

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

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

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Audit Highlights

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

Results

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

Our audit resulted in eight findings and recommendations, which we have reviewed with Overton County management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

OVERTON COUNTY

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

OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS

- ◆ Expenditures exceeded appropriations approved by the County Commission in five major appropriation categories (the legal level of control) of the General Fund and one major appropriation category of the General Debt Service Fund.

OFFICE OF COUNTY CLERK

- ◆ The County Commission minutes did not include necessary information to accurately describe the actions of the commission.
 - ◆ Funds were not deposited intact within three days of collection.
-

OFFICE OF GENERAL SESSIONS COURT CLERK

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

OFFICE OF SHERIFF

- ◆ Funds were not deposited within three days of collection.
 - ◆ The Sheriff's Department could not provide us a trial balance of inmate accounts for the commissary funds; therefore, we could not determine if commissary records were accurate. We also noted several voided commissary receipts without originals attached, and duplicate receipts that were not an actual copy of the original receipt. Furthermore, visitors contributing funds to an inmate's commissary account were not given the original receipt.
-

OTHER FINDING

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

INTRODUCTORY SECTION

Overton County Officials

June 30, 2006

Officials

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

Board of County Commissioners

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

Budget and Purchasing Committee

Randall Boswell, Chairman
Gail Reed Arney
Stanley Carter, Jr.
Jean Moore
Johnie Webb

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

August 18, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Overton County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 38, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Overton County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

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

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Overton County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2006, on our consideration of Overton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 41 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 Overton County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 566	\$ 566
Equity in Pooled Cash and Investments	2,354,079	225,851	1,194,352	1,407,988	798,535	5,980,805
Accounts Receivable	495,376	0	300	0	20,195	515,871
Allowance for Uncollectibles	(74,268)	0	0	0	0	(74,268)
Due from Other Governments	181,991	277,697	0	0	74,923	534,611
Due from Other Funds	566	0	9,043	0	734	10,343
Property Taxes Receivable	2,770,320	125,923	503,695	0	226,662	3,626,600
Allowance for Uncollectible Property Taxes	(48,955)	(2,225)	(8,901)	0	(4,005)	(64,086)
Total Assets	\$ 5,679,109	\$ 627,246	\$ 1,698,489	\$ 1,407,988	\$ 1,117,610	\$ 10,530,442
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,175	\$ 1,175
Payroll Deductions Payable	23,775	8,482	0	0	2,058	34,315
Due to Other Funds	9,410	0	0	0	933	10,343
Due to State of Tennessee	6,233	0	0	0	0	6,233
Deferred Revenue - Current Property Taxes	2,580,047	117,275	469,100	0	211,094	3,377,516
Deferred Revenue - Delinquent Property Taxes	131,486	5,976	23,906	0	10,759	172,127
Other Deferred Revenues	444,358	138,849	0	0	35,000	618,207
Total Liabilities	\$ 3,195,309	\$ 270,582	\$ 493,006	\$ 0	\$ 261,019	\$ 4,219,916
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 61,938	\$ 0	\$ 0	\$ 1,224,907	\$ 250	\$ 1,287,095
Reserved for Alcohol and Drug Treatment	19,116	0	0	0	0	19,116
Reserved for Sexual Offender Registration	1,916	0	0	0	0	1,916
Reserved for Computer System - Register	79,808	0	0	0	0	79,808
Reserved for Automation Purposes - General Sessions Court	2,924	0	0	0	0	2,924
Reserved for Automation Purposes - Sheriff	369	0	0	0	0	369
Reserved for Capital Outlay	31,929	0	0	0	41,842	73,771
Unreserved, Reported In:						
General Fund	2,285,800	0	0	0	0	2,285,800

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In (Cont.):

Special Revenue Funds

Debt Service Funds

Capital Projects Funds

Total Fund Balances

Total Liabilities and Fund Balances

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

	Major Funds			Nonmajor	Total	
	General	Highway / Public Works	General Debt Service	General Capital Projects		Funds Other Govern- mental Funds
\$	0	\$ 356,664	\$ 0	\$ 0	\$ 814,499	\$ 1,171,163
	0	0	1,205,483	0	0	1,205,483
	0	0	0	183,081	0	183,081
<u>\$</u>	<u>2,483,800</u>	<u>\$ 356,664</u>	<u>\$ 1,205,483</u>	<u>\$ 1,407,988</u>	<u>\$ 856,591</u>	<u>\$ 6,310,526</u>
<u>\$</u>	<u>5,679,109</u>	<u>\$ 627,246</u>	<u>\$ 1,698,489</u>	<u>\$ 1,407,988</u>	<u>\$ 1,117,610</u>	<u>\$ 10,530,442</u>

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
Revenues						
Local Taxes	\$ 3,166,620	\$ 192,466	\$ 474,142	\$ 0	\$ 644,735	\$ 4,477,963
Licenses and Permits	750	0	0	0	0	750
Fines, Forfeitures, and Penalties	94,999	0	0	0	13,214	108,213
Charges for Current Services	1,011,759	207	0	0	212,683	1,224,649
Other Local Revenues	241,067	17,162	339,463	34,997	639,957	1,272,646
Fees Received from County Officials	714,853	0	0	0	0	714,853
State of Tennessee	1,003,406	1,953,884	336,178	0	15,609	3,309,077
Federal Government	75,644	0	0	0	0	75,644
Other Governments and Citizens Groups	61,398	3,165	0	0	0	64,563
Total Revenues	\$ 6,370,496	\$ 2,166,884	\$ 1,149,783	\$ 34,997	\$ 1,526,198	\$ 11,248,358
Expenditures						
Current:						
General Government	\$ 1,227,164	\$ 0	\$ 0	\$ 0	\$ 65,442	\$ 1,292,606
Finance	479,930	0	0	0	960	480,890
Administration of Justice	520,460	0	0	0	5,121	525,581
Public Safety	2,365,117	0	0	0	20,291	2,385,408
Public Health and Welfare	1,112,481	0	0	0	897,665	2,010,146
Social, Cultural, and Recreational Services	252,979	0	0	0	0	252,979
Agricultural and Natural Resources	69,864	0	0	0	0	69,864
Other Operations	334,626	0	0	0	40	334,666
Highways	38,566	2,056,323	0	0	0	2,094,889
Debt Service:						
Principal on Debt	0	0	600,289	0	0	600,289
Interest on Debt	0	0	417,486	0	0	417,486
Other Debt Service	0	0	17,858	0	0	17,858
Capital Projects	0	0	0	142,009	0	142,009
Total Expenditures	\$ 6,401,187	\$ 2,056,323	\$ 1,035,633	\$ 142,009	\$ 989,519	\$ 10,624,671
Excess (Deficiency) of Revenues Over Expenditures	\$ (30,691)	\$ 110,561	\$ 114,150	\$ (107,012)	\$ 536,679	\$ 623,687
Other Financing Sources (Uses)						
Notes Issued	\$ 319,604	\$ 0	\$ 0	\$ 1,515,000	\$ 65,000	\$ 1,899,604
Other Loans Issued	37,856	0	0	0	0	37,856

