250	0	0	169,892	1,601,641
Debt Service Funds	0	0	0	1,965,126	0	0	1,965,126
Capital Projects Funds	0	0	0	0	629,956	70,916	700,872
Total Fund Balances	<u>\$ 2,181,893</u>	<u>\$ 329,499</u>	<u>\$ 1,379,492</u>	<u>\$ 1,965,126</u>	<u>\$ 713,702</u>	<u>\$ 240,808</u>	<u>\$ 6,810,520</u>
Total Liabilities and Fund Balances	<u>\$ 4,180,008</u>	<u>\$ 932,175</u>	<u>\$ 1,882,343</u>	<u>\$ 2,454,025</u>	<u>\$ 1,395,915</u>	<u>\$ 445,554</u>	<u>\$ 11,290,020</u>

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

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
Revenues							
Local Taxes	\$ 2,834,000	\$ 603,701	\$ 306,304	\$ 528,200	\$ 522,169	\$ 137,633	\$ 4,932,007
Licenses and Permits	1,188	0	0	0	0	0	1,188
Fines, Forfeitures, and Penalties	111,079	0	0	0	0	27,146	138,225
Charges for Current Services	24,577	14,327	1,613	0	0	9	40,526
Other Local Revenues	86,899	0	102,740	315,581	45,699	3,576	554,495
Fees Received from County Officials	748,039	0	0	0	0	0	748,039
State of Tennessee	1,431,880	11,690	2,079,128	0	1,702,101	173	5,224,972
Federal Government	107,899	0	19,536	0	0	0	127,435
Other Governments and Citizens Groups	50	0	0	0	0	0	50
Total Revenues	\$ 5,345,611	\$ 629,718	\$ 2,509,321	\$ 843,781	\$ 2,269,969	\$ 168,537	\$ 11,766,937
Expenditures							
Current:							
General Government	\$ 930,524	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 930,524
Finance	496,282	0	0	0	0	0	496,282
Administration of Justice	499,854	0	0	0	0	0	499,854
Public Safety	1,360,163	0	0	0	0	280,895	1,641,058
Public Health and Welfare	327,756	512,614	0	0	0	0	840,370
Social, Cultural, and Recreational Services	139,472	0	0	0	0	0	139,472
Agricultural and Natural Resources	141,387	0	0	0	0	0	141,387
Other Operations	1,466,826	85,522	0	0	0	0	1,552,348
Highways	0	0	2,774,981	0	0	0	2,774,981
Debt Service:							
Principal on Debt	5,100	0	0	681,697	5,000	0	691,797
Interest on Debt	0	0	0	291,294	0	0	291,294
Other Debt Service	0	0	0	13,496	0	0	13,496
Capital Projects	70,241	0	0	0	2,417,215	0	2,487,456
Total Expenditures	\$ 5,437,605	\$ 598,136	\$ 2,774,981	\$ 986,487	\$ 2,422,215	\$ 280,895	\$ 12,500,319
Excess (Deficiency) of Revenues Over Expenditures	\$ (91,994)	\$ 31,582	\$ (265,660)	\$ (142,706)	\$ (152,246)	\$ (112,358)	\$ (733,382)

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
Net Change in Fund Balances	\$ (91,994)	\$ 31,582	\$ (265,660)	\$ (142,706)	\$ (152,246)	\$ (112,358)	\$ (733,382)
Fund Balance, July 1, 2005	2,273,887	297,917	1,645,152	2,107,832	865,948	353,166	7,543,902
Fund Balance, June 30, 2006	\$ 2,181,893	\$ 329,499	\$ 1,379,492	\$ 1,965,126	\$ 713,702	\$ 240,808	\$ 6,810,520

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

Exhibit C-1

Humphreys County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2006

	Major Enterprise Fund <hr/> Public Utility Fund <hr/>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 111,687
Accounts Receivable	12,064
Restricted Assets:	
Other Restricted Assets	<u>115,776</u>
Total Current Assets	<u>\$ 239,527</u>
Noncurrent Assets:	
Capital Assets Not Depreciated:	
Land	\$ 12,000
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	257,811
Infrastructure	216,163
Other Capital Assets	<u>108,424</u>
Total Noncurrent Assets	<u>\$ 594,398</u>
Total Assets	<u>\$ 833,925</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 3,518
Current Liabilities Payable from Restricted Assets:	
Other Payables from Restricted Assets	<u>115,776</u>
Total Current Liabilities	<u>\$ 119,294</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 594,398
Unrestricted	<u>120,233</u>
Total Net Assets	<u>\$ 714,631</u>

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

Exhibit C-2

Humphreys County, Tennessee
Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Major Enterprise Fund <hr/> Public Utility Fund <hr/>
<u>Operating Revenues</u>	
Wastewater Treatment Charges	\$ 107,577
Tap Fees	<u>2,500</u>
Total Operating Revenues	<u>\$ 110,077</u>
<u>Operating Expenses</u>	
Communication	\$ 591
Contracts with Private Agencies	46,237
Maintenance & Repair Services - Building	62
Maintenance & Repair Services - Equipment	15,039
Electricity	8,013
Water	4,339
Premiums on Corporate Surety Bonds	2,000
Other Charges	1,096
Depreciation	<u>35,847</u>
Total Operating Expenses	<u>\$ 113,224</u>
Change in Net Assets	\$ (3,147)
Net Assets, July 1, 2005	<u>717,778</u>
Net Assets, June 30, 2006	<u><u>\$ 714,631</u></u>

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

Exhibit C-3

Humphreys County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	Major Enterprise Fund <hr/> Public Utility Fund <hr/>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 115,151
Payments to vendors	(75,348)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 39,803</u>
Net Increase (Decrease) in Cash	\$ 39,803
Cash, July 1, 2005	<u>187,660</u>
Cash, June 30, 2006	<u><u>\$ 227,463</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided</u>	
<u>By Operating Activities</u>	
Operating Income (Loss)	\$ (3,147)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	35,847
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	2,574
Increase in Accounts Payable	<u>4,529</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 39,803</u></u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Equity in Pooled Cash and Investments	\$ 111,687
Cash - Other Restricted Assets	<u>115,776</u>
Cash, June 30, 2006	<u><u>\$ 227,463</u></u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 641,450
Accounts Receivable	981
Due from Other Governments	<u>194,429</u>
Total Assets	<u><u>\$ 836,860</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 194,429
Due to Litigants, Heirs, and Others	<u>642,431</u>
Total Liabilities	<u><u>\$ 836,860</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Humphreys 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.

Humphreys County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type 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. Humphreys 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 Humphreys County's auditor to issue an adverse opinion on the county's financial statements.

Although Humphreys 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 Humphreys County:

A. Reporting Entity

Humphreys County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Humphreys County (the primary government).

Blended Component Units – There are no legally separate component units of Humphreys 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 Humphreys County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principals. These entities would have been presented as separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Humphreys County School Department operates the public school system in the county, and the voters of Humphreys 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 Humphreys County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Humphreys County, and the 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 Humphreys County School Department and the Humphreys 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. Humphreys County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Humphreys County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Humphreys County Emergency Communications District
P.O. Box 553
Waverly, TN 37185

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

Fund financial statements of Humphreys 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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and the major individual enterprise fund 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. Humphreys 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.

Proprietary fund and 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. Grants

and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Humphreys County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This fund accounts for all solid waste activities, including those activities specifically related to the landfill.

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

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

General Capital Projects Fund – This fund accounts for major capital expenditures of the county.

Humphreys County reports the following major enterprise fund:

Public Utility Fund – This fund accounts for the transactions of the county-owned wastewater disposal facility.

Additionally, Humphreys County reports the following fund type:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. Humphreys County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, a public utility

fund, used to account for the transactions of the county-owned wastewater disposal facility. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee.

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

2. Receivables and Payables

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 1.4 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.

Retainage payable in the primary government's major General Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the airport improvement projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Capital Projects Fund.

3. **Restricted Assets**

In the Public Utility Fund, an enterprise fund, certain contributions from two businesses are classified as other restricted assets on the balance sheet because their use is limited to construction costs by agreements between those wastewater customers and Humphreys County.

4. **Capital Assets**

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

Capital assets are reported in the statement of net assets of the proprietary fund. Humphreys County defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the Public Utility Fund, enterprise fund, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Public Utility Fund are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Infrastructure	50
Other Capital Assets	24

5. **Compensated Absences**

It is the policy of Humphreys County to permit employees to accumulate a limited amount of earned but unused vacation benefits which will be paid to employees upon separation from service. In

addition, it is the policy of the Humphreys County Highway Department to permit employees to also accumulate earned but unused sick leave, which will be paid to employees upon separation from service. In the governmental fund types, the costs of vacation benefits, along with sick leave benefits for the Highway/Public Works Fund, are recognized when payments are made to employees. The granting of sick leave, except for the Highway Department, as described above, has no guaranteed payment attached and therefore is not required to be accrued or recorded. A liability for vacation and sick leave benefits is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

7. Net Assets and Fund Equity

In the proprietary fund, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets.

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 following table reflects designations on June 30, 2006:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Local Library	\$ 5,110
Jail Construction	97,140

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. All annual appropriations lapse at fiscal year end.

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

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

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Public Safety Projects (\$88,328) and Public Utility Projects (\$10,805) major appropriation categories (the legal level of control) of the General Capital Projects Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

C. The Local Purpose Tax Fund Had a Budgeted Fund Deficit

The budget and subsequent amendments submitted to and approved by the County Commission for the Local Purpose Tax Fund contained appropriations that exceeded estimated available funding causing a budgeted fund deficit of \$106,948.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

covered by the pool are considered to be insured for the purposes of credit risk disclosure.

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

Investments

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

Investment Balances. As of June 30, 2006, Humphreys 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 Humphreys County and the discretely presented Humphreys 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	\$ 1,674,030

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. Humphreys 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. Humphreys County has no

investment policy that would further limit its investment choices. As of June 30, 2006, Humphreys County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity of the proprietary fund for the year ended June 30, 2006, was as follows:

Business-type Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 12,000	\$ 0	\$ 12,000
Total Capital Assets Not Depreciated	<u>\$ 12,000</u>	<u>\$ 0</u>	<u>\$ 12,000</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 506,953	\$ 0	\$ 506,953
Infrastructure	284,425	0	284,425
Other Capital Assets	216,848	0	216,848
Total Capital Assets Depreciated:	<u>\$ 1,008,226</u>	<u>\$ 0</u>	<u>\$ 1,008,226</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 228,018	\$ 21,124	\$ 249,142
Infrastructure	62,574	5,688	68,262
Other Capital Assets	99,389	9,035	108,424
Total Accumulated Depreciation	<u>\$ 389,981</u>	<u>\$ 35,847</u>	<u>\$ 425,828</u>
Total Capital Assets Depreciated, Net	<u>\$ 618,245</u>	<u>\$ (35,847)</u>	<u>\$ 582,398</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 630,245</u></u>	<u><u>\$ (35,847)</u></u>	<u><u>\$ 594,398</u></u>

C. Construction Commitments

At June 30, 2006, the General Fund had uncompleted construction contracts of approximately \$8,080 for airport improvements. Funding for these future expenditures is expected to be received from grant funds. At June 30, 2006, the Highway/Public Works Fund had uncompleted construction contracts of approximately \$277,242 for the construction of two bridges. Funding for these future expenditures is expected to be received from state grants. At June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts of approximately \$35,515 for extension of sewer lines and \$21,437 for airport improvements. Funding for these future expenditures is expected to be received from state and federal grants.

D. Interfund Receivables and Payables

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	Nonmajor governmental	\$ 4,181

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

E. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 40 years for bonds, up to 15 years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, other loans, and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund, the General Capital Projects Fund, or the General Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4.371 to 5 %	\$ 438,500	\$ 190,000
Capital Outlay Notes	0 to 5.35	1,800,666	646,223
Other Loans	variable	8,429,700	6,536,700

During the 1999-2000 year, Humphreys County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$7,000,000 to Humphreys County for school renovation and construction. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent, Bank of America (BOA) daily or weekly. In addition, the county pays various other fees (letter of credit, administrative, and debt remarketing) in connection with this loan. At June 30, 2006, the variable interest rate was 3.5 percent, and other fees amounted to approximately .25 percent (letter of credit), .08 percent (remarketing), and .15 percent (administrative) of the outstanding loan principal.

During the 2003-04 year, Humphreys County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make \$2,200,000 available for loan to Humphreys County on an as-needed basis for various renovation and construction projects. As of June 30, 2006, Humphreys County had borrowed \$1,429,700 of the loan amount. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent, the BOA, daily or weekly. In addition, the county pays various other fees (letter of credit, administrative, and debt remarketing) in connection with this loan. At June 30, 2006, the variable interest rate was 3.7 percent, and other fees amounted to approximately .20 percent (letter of credit), .13 percent (remarketing), and .15 percent (administrative) of the outstanding loan principal.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 17,000	\$ 9,182	\$ 191,628	\$ 28,511
2008	17,200	8,358	189,817	20,983
2009	18,400	7,524	149,889	13,454
2010	19,700	6,632	114,889	5,926
2011	19,900	5,676	0	0
2012-2016	97,800	12,729	0	0
Total	\$ 190,000	\$ 50,101	\$ 646,223	\$ 68,874

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2007	\$ 494,000	\$ 231,726	\$ 31,376	\$ 757,102
2008	512,000	214,002	29,005	755,007
2009	532,000	195,634	26,547	754,181
2010	552,000	176,550	23,994	752,544
2011	484,700	156,748	21,344	662,792
2012-2016	2,027,000	560,243	76,397	2,663,640
2017-2020	1,935,000	173,571	23,669	2,132,240
Total	\$ 6,536,700	\$ 1,708,474	\$ 232,332	\$ 8,477,506

There is \$1,965,126 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$11, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans amounted to \$411, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2005	\$ 205,800	\$ 846,219
Additions	0	0
Deductions	(15,800)	(199,996)
Balance, June 30, 2006	<u>\$ 190,000</u>	<u>\$ 646,223</u>
Balance Due Within One Year	<u>\$ 17,000</u>	<u>\$ 191,628</u>

	Other Loans	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 7,012,700	\$ 78,332	\$ 824,017
Additions	0	120,263	0
Deductions	(476,000)	(102,680)	(11,892)
Balance, June 30, 2006	<u>\$ 6,536,700</u>	<u>\$ 95,915</u>	<u>\$ 812,125</u>
Balance Due Within One Year	<u>\$ 494,000</u>	<u>\$ 5,400</u>	<u>\$ 11,892</u>

IV. OTHER INFORMATION

A. Risk Management

Liability, Property, Casualty, and Workers' Compensation Insurance

Humphreys County participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school boards. Humphreys 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 for claims exceeding \$150,000 for each insured event.

Employee Health Insurance

Humphreys County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for

losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Accounting Changes

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

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Humphreys 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 Humphreys 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. Humphreys County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Humphreys 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. Humphreys County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Humphreys County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Contingent Liabilities

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

D. Subsequent Events

On October 2, 2006, Humphreys County issued \$600,000 in capital outlay notes for roof repairs for various schools, school buses and equipment, and for the acquisition and construction of emergency communication towers and facilities.

On August 31, 2006, Ronnie Toungette left the Office of Sheriff and was succeeded by Chris Davis.

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date the landfill stops accepting waste. Humphreys County closed its Class I-II landfill during the 1997-98 year. Humphreys County closed its Class III-IV landfill (extension of Class I-II) during the 2002-03 year. The Tennessee Department of Environment and Conservation's estimate for postclosure care costs is \$785,250. Humphreys County began operating a Class III-IV landfill (demolition) in January 2002. Humphreys County has used approximately 22 percent of the Class III-IV capacity at June 30, 2006. The Tennessee Department of Environment and Conservation's estimate

based on a 22 percent capacity at June 30, 2006, for closure and postclosure care costs is \$26,875. The \$812,125 reported as accrued liability for landfill closure/postclosure care costs at June 30, 2006, represents the estimated cost for future closure/postclosure care costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Retirement Commitments

Plan Description

Employees of Humphreys 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 Humphreys County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Humphreys County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 5.73 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Humphreys County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Humphreys County's annual pension cost of \$295,636 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. Humphreys County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$295,636	100%	\$0
6-30-05	276,312	100	0
6-30-04	193,352	100	0

Required Supplementary Information

Schedule of Funding Progress for Humphreys County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$11,562	\$11,733	\$171	98.54%	\$4,804	3.56%
6-30-03	10,388	10,581	193	98.18	4,421	4.37
6-30-01	9,361	9,597	236	97.54	3,802	6.21

G. Purchasing Laws

Office of County Executive

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

Office of Road Supervisor

Purchasing procedures for the Road Department are governed by the provisions of Chapter 634, Private Acts of 1935, as amended, and the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated. Provisions of the private act provide for the road supervisor to obtain the approval of the County Road Advisory Commission for all purchases of single items exceeding \$2,500. The Uniform Road Law provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,834,000	\$ 0	\$ 0	\$ 2,834,000	\$ 2,612,607	\$ 2,612,607	\$ 221,393
Licenses and Permits	1,188	0	0	1,188	2,000	2,000	(812)
Fines, Forfeitures, and Penalties	111,079	0	0	111,079	88,130	92,936	18,143
Charges for Current Services	24,577	0	0	24,577	16,650	16,650	7,927
Other Local Revenues	86,899	0	0	86,899	75,500	79,033	7,866
Fees Received from County Officials	748,039	0	0	748,039	639,300	639,300	108,739
State of Tennessee	1,431,880	0	0	1,431,880	1,150,729	1,303,729	128,151
Federal Government	107,899	0	0	107,899	80,378	80,378	27,521
Other Governments and Citizens Groups	50	0	0	50	1,500	1,500	(1,450)
Total Revenues	\$ 5,345,611	\$ 0	\$ 0	\$ 5,345,611	\$ 4,666,794	\$ 4,828,133	\$ 517,478
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 97,443	\$ 0	\$ 0	\$ 97,443	\$ 111,396	\$ 122,896	\$ 25,453
Board of Equalization	710	0	0	710	2,000	2,000	1,290
Beer Board	570	0	0	570	800	800	230
County Mayor/Executive	150,315	0	0	150,315	179,062	179,062	28,747
County Attorney	34,779	0	0	34,779	39,779	39,779	5,000
Election Commission	260,990	0	0	260,990	118,945	268,145	7,155
Register of Deeds	125,990	0	0	125,990	126,132	126,132	142
Development	8,500	0	0	8,500	9,000	9,000	500
County Buildings	251,227	0	0	251,227	233,203	263,203	11,976
<u>Finance</u>							
Property Assessor's Office	165,234	0	0	165,234	172,246	172,246	7,012
Reappraisal Program	12,630	0	0	12,630	15,264	15,264	2,634
County Trustee's Office	125,902	0	0	125,902	128,369	128,369	2,467
County Clerk's Office	192,516	0	0	192,516	192,763	193,283	767

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 191,927	\$ 0	\$ 0	\$ 191,927	\$ 196,777	\$ 196,777	\$ 4,850
General Sessions Court	59,909	0	0	59,909	65,022	65,022	5,113
Chancery Court	126,984	0	0	126,984	127,869	127,869	885
Juvenile Court	88,334	0	0	88,334	94,050	94,050	5,716
District Attorney General	6,000	0	0	6,000	6,000	6,000	0
Judicial Commissioners	26,700	0	0	26,700	26,487	26,847	147
<u>Public Safety</u>							
Sheriff's Department	669,834	0	0	669,834	661,972	697,528	27,694
Jail	173,287	0	0	173,287	165,034	177,317	4,030
Workhouse	233,005	0	0	233,005	243,277	243,277	10,272
Work Release Program	325	0	0	325	1,000	1,000	675
Fire Prevention and Control	2,000	0	0	2,000	2,000	2,000	0
Inspection and Regulation	116,221	0	0	116,221	116,553	116,553	332
County Coroner/Medical Examiner	6,308	0	0	6,308	14,900	14,900	8,592
Other Public Safety	159,183	0	0	159,183	161,171	161,171	1,988
<u>Public Health and Welfare</u>							
Local Health Center	64,331	0	0	64,331	67,102	67,102	2,771
Ambulance/Emergency Medical Services	175,219	0	0	175,219	175,219	175,219	0
Other Local Health Services	25,000	0	0	25,000	25,000	25,000	0
General Welfare Assistance	0	0	0	0	2,200	2,200	2,200
Sanitation Education/Information	34,803	0	0	34,803	39,452	39,452	4,649
Other Public Health and Welfare	28,403	0	0	28,403	104,900	104,900	76,497
<u>Social, Cultural, and Recreational Services</u>							
Libraries	139,072	0	0	139,072	134,651	139,451	379
Other Social, Cultural, and Recreational	400	0	0	400	400	400	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	\$ 69,086	\$ 0	\$ 0	\$ 69,086	\$ 69,086	\$ 69,086	0
Soil Conservation	72,301	0	0	72,301	72,345	72,345	44
<u>Other Operations</u>							
Tourism	25,000	0	0	25,000	25,000	25,000	0
Industrial Development	41,998	0	0	41,998	50,000	50,000	8,002
Other Economic and Community Development	13,967	0	0	13,967	70,000	70,000	56,033
Airport	87,885	0	0	87,885	105,957	105,957	18,072
Veterans' Services	9,059	0	0	9,059	9,223	9,223	164
Other Charges	581,937	0	0	581,937	578,500	614,500	32,563
Contributions to Other Agencies	58,473	0	0	58,473	47,073	64,073	5,600
Employee Benefits	648,507	0	0	648,507	735,200	735,200	86,693
<u>Principal on Debt</u>							
General Government	5,100	0	0	5,100	5,100	5,100	0
<u>Capital Projects</u>							
Other General Government Projects	70,241	(78,122)	8,080	199	0	0	(199)
Total Expenditures	\$ 5,437,605	\$ (78,122)	\$ 8,080	\$ 5,367,563	\$ 5,527,479	\$ 5,824,698	\$ 457,135
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (91,994)	\$ 78,122	\$ (8,080)	\$ (21,952)	\$ (860,685)	\$ (996,565)	\$ 974,613
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 2,273,887	(78,122)	0	2,195,765	2,030,713	2,030,713	165,052
Fund Balance, June 30, 2006	\$ 2,181,893	\$ 0	\$ (8,080)	\$ 2,173,813	\$ 1,170,028	\$ 1,034,148	\$ 1,139,665

Exhibit E-2

Humphreys 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>				
Local Taxes	\$ 603,701	\$ 578,220	\$ 578,220	\$ 25,481
Charges for Current Services	14,327	7,500	7,500	6,827
Other Local Revenues	0	150	150	(150)
State of Tennessee	11,690	13,887	13,887	(2,197)
Total Revenues	<u>\$ 629,718</u>	<u>\$ 599,757</u>	<u>\$ 599,757</u>	<u>\$ 29,961</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Landfill Operation and Maintenance	\$ 512,614	\$ 549,390	\$ 557,890	\$ 45,276
<u>Other Operations</u>				
Other Charges	33,673	18,000	40,423	6,750
Employee Benefits	51,849	59,900	59,900	8,051
Total Expenditures	<u>\$ 598,136</u>	<u>\$ 627,290</u>	<u>\$ 658,213</u>	<u>\$ 60,077</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 31,582</u>	<u>\$ (27,533)</u>	<u>\$ (58,456)</u>	<u>\$ 90,038</u>
Net Change in Fund Balance	\$ 31,582	\$ (27,533)	\$ (58,456)	\$ 90,038
Fund Balance, July 1, 2005	<u>297,917</u>	<u>388,144</u>	<u>388,144</u>	<u>(90,227)</u>
Fund Balance, June 30, 2006	<u>\$ 329,499</u>	<u>\$ 360,611</u>	<u>\$ 329,688</u>	<u>\$ (189)</u>

Exhibit E-3

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 306,304	\$ 0	\$ 306,304	\$ 291,003	\$ 291,003	\$ 15,301
Charges for Current Services	1,613	0	1,613	250	250	1,363
Other Local Revenues	102,740	0	102,740	65,000	65,000	37,740
State of Tennessee	2,079,128	0	2,079,128	2,202,219	2,202,219	(123,091)
Federal Government	19,536	0	19,536	0	0	19,536
Total Revenues	<u>\$ 2,509,321</u>	<u>\$ 0</u>	<u>\$ 2,509,321</u>	<u>\$ 2,558,472</u>	<u>\$ 2,558,472</u>	<u>\$ (49,151)</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 122,986	\$ 0	\$ 122,986	\$ 151,419	\$ 151,419	\$ 28,433
Highway and Bridge Maintenance	1,396,008	0	1,396,008	1,739,000	1,739,000	342,992
Operation and Maintenance of Equipment	440,050	0	440,050	468,000	503,000	62,950
Other Charges	24,481	0	24,481	31,500	31,500	7,019
Employee Benefits	249,988	0	249,988	285,500	285,500	35,512
Capital Outlay	541,468	277,242	818,710	863,992	863,992	45,282
Total Expenditures	<u>\$ 2,774,981</u>	<u>\$ 277,242</u>	<u>\$ 3,052,223</u>	<u>\$ 3,539,411</u>	<u>\$ 3,574,411</u>	<u>\$ 522,188</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (265,660)</u>	<u>\$ (277,242)</u>	<u>\$ (542,902)</u>	<u>\$ (980,939)</u>	<u>\$ (1,015,939)</u>	<u>\$ 473,037</u>
Net Change in Fund Balance	\$ (265,660)	\$ (277,242)	\$ (542,902)	\$ (980,939)	\$ (1,015,939)	\$ 473,037
Fund Balance, July 1, 2005	1,645,152	0	1,645,152	1,303,802	1,303,802	341,350
Fund Balance, June 30, 2006	<u>\$ 1,379,492</u>	<u>\$ (277,242)</u>	<u>\$ 1,102,250</u>	<u>\$ 322,863</u>	<u>\$ 287,863</u>	<u>\$ 814,387</u>

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

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 Humphreys 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, Beer Board, County Mayor/Executive, etc.). Management may make revisions within major categories, but only the Humphreys County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

Local Purpose Tax Fund – The Local Purpose Tax Fund is used to account for transactions involving the Humphreys County Rural Fire 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 for the acquisition or construction of major capital facilities.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for bond proceeds received in prior years for the construction of dams associated with the Hurricane Creek Watershed District.

Exhibit F-1

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Local Purpose Tax	Drug Control	Constitu - tional Officers - Fees	Total	Other Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 4,181	\$ 4,181	\$ 0	\$ 4,181
Equity in Pooled Cash and Investments	104,741	69,344	0	174,085	70,916	245,001
Property Taxes Receivable	201,783	0	0	201,783	0	201,783
Allowance for Uncollectible Property Taxes	(5,411)	0	0	(5,411)	0	(5,411)
Total Assets	\$ 301,113	\$ 69,344	\$ 4,181	\$ 374,638	\$ 70,916	\$ 445,554
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 4,709	\$ 0	\$ 0	\$ 4,709	\$ 0	\$ 4,709
Due to Other Funds	0	0	4,181	4,181	0	4,181
Deferred Revenue - Current Property Taxes	190,442	0	0	190,442	0	190,442
Deferred Revenue - Delinquent Property Taxes	5,414	0	0	5,414	0	5,414
Total Liabilities	\$ 200,565	\$ 0	\$ 4,181	\$ 204,746	\$ 0	\$ 204,746
<u>Fund Balances</u>						
Unreserved	\$ 100,548	\$ 69,344	\$ 0	\$ 169,892	\$ 70,916	\$ 240,808
Total Fund Balances	\$ 100,548	\$ 69,344	\$ 0	\$ 169,892	\$ 70,916	\$ 240,808
Total Liabilities and Fund Balances	\$ 301,113	\$ 69,344	\$ 4,181	\$ 374,638	\$ 70,916	\$ 445,554

Exhibit F-2

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

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>Local</u> <u>Purpose</u> <u>Tax</u>	<u>Drug</u> <u>Control</u>	<u>Total</u>	<u>Other</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Local Taxes	\$ 137,633	\$ 0	\$ 137,633	\$ 0	\$ 137,633
Fines, Forfeitures, and Penalties	0	27,146	27,146	0	27,146
Charges for Current Services	9	0	9	0	9
Other Local Revenues	3,576	0	3,576	0	3,576
State of Tennessee	0	173	173	0	173
Total Revenues	<u>\$ 141,218</u>	<u>\$ 27,319</u>	<u>\$ 168,537</u>	<u>\$ 0</u>	<u>\$ 168,537</u>
<u>Expenditures</u>					
Current:					
Public Safety	\$ 279,466	\$ 1,429	\$ 280,895	\$ 0	\$ 280,895
Total Expenditures	<u>\$ 279,466</u>	<u>\$ 1,429</u>	<u>\$ 280,895</u>	<u>\$ 0</u>	<u>\$ 280,895</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (138,248)</u>	<u>\$ 25,890</u>	<u>\$ (112,358)</u>	<u>\$ 0</u>	<u>\$ (112,358)</u>
Net Change in Fund Balances	\$ (138,248)	\$ 25,890	\$ (112,358)	\$ 0	\$ (112,358)
Fund Balance, July 1, 2005	238,796	43,454	282,250	70,916	353,166
Fund Balance, June 30, 2006	<u>\$ 100,548</u>	<u>\$ 69,344</u>	<u>\$ 169,892</u>	<u>\$ 70,916</u>	<u>\$ 240,808</u>