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers In	\$ 32,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,000
Transfers Out	0	0	0	0	(32,000)	(32,000)
Total Other Financing Sources (Uses)	<u>\$ 389,460</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,515,000</u>	<u>\$ 33,000</u>	<u>\$ 1,937,460</u>
Net Change in Fund Balances	\$ 358,769	\$ 110,561	\$ 114,150	\$ 1,407,988	\$ 569,679	\$ 2,561,147
Fund Balance, July 1, 2005	2,125,031	246,103	1,091,333	0	286,912	3,749,379
Fund Balance, June 30, 2006	<u>\$ 2,483,800</u>	<u>\$ 356,664</u>	<u>\$ 1,205,483</u>	<u>\$ 1,407,988</u>	<u>\$ 856,591</u>	<u>\$ 6,310,526</u>

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 576,773
Accounts Receivable	323
Due from Other Governments	<u>128,534</u>
Total Assets	<u><u>\$ 705,630</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 128,534
Due to Litigants, Heirs, and Others	<u>577,096</u>
Total Liabilities	<u><u>\$ 705,630</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

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

The Overton County Nursing Home provides residential health care to the citizens of Overton County. The Board of Directors of the Overton County Nursing Home is appointed by the County Commission. The Nursing Home may not issue debt without county approval, and its budget is subject to approval of the County Commission.

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

The Industrial Development Authority for Overton County provides assistance in industrial recruitment in Overton County, and the Overton County Commission appoints its seven-member board. The authority acted as a decision-making board and did not have any financial activity during the year.

The Overton County School Department, Overton County Nursing Home, and the Overton/Pickett Emergency Communications District issue separate financial statements from those of the county. The Industrial Development Authority did not have any financial activity during the year; therefore, there were no financial statements to report. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Overton County Nursing Home's and the Overton/Pickett Emergency Communications District's financial statements are published as separate reports. Complete financial statements of the Overton County Nursing Home and the Overton/Pickett Emergency

Communications District can be obtained from their administrative offices at the following addresses:

Overton County Nursing Home
418 Bilbrey Street
Livingston, TN 38570

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

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

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines,

forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Overton County reports the following major governmental funds:

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

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

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

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

Additionally, Overton 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 Overton County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .95 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. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

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

4. Compensated Absences

The county does not have a policy to allow for the accumulation of unused vacation and sick leave beyond year-end.

5. Long-term Obligations

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

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

6. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Expenditures Exceeded Appropriations

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

Fund	Major Appropriation Category	Amount
General	General Sessions Court	\$ 207
General	Senior Citizens Assistance	1,166
General	Other Social, Cultural, & Recreational	500
General	Soil Conservation	292
General	Airport	14,598
General Debt Service	Other Debt Service	1,241

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2006, Overton County had the following investments carried at fair value or cost. Except for the investments in the money market account, all investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Overton County and the discretely presented Overton County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value of Cost</u>
State Treasurer's Investment Pool	Daily	\$ 9,308,115
Columbia Cash Reserves Daily Money Market Portfolio	On Demand	<u>599,151</u>
Total		<u><u>\$ 9,907,266</u></u>

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Overton County has no investment policy that would further limit its investment choices. As of June 30, 2006, Overton County's investment in the State Treasurer's Investment Pool and the Columbia Cash Reserves Daily Money Market Portfolio were unrated.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Overton County does not have a formal policy that limits custodial credit risk for investments.

B. Construction Commitments

At June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts of approximately \$1,224,907 for the construction of a new public library. Funding has been received for these future expenditures.

C. Interfund Receivables and Payables

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 566
General Debt Service	General	9,043
Nonmajor governmental	General	367
Nonmajor governmental	Nonmajor governmental	367

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

Interfund Transfers:

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

Transfers Out	<u>Transfers In</u> General Fund
Nonmajor governmental funds	\$ <u>32,000</u>

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

D. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 40 years for bonds, up to six years for notes, and up to ten years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service 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	3.6 to 5.625%	\$ 8,800,000	\$ 7,630,632
Capital Outlay Notes	2.15 to 5	3,134,935	2,470,723
Other Loan	variable	115,279	80,719