Exhibit F-3

Humphreys County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Local Purpose Tax Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 137,633	\$ 132,814	\$ 132,814	\$ 4,819
Charges for Current Services	9	0	0	9
Other Local Revenues	3,576	0	3,550	26
Total Revenues	<u>\$ 141,218</u>	<u>\$ 132,814</u>	<u>\$ 136,364</u>	<u>\$ 4,854</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Fire Prevention and Control	\$ 279,466	\$ 136,500	\$ 333,504	\$ 54,038
Total Expenditures	<u>\$ 279,466</u>	<u>\$ 136,500</u>	<u>\$ 333,504</u>	<u>\$ 54,038</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (138,248)</u>	<u>\$ (3,686)</u>	<u>\$ (197,140)</u>	<u>\$ 58,892</u>
Net Change in Fund Balance	\$ (138,248)	\$ (3,686)	\$ (197,140)	\$ 58,892
Fund Balance, July 1, 2005	<u>238,796</u>	<u>90,192</u>	<u>90,192</u>	<u>148,604</u>
Fund Balance, June 30, 2006	<u><u>\$ 100,548</u></u>	<u><u>\$ 86,506</u></u>	<u><u>\$ (106,948)</u></u>	<u><u>\$ 207,496</u></u>

Exhibit F-4

Humphreys 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 with Final Budget - Positive - (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 27,146	\$ 10,088	\$ 10,088	\$ 17,058
State of Tennessee	173	0	0	173
Total Revenues	<u>\$ 27,319</u>	<u>\$ 10,088</u>	<u>\$ 10,088</u>	<u>\$ 17,231</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 1,429	\$ 6,100	\$ 6,100	\$ 4,671
Total Expenditures	<u>\$ 1,429</u>	<u>\$ 6,100</u>	<u>\$ 6,100</u>	<u>\$ 4,671</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,890</u>	<u>\$ 3,988</u>	<u>\$ 3,988</u>	<u>\$ 21,902</u>
Net Change in Fund Balance	\$ 25,890	\$ 3,988	\$ 3,988	\$ 21,902
Fund Balance, July 1, 2005	<u>43,454</u>	<u>36,394</u>	<u>36,394</u>	<u>7,060</u>
Fund Balance, June 30, 2006	<u><u>\$ 69,344</u></u>	<u><u>\$ 40,382</u></u>	<u><u>\$ 40,382</u></u>	<u><u>\$ 28,962</u></u>

Major Governmental Funds

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.

General Capital Projects Fund

The General Capital Projects Fund is used to account for major capital expenditures of the county, primarily airport improvements.

Exhibit G-1

Humphreys 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	\$ 528,200	\$ 503,313	\$ 503,313	\$ 24,887
Other Local Revenues	315,581	120,500	120,500	195,081
Total Revenues	<u>\$ 843,781</u>	<u>\$ 623,813</u>	<u>\$ 623,813</u>	<u>\$ 219,968</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 310,689	\$ 284,689	\$ 310,689	\$ 0
Education	371,008	397,008	371,008	0
<u>Interest on Debt</u>				
General Government	78,253	101,617	102,617	24,364
Education	213,041	362,662	322,662	109,621
<u>Other Debt Service</u>				
General Government	13,496	0	39,000	25,504
Total Expenditures	<u>\$ 986,487</u>	<u>\$ 1,145,976</u>	<u>\$ 1,145,976</u>	<u>\$ 159,489</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (142,706)</u>	<u>\$ (522,163)</u>	<u>\$ (522,163)</u>	<u>\$ 379,457</u>
Net Change in Fund Balance	\$ (142,706)	\$ (522,163)	\$ (522,163)	\$ 379,457
Fund Balance, July 1, 2005	2,107,832	2,079,763	2,079,763	28,069
Fund Balance, June 30, 2006	<u>\$ 1,965,126</u>	<u>\$ 1,557,600</u>	<u>\$ 1,557,600</u>	<u>\$ 407,526</u>

Exhibit G-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 522,169	\$ 0	\$ 0	\$ 522,169	\$ 493,395	\$ 493,395	\$ 28,774
Other Local Revenues	45,699	0	0	45,699	0	0	45,699
State of Tennessee	1,702,101	0	0	1,702,101	1,854,234	1,854,234	(152,133)
Total Revenues	\$ 2,269,969	\$ 0	\$ 0	\$ 2,269,969	\$ 2,347,629	\$ 2,347,629	\$ (77,660)
<u>Expenditures</u>							
<u>Principal on Debt</u>							
Education	\$ 5,000	\$ 0	\$ 0	\$ 5,000	\$ 5,000	\$ 5,000	\$ 0
<u>Capital Projects</u>							
General Administration Projects	32,545	0	0	32,545	37,000	37,000	4,455
Public Safety Projects	1,854,516	0	21,437	1,875,953	1,787,625	1,787,625	(88,328)
Public Utility Projects	26,418	(46,512)	35,515	15,421	0	4,616	(10,805)
Other General Government Projects	90,019	0	0	90,019	250,000	250,000	159,981
Highway & Street Capital Projects	0	0	26,794	26,794	76,000	76,000	49,206
Education Capital Projects	413,717	0	0	413,717	404,544	413,717	0
Total Expenditures	\$ 2,422,215	\$ (46,512)	\$ 83,746	\$ 2,459,449	\$ 2,560,169	\$ 2,573,958	\$ 114,509
Excess (Deficiency) of Revenues Over Expenditures	\$ (152,246)	\$ 46,512	\$ (83,746)	\$ (189,480)	\$ (212,540)	\$ (226,329)	\$ 36,849
Net Change in Fund Balance	\$ (152,246)	\$ 46,512	\$ (83,746)	\$ (189,480)	\$ (212,540)	\$ (226,329)	\$ 36,849
Fund Balance, July 1, 2005	865,948	(46,512)	0	819,436	1,087,127	1,087,127	(267,691)
Fund Balance, June 30, 2006	\$ 713,702	\$ 0	\$ (83,746)	\$ 629,956	\$ 874,587	\$ 860,798	\$ (230,842)

Fiduciary Funds

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

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

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

Exhibit H-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 641,450	\$ 641,450
Accounts Receivable	0	981	981
Due from Other Governments	194,429	0	194,429
Total Assets	<u>\$ 194,429</u>	<u>\$ 642,431</u>	<u>\$ 836,860</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 194,429	\$ 0	\$ 194,429
Due to Litigants, Heirs, and Others	0	642,431	642,431
Total Liabilities	<u>\$ 194,429</u>	<u>\$ 642,431</u>	<u>\$ 836,860</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,136,131	\$ 1,136,131	\$ 0
Due from Other Governments	188,865	194,429	188,865	194,429
Total Assets	\$ 188,865	\$ 1,330,560	\$ 1,324,996	\$ 194,429
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 188,865	\$ 194,429	\$ 188,865	\$ 194,429
Total Liabilities	\$ 188,865	\$ 194,429	\$ 188,865	\$ 194,429
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 659,335	\$ 3,693,818	\$ 3,711,703	\$ 641,450
Accounts Receivable	530	451	0	981
Total Assets	\$ 659,865	\$ 3,694,269	\$ 3,711,703	\$ 642,431
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 659,865	\$ 3,694,269	\$ 3,711,703	\$ 642,431
Total Liabilities	\$ 659,865	\$ 3,694,269	\$ 3,711,703	\$ 642,431
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,136,131	\$ 1,136,131	\$ 0
Cash	659,335	3,693,818	3,711,703	641,450
Accounts Receivable	530	451	0	981
Due from Other Governments	188,865	194,429	188,865	194,429
Total Assets	\$ 848,730	\$ 5,024,829	\$ 5,036,699	\$ 836,860
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 188,865	\$ 194,429	\$ 188,865	\$ 194,429
Due to Litigants, Heirs, and Others	659,865	3,694,269	3,711,703	642,431
Total Liabilities	\$ 848,730	\$ 3,888,698	\$ 3,900,568	\$ 836,860

MISCELLANEOUS SCHEDULES

Exhibit I-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>							
<u>Payable through General Fund</u>							
Airport Improvements	\$ 51,000	0 %	7-28-1997	7-28-07	\$ 5,525	\$ 5,100	\$ 425
<u>Payable through General Debt Service Fund</u>							
Center for Higher Learning	400,000	0	12-8-1998	1-8-08	\$ 119,944	\$ 40,008	\$ 79,936
Center for Higher Learning	350,000	4.58	9-1-1998	9-1-08	140,000	35,000	105,000
Courthouse Annex Addition	800,000	5.35	7-3-00	7-3-09	444,444	88,888	355,556
Jail Expansion	130,000	4.5	10-1-04	10-1-09	130,000	26,000	104,000
Total Payable through General Debt Service Fund					\$ 834,388	\$ 189,896	\$ 644,492
<u>Payable through General Capital Projects Fund</u>							
Asbestos Removal	69,666	0	6-1-1992	5-31-07	\$ 6,306	\$ 5,000	\$ 1,306
Total Notes Payable					\$ 846,219	\$ 199,996	\$ 646,223
<u>OTHER LOANS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
School	7,000,000	Variable	3-7-00	5-25-20	\$ 5,925,000	\$ 296,000	\$ 5,629,000
Jail Renovation/Road, Bridge, & Sewer Improvement/Career Center	(1)	Variable	10-15-03	5-25-14	1,087,700	180,000	907,700
Total Other Loans Payable					\$ 7,012,700	\$ 476,000	\$ 6,536,700
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Courthouse Annex, FmHA	328,500	5	7-1-1976	1-1-15	\$ 151,500	\$ 12,000	\$ 139,500
Flood Control, FmHA	110,000	4.371	7-1-1976	1-1-16	54,300	3,800	50,500
Total Bonds Payable					\$ 205,800	\$ 15,800	\$ 190,000

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$2,200,000, of which Humphreys County has drawn \$1,429,700.

Exhibit I-2

Humphreys County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 17,000	\$ 9,182	\$ 26,182
2008	17,200	8,358	25,558
2009	18,400	7,524	25,924
2010	19,700	6,632	26,332
2011	19,900	5,676	25,576
2012	21,100	4,712	25,812
2013	22,400	3,689	26,089
2014	23,700	2,603	26,303
2015	24,400	1,454	25,854
2016	6,200	271	6,471
Total	<u>\$ 190,000</u>	<u>\$ 50,101</u>	<u>\$ 240,101</u>

Exhibit I-3

Humphreys 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 Executive	Section 8-24-102, <u>TCA</u>	\$ 58,687	\$ 50,000	The Cincinnati Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	56,552	100,000	St. Paul Fire & Marine Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	50,048	563,300	The Cincinnati Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	United States Fidelity and Guaranty Company
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	The Cincinnati Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	50,448 (1)	75,000	Travelers Casualty & Surety Company of America
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	The Cincinnati Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (2)	25,000	"
Employee Blanket Bond				
All County Employees			150,000	Tennessee School Boards Risk Management Trust

(1) Includes special commissioner fees of \$400.

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

Exhibit I-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	Service Fund	Projects Fund	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,856,660	\$ 576,237	\$ 130,929	\$ 0	\$ 288,101	\$ 480,201	\$ 512,162	\$ 3,844,290
Trustee's Collections - Prior Year	52,062	17,200	4,087	0	8,777	31,877	5,113	119,116
Trustee's Collections - Bankruptcy	29	10	0	0	5	18	3	65
Circuit/Clerk & Master Collections - Prior Years	21,244	6,888	1,825	0	3,910	10,755	3,246	47,868
Interest and Penalty	10,400	3,366	792	0	1,767	5,349	1,645	23,319
Payments in-Lieu-of Taxes - T.V.A.	7,500	0	0	0	3,744	0	0	11,244
<u>County Local Option Taxes</u>								
Local Option Sales Tax	419,493	0	0	0	0	0	0	419,493
Hotel/Motel Tax	91,129	0	0	0	0	0	0	91,129
Litigation Tax - General	63,066	0	0	0	0	0	0	63,066
Litigation Tax - Special Purpose	10,999	0	0	0	0	0	0	10,999
Litigation Tax - Jail, Workhouse, or Courthouse	20,871	0	0	0	0	0	0	20,871
Business Tax	112,750	0	0	0	0	0	0	112,750
Other County Local Option Taxes	2,688	0	0	0	0	0	0	2,688
<u>Statutory Local Taxes</u>								
Bank Excise Tax	87,909	0	0	0	0	0	0	87,909
Wholesale Beer Tax	75,428	0	0	0	0	0	0	75,428
Interstate Telecommunications Tax	1,772	0	0	0	0	0	0	1,772
Total Local Taxes	\$ 2,834,000	\$ 603,701	\$ 137,633	\$ 0	\$ 306,304	\$ 528,200	\$ 522,169	\$ 4,932,007
<u>Licenses and Permits</u>								
<u>Permits</u>								
Beer Permits	\$ 1,188	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,188
Total Licenses and Permits	\$ 1,188	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,188
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 6,487	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,487
Officers Costs	2,661	0	0	0	0	0	0	2,661
Drug Control Fines	3,782	0	0	2,267	0	0	0	6,049
Jail Fees	7,391	0	0	0	0	0	0	7,391
Judicial Commissioner Fees	633	0	0	0	0	0	0	633

(Continued)