In prior years, Overton County entered into a loan agreement with the Montgomery County Public Building Authority. This agreement provided for the authority to make \$135,120 available to Overton County on an as-needed basis for an airport runway expansion. At June 30, 2006, the county had borrowed \$115,279 of the available amount. This loan is repayable at a tax-exempt variable rate of interest determined by the remarketing agent daily or weekly, depending on the particular program. At June 30, 2006, the variable interest rate was 3.7 percent on this loan. In addition, the county pays various fees (remarketing, administrative, letter of credit, etc.) in connection with this loan, which totals approximately .33 percent of the outstanding loan principal, and a trustee fee, which is charged at \$100 per month.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 243,176	\$ 353,966	\$ 380,988	\$ 104,906
2008	254,291	343,901	275,201	90,331
2009	265,459	333,169	281,201	79,118
2010	276,684	321,744	156,667	68,505
2011	287,969	309,721	156,667	62,253
2012-2016	1,636,420	1,344,520	868,333	204,750
2017-2021	2,049,390	922,694	351,667	24,750
2022-2026	1,567,529	399,326	0	0
2027-2031	232,110	216,221	0	0
2032-2036	289,253	159,078	0	0
2037-2041	360,461	87,870	0	0
2042-2043	167,890	11,417	0	0
Total	\$ 7,630,632	\$ 4,803,627	\$ 2,470,723	\$ 634,612

Year Ending June 30	Other Loan (\$135,120)			Total
	Principal	Interest	Other Fees	
2007	\$ 12,930	\$ 3,721	\$ 1,532	\$ 18,183
2008	13,380	3,242	1,489	18,111
2009	13,850	2,747	1,445	18,042
2010	14,330	2,235	1,399	17,964
2011	14,830	1,705	1,352	17,887
2012-2013	11,399	1,744	2,556	15,699
Total	\$ 80,719	\$ 15,394	\$ 9,773	\$ 105,886

There is \$1,205,483 available in the General Debt Service Fund to service long-term debt. Total bonded debt per capita amounted to \$379, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans amounted to \$506, 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	Other Loans
	<u> </u>	<u> </u>	<u> </u>
Balance, July 1, 2005	\$ 7,862,760	\$ 926,790	\$ 55,353
Additions	0	1,899,604	37,856
Deductions	<u>(232,128)</u>	<u>(355,671)</u>	<u>(12,490)</u>
Balance, June 30, 2006	<u>\$ 7,630,632</u>	<u>\$ 2,470,723</u>	<u>\$ 80,719</u>
Balance Due Within One Year	<u>\$ 243,176</u>	<u>\$ 380,988</u>	<u>\$ 12,930</u>

	<u>Landfill Postclosure Care Costs</u>
Balance, July 1, 2005	\$ 286,000
Deductions	<u>(13,000)</u>
Balance, June 30, 2006	<u>\$ 273,000</u>
Balance Due Within One Year	<u>\$ 13,000</u>

IV. OTHER INFORMATION

A. Risk Management

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

Overton County provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for

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

B. Accounting 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 Overton 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, and debt capacity, demographic and economic, and operating. It is reasonably expected that Overton 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. Overton County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Overton 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. Overton County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Overton 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. Landfill Postclosure Care Costs

State and federal laws and regulations require landfill operators to place a final cover on landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Overton County Landfill was closed in December 1995. The \$273,000 reported as landfill postclosure care liability at June 30, 2006, represents the cumulative amount of estimated remaining postclosure care costs reported to date based on the use of 100 percent of the estimated capacity of the landfill. This amount is based on what it would cost to perform all postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, and changes in regulations.

E. Subsequent Event

W.B. Melton was elected the new sheriff and succeeds William Swallows effective September 1, 2006.

F. Retirement Commitments

Plan Description

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

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

Funding Policy

Overton County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 4.21 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Overton County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Overton County's annual pension cost of \$310,319 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost

method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Overton County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 13 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$310,319	100%	\$0
6-30-05	321,276	100	0
6-30-04	142,201	100	0

Required Supplementary Information Schedule of Funding Progress for Overton County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$11,431	\$11,431	\$0	100%	\$6,781	0%
6-30-01	10,333	10,333	0	100	6,297	0
6-30-99	8,741	8,741	0	100	5,362	0

G. Purchasing Laws

Offices of County Mayor and Highway Superintendent

Purchasing procedures for these offices are governed by provisions of the County Purchasing Law of 1957, Section 5-14-101, et seq., Tennessee Code Annotated (TCA). Purchasing procedures in the Highway Department are also governed by the Uniform Road Law, Section 54-7-113, TCA. These statutes provide for the purchasing agent to make all purchases for these

departments, with purchases exceeding \$2,500 (\$10,000 Highway Department) to be made on the basis of competitive bids solicited through public advertisement. The county mayor serves as purchasing agent for Overton County.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 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	\$ 3,166,620	\$ 0	\$ 0	\$ 3,166,620	\$ 3,010,695	\$ 3,010,695	\$ 155,925
Licenses and Permits	750	0	0	750	3,000	3,000	(2,250)
Fines, Forfeitures, and Penalties	94,999	0	0	94,999	114,450	114,450	(19,451)
Charges for Current Services	1,011,759	0	0	1,011,759	987,200	987,200	24,559
Other Local Revenues	241,067	0	0	241,067	17,500	17,500	223,567
Fees Received from County Officials	714,853	0	0	714,853	686,000	686,000	28,853
State of Tennessee	1,003,406	0	0	1,003,406	1,071,562	1,098,755	(95,349)
Federal Government	75,644	0	0	75,644	500,000	500,000	(424,356)
Other Governments and Citizens Groups	61,398	0	0	61,398	20,000	20,000	41,398
Total Revenues	\$ 6,370,496	\$ 0	\$ 0	\$ 6,370,496	\$ 6,410,407	\$ 6,437,600	\$ (67,104)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 79,305	\$ 0	\$ 0	\$ 79,305	\$ 104,300	\$ 104,300	\$ 24,995
Board of Equalization	1,200	0	0	1,200	1,600	1,600	400
County Mayor/Executive	152,628	(490)	0	152,138	166,242	166,242	14,104
County Attorney	14,291	0	0	14,291	62,918	62,918	48,627
Election Commission	104,287	0	45,550	149,837	153,110	153,109	3,272
Register of Deeds	129,832	0	0	129,832	130,990	130,990	1,158
Planning	12,596	0	0	12,596	19,420	19,420	6,824
County Buildings	274,417	0	200	274,617	281,082	283,483	8,866
Other General Administration	458,608	0	0	458,608	539,745	539,745	81,137
<u>Finance</u>							
Accounting and Budgeting	43,393	0	0	43,393	43,394	43,394	1
Property Assessor's Office	134,046	0	972	135,018	134,981	135,481	463
Reappraisal Program	32,118	0	361	32,479	38,078	38,078	5,599
County Trustee's Office	113,870	0	0	113,870	115,349	115,349	1,479

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	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>Finance (Cont.)</u>							
County Clerk's Office	\$ 156,503	\$ 0	\$ 0	\$ 156,503	\$ 160,810	\$ 160,810	\$ 4,307
<u>Administration of Justice</u>							
Circuit Court	205,343	0	6,149	211,492	220,071	220,071	8,579
General Sessions Court	102,557	0	0	102,557	102,350	102,350	(207)
Chancery Court	150,025	0	0	150,025	150,217	154,368	4,343
Juvenile Court	11,717	0	0	11,717	15,068	15,068	3,351
Judicial Commissioners	15,534	0	0	15,534	15,365	16,265	731
Other Administration of Justice	35,284	0	0	35,284	0	80,201	44,917
<u>Public Safety</u>							
Sheriff's Department	827,695	0	241	827,936	732,137	869,789	41,853
Jail	1,212,189	(7,025)	8,465	1,213,629	1,218,770	1,342,295	128,666
Fire Prevention and Control	31,912	0	0	31,912	32,100	32,100	188
Civil Defense	65,199	(29,116)	0	36,083	39,473	66,977	30,894
Rescue Squad	2,500	0	0	2,500	2,500	2,500	0
Other Emergency Management	200,000	0	0	200,000	200,000	204,148	4,148
County Coroner/Medical Examiner	25,622	0	0	25,622	20,000	28,000	2,378
<u>Public Health and Welfare</u>							
Local Health Center	54,483	0	0	54,483	51,900	56,400	1,917
Ambulance/Emergency Medical Services	1,046,621	(1,569)	0	1,045,052	1,136,420	1,136,420	91,368
Other Local Health Services	4,667	0	0	4,667	2,000	7,000	2,333
Regional Mental Health Center	6,327	0	0	6,327	6,327	6,327	0
Aid to Dependent Children	383	0	0	383	500	500	117
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	19,863	0	0	19,863	18,697	18,697	(1,166)
Libraries	189,116	0	0	189,116	432,132	492,132	303,016
Other Social, Cultural, and Recreational	44,000	0	0	44,000	43,500	43,500	(500)

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	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	\$ 50,407	\$ 0	\$ 0	\$ 50,407	\$ 53,498	\$ 53,498	\$ 3,091
Soil Conservation	19,457	0	0	19,457	18,465	19,165	(292)
<u>Other Operations</u>							
Industrial Development	23,983	0	0	23,983	69,500	69,500	45,517
Other Economic and Community Development	92,668	(47,083)	0	45,585	500,000	500,000	454,415
Airport	161,760	0	0	161,760	147,171	147,171	(14,589)
Veterans' Services	51,063	0	0	51,063	52,699	52,699	1,636
Contributions to Other Agencies	5,152	0	0	5,152	5,200	5,200	48
<u>Highways</u>							
Traffic Control	7,230	0	0	7,230	13,766	13,766	6,536
Litter and Trash Collection	31,336	0	0	31,336	29,360	31,660	324
Total Expenditures	\$ 6,401,187	\$ (85,283)	\$ 61,938	\$ 6,377,842	\$ 7,281,205	\$ 7,742,686	\$ 1,364,844
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (30,691)	\$ 85,283	\$ (61,938)	\$ (7,346)	\$ (870,798)	\$ (1,305,086)	\$ 1,297,740
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 319,604	\$ 0	\$ 0	\$ 319,604	\$ 300,000	\$ 434,604	\$ (115,000)
Other Loans Issued	37,856	0	0	37,856	143,571	143,571	(105,715)
Transfers In	32,000	0	0	32,000	62,000	62,000	(30,000)
Total Other Financing Sources (Uses)	\$ 389,460	\$ 0	\$ 0	\$ 389,460	\$ 505,571	\$ 640,175	\$ (250,715)
Net Change in Fund Balance	\$ 358,769	\$ 85,283	\$ (61,938)	\$ 382,114	\$ (365,227)	\$ (664,911)	\$ 1,047,025
Fund Balance, July 1, 2005	2,125,031	(85,283)	0	2,039,748	2,073,718	2,073,718	(33,970)
Fund Balance, June 30, 2006	\$ 2,483,800	\$ 0	\$ (61,938)	\$ 2,421,862	\$ 1,708,491	\$ 1,408,807	\$ 1,013,055

Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 192,466	\$ 180,380	\$ 180,380	\$ 12,086
Charges for Current Services	207	0	0	207
Other Local Revenues	17,162	1,000	1,000	16,162
State of Tennessee	1,953,884	2,313,346	2,313,346	(359,462)
Other Governments and Citizens Groups	3,165	0	0	3,165
Total Revenues	<u>\$ 2,166,884</u>	<u>\$ 2,494,726</u>	<u>\$ 2,494,726</u>	<u>\$ (327,842)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 106,547	\$ 105,982	\$ 107,265	\$ 718
Highway and Bridge Maintenance	970,262	970,250	1,081,816	111,554
Operation and Maintenance of Equipment	343,839	320,700	353,978	10,139
Quarry Operations	127,018	165,000	165,000	37,982
Other Charges	221,758	232,914	243,414	21,656
Employee Benefits	238,816	288,300	288,300	49,484
Capital Outlay	48,083	466,539	309,912	261,829
Total Expenditures	<u>\$ 2,056,323</u>	<u>\$ 2,549,685</u>	<u>\$ 2,549,685</u>	<u>\$ 493,362</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 110,561</u>	<u>\$ (54,959)</u>	<u>\$ (54,959)</u>	<u>\$ 165,520</u>
Net Change in Fund Balance	\$ 110,561	\$ (54,959)	\$ (54,959)	\$ 165,520
Fund Balance, July 1, 2005	<u>246,103</u>	<u>409,210</u>	<u>409,210</u>	<u>(163,107)</u>
Fund Balance, June 30, 2006	<u>\$ 356,664</u>	<u>\$ 354,251</u>	<u>\$ 354,251</u>	<u>\$ 2,413</u>

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

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the General Sessions Court (\$207), Senior Citizens Assistance (\$1,166), Other Social, Cultural, and Recreational (\$500), Soil Conservation (\$292), and Airport (\$14,589) major categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation.