Exhibit I-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	Service Fund	Projects Fund	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
DUI Treatment Fines	\$ 1,716	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,716
Data Entry Fee - Circuit Court	292	0	0	0	0	0	0	292
<u>General Sessions Court</u>								
Fines	11,722	0	0	0	0	0	0	11,722
Officers Costs	27,738	0	0	0	0	0	0	27,738
Game and Fish Fines	350	0	0	0	0	0	0	350
Drug Control Fines	4,457	0	0	4,919	0	0	0	9,376
Jail Fees	13,050	0	0	0	0	0	0	13,050
Judicial Commissioner Fees	3,627	0	0	0	0	0	0	3,627
DUI Treatment Fines	6,651	0	0	0	0	0	0	6,651
Data Entry Fee - General Sessions Court	3,474	0	0	0	0	0	0	3,474
<u>Juvenile Court</u>								
Fines	717	0	0	0	0	0	0	717
Officers Costs	1,736	0	0	0	0	0	0	1,736
Data Entry Fee - Juvenile Court	100	0	0	0	0	0	0	100
<u>Chancery Court</u>								
Officers Costs	2,704	0	0	0	0	0	0	2,704
Data Entry Fee - Chancery Court	700	0	0	0	0	0	0	700
<u>Other Courts - In-county</u>								
Fines	6,255	0	0	0	0	0	0	6,255
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	4,806	0	0	19,960	0	0	0	24,766
Other Fines, Forfeitures, and Penalties	30	0	0	0	0	0	0	30
Total Fines, Forfeitures, and Penalties	\$ 111,079	\$ 0	\$ 0	\$ 27,146	\$ 0	\$ 0	\$ 0	\$ 138,225
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Other Employee Benefit Charges/Contributions	\$ 41	\$ 0	\$ 0	\$ 0	\$ 1,280	\$ 0	\$ 0	\$ 1,321
Tipping Fees	413	14,327	9	0	0	0	0	14,749
Work Release Charges for Board	6,328	0	0	0	0	0	0	6,328
<u>Fees</u>								
Copy Fees	2,802	0	0	0	0	0	0	2,802

(Continued)

Exhibit I-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	Service Fund	Projects Fund	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Vending Machine Collections	\$ 2,681	\$ 0	\$ 0	\$ 0	\$ 333	\$ 0	\$ 0	\$ 3,014
Data Processing Fee - Register	9,146	0	0	0	0	0	0	9,146
Data Processing Fee - Sheriff	2,986	0	0	0	0	0	0	2,986
Sexual Offender Registration Fees - Sheriff	180	0	0	0	0	0	0	180
Total Charges for Current Services	\$ 24,577	\$ 14,327	\$ 9	\$ 0	\$ 1,613	\$ 0	\$ 0	\$ 40,526
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 315,581	\$ 0	\$ 315,581
Lease/Rentals	29,930	0	0	0	0	0	8,028	37,958
Sale of Materials and Supplies	0	0	0	0	151	0	400	551
Sale of Gasoline	42,468	0	0	0	101,723	0	0	144,191
Sale of Recycled Materials	365	0	0	0	0	0	0	365
Miscellaneous Refunds	5,098	0	26	0	124	0	37,271	42,519
<u>Nonrecurring Items</u>								
Insurance Recovery	75	0	3,550	0	742	0	0	4,367
Sale of Property	3,692	0	0	0	0	0	0	3,692
Damages Recovered from Individuals	601	0	0	0	0	0	0	601
Contributions & Gifts	2,920	0	0	0	0	0	0	2,920
<u>Other Local Revenues</u>								
Other Local Revenues	1,750	0	0	0	0	0	0	1,750
Total Other Local Revenues	\$ 86,899	\$ 0	\$ 3,576	\$ 0	\$ 102,740	\$ 315,581	\$ 45,699	\$ 554,495
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 182,775	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 182,775
Circuit Court Clerk	47,989	0	0	0	0	0	0	47,989
General Sessions Court Clerk	91,769	0	0	0	0	0	0	91,769
Clerk and Master	59,201	0	0	0	0	0	0	59,201
Register	122,825	0	0	0	0	0	0	122,825
Sheriff	8,388	0	0	0	0	0	0	8,388
Trustee	235,092	0	0	0	0	0	0	235,092
Total Fees Received from County Officials	\$ 748,039	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 748,039

(Continued)

Exhibit I-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	Service Fund	Projects Fund	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Airport Maintenance Program	7,876	0	0	0	0	0	0	7,876
State Reappraisal Grant	7,632	0	0	0	0	0	0	7,632
Other General Government Grants	0	0	0	0	0	0	90,019	90,019
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	6,224	0	0	0	0	0	0	6,224
Other Public Safety Grants	0	0	0	0	0	0	1,612,082	1,612,082
<u>Health and Welfare Grants</u>								
Health Department Programs	37,419	0	0	0	0	0	0	37,419
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	185,925	0	0	185,925
State Aid Program	0	0	0	0	164,557	0	0	164,557
Litter Program	42,286	0	0	0	0	0	0	42,286
Other Public Works Grants	70,241	0	0	0	0	0	0	70,241
<u>Other State Revenues</u>								
Income Tax	25,207	0	0	0	0	0	0	25,207
Beer Tax	17,212	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	34,157	0	0	0	0	0	0	34,157
State Revenue Sharing - T.V.A.	951,361	0	0	0	0	0	0	951,361
Prisoner Transportation	375	0	0	0	0	0	0	375
Contracted Prisoner Boarding	55,710	0	0	0	0	0	0	55,710
Gasoline and Motor Fuel Tax	0	0	0	0	1,714,223	0	0	1,714,223
Petroleum Special Tax	0	0	0	0	14,423	0	0	14,423
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	150,800	11,690	0	0	0	0	0	162,490
Other State Revenues	0	0	0	173	0	0	0	173
Total State of Tennessee	\$ 1,431,880	\$ 11,690	\$ 0	\$ 173	\$ 2,079,128	\$ 0	\$ 1,702,101	\$ 5,224,972
<u>Federal Government</u>								
<u>Federal Through State</u>								
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,536	\$ 0	\$ 0	\$ 19,536
Homeland Security Grants	105,629	0	0	0	0	0	0	105,629

(Continued)

Exhibit I-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	Service Fund	Projects Fund	
<u>Federal Government (Cont.)</u>								
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	\$ 2,270	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,270
Total Federal Government	\$ 107,899	\$ 0	\$ 0	\$ 0	\$ 19,536	\$ 0	\$ 0	\$ 127,435
<u>Other Governments and Citizens Groups</u>								
<u>Other</u>								
Other	\$ 50	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50
Total Other Governments and Citizens Groups	\$ 50	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50
Total	\$ 5,345,611	\$ 629,718	\$ 141,218	\$ 27,319	\$ 2,509,321	\$ 843,781	\$ 2,269,969	\$ 11,766,937

Exhibit I-5

Humphreys 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	\$	20,750	
Audit Services		4,242	
Contracts with Government Agencies		29,820	
Contracts with Other Public Agencies		825	
Contracts with Private Agencies		2,074	
Data Processing Services		213	
Dues and Memberships		7,796	
Tax Relief Program		5,622	
Other Charges		15,475	
Land		10,626	
Total County Commission			\$ 97,443

Board of Equalization

Board and Committee Members Fees	\$	710	
Total Board of Equalization			710

Beer Board

Board and Committee Members Fees	\$	570	
Total Beer Board			570

County Mayor/Executive

County Official/Administrative Officer	\$	58,687	
Secretary(ies)		58,682	
Other Salaries & Wages		3,871	
Communication		2,633	
Operating Lease Payments		4,295	
Maintenance Agreements		6,311	
Postal Charges		1,497	
Printing, Stationery, and Forms		201	
Travel		8,764	
Duplicating Supplies		1,199	
Office Supplies		2,008	
Other Supplies and Materials		1,218	
Other Charges		949	
Total County Mayor/Executive			150,315

County Attorney

Legal Services	\$	34,779	
Total County Attorney			34,779

(Continued)

Exhibit I-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	42,541	
Secretary(ies)		35,659	
Election Commission		2,450	
Election Workers		670	
Communication		2,598	
Data Processing Services		7,062	
Dues and Memberships		200	
Operating Lease Payments		1,566	
Maintenance & Repair Services - Office Equipment		1,496	
Postal Charges		4,673	
Printing, Stationery, and Forms		10,384	
Office Supplies		2,666	
Other Supplies and Materials		500	
Office Equipment		1,025	
Voting Machines		147,500	
Total Election Commission			\$ 260,990

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Secretary(ies)		52,271	
Communication		1,196	
Dues and Memberships		463	
Operating Lease Payments		2,996	
Postal Charges		600	
Other Contracted Services		1,675	
Duplicating Supplies		3,889	
Office Supplies		3,707	
Other Charges		349	
Data Processing Equipment		8,796	
Total Register of Deeds			125,990

Development

Contracts with Government Agencies	\$	8,500	
Total Development			8,500

County Buildings

Custodial Personnel	\$	39,543	
Communication		2,093	
Janitorial Services		15,520	
Maintenance Agreements		8,631	

(Continued)

Exhibit I-5

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance & Repair Services - Vehicles	\$	1,259	
Pest Control		913	
Custodial Supplies		12,812	
Electricity		87,217	
Natural Gas		29,279	
Water and Sewer		9,761	
Building Improvements		44,199	
Total County Buildings			\$ 251,227

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Secretary(ies)		75,638	
Communication		1,765	
Data Processing Services		3,383	
Dues and Memberships		1,734	
Operating Lease Payments		2,358	
Postal Charges		578	
Other Contracted Services		27,200	
Office Supplies		1,418	
Other Charges		1,112	
Total Property Assessor's Office			165,234

Reappraisal Program

Other Salaries & Wages	\$	9,366	
Data Processing Services		2,110	
Postal Charges		360	
Gasoline		282	
Other Charges		39	
Motor Vehicles		473	
Total Reappraisal Program			12,630

County Trustee's Office

County Official/Administrative Officer	\$	50,048
Secretary(ies)		51,994
Communication		3,185
Data Processing Services		3,606
Dues and Memberships		458
Operating Lease Payments		1,740
Legal Notices, Recording, and Court Costs		72

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Maintenance Agreements	\$	5,783	
Postal Charges		4,000	
Printing, Stationery, and Forms		574	
Office Supplies		3,600	
Other Charges		842	
Total County Trustee's Office			\$ 125,902

County Clerk's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		99,006	
Communication		2,198	
Dues and Memberships		448	
Operating Lease Payments		2,047	
Maintenance Agreements		4,102	
Postal Charges		4,464	
Office Supplies		6,597	
Other Charges		50	
Data Processing Equipment		23,556	
Total County Clerk's Office			192,516

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Secretary(ies)		99,006	
Board and Committee Members Fees		797	
Jury and Witness Fees		15,093	
Communication		2,835	
Dues and Memberships		348	
Operating Lease Payments		3,900	
Maintenance Agreements		8,256	
Postal Charges		3,806	
Printing, Stationery, and Forms		2,359	
Data Processing Supplies		963	
Office Supplies		4,516	
Total Circuit Court			191,927

General Sessions Court

Judge(s)	\$	57,472
Teachers		720
Secretary(ies)		720

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Other Charges	\$ 997	
Total General Sessions Court		\$ 59,909

Chancery Court

County Official/Administrative Officer	\$ 50,048	
Secretary(ies)	52,270	
Communication	2,956	
Dues and Memberships	408	
Operating Lease Payments	1,680	
Maintenance Agreements	4,224	
Postal Charges	2,088	
Printing, Stationery, and Forms	3,445	
Data Processing Supplies	299	
Office Supplies	4,673	
Other Charges	86	
Data Processing Equipment	4,807	
Total Chancery Court		126,984

Juvenile Court

Judge(s)	\$ 57,472	
Youth Service Officer(s)	25,827	
Communication	1,314	
Other Contracted Services	2,040	
Office Supplies	613	
Other Charges	588	
Data Processing Equipment	480	
Total Juvenile Court		88,334

District Attorney General

Investigator(s)	\$ 6,000	
Total District Attorney General		6,000

Judicial Commissioners

Other Salaries & Wages	\$ 26,246	
Communication	454	
Total Judicial Commissioners		26,700

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 55,052	
--	-----------	--

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Deputy(ies)	\$	443,287	
Accountants/Bookkeepers		46,055	
Salary Supplements		6,224	
Other Salaries & Wages		21,493	
In-Service Training		305	
Communication		5,078	
Data Processing Services		1,806	
Dues and Memberships		1,400	
Maintenance Agreements		4,941	
Postal Charges		6,052	
Gasoline		44,243	
Office Supplies		4,756	
Uniforms		5,323	
Other Charges		2,238	
Data Processing Equipment		9,929	
Law Enforcement Equipment		11,652	
Total Sheriff's Department			\$ 669,834

Jail

Cafeteria Personnel	\$	21,898	
Maintenance Agreements		4,987	
Medical and Dental Services		83,316	
Transportation - Other than Students		1,000	
Custodial Supplies		8,531	
Food Preparation Supplies		977	
Food Supplies		49,432	
Office Supplies		1,833	
Other Charges		1,313	
Total Jail			173,287

Workhouse

Guards	\$	232,575	
Uniforms		430	
Total Workhouse			233,005

Work Release Program

Board and Committee Members Fees	\$	325	
Total Work Release Program			325

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contributions	\$ 2,000	
Total Fire Prevention and Control		\$ 2,000

Inspection and Regulation

County Official/Administrative Officer	\$ 6,764	
Other Salaries & Wages	23,510	
Communication	1,077	
Postal Charges	119	
Gasoline	3,015	
Vehicle Parts	1,417	
Other Supplies and Materials	9,794	
Motor Vehicles	33,479	
Other Equipment	37,046	
Total Inspection and Regulation		116,221

County Coroner/Medical Examiner

County Official/Administrative Officer	\$ 900	
Specialized Medical Treatment	4,988	
Other Charges	420	
Total County Coroner/Medical Examiner		6,308

Other Public Safety

Dispatchers/Radio Operators	\$ 92,371	
Maintenance & Repair Services - Vehicles	15,332	
Tires and Tubes	4,565	
Motor Vehicles	46,915	
Total Other Public Safety		159,183

Public Health and Welfare

Local Health Center

Communication	\$ 2,006	
Contracts with Government Agencies	60,152	
Drugs and Medical Supplies	139	
Office Supplies	1,225	
Other Supplies and Materials	760	
Other Charges	49	
Total Local Health Center		64,331

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$ 175,219	
Total Ambulance/Emergency Medical Services		175,219

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Matching Share	\$ 25,000	
Total Other Local Health Services		\$ 25,000

Sanitation Education/Information

Supervisor/Director	\$ 15,219	
Part-time Personnel	10,000	
Communication	826	
Travel	169	
Other Contracted Services	927	
Gasoline	1,754	
Instructional Supplies and Materials	<u>5,908</u>	
Total Sanitation Education/Information		34,803