Public Library Fund – The Public Library Fund is used to account for donations for the new public library.

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

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

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

Exhibit E-1

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

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 566	\$ 566	\$ 566
Equity in Pooled Cash and Investments	13,718	599,151	141,805	43,861	0	798,535	798,535
Accounts Receivable	0	0	20,195	0	0	20,195	20,195
Due from Other Governments	0	0	74,923	0	0	74,923	74,923
Due from Other Funds	0	0	734	0	0	734	734
Property Taxes Receivable	0	0	226,662	0	0	226,662	226,662
Allowance for Uncollectible Property Taxes	0	0	(4,005)	0	0	(4,005)	(4,005)
Total Assets	\$ 13,718	\$ 599,151	\$ 460,314	\$ 43,861	\$ 566	\$ 1,117,610	\$ 1,117,610
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 0	\$ 0	\$ 1,175	\$ 0	\$ 0	\$ 1,175	\$ 1,175
Payroll Deductions Payable	0	0	1,643	415	0	2,058	2,058
Due to Other Funds	0	0	0	367	566	933	933
Deferred Revenue - Current Property Taxes	0	0	211,094	0	0	211,094	211,094
Deferred Revenue - Delinquent Property Taxes	0	0	10,759	0	0	10,759	10,759
Other Deferred Revenues	0	0	35,000	0	0	35,000	35,000
Total Liabilities	\$ 0	\$ 0	\$ 259,671	\$ 782	\$ 566	\$ 261,019	\$ 261,019
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 0	\$ 250	\$ 0	\$ 0	\$ 250	\$ 250
Reserved for Capital Outlay	0	0	41,842	0	0	41,842	41,842
Unreserved	13,718	599,151	158,551	43,079	0	814,499	814,499
Total Fund Balances	\$ 13,718	\$ 599,151	\$ 200,643	\$ 43,079	\$ 0	\$ 856,591	\$ 856,591
Total Liabilities and Fund Balances	\$ 13,718	\$ 599,151	\$ 460,314	\$ 43,861	\$ 566	\$ 1,117,610	\$ 1,117,610

Exhibit E-2

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

	Special Revenue Funds					Total	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees		
<u>Revenues</u>							
Local Taxes	\$ 4,308	\$ 0	\$ 640,427	\$ 0	\$ 0	\$ 644,735	\$ 644,735
Fines, Forfeitures, and Penalties	0	0	0	13,214	0	13,214	13,214
Charges for Current Services	0	0	206,602	0	6,081	212,683	212,683
Other Local Revenues	0	599,151	40,806	0	0	639,957	639,957
State of Tennessee	0	0	15,609	0	0	15,609	15,609
Total Revenues	\$ 4,308	\$ 599,151	\$ 903,444	\$ 13,214	\$ 6,081	\$ 1,526,198	\$ 1,526,198
<u>Expenditures</u>							
Current:							
General Government	\$ 2,833	\$ 0	\$ 62,609	\$ 0	\$ 0	\$ 65,442	\$ 65,442
Finance	0	0	0	0	960	960	960
Administration of Justice	0	0	0	0	5,121	5,121	5,121
Public Safety	0	0	0	20,291	0	20,291	20,291
Public Health and Welfare	0	0	897,665	0	0	897,665	897,665
Other Operations	40	0	0	0	0	40	40
Total Expenditures	\$ 2,873	\$ 0	\$ 960,274	\$ 20,291	\$ 6,081	\$ 989,519	\$ 989,519
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,435	\$ 599,151	\$ (56,830)	\$ (7,077)	\$ 0	\$ 536,679	\$ 536,679
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 65,000	\$ 0	\$ 0	\$ 65,000	\$ 65,000
Transfers Out	0	0	(32,000)	0	0	(32,000)	(32,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 33,000	\$ 0	\$ 0	\$ 33,000	\$ 33,000
Net Change in Fund Balances	\$ 1,435	\$ 599,151	\$ (23,830)	\$ (7,077)	\$ 0	\$ 569,679	\$ 569,679
Fund Balance, July 1, 2005	12,283	0	224,473	50,156	0	286,912	286,912
Fund Balance, June 30, 2006	\$ 13,718	\$ 599,151	\$ 200,643	\$ 43,079	\$ 0	\$ 856,591	\$ 856,591

Exhibit E-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,308	\$ 4,300	\$ 4,300	\$ 8
Total Revenues	\$ 4,308	\$ 4,300	\$ 4,300	\$ 8
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 2,833	\$ 5,000	\$ 5,000	\$ 2,167
<u>Other Operations</u>				
Other Charges	40	110	110	70
Total Expenditures	\$ 2,873	\$ 5,110	\$ 5,110	\$ 2,237
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,435	\$ (810)	\$ (810)	\$ 2,245
Net Change in Fund Balance	\$ 1,435	\$ (810)	\$ (810)	\$ 2,245
Fund Balance, July 1, 2005	12,283	12,283	12,283	0
Fund Balance, June 30, 2006	\$ 13,718	\$ 11,473	\$ 11,473	\$ 2,245

Exhibit E-4

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 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	\$ 640,427	\$ 0	\$ 0	\$ 640,427	\$ 606,222	\$ 606,222	\$ 34,205
Charges for Current Services	206,602	0	0	206,602	184,000	184,000	22,602
Other Local Revenues	40,806	0	0	40,806	42,000	42,000	(1,194)
State of Tennessee	15,609	0	0	15,609	15,609	27,967	(12,358)
Total Revenues	\$ 903,444	\$ 0	\$ 0	\$ 903,444	\$ 847,831	\$ 860,189	\$ 43,255
<u>Expenditures</u>							
<u>General Government</u>							
Other General Administration	\$ 62,609	\$ 0	\$ 0	\$ 62,609	\$ 84,053	\$ 86,053	\$ 23,444
<u>Public Health and Welfare</u>							
Convenience Centers	189,079	0	250	189,329	243,494	246,494	57,165
Transfer Stations	649,010	0	0	649,010	661,506	661,506	12,496
Recycling Center	48,173	(46)	0	48,127	38,204	55,162	7,035
Other Waste Disposal	300	0	0	300	2,000	2,000	1,700
Postclosure Care Costs	11,103	0	0	11,103	12,000	12,000	897
Total Expenditures	\$ 960,274	\$ (46)	\$ 250	\$ 960,478	\$ 1,041,257	\$ 1,063,215	\$ 102,737
Excess (Deficiency) of Revenues Over Expenditures	\$ (56,830)	\$ 46	\$ (250)	\$ (57,034)	\$ (193,426)	\$ (203,026)	\$ 145,992
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 65,000	\$ 0	\$ 0	\$ 65,000	\$ 52,000	\$ 52,000	\$ 13,000
Transfers Out	(32,000)	0	0	(32,000)	(32,000)	(32,000)	0
Total Other Financing Sources (Uses)	\$ 33,000	\$ 0	\$ 0	\$ 33,000	\$ 20,000	\$ 20,000	\$ 13,000
Net Change in Fund Balance	\$ (23,830)	\$ 46	\$ (250)	\$ (24,034)	\$ (173,426)	\$ (183,026)	\$ 158,992
Fund Balance, July 1, 2005	224,473	(46)	0	224,427	224,632	224,632	(205)
Fund Balance, June 30, 2006	\$ 200,643	\$ 0	\$ (250)	\$ 200,393	\$ 51,206	\$ 41,606	\$ 158,787

Exhibit E-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 13,214	\$ 18,400	\$ 18,400	\$ (5,186)
Total Revenues	<u>\$ 13,214</u>	<u>\$ 18,400</u>	<u>\$ 18,400</u>	<u>\$ (5,186)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 20,291	\$ 61,765	\$ 61,765	\$ 41,474
Total Expenditures	<u>\$ 20,291</u>	<u>\$ 61,765</u>	<u>\$ 61,765</u>	<u>\$ 41,474</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,077)</u>	<u>\$ (43,365)</u>	<u>\$ (43,365)</u>	<u>\$ 36,288</u>
Net Change in Fund Balance	\$ (7,077)	\$ (43,365)	\$ (43,365)	\$ 36,288
Fund Balance, July 1, 2005	<u>50,156</u>	<u>50,687</u>	<u>50,687</u>	<u>(531)</u>
Fund Balance, June 30, 2006	<u>\$ 43,079</u>	<u>\$ 7,322</u>	<u>\$ 7,322</u>	<u>\$ 35,757</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 474,142	\$ 438,760	\$ 438,760	\$ 35,382
Other Local Revenues	339,463	70,000	70,000	269,463
State of Tennessee	336,178	300,025	300,025	36,153
Other Governments and Citizens Groups	0	42,000	42,000	(42,000)
Total Revenues	<u>\$ 1,149,783</u>	<u>\$ 850,785</u>	<u>\$ 850,785</u>	<u>\$ 298,998</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 600,289	\$ 640,291	\$ 618,674	\$ 18,385
<u>Interest on Debt</u>				
General Government	417,486	401,328	421,928	4,442
<u>Other Debt Service</u>				
General Government	17,858	15,600	16,617	(1,241)
Total Expenditures	<u>\$ 1,035,633</u>	<u>\$ 1,057,219</u>	<u>\$ 1,057,219</u>	<u>\$ 21,586</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 114,150</u>	<u>\$ (206,434)</u>	<u>\$ (206,434)</u>	<u>\$ 320,584</u>
Net Change in Fund Balance	\$ 114,150	\$ (206,434)	\$ (206,434)	\$ 320,584
Fund Balance, July 1, 2005	<u>1,091,333</u>	<u>1,082,631</u>	<u>1,082,631</u>	<u>8,702</u>
Fund Balance, June 30, 2006	<u>\$ 1,205,483</u>	<u>\$ 876,197</u>	<u>\$ 876,197</u>	<u>\$ 329,286</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, 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 G-1

Overton 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	\$ 576,773	\$ 576,773
Accounts Receivable	0	323	323
Due from Other Governments	128,534	0	128,534
Total Assets	<u>\$ 128,534</u>	<u>\$ 577,096</u>	<u>\$ 705,630</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 128,534	\$ 0	\$ 128,534
Due to Litigants, Heirs, and Others	0	577,096	577,096
Total Liabilities	<u>\$ 128,534</u>	<u>\$ 577,096</u>	<u>\$ 705,630</u>