Other Public Health and Welfare

Other Salaries & Wages	\$ 26,540	
Travel	470	
Other Supplies and Materials	<u>1,393</u>	
Total Other Public Health and Welfare		28,403

Social, Cultural, and Recreational Services

Libraries

Supervisor/Director	\$ 30,329	
Clerical Personnel	46,735	
Part-time Personnel	21,332	
Communication	2,532	
Maintenance Agreements	393	
Postal Charges	1,200	
Printing, Stationery, and Forms	300	
Maintenance and Repair Services - Records	3,284	
Library Books/Media	16,463	
Periodicals	402	
Other Supplies and Materials	5,955	
Indirect Cost	2,400	
Other Charges	1,000	
Data Processing Equipment	<u>6,747</u>	
Total Libraries		139,072

Other Social, Cultural, and Recreational

Contributions	\$ 400	
Total Other Social, Cultural, and Recreational		400

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Contributions	\$ 69,086	
Total Agriculture Extension Service		\$ 69,086

Soil Conservation

Secretary(ies)	\$ 24,303	
Part-time Personnel	22,028	
Other Salaries & Wages	22,067	
Dues and Memberships	985	
Office Supplies	944	
Other Supplies and Materials	774	
Office Equipment	1,200	
Total Soil Conservation		72,301

Other Operations

Tourism

Other Charges	\$ 25,000	
Total Tourism		25,000

Industrial Development

Secretary(ies)	\$ 19,194	
Other Contracted Services	22,804	
Total Industrial Development		41,998

Other Economic and Community Development

Other Charges	\$ 13,967	
Total Other Economic and Community Development		13,967

Airport

Supervisor/Director	\$ 17,524	
Part-time Personnel	11,697	
Bank Charges	80	
Communication	3,064	
Maintenance & Repair Services - Buildings	6,530	
Gasoline	34,550	
Lubricants	69	
Office Supplies	435	
Utilities	8,641	
Other Charges	5,038	
Other Equipment	257	
Total Airport		87,885

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	8,171	
Communication		627	
Postal Charges		76	
Office Supplies		160	
Other Charges		<u>25</u>	
Total Veterans' Services			\$ 9,059

Other Charges

Liability Insurance	\$	314,830	
Premiums on Corporate Surety Bonds		3,344	
Trustee's Commission		59,083	
Workers' Compensation Insurance		<u>204,680</u>	
Total Other Charges			581,937

Contributions to Other Agencies

Contributions	\$	<u>58,473</u>	
Total Contributions to Other Agencies			58,473

Employee Benefits

Social Security	\$	142,557	
State Retirement		114,689	
Life Insurance		6,600	
Medical Insurance		350,069	
Unemployment Compensation		1,252	
Employer Medicare		<u>33,340</u>	
Total Employee Benefits			648,507

Principal on Debt

General Government

Principal on Notes	\$	<u>5,100</u>	
Total General Government			5,100

Capital Projects

Other General Government Projects

Engineering Services	\$	<u>70,241</u>	
Total Other General Government Projects			<u>70,241</u>

Total General Fund \$ 5,437,605

(Continued)

Exhibit I-5

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Landfill Operation and Maintenance

Supervisor/Director	\$	56,276	
Laborers		179,652	
Communication		5,734	
Maintenance & Repair Services - Equipment		12,779	
Postal Charges		8	
Disposal Fees		169,314	
Diesel Fuel		23,291	
Fertilizer, Lime, and Seed		1,307	
Office Supplies		172	
Tires and Tubes		2,823	
Other Supplies and Materials		1,972	
Landfill Closure/Postclosure Care Costs		6,941	
Other Charges		11,944	
Solid Waste Equipment		15,312	
Other Equipment		25,089	
Total Landfill Operation and Maintenance			\$ 512,614

Other Operations

Other Charges

Trustee's Commission	\$	12,125	
Other Construction		21,548	
Total Other Charges			33,673

Employee Benefits

Social Security	\$	14,714	
State Retirement		7,541	
Life Insurance		262	
Medical Insurance		25,891	
Employer Medicare		3,441	
Total Employee Benefits			51,849

Total Solid Waste/Sanitation Fund \$ 598,136

Local Purpose Tax Fund

Public Safety

Fire Prevention and Control

Equipment Operators	\$	33,470	
Communication		2,016	
Maintenance & Repair Services - Buildings		476	
Maintenance & Repair Services - Equipment		5,887	

(Continued)

Exhibit I-5

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

Local Purpose Tax Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Maintenance & Repair Services - Vehicles	\$	15,776	
Other Contracted Services		4,800	
Diesel Fuel		807	
Electricity		3,626	
Gasoline		8,188	
Natural Gas		6,398	
Office Supplies		39	
Tires and Tubes		1,451	
Water and Sewer		334	
Liability Insurance		39,932	
Trustee's Commission		2,729	
Other Charges		2,035	
Communication Equipment		3,866	
Other Equipment		147,636	
Total Fire Prevention and Control			\$ 279,466
Total Local Purpose Tax Fund			\$ 279,466

Drug Control Fund

Public Safety

Drug Enforcement

Instructional Supplies and Materials	\$	1,327	
Trustee's Commission		102	
Total Drug Enforcement			\$ 1,429
Total Drug Control Fund			1,429

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	56,552
Accountants/Bookkeepers		23,281
Clerical Personnel		23,281
Board and Committee Members Fees		800
Advertising		152
Communication		2,107
Data Processing Services		3,178
Dues and Memberships		2,377
Pest Control		132
Postal Charges		547

(Continued)

Exhibit I-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Travel	\$	702	
Custodial Supplies		642	
Electricity		3,751	
Natural Gas		2,331	
Office Supplies		1,971	
Water and Sewer		959	
Other Charges		223	
Total Administration			\$ 122,986

Highway and Bridge Maintenance

Foremen	\$	87,323	
Equipment Operators		131,072	
Truck Drivers		248,917	
Laborers		117,309	
Other Contracted Services		7,355	
Asphalt - Cold Mix		526,500	
Crushed Stone		221,079	
General Construction Materials		177	
Pipe - Metal		46,713	
Road Signs		6,880	
Wood Products		780	
Other Supplies and Materials		1,903	
Total Highway and Bridge Maintenance			1,396,008

Operation and Maintenance of Equipment

Foremen	\$	24,915	
Mechanic(s)		22,648	
Diesel Fuel		135,676	
Equipment and Machinery Parts		96,388	
Garage Supplies		6,354	
Gasoline		100,366	
Lubricants		8,569	
Tires and Tubes		33,338	
Other Supplies and Materials		11,796	
Total Operation and Maintenance of Equipment			440,050

Other Charges

Medical and Dental Services	\$	1,090	
Trustee's Commission		23,391	
Total Other Charges			24,481

(Continued)

Exhibit I-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	56,393	
State Retirement		40,474	
Medical Insurance		152,127	
Unemployment Compensation		866	
Other Fringe Benefits		128	
Total Employee Benefits			\$ 249,988

Capital Outlay

Engineering Services	\$	25,501	
Bridge Construction		251,554	
Office Equipment		556	
State Aid Projects		164,557	
Other Equipment		99,300	
Total Capital Outlay			541,468

Total Highway/Public Works Fund \$ 2,774,981

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	15,800	
Principal on Notes		114,889	
Principal on Other Loans		180,000	
Total General Government			\$ 310,689

Education

Principal on Notes	\$	75,008	
Principal on Other Loans		296,000	
Total Education			371,008

Interest on Debt

General Government

Interest on Bonds	\$	9,948	
Interest on Notes		30,024	
Other Debt Issuance Charges		363	
Interest on Other Loans		37,918	
Total General Government			78,253

Education

Interest on Notes	\$	6,408	
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(Continued)

Exhibit I-5

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education (Cont.)</u>		
Other Debt Issuance Charges	\$ 1,648	
Interest on Other Loans	<u>204,985</u>	
Total Education		\$ 213,041
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 13,496	
Total General Government	<u>13,496</u>	<u>13,496</u>
Total General Debt Service Fund		\$ 986,487
<u>General Capital Projects Fund</u>		
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Notes	\$ 5,000	
Total Education	<u>5,000</u>	\$ 5,000
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Trustee's Commission	\$ 10,445	
Other Capital Outlay	<u>22,100</u>	
Total General Administration Projects		32,545
<u>Public Safety Projects</u>		
Airport Improvement	\$ 1,854,516	
Total Public Safety Projects	<u>1,854,516</u>	1,854,516
<u>Public Utility Projects</u>		
Engineering Services	\$ 26,418	
Total Public Utility Projects	<u>26,418</u>	26,418
<u>Other General Government Projects</u>		
Other Supplies and Materials	\$ 1,544	
Building Improvements	<u>88,475</u>	
Total Other General Government Projects		90,019
<u>Education Capital Projects</u>		
Building Construction	\$ 413,717	
Total Education Capital Projects	<u>413,717</u>	<u>413,717</u>
Total General Capital Projects Fund		<u>2,422,215</u>
Total Governmental Funds - Primary Government		<u>\$ 12,500,319</u>

Exhibit I-6

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

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 1,136,131</u>
Total Cash Receipts	<u>\$ 1,136,131</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,124,770
Trustee's Commission	<u>11,361</u>
Total Cash Disbursements	<u>\$ 1,136,131</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

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

NORMAN R. NORMENT, CGFM
Audit Manager

NOLAN R. BRADFORD, CPA, CGFM
Auditor 4

KATINA VALENTINE
WENDY HEATH, CFE
State Auditors

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

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

Annual Financial Report
Humphreys County School Department
For the Year Ended June 30, 2006

Scope

We have audited the basic financial statements of the Humphreys County School Department as of and for the year ended June 30, 2006.

Results

Our report on the Humphreys County School Department's financial statements is unqualified.

Our audit resulted in five findings and recommendations, which we have reviewed with Humphreys County School Department management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

HUMPHREYS COUNTY SCHOOL DEPARTMENT

- ◆ In some instances, purchase orders were issued after the purchases were made, and dates were not reflected on some purchase orders.
- ◆ General ledger payroll liability accounts were not reconciled with payroll reports and payments.
- ◆ Written guidelines governing the use of credit cards had not been adopted.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ The county used a questionable method of funding workers' compensation expenses, general liability insurance, official's corporate surety bonds, and employees' dishonesty bonds.

INTRODUCTORY SECTION

Humphreys County School Officials
June 30, 2006

Official

James Long, Director of Schools

Board of Education

Gene Trotter, Chairman

J. R. McNeil

J. D. Painter

Kathy Purcell

Jimmy Reeves

Dwayne Ross

Johnny Whitfield

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

October 23, 2006

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Humphreys County School Department, a component unit of Humphreys County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Humphreys County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Humphreys 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund,

and the aggregate remaining fund information of the Humphreys County School Department as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2006, on our consideration of the Humphreys 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 Humphreys County School Department has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements.

The management of the Humphreys County School Department did not prepare the management's discussion and analysis. The management's discussion and analysis 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.

The budgetary comparison information on pages 43 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Humphreys County, Tennessee
Statement of Net Assets
Humphreys County School Department
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 758,521
Accounts Receivable	670
Due from Other Governments	450,846
Property Taxes Receivable	2,892,218
Allowance for Uncollectible Property Taxes	(77,557)
Capital Assets:	
Assets Not Depreciated:	
Land	141,175
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	10,086,877
Infrastructure	59,778
Other Capital Assets	1,154,421
Total Assets	<u>\$ 15,466,949</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 12,250
Payroll Deductions Payable	190,297
Capital Outlay Notes Payable	4,500
Deferred Revenue - Current Property Taxes	2,729,663
Noncurrent Liabilities:	
Due Within One Year	1,375
Due in More Than One Year	6,433
Total Liabilities	<u>\$ 2,944,518</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 11,434,443
Restricted for:	
Other Purposes	335,265
Unrestricted	752,723
Total Net Assets	<u>\$ 12,522,431</u>

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

Exhibit B

Humphreys County, Tennessee
Statement of Activities
Humphreys County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 12,541,687	\$ 24,394	\$ 1,987,334	\$ (10,529,959)
Support Services	5,971,103	43,694	89,330	(5,838,079)
Operation of Non-Instructional Services	1,505,764	783,226	721,363	(1,175)
Total Governmental Activities	\$ 20,018,554	\$ 851,314	\$ 2,798,027	\$ (16,369,213)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 2,879,177
Local option sales tax				1,609,506
Other local taxes				3,099
Grants and contributions not restricted for specific programs				11,597,516
Miscellaneous				105,765
Total General Revenues				<u>\$ 16,195,063</u>
Change in net assets				\$ (174,150)
Net assets, July 1, 2005				<u>12,696,581</u>
Net assets, June 30, 2006				<u>\$ 12,522,431</u>

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

Exhibit C-1

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 581,293	\$ 177,228	\$ 758,521
Accounts Receivable	670	0	670
Due from Other Governments	353,455	97,391	450,846
Due from Other Funds	0	2,462	2,462
Property Taxes Receivable	2,892,218	0	2,892,218
Allowance for Uncollectible Property Taxes	(77,557)	0	(77,557)
Total Assets	<u>\$ 3,750,079</u>	<u>\$ 277,081</u>	<u>\$ 4,027,160</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 12,207	\$ 43	\$ 12,250
Payroll Deductions Payable	190,297	0	190,297
Due to Other Funds	2,462	0	2,462
Capital Outlay Notes Payable	4,500	0	4,500
Deferred Revenue - Current Property Taxes	2,729,663	0	2,729,663
Deferred Revenue - Delinquent Property Taxes	73,666	0	73,666
Other Deferred Revenues	180,160	97,391	277,551
Total Liabilities	<u>\$ 3,192,955</u>	<u>\$ 97,434</u>	<u>\$ 3,290,389</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 189,162	\$ 0	\$ 189,162
Other Local Education Reserves	58,227	0	58,227
Reserved for Title I Grants to Local Education Agencies	0	20,185	20,185
Reserved for Special Education - Grants to States	0	10,912	10,912
Other Federal Reserves	0	410	410
Unreserved, Reported In:			
General Fund	309,735	0	309,735
Special Revenue Funds	0	148,140	148,140
Total Fund Balances	<u>\$ 557,124</u>	<u>\$ 179,647</u>	<u>\$ 736,771</u>
Total Liabilities and Fund Balances	<u>\$ 3,750,079</u>	<u>\$ 277,081</u>	<u>\$ 4,027,160</u>