Exhibit G-2

Overton 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	\$ 718,947	\$ 718,947	\$ 0
Due From Other Governments	112,514	128,534	112,514	128,534
Total Assets	\$ 112,514	\$ 847,481	\$ 831,461	\$ 128,534
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 112,514	\$ 847,481	\$ 831,461	\$ 128,534
Total Liabilities	\$ 112,514	\$ 847,481	\$ 831,461	\$ 128,534
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 443,109	\$ 4,429,418	\$ 4,295,754	\$ 576,773
Accounts Receivable	281	323	281	323
Total Assets	\$ 443,390	\$ 4,429,741	\$ 4,296,035	\$ 577,096
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 443,390	\$ 4,429,741	\$ 4,296,035	\$ 577,096
Total Liabilities	\$ 443,390	\$ 4,429,741	\$ 4,296,035	\$ 577,096
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 718,947	\$ 718,947	\$ 0
Cash	443,109	4,429,418	4,295,754	576,773
Accounts Receivable	281	323	281	323
Due From Other Governments	112,514	128,534	112,514	128,534
Total Assets	\$ 555,904	\$ 5,277,222	\$ 5,127,496	\$ 705,630
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 112,514	\$ 847,481	\$ 831,461	\$ 128,534
Due to Litigants, Heirs, and Others	443,390	4,429,741	4,296,035	577,096
Total Liabilities	\$ 555,904	\$ 5,277,222	\$ 5,127,496	\$ 705,630

MISCELLANEOUS SCHEDULES

Exhibit H-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
County Equipment and Repairs	\$ 350,000	4.59 %	12-22-1999	12-22-05	\$ 58,335	\$ 0	\$ 58,335	\$ 0
Solid Waste Backhoe	25,315	2.87	6-23-03	6-23-06	8,439	0	8,439	0
Nursing Home Equipment and Repairs	21,667	2.74	7-15-02	7-15-05	21,667	0	21,667	0
Equipment	338,349	2.15	11-10-03	11-10-06	338,349	0	225,563	112,786
Volunteer State Community College	500,000	3	11-23-04	11-23-16	500,000	0	41,667	458,333
Airport Improvements	125,000	3.9	7-12-05	7-1-08	0	125,000	0	125,000
Convenience Center and Library Land	125,000	3.75	9-27-05	9-2-08	0	125,000	0	125,000
Library	1,515,000	4.35 to 5	12-21-05	6-30-18	0	1,515,000	0	1,515,000
Patrol Cars	134,604	4.85	6-28-06	6-28-09	0	134,604	0	134,604
Total Notes Payable					\$ 926,790	\$ 1,899,604	\$ 355,671	\$ 2,470,723
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Courthouse Renovation - F.H.A.	450,000	5	Various	1-1-18	\$ 255,000	\$ 0	\$ 15,000	\$ 240,000
Senior Citizens Building - F.H.A.	200,000	5.625	2-23-1993	2-23-23	154,298	0	5,293	149,005
General Obligation Bond - Jail Renovation	6,500,000	3.6 to 4.9	12-30-1998	6-1-24	5,835,000	0	195,000	5,640,000
Industrial Park Land - F.H.A.	1,650,000	4.5	4-21-03	4-21-43	1,618,462	0	16,835	1,601,627
Total Bonds Payable					\$ 7,862,760	\$ 0	\$ 232,128	\$ 7,630,632
OTHER LOANS PAYABLE								
<u>Public Building Authority Loan Agreement</u>								
<u>Payable through General Debt Service Fund</u>								
Airport Runway Expansion	(1)	Variable	8-14-03	8-14-13	\$ 55,353	\$ 37,856	\$ 12,490	\$ 80,719

(1) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$135,120 of which \$115,279 had been received at June 30, 2006.

Exhibit H-2

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

Year Ending June 30	F.H.A. Bond Requirements	F.H.A. Interest Requirements	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 38,176	\$ 92,314	\$ 205,000	\$ 261,652	\$ 597,142
2008	39,291	90,449	215,000	253,452	598,192
2009	40,459	88,531	225,000	244,638	598,628
2010	41,684	86,556	235,000	235,188	598,428
2011	47,969	84,521	240,000	225,200	597,690
2012	49,315	82,175	250,000	214,880	596,370
2013	50,729	79,761	260,000	204,005	594,495
2014	52,213	77,277	275,000	192,565	597,055
2015	53,766	74,724	290,000	180,190	598,680
2016	60,397	72,093	295,000	166,850	594,340
2017	62,109	69,132	310,000	152,985	594,226
2018	68,906	66,084	320,000	138,260	593,250
2019	40,785	62,706	370,000	122,900	596,391
2020	42,759	60,731	385,000	104,955	593,445
2021	44,831	58,659	405,000	86,282	594,772
2022	47,003	56,487	425,000	66,640	595,130
2023	43,892	54,253	450,000	45,815	593,960
2024	37,180	52,487	485,000	23,765	598,432
2025	38,853	50,814	0	0	89,667
2026	40,601	49,065	0	0	89,666
2027	42,428	47,238	0	0	89,666
2028	44,337	45,329	0	0	89,666
2029	46,332	43,334	0	0	89,666
2030	48,417	41,250	0	0	89,667
2031	50,596	39,070	0	0	89,666
2032	52,873	36,793	0	0	89,666
2033	55,252	34,414	0	0	89,666
2034	57,739	31,928	0	0	89,667
2035	60,337	29,329	0	0	89,666
2036	63,052	26,614	0	0	89,666
2037	65,889	23,777	0	0	89,666
2038	68,854	20,812	0	0	89,666
2039	71,953	17,713	0	0	89,666
2040	75,191	14,476	0	0	89,667
2041	78,574	11,092	0	0	89,666
2042	82,110	7,556	0	0	89,666
2043	85,780	3,861	0	0	89,641
Total	\$ 1,990,632	\$ 1,883,405	\$ 5,640,000	\$ 2,920,222	\$ 12,434,259

Exhibit H-3

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Solid Waste/Sanitation	General	To reimburse for administrative costs	<u>\$ 32,000</u>

Exhibit H-4

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

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 57,804	\$ 100,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	50,048	634,908	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	Western Surety Company
Circuit Court Clerk Clerk and Master	Section 8-24-102, <u>TCA</u>	50,048	50,000	RLI Insurance Company
	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	52,098 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (2)	25,000	RLI Insurance Company
Public Employee Blanket Bond: County Employees			150,000	Local Government Property and Casualty

(1) Includes special commissioner fees of \$2,050.