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

Exhibit C-2

Humphreys County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Humphreys County School Department
June 30, 2006

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	736,771
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	141,175	
Add: buildings and improvements net of accumulated depreciation		10,086,877	
Add: infrastructure net of accumulated depreciation		59,778	
Add: other capital assets net of accumulated depreciation		<u>1,154,421</u>	11,442,251
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: notes payable			(7,808)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>351,217</u>
Net assets of governmental activities (Exhibit A)		\$	<u>12,522,431</u>

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

Exhibit C-3

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 4,453,930	\$ 0	\$ 4,453,930
Licenses and Permits	1,326	0	1,326
Charges for Current Services	68,088	783,226	851,314
Other Local Revenues	138,330	6,298	144,628
State of Tennessee	11,964,178	81,882	12,046,060
Federal Government	194,419	2,067,537	2,261,956
Total Revenues	<u>\$ 16,820,271</u>	<u>\$ 2,938,943</u>	<u>\$ 19,759,214</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 10,980,392	\$ 1,212,398	\$ 12,192,790
Support Services	5,457,401	282,973	5,740,374
Operation of Non-Instructional Services	12,918	1,458,261	1,471,179
Debt Service:			
Principal on Debt	5,500	0	5,500
Total Expenditures	<u>\$ 16,456,211</u>	<u>\$ 2,953,632</u>	<u>\$ 19,409,843</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 364,060</u>	<u>\$ (14,689)</u>	<u>\$ 349,371</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 5,163	\$ 2,462	\$ 7,625
Transfers Out	(2,462)	(5,163)	(7,625)
Total Other Financing Sources (Uses)	<u>\$ 2,701</u>	<u>\$ (2,701)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 366,761	\$ (17,390)	\$ 349,371
Fund Balance, July 1, 2005	190,363	197,037	387,400
Fund Balance, June 30, 2006	<u>\$ 557,124</u>	<u>\$ 179,647</u>	<u>\$ 736,771</u>

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

Exhibit C-4

Humphreys County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Humphreys County School Department
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	349,371
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:			
Less: current year depreciation expense			(612,150)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$	351,217	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(268,088)</u>	83,129
(3) The issuance of long-term debt (e.g. notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Add: principal payments on notes			<u>5,500</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(174,150)</u></u>

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

Exhibit D-1

Humphreys County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Fund
Humphreys County School Department
June 30, 2006

	<u>Private - Purpose Trust Fund Endowment Principal Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ <u>58,227</u>
Total Assets	\$ <u><u>58,227</u></u>
<u>NET ASSETS</u>	
Held in Trust for Scholarships	\$ <u>58,227</u>
Total Net Assets	\$ <u><u>58,227</u></u>

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

Exhibit D-2

Humphreys County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Humphreys County School Department
June 30, 2006

	Private - Purpose Trust Fund Endowment Principal Fund
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Contributions	\$ 2,000
Investment Income	1,633
Total Additions	<u>\$ 3,633</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	<u>\$ 7,000</u>
Total Deductions	<u>\$ 7,000</u>
Change in Net Assets	\$ (3,367)
Net Assets, July 1, 2005	<u>61,594</u>
Net Assets, June 30, 2006	<u><u>\$ 58,227</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Humphreys County School Department's financial statements are 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 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 Humphreys County elect its seven-member board. The School Department is a component unit of Humphreys County, the primary government. The School Department is fiscally dependent on Humphreys County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Humphreys County Commission's approval. The School Department's taxes are levied under the taxing authority of Humphreys County and are included as part of Humphreys County's total tax levy.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other

items not properly included among program revenues are reported instead as general revenues.

Humphreys County issues all debt for the discretely presented School Department.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. The School Department has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary fund is also 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 School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within

60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due.

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. State shared taxes are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

Special Revenue Funds – 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.

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for resources legally held in trust for use to provide scholarships for students seeking further education in a field related to mechanical or chemical engineering. The corpus will remain undistributed as a source of investment income for scholarships.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

D. 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 Humphreys County and Humphreys 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 primary government's General Debt Service Fund. Humphreys 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 1.4 percent of total taxes levied.

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

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

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., storm drain), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the School Department as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Other Capital Assets	5-20
Infrastructure:	
Improvements Other Than Buildings	20-30

4. Compensated Absences

The policy of the School Department permits the unlimited accumulation of unused sick leave for professional personnel (teachers) and nonprofessional full-time personnel. There is no provision for accumulating vacation days. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual or recording.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, 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.

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 are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2006, Humphreys County had \$5,630,306 in outstanding debt for capital purposes for the School Department. This debt is a liability of Humphreys County, but the capital assets acquired are reported in the financial statements of the School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

In the fund financial statements, 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. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the changes in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Humphreys 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 Humphreys 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.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Humphreys 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 Humphreys County and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial

statements represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2006, Humphreys 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 Humphreys County and the School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 1,674,030

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. Humphreys 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. Humphreys County has no investment policy that would further limit its investment choices. As of June 30, 2006, Humphreys County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 141,175	\$ 0	\$ 0	\$ 141,175
Total Capital Assets Not Depreciated	\$ 141,175	\$ 0	\$ 0	\$ 141,175
Capital Assets Depreciated:				
Buildings and Improvements	\$ 18,047,285	\$ 0	\$ 0	\$ 18,047,285
Infrastructure	71,974	0	0	71,974
Other Capital Assets	3,049,177	0	156,559	2,892,618
Total Capital Assets Depreciated	\$ 21,168,436	\$ 0	\$ 156,559	\$ 21,011,877

Governmental Activities (Cont.):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For: Buildings and Improvements	\$ 7,564,843	\$ 395,565	\$ 0	\$ 7,960,408
Infrastructure	9,797	2,399	0	12,196
Other Capital Assets	1,680,570	214,186	156,559	1,738,197
Total Accumulated Depreciation	<u>\$ 9,255,210</u>	<u>\$ 612,150</u>	<u>\$ 156,559</u>	<u>\$ 9,710,801</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,913,226</u>	<u>\$ (612,150)</u>	<u>\$ 0</u>	<u>\$ 11,301,076</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,054,401</u>	<u>\$ (612,150)</u>	<u>\$ 0</u>	<u>\$ 11,442,251</u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 348,897
Support Services	230,729
Operation of Non-Instructional Services	<u>32,524</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 612,150</u>

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
Nonmajor governmental	General Purpose School	\$ 2,462

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

Interfund Transfers:

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

Transfers Out	Transfers In	
	General Purpose School Fund	Nonmajor Governmental Fund
General Purpose School Fund	\$ 0	\$ 2,462
Nonmajor governmental	5,163	0
Total	\$ 5,163	\$ 2,462

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. Long-term Debt

General Obligation Notes

Humphreys County issued a capital outlay note for the School Department to provide funds for computer labs and equipment. Capital outlay notes can also be issued to fund capital facilities and other capital outlay purchases. Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to 19 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The capital outlay notes outstanding as of June 30, 2006, will be retired from the General Purpose School Fund.

The capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Note	0 %	\$ 45,000	\$ 375
Capital Outlay Note	0	16,933	7,433

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

Year Ending June 30	<u>Note Principal</u>
2007	\$ 1,375
2008	1,000
2009	1,000
2010	1,000
2011	1,000
2012-2014	<u>2,433</u>
Total	<u>\$ 7,808</u>

Changes in Long-term Liabilities

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

	<u>Notes</u>
Balance, July 1, 2005	\$ 13,308
Deductions	<u>(5,500)</u>
Balance, June 30, 2006	<u>\$ 7,808</u>
Balance Due Within One Year	<u>\$ 1,375</u>

V. OTHER INFORMATION

A. Risk Management

Liability, Property, Casualty, and Workers' Compensation Insurance

The Humphreys County School Department participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, 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 for claims exceeding \$150,000 for each insured event.

Employee Health Insurance

The Humphreys County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees

of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

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

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Humphreys 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 Humphreys County

will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

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

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

C. Contingent Liabilities

The county attorney advised of no pending lawsuits or unasserted claims or assessments involving the School Department that would materially affect the School Department's financial statements.

D. Retirement Commitments

Plan Description

Employees of Humphreys 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 Humphreys County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

SCHOOL TEACHERS

Plan Description

The Humphreys County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8,

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Humphreys County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Humphreys County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$546,389, \$539,505, and \$306,070, respectively, equal to the required contributions for each year.

E. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,453,930	\$ 0	\$ 4,453,930	\$ 4,401,148	\$ 4,421,132	\$ 32,798
Licenses and Permits	1,326	0	1,326	1,250	1,250	76
Charges for Current Services	68,088	0	68,088	70,720	70,720	(2,632)
Other Local Revenues	138,330	0	138,330	72,300	112,300	26,030
State of Tennessee	11,964,178	0	11,964,178	11,742,500	12,114,613	(150,435)
Federal Government	194,419	0	194,419	137,000	166,085	28,334
Total Revenues	<u>\$ 16,820,271</u>	<u>\$ 0</u>	<u>\$ 16,820,271</u>	<u>\$ 16,424,918</u>	<u>\$ 16,886,100</u>	<u>\$ (65,829)</u>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 9,258,478	\$ 0	\$ 9,258,478	\$ 8,979,350	\$ 9,302,350	\$ 43,872
Alternative Instruction Program	52,586	0	52,586	52,768	52,768	182
Special Education Program	882,881	0	882,881	882,973	882,973	92
Vocational Education Program	681,430	0	681,430	681,600	681,600	170
Student Body Education Program	37,720	0	37,720	115,778	75,278	37,558
Adult Education Program	67,297	0	67,297	72,756	72,756	5,459
<u>Support Services</u>						
Health Services	73,068	0	73,068	73,075	73,075	7
Other Student Support	340,053	0	340,053	345,760	345,760	5,707
Regular Instruction Program	537,443	0	537,443	566,940	565,140	27,697
Special Education Program	62,001	0	62,001	58,890	62,590	589
Vocational Education Program	81,142	0	81,142	85,920	85,920	4,778
Adult Programs	65,328	0	65,328	68,628	68,628	3,300
Board of Education	133,856	0	133,856	138,520	138,520	4,664
Director of Schools	148,172	0	148,172	163,210	164,210	16,038
Office of the Principal	1,145,648	0	1,145,648	1,147,050	1,153,050	7,402

(Continued)

Exhibit E

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 99,839	\$ 0	\$ 99,839	\$ 102,050	\$ 102,050	\$ 2,211
Operation of Plant	1,295,590	0	1,295,590	1,235,200	1,321,000	25,410
Maintenance of Plant	450,053	0	450,053	452,948	476,948	26,895
Transportation	812,640	189,162	1,001,802	944,800	1,004,800	2,998
Central and Other	212,568	0	212,568	215,518	215,518	2,950
<u>Operation of Non-Instructional Services</u>						
Community Services	12,918	0	12,918	13,690	13,690	772
<u>Principal on Debt</u>						
Education	5,500	0	5,500	4,500	5,500	0
Total Expenditures	<u>\$ 16,456,211</u>	<u>\$ 189,162</u>	<u>\$ 16,645,373</u>	<u>\$ 16,401,924</u>	<u>\$ 16,864,124</u>	<u>\$ 218,751</u>
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 364,060	\$ (189,162)	\$ 174,898	\$ 22,994	\$ 21,976	\$ 152,922
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 5,163	\$ 0	\$ 5,163	\$ 11,000	\$ 14,854	\$ (9,691)
Transfers Out	(2,462)	0	(2,462)	(1,000)	(3,854)	1,392
Total Other Financing Sources (Uses)	<u>\$ 2,701</u>	<u>\$ 0</u>	<u>\$ 2,701</u>	<u>\$ 10,000</u>	<u>\$ 11,000</u>	<u>\$ (8,299)</u>
Net Change in Fund Balance						
Fund Balance, July 1, 2005	\$ 190,363	\$ 0	\$ 190,363	\$ 314,159	\$ 314,159	\$ (123,796)
Fund Balance, June 30, 2006						
	<u>\$ 557,124</u>	<u>\$ (189,162)</u>	<u>\$ 367,962</u>	<u>\$ 347,153</u>	<u>\$ 347,135</u>	<u>\$ 20,827</u>

**HUMPHREYS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HUMPHREYS 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 Humphreys 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 Humphreys County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 29,045	\$ 148,183	\$ 177,228
Due from Other Governments	97,391	0	97,391
Due from Other Funds	2,462	0	2,462
Total Assets	\$ 128,898	\$ 148,183	\$ 277,081
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 43	\$ 43
Other Deferred Revenues	97,391	0	97,391
Total Liabilities	\$ 97,391	\$ 43	\$ 97,434
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 20,185	\$ 0	\$ 20,185
Reserved for Special Education - Grants to States	10,912	0	10,912
Other Federal Reserves	410	0	410
Unreserved	0	148,140	148,140
Total Fund Balances	\$ 31,507	\$ 148,140	\$ 179,647
Total Liabilities and Fund Balances	\$ 128,898	\$ 148,183	\$ 277,081

Exhibit F-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 783,226	\$ 783,226
Other Local Revenues	0	6,298	6,298
State of Tennessee	65,000	16,882	81,882
Federal Government	1,369,115	698,422	2,067,537
Total Revenues	<u>\$ 1,434,115</u>	<u>\$ 1,504,828</u>	<u>\$ 2,938,943</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,212,398	\$ 0	\$ 1,212,398
Support Services	282,973	0	282,973
Operation of Non-Instructional Services	0	1,458,261	1,458,261
Total Expenditures	<u>\$ 1,495,371</u>	<u>\$ 1,458,261</u>	<u>\$ 2,953,632</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (61,256)</u>	<u>\$ 46,567</u>	<u>\$ (14,689)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 2,462	\$ 0	\$ 2,462
Transfers Out	(5,163)	0	(5,163)
Total Other Financing Sources (Uses)	<u>\$ (2,701)</u>	<u>\$ 0</u>	<u>\$ (2,701)</u>
Net Change in Fund Balances	\$ (63,957)	\$ 46,567	\$ (17,390)
Fund Balance, July 1, 2005	95,464	101,573	197,037
Fund Balance, June 30, 2006	<u>\$ 31,507</u>	<u>\$ 148,140</u>	<u>\$ 179,647</u>

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 65,000	\$ 0	\$ 65,000	\$ 0
Federal Government	1,369,115	1,600,250	1,466,506	(97,391)
Total Revenues	<u>\$ 1,434,115</u>	<u>\$ 1,600,250</u>	<u>\$ 1,531,506</u>	<u>\$ (97,391)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 675,293	\$ 743,551	\$ 785,310	\$ 110,017
Special Education Program	484,834	485,810	494,838	10,004
Vocational Education Program	52,271	52,271	52,271	0
<u>Support Services</u>				
Other Student Support	48,557	57,005	48,557	0
Regular Instruction Program	126,760	148,540	160,195	33,435
Special Education Program	55,650	55,468	55,650	0
Vocational Education Program	3,738	3,738	3,738	0
Transportation	48,268	47,909	49,586	1,318
Total Expenditures	<u>\$ 1,495,371</u>	<u>\$ 1,594,292</u>	<u>\$ 1,650,145</u>	<u>\$ 154,774</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (61,256)</u>	<u>\$ 5,958</u>	<u>\$ (118,639)</u>	<u>\$ 57,383</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 2,462	\$ 0	\$ 0	\$ 2,462
Transfers Out	(5,163)	(5,958)	(5,163)	0
Total Other Financing Sources (Uses)	<u>\$ (2,701)</u>	<u>\$ (5,958)</u>	<u>\$ (5,163)</u>	<u>\$ 2,462</u>
Net Change in Fund Balance	\$ (63,957)	\$ 0	\$ (123,802)	\$ 59,845
Fund Balance, July 1, 2005	<u>95,464</u>	<u>0</u>	<u>124,403</u>	<u>(28,939)</u>
Fund Balance, June 30, 2006	<u>\$ 31,507</u>	<u>\$ 0</u>	<u>\$ 601</u>	<u>\$ 30,906</u>

Exhibit F-4

Humphreys County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Humphreys 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	\$ 783,226	\$ 762,676	\$ 762,676	\$ 20,550
Other Local Revenues	6,298	2,150	2,150	4,148
State of Tennessee	16,882	17,950	17,950	(1,068)
Federal Government	698,422	650,875	650,875	47,547
Total Revenues	<u>\$ 1,504,828</u>	<u>\$ 1,433,651</u>	<u>\$ 1,433,651</u>	<u>\$ 71,177</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,458,261	\$ 1,433,651	\$ 1,458,261	\$ 0
Total Expenditures	<u>\$ 1,458,261</u>	<u>\$ 1,433,651</u>	<u>\$ 1,458,261</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 46,567</u>	<u>\$ 0</u>	<u>\$ (24,610)</u>	<u>\$ 71,177</u>
Net Change in Fund Balance	\$ 46,567	\$ 0	\$ (24,610)	\$ 71,177
Fund Balance, July 1, 2005	<u>101,573</u>	<u>83,753</u>	<u>83,753</u>	<u>17,820</u>
Fund Balance, June 30, 2006	<u>\$ 148,140</u>	<u>\$ 83,753</u>	<u>\$ 59,143</u>	<u>\$ 88,997</u>

MISCELLANEOUS SCHEDULES

Exhibit G-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Computer Labs and Equipment	\$ 45,000	0%	7-28-1997	7-28-07	\$ 4,875	\$ 4,500	\$ 375
Asbestos Removal (1)	16,933	0	5-22-1995	5-30-14	8,433	1,000	7,433
Total Notes Payable					<u>\$ 13,308</u>	<u>\$ 5,500</u>	<u>\$ 7,808</u>

(1) This capital outlay note was not reflected in previous annual financial reports.

Exhibit G-2

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 5,163
General Purpose School	School Federal Projects	To provide funds for operations	<u>2,462</u>
Total Transfers			<u>\$ 7,625</u>

Exhibit G-3

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 82,287 (1)	\$ 50,000	Travelers Casualty and Surety Company of America
Employee Blanket Bond - All Employees			150,000	Tennessee School Boards Risk Management Trust

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

Exhibit G-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,753,035	\$ 0	\$ 0	\$ 2,753,035
Trustee's Collections - Prior Year	84,649	0	0	84,649
Circuit/Clerk & Master Collections - Prior Years	37,814	0	0	37,814
Interest and Penalty	16,026	0	0	16,026
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,559,310	0	0	1,559,310
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	3,096	0	0	3,096
Total Local Taxes	\$ 4,453,930	\$ 0	\$ 0	\$ 4,453,930
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 589	\$ 0	\$ 0	\$ 589
<u>Permits</u>				
Other Permits	737	0	0	737
Total Licenses and Permits	\$ 1,326	\$ 0	\$ 0	\$ 1,326
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Adult Education	\$ 580	\$ 0	\$ 0	\$ 580
Tuition - Other	23,814	0	0	23,814
Lunch Payments - Children	0	0	414,691	414,691
Lunch Payments - Adults	0	0	50,992	50,992
Income from Breakfast	0	0	37,740	37,740
A la carte Sales	0	0	270,443	270,443
Receipts from Individual Schools	43,694	0	0	43,694
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	9,360	9,360
Total Charges for Current Services	\$ 68,088	\$ 0	\$ 783,226	\$ 851,314
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 3,998	\$ 3,998
Miscellaneous Refunds	57,422	0	2,300	59,722
<u>Nonrecurring Items</u>				
Insurance Recovery	35,900	0	0	35,900
Sale of Equipment	37,291	0	0	37,291
Damages Recovered from Individuals	597	0	0	597
Contributions & Gifts	7,120	0	0	7,120
Total Other Local Revenues	\$ 138,330	\$ 0	\$ 6,298	\$ 144,628
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 11,077,398	\$ 0	\$ 0	\$ 11,077,398
School Food Service	0	0	16,882	16,882
Driver Education	7,076	0	0	7,076
Other State Education Funds	569,189	65,000	0	634,189
Career Ladder Program	196,990	0	0	196,990

(Continued)

Exhibit G-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 113,525	\$ 0	\$ 0	\$ 113,525
Total State of Tennessee	\$ 11,964,178	\$ 65,000	\$ 16,882	\$ 12,046,060
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 499,368	\$ 499,368
Breakfast	0	0	151,958	151,958
USDA - Other	0	0	47,096	47,096
Vocational Education - Basic Grants to States	0	74,761	0	74,761
Title I Grants to Local Education Agencies	0	405,000	0	405,000
Innovative Education Program Strategies	0	10,018	0	10,018
Special Education - Grants to States	0	606,322	0	606,322
Special Education Preschool Grants	0	24,157	0	24,157
Eisenhower Professional Development State Grants	0	158,109	0	158,109
Other Federal through State	194,419	90,748	0	285,167
Total Federal Government	\$ 194,419	\$ 1,369,115	\$ 698,422	\$ 2,261,956
Total	\$ 16,820,271	\$ 1,434,115	\$ 1,504,828	\$ 19,759,214

Exhibit G-5

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,285,565	
Career Ladder Program	177,025	
Career Ladder Extended Contracts	132,066	
Educational Assistants	397,012	
Other Salaries & Wages	15,165	
Certified Substitute Teachers	19,271	
Non-certified Substitute Teachers	92,266	
Social Security	418,717	
State Retirement	378,986	
Medical Insurance	826,354	
Dental Insurance	5,719	
Employer Medicare	97,870	
Communication	406	
Travel	231	
Other Contracted Services	9,243	
Instructional Supplies and Materials	80,379	
Textbooks	180,000	
Other Supplies and Materials	24,857	
In Service/Staff Development	470	
Fee Waivers	35,109	
Other Charges	81,767	
Total Regular Instruction Program		\$ 9,258,478

Alternative Instruction Program

Teachers	\$ 28,733	
Educational Assistants	11,875	
Social Security	2,348	
State Retirement	2,261	
Medical Insurance	6,820	
Employer Medicare	549	
Total Alternative Instruction Program		52,586

Special Education Program

Teachers	\$ 683,249
Educational Assistants	4,932
Certified Substitute Teachers	480
Non-certified Substitute Teachers	7,470
Social Security	40,073
State Retirement	37,861

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	98,606	
Dental Insurance		838	
Employer Medicare		9,372	
Total Special Education Program			\$ 882,881

Vocational Education Program

Teachers	\$	517,968	
Certified Substitute Teachers		1,824	
Non-certified Substitute Teachers		4,128	
Social Security		30,889	
State Retirement		27,290	
Medical Insurance		56,969	
Dental Insurance		416	
Unemployment Compensation		25	
Employer Medicare		7,166	
Travel		3,187	
Instructional Supplies and Materials		14,687	
Textbooks		10,041	
Other Supplies and Materials		31	
Other Charges		2,477	
Vocational Instruction Equipment		4,332	
Total Vocational Education Program			681,430

Student Body Education Program

Other Salaries & Wages	\$	19,373	
Social Security		2,497	
State Retirement		2,362	
Medical Insurance		3,734	
Dental Insurance		5	
Employer Medicare		584	
Communication		59	
Travel		68	
Other Supplies and Materials		7,568	
Other Charges		1,470	
Total Student Body Education Program			37,720

Adult Education Program

Teachers	\$	40,569	
Other Salaries & Wages		8,908	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Social Security	\$	2,886	
State Retirement		2,231	
Medical Insurance		7,992	
Employer Medicare		675	
Travel		1,000	
Instructional Supplies and Materials		2,800	
Other Supplies and Materials		236	
Total Adult Education Program			\$ 67,297

Support Services

Health Services

Medical Personnel	\$	54,904	
Social Security		3,256	
State Retirement		2,465	
Medical Insurance		6,784	
Unemployment Compensation		100	
Employer Medicare		920	
Medical and Dental Services		4,639	
Total Health Services			73,068

Other Student Support

Guidance Personnel	\$	258,703	
Social Security		15,295	
State Retirement		14,229	
Medical Insurance		35,619	
Dental Insurance		217	
Employer Medicare		3,577	
Evaluation and Testing		12,413	
Total Other Student Support			340,053

Regular Instruction Program

Supervisor/Director	\$	167,774
Librarians		229,843
Materials Supervisor		20,390
Social Security		24,819
State Retirement		21,938
Medical Insurance		33,648
Dental Insurance		319
Employer Medicare		5,801

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Travel	\$	1,107	
Library Books/Media		31,610	
In Service/Staff Development		194	
Total Regular Instruction Program			\$ 537,443

Special Education Program

Supervisor/Director	\$	47,725	
Social Security		2,720	
State Retirement		2,652	
Medical Insurance		8,147	
Dental Insurance		102	
Unemployment Compensation		19	
Employer Medicare		636	
Total Special Education Program			62,001

Vocational Education Program

Supervisor/Director	\$	54,287	
Secretary(ies)		14,014	
Social Security		4,157	
State Retirement		3,817	
Medical Insurance		3,800	
Dental Insurance		48	
Unemployment Compensation		26	
Employer Medicare		993	
Total Vocational Education Program			81,142

Adult Programs

Supervisor/Director	\$	50,313	
Social Security		2,793	
State Retirement		2,767	
Medical Insurance		8,130	
Dental Insurance		48	
Unemployment Compensation		19	
Employer Medicare		653	
Travel		285	
In Service/Staff Development		320	
Total Adult Programs			65,328

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Other Salaries & Wages	\$	9,600	
Social Security		576	
Dental Insurance		150	
Employer Medicare		135	
Audit Services		8,900	
Dues and Memberships		4,917	
Legal Services		5,657	
Travel		1,489	
Trustee's Commission		102,432	
Total Board of Education			\$ 133,856

Director of Schools

County Official/Administrative Officer	\$	81,287	
Social Security		4,807	
State Retirement		4,474	
Medical Insurance		8,737	
Unemployment Compensation		19	
Employer Medicare		1,124	
Communication		14,347	
Dues and Memberships		4,567	
Postal Charges		2,319	
Travel		1,863	
Other Contracted Services		6,162	
Office Supplies		9,660	
Other Charges		2,594	
Regular Instruction Equipment		6,212	
Total Director of Schools			148,172

Office of the Principal

Assistant(s)	\$	309,638	
Principals		386,209	
Secretary(ies)		164,285	
Social Security		50,883	
State Retirement		46,339	
Medical Insurance		69,812	
Dental Insurance		573	
Unemployment Compensation		361	
Employer Medicare		11,900	
Library Books/Media		833	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Office Supplies	\$	13,789	
Other Supplies and Materials		91,026	
Total Office of the Principal			\$ 1,145,648

Fiscal Services

Accountants/Bookkeepers	\$	28,284	
Secretary(ies)		51,628	
Social Security		4,652	
State Retirement		4,576	
Medical Insurance		4,119	
Unemployment Compensation		50	
Employer Medicare		1,088	
Travel		599	
Other Supplies and Materials		4,843	
Total Fiscal Services			99,839

Operation of Plant

Supervisor/Director	\$	35,651	
Custodial Personnel		399,000	
Social Security		26,997	
State Retirement		22,466	
Medical Insurance		36,463	
Dental Insurance		226	
Unemployment Compensation		43	
Employer Medicare		6,314	
Disposal Fees		33,613	
Custodial Supplies		45,873	
Electricity		496,875	
Natural Gas		157,004	
Water and Sewer		34,025	
Other Charges		1,040	
Total Operation of Plant			1,295,590

Maintenance of Plant

Other Salaries & Wages	\$	213,980	
Social Security		12,949	
State Retirement		11,448	
Medical Insurance		19,281	
Dental Insurance		48	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Unemployment Compensation	\$	208	
Employer Medicare		3,028	
Maintenance & Repair Services - Buildings		27,715	
Maintenance & Repair Services - Equipment		22,318	
Maintenance & Repair Services - Vehicles		9,000	
Other Contracted Services		30,088	
Other Supplies and Materials		73,157	
Other Charges		517	
Maintenance Equipment		26,316	
Total Maintenance of Plant			\$ 450,053

Transportation

Supervisor/Director	\$	35,651	
Mechanic(s)		72,082	
Bus Drivers		338,437	
Clerical Personnel		23,587	
Social Security		27,356	
State Retirement		8,294	
Medical Insurance		55,298	
Dental Insurance		350	
Unemployment Compensation		219	
Employer Medicare		6,398	
Maintenance & Repair Services - Vehicles		4,453	
Medical and Dental Services		2,961	
Equipment and Machinery Parts		297	
Gasoline		162,429	
Lubricants		4,846	
Tires and Tubes		20,850	
Vehicle Parts		42,517	
Other Charges		6,561	
Transportation Equipment		54	
Total Transportation			812,640

Central and Other

Supervisor/Director	\$	39,299	
Other Salaries & Wages		48,466	
Social Security		5,748	
State Retirement		5,036	
Medical Insurance		1,918	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Dental Insurance	\$	48	
Employer Medicare		1,344	
Consultants		4,000	
Maintenance & Repair Services - Equipment		16,892	
Instructional Supplies and Materials		39,843	
Data Processing Equipment		19,974	
Regular Instruction Equipment		30,000	
Total Central and Other			\$ 212,568

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$	12,000	
Social Security		744	
Employer Medicare		174	
Total Community Services			12,918

Principal on Debt

Education

Principal on Notes	\$	5,500	
Total Education			5,500

Total General Purpose School Fund \$ 16,456,211

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	424,946	
Educational Assistants		68,913	
Other Salaries & Wages		12,957	
Certified Substitute Teachers		1,367	
Non-certified Substitute Teachers		4,731	
Social Security		29,969	
State Retirement		27,793	
Medical Insurance		56,622	
Dental Insurance		323	
Unemployment Compensation		361	
Employer Medicare		7,009	
Communication		125	
Consultants		3,750	

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$ 29,891	
Other Charges	6,536	
Total Regular Instruction Program		\$ 675,293

Special Education Program

Educational Assistants	\$ 303,841	
Social Security	17,976	
State Retirement	15,960	
Medical Insurance	22,569	
Dental Insurance	248	
Unemployment Compensation	462	
Employer Medicare	4,204	
Contracts with Private Agencies	107,442	
Maintenance & Repair Services - Equipment	1,636	
Instructional Supplies and Materials	9,044	
Other Supplies and Materials	1,452	
Total Special Education Program		484,834

Vocational Education Program

Educational Assistants	\$ 18,000	
Social Security	1,116	
State Retirement	540	
Medical Insurance	3,123	
Dental Insurance	48	
Unemployment Compensation	18	
Employer Medicare	261	
Instructional Supplies and Materials	7,000	
Vocational Instruction Equipment	22,165	
Total Vocational Education Program		52,271

Support Services

Other Student Support

Social Workers	\$ 26,249	
Social Security	1,627	
State Retirement	1,444	
Dental Insurance	85	
Unemployment Compensation	19	
Employer Medicare	381	
Evaluation and Testing	2,800	

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Travel	\$	14,952	
In Service/Staff Development		1,000	
Total Other Student Support			\$ 48,557

Regular Instruction Program

Supervisor/Director	\$	68,694	
Secretary(ies)		23,587	
Social Security		5,569	
State Retirement		5,130	
Medical Insurance		4,116	
Dental Insurance		48	
Unemployment Compensation		38	
Employer Medicare		1,302	
Travel		1,739	
In Service/Staff Development		16,537	
Total Regular Instruction Program			126,760

Special Education Program

Secretary(ies)	\$	37,535	
Social Security		2,254	
State Retirement		2,151	
Medical Insurance		2,908	
Unemployment Compensation		38	
Employer Medicare		527	
Travel		6,797	
Other Supplies and Materials		1,994	
In Service/Staff Development		1,446	
Total Special Education Program			55,650

Vocational Education Program

Supervisor/Director	\$	3,738	
Total Vocational Education Program			3,738

Transportation

Bus Drivers	\$	43,842	
Social Security		2,654	
State Retirement		1,012	
Dental Insurance		81	
Unemployment Compensation		58	

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Employer Medicare	\$ 621	
Total Transportation		\$ 48,268

Total School Federal Projects Fund \$ 1,495,371

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 48,487	
Clerical Personnel	24,710	
Cafeteria Personnel	341,511	
Custodial Personnel	30,345	
Other Salaries & Wages	74,085	
Social Security	29,522	
State Retirement	23,573	
Medical Insurance	50,527	
Dental Insurance	342	
Unemployment Compensation	784	
Employer Medicare	6,904	
Communication	2,201	
Maintenance Agreements	8,126	
Maintenance & Repair Services - Equipment	13,524	
Travel	2,744	
Other Contracted Services	3,964	
Food Supplies	717,998	
Office Supplies	1,033	
Other Supplies and Materials	64,044	
In Service/Staff Development	4,684	
Data Processing Equipment	514	
Food Service Equipment	8,639	
Total Food Service		\$ 1,458,261

Total Central Cafeteria Fund 1,458,261

Total Governmental Funds - Humphreys County School Department \$ 19,409,843

SINGLE AUDIT REPORT
HUMPHREYS COUNTY, TENNESSEE
AND
HUMPHREYS 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

NORMAN R. NORMENT, CGFM
Audit Manager

NOLAN R. BRADFORD, CPA, CGFM
Auditor 4

KATINA VALENTINE
WENDY HEATH, CFE
State Auditors

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

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

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

October 23, 2006

Humphreys County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Humphreys County, Tennessee

To the County Executive, 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 Humphreys County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Humphreys County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Humphreys County's and the Humphreys County School Department's basic financial statements and have issued our reports thereon dated October 23, 2006. Our report on the financial statements of Humphreys County expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Humphreys County School Department was unqualified. 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 Humphreys County's and the Humphreys 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 Humphreys County's and the Humphreys 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, 06.03, 06.04, 06.05, 06.06, 06.07, and 06.09.

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

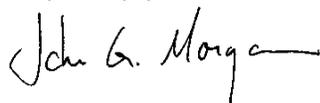
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humphreys County's and the Humphreys County School Department's 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 and 06.08.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 23, 2006

Humphreys County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Humphreys County, Tennessee

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

Compliance

We have audited the compliance of Humphreys County and the Humphreys 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. Humphreys County's and the Humphreys 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 Humphreys County's and the Humphreys County School Department's management. Our responsibility is to express an opinion on Humphreys County's and the Humphreys County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with the 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 Humphreys County's and the Humphreys 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 Humphreys County's and the Humphreys County School Department's compliance with those requirements.

In our opinion, Humphreys County and the Humphreys 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 Humphreys County and the Humphreys 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 Humphreys County's and the Humphreys 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 Humphreys County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Humphreys County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated October 23, 2006. Our report on the financial statements of Humphreys County expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Humphreys County School Department was unqualified. 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 stroke at the end.

John G. Morgan
Comptroller of the Treasury

JGM/yu

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 2,061
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	151,958
National School Lunch Program	10.555	N/A	546,464
Total U.S. Department of Agriculture			<u>\$ 700,483</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	(2)	\$ 90,019
Total U.S. Department of Housing and Urban Development			<u>\$ 90,019</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0600260900	\$ 9,000
Total U.S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Labor:			
Passed-through Workforce Essentials, Inc.:			
WIA Youth Activities	17.259	(2)	\$ 56,699
Total U.S. Department of Labor			<u>\$ 56,699</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(3)	\$ 1,557,493
Total U.S. Department of Transportation			<u>\$ 1,557,493</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z0602778400	\$ 80,688
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	483,198
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	594,824
Special Education - Preschool Grants	84.173	N/A	24,143
Vocational Education - Basic Grants to States	84.048	N/A	74,351
Safe and Drug-Free Schools and Communities - National Programs	84.184	(2)	6,325
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	15,748
Even Start - State Educational Agencies	84.213	(2)	75,143
Twenty-First Century Community Learning Centers	84.287	(2)	42,203 (8)
Twenty-First Century Community Learning Centers	84.287	192-06-2-001	141,515 (8)
State Grants for Innovative Programs	84.298	N/A	10,018
Education Technology State Grants	84.318	(2)	10,151
Improving Teacher Quality State Grants	84.367	N/A	147,958
Hurricane Education Recovery	84.938	N/A	14,850
Total U.S. Department of Education			<u>\$ 1,721,115</u>
U.S. Election Assistance Commission:			
Passed-through State Department of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 147,500
Total U.S. Election Assistance Commission			<u>\$ 147,500</u>

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	(2)	\$ 16,146 (9)
Passed-through State Department of Education:			
Temporary Assistance for Needy Families	93.558	(2)	65,000 (9)
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	(2)	<u>10,000</u>
Total U.S. Department of Health and Human Services			<u>\$ 91,146</u>
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	(2)	\$ 12,000
Total U.S. Corporation for National and Community Service			<u>\$ 12,000</u>
U. S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	\$ 83,344
Emergency Management Performance Grants	97.042	(5)	22,285
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	(6)	<u>19,536</u>
Total U. S. Department of Homeland Security			<u>\$ 125,165</u>
Total Expenditures of Federal Awards			<u>\$ 4,510,620</u>

State Grants:	CFDA	Contract Number	Expenditures
Airport Maintenance Program - State Department of Transportation	N/A	(7)	\$ 7,876
Airport Improvement Grant - State Department of Transportation	N/A	Z0502484700	5,410
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,632
Local Health Services - State Department of Health	N/A	Z0602602200	37,419
Litter Grant - State Department of Transportation	N/A	Z0602797300	42,286
Gates Foundation Staying Connected Grants	N/A	(2)	3,300
Waste Tire Option Grant - State Department of Environment and Conservation	N/A	Z0301129200	11,690
Voluntary Pre-K - State Department of Education	N/A	(2)	332,263
Safe Schools Act of 1998 - State Department of Education	N/A	(2)	17,712
Adult Basic Education - State Department of Education	N/A	Z0602778400	21,513
Families First - State Department of Education	N/A	(2)	<u>8,694</u>
Total State Grants			<u>\$ 495,795</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z0301415800: \$63,217; Z0502484700: \$1,494,276
- (4) Z0402010900: \$53,787; Z0402245702: \$29,557
- (5) Z0502539000: \$17,459; Z0603285400: \$4,826
- (6) Z0301580300: \$10,224; Z0301789700: \$9,312
- (7) Z0502390900: \$3,335; Z0602876300: \$4,541
- (8) Total Twenty-First Century Community Learning Centers from the U.S. Department of Education (CFDA No. 84.287) \$183,718.
- (9) Total Temporary Assistance for Needy Families from the U.S. Department of Health and Human Services (CFDA No. 93.558) \$81,146.

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

HUMPHREYS COUNTY

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

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.02	13	A formal purchase order system had not been established

OFFICE OF ROAD SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.04	13	The mechanical warrant-signing machine's counter could be reset

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.05A	14	Purchase orders were not properly issued

OTHER FINDINGS

Finding Number	Page Number	Subject
05.08	15	A central system of accounting, budgeting, and purchasing had not been adopted
05.09	16	The county used a questionable method of funding workers' compensation expenses, general liability insurance, officials' corporate surety bonds, and employees' dishonesty bonds
05.11	17	Duties were not segregated adequately in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Humphreys County, and an unqualified opinion was issued on the financial statements of the Humphreys County School Department.
2. The audit of the financial statements of Humphreys County and the Humphreys County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Humphreys County and one instance of noncompliance that is material to the financial statements of the Humphreys County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Airport Improvement Program (CFDA No. 20.106), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Humphreys County and the Humphreys County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

HUMPHREYS COUNTY

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

Humphreys County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Humphreys County was unable to provide the information necessary to prepare government-wide financial statements for all of its 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, Humphreys County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on the county’s 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. Humphreys County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

OFFICE OF COUNTY EXECUTIVE

FINDING 06.02 A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

OFFICE OF ROAD SUPERVISOR

FINDING 06.03 THE OFFICE HAD DEFICIENCIES INVOLVING ITS WARRANT-SIGNING MACHINE
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office used a mechanical warrant-signing machine to affix the official’s signature. The office did not maintain a log to document the warrants issued, the warrant numbers processed, and the employee operating the machine. Also, the mechanical counter on the machine could be reset; therefore, we could not ensure that the office accounted for all warrants.

RECOMMENDATION

Adequate internal controls should be maintained over the use of the mechanical signature device, such as maintaining a manual log that indicates the warrants issued, the warrant numbers processed, and the employee operating the machine. In addition, the machine should have a counter that cannot be reset indicating the total number of warrants processed.

OFFICE OF DIRECTOR OF SCHOOLS

**FINDING 06.04 PURCHASE ORDERS WERE NOT PROPERLY ISSUED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

In some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. Also, our examination of purchase orders disclosed that the dates of issuance were not listed on some purchase orders.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases before purchases are made and should include the date of issuance.

**FINDING 06.05 GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

General ledger payroll liability accounts were not reconciled with payroll reports and payments. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

**FINDING 06.06 WRITTEN GUIDELINES GOVERNING THE USE OF CREDIT CARDS HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

The School Department had credit cards available for employees to use for certain purchases. However, the Board of Education had not adopted written guidelines governing the use of these cards.

RECOMMENDATION

The School Department should adopt written guidelines governing the use of credit cards. These guidelines should identify those who are entitled to use the credit cards and the purposes for which the credit cards can be used.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.07 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.08 **THE COUNTY USED A QUESTIONABLE METHOD OF FUNDING WORKERS' COMPENSATION EXPENSES, GENERAL LIABILITY INSURANCE, OFFICIALS' CORPORATE SURETY BONDS, AND EMPLOYEES' DISHONESTY BONDS**
(Material Noncompliance Under Government Auditing Standards)

During the year, premiums for workers' compensation expenses, general liability insurance, officials' corporate surety bonds, and employees' dishonesty bonds for the general county government, Highway Department, and School Department were paid from the county's General Fund. The state attorney general has opined that state statutes authorize a county to levy a tax for county general purposes and has defined a county general purposes levy as a levy for all county purposes, except roads, bridges, and schools. Also, the state attorney general has opined that workers' compensation claims and/or insurance coverage for county school employees must be funded through the county's school fund. Therefore, the legality of using General Fund monies to pay for workers' compensation, general liability insurance, officials' corporate surety bonds, and employees' dishonesty bonds for highway and school employees is questionable.

RECOMMENDATION

County officials should take immediate action to change the funding procedures and allocate the costs to the appropriate funds.

FINDING 06.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

MANAGEMENT'S RESPONSE – REGISTER (DIRECT QUOTE)

The Humphreys County Register of Deeds office has two employees other than myself. Each of us is trained in carrying out the regular business of our office in the event that one employee is absent. On a regular day, when all employees are present, the following are the normal procedures: The register checks documents as they are delivered to verify that they are recordable. The deputies write receipts and record documents. The chief deputy register prepares and posts the deposit and delivers the daily receipted monies to the bank. The register verifies the deposit receipt from the bank, the deposit listing and receipt register and writes the deposit amount in the checkbook. The register reconciles the bank statements and prepares tax reports and writes checks to the state and county for taxes and fees collected during the month. The register normally writes any other checks.

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

There were no findings and questioned costs for federal awards.

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