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

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,373,593	\$ 0	\$ 0	\$ 194,184	\$ 0
Trustee's Collections - Prior Year	133,972	0	0	12,060	0
Circuit/Clerk & Master Collections - Prior Years	15,323	0	0	1,516	0
Interest and Penalty	25,434	0	0	2,263	0
Payments in-Lieu-of Taxes - Other	2,254	0	0	184	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	276,320	0	0	426,822	0
Litigation Tax - General	111,040	233	0	0	0
Litigation Tax - Special Purpose	0	4,075	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	22,315	0	0	0	0
Business Tax	96,002	0	0	0	0
Mineral Severance Tax	68,842	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	41,525	0	0	3,398	0
Total Local Taxes	\$ 3,166,620	\$ 4,308	\$ 0	\$ 640,427	\$ 0
<u>Licenses and Permits</u>					
<u>Permits</u>					
Beer Permits	\$ 750	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 750	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 7,609	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	3,284	0	0	0	0
Drug Control Fines	0	0	0	0	6,527
Jail Fees	2,965	0	0	0	0
DUI Treatment Fines	1,204	0	0	0	0
Data Entry Fee - Circuit Court	488	0	0	0	0
<u>General Sessions Court</u>					
Fines	21,748	0	0	0	0
Officers Costs	31,098	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>General Sessions Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	2,593
Jail Fees	11,162	0	0	0	0
DUI Treatment Fines	2,869	0	0	0	0
Data Entry Fee - General Sessions Court	4,282	0	0	0	0
<u>Juvenile Court</u>					
Fines	620	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	3,929	0	0	0	0
Data Entry Fee - Chancery Court	209	0	0	0	0
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	3,532	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	4,094
Total Fines, Forfeitures, and Penalties	<u>\$ 94,999</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>13,214</u>
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 0	10 \$	0
Tipping Fees	0	0	0	206,592	0
Patient Charges	908,073	0	0	0	0
Other General Service Charges	0	0	0	0	0
<u>Fees</u>					
Copy Fees	1,346	0	0	0	0
Telephone Commissions	5,924	0	0	0	0
Vending Machine Collections	311	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	10,396	0	0	0	0
Probation Fees	832	0	0	0	0
Data Processing Fee - Sheriff	3,162	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,435	0	0	0	0
<u>Education Charges</u>					
Tuition - Adult Education	6,814	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Tuition - Other	\$ 73,466	\$ 0	\$ 0	\$ 0	\$ 0
Total Charges for Current Services	\$ 1,011,759	\$ 0	\$ 0	\$ 206,602	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 116,351	\$ 0	\$ 0
Lease/Rentals	2,650	0	0	0	0
Commissary Sales	4,876	0	0	0	0
Sale of Recycled Materials	0	0	0	38,926	0
Miscellaneous Refunds	23,275	0	0	28	0
<u>Nonrecurring Items</u>					
Insurance Recovery	2,446	0	0	0	0
Sale of Equipment	0	0	0	1,252	0
Sale of Property	196,000	0	0	0	0
Damages Recovered from Individuals	1,210	0	0	600	0
Contributions & Gifts	0	0	482,800	0	0
<u>Other Local Revenues</u>	10,610	0	0	0	0
Total Other Local Revenues	\$ 241,067	\$ 0	\$ 599,151	\$ 40,806	\$ 0
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 178,578	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	145,148	0	0	0	0
Clerk and Master	59,322	0	0	0	0
Register	109,948	0	0	0	0
Sheriff	11,953	0	0	0	0
Trustee	209,904	0	0	0	0
Total Fees Received from County Officials	\$ 714,853	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	0
State Reappraisal Grant	8,496	0	0	0	0
Other General Government Grants	45,550	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	8,299	0	0	0	0
<u>Health and Welfare Grants</u>					
Other Health and Welfare Grants	3,000	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	16,583	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	25,757	0	0	0	0
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	32,250	0	0	0	0
State Revenue Sharing - T.V.A.	0	0	0	0	0
Emergency Hospital - Prisoners	15,215	0	0	0	0
Board of Jurors	683	0	0	0	0
Contracted Prisoner Boarding	798,404	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	20,475	0	0	0	0
Other State Grants	2,482	0	0	15,609	0
Total State of Tennessee	\$ 1,003,406	\$ 0	\$ 0	\$ 15,609	\$ 0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 17,500	\$ 0	\$ 0	\$ 0	0
Other Federal through State	58,144	0	0	0	0
Total Federal Government	\$ 75,644	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	\$ 28,700	\$ 0	\$ 0	\$ 0	0
Contributions	32,698	0	0	0	0
Contracted Services	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 61,398</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Total	<u>\$ 6,370,496</u>	<u>\$ 4,308</u>	<u>\$ 599,151</u>	<u>\$ 903,444</u>	<u>\$ 13,214</u>

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 107,913	\$ 431,563	\$ 0	\$ 3,107,253
Trustee's Collections - Prior Year	0	6,689	26,761	0	179,482
Circuit/Clerk & Master Collections - Prior Years	0	993	3,312	0	21,144
Interest and Penalty	0	1,257	4,546	0	33,500
Payments in-Lieu-of Taxes - Other	0	102	410	0	2,950
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	703,142
Litigation Tax - General	0	0	0	0	111,273
Litigation Tax - Special Purpose	0	0	0	0	4,075
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	22,315
Business Tax	0	0	0	0	96,002
Mineral Severance Tax	0	73,624	0	0	142,466
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	1,888	7,550	0	54,361
Total Local Taxes	\$ 0	\$ 192,466	\$ 474,142	\$ 0	\$ 4,477,963
<u>Licenses and Permits</u>					
<u>Permits</u>					
Beer Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 750
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 750
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,609
Officers Costs	0	0	0	0	3,284
Drug Control Fines	0	0	0	0	6,527
Jail Fees	0	0	0	0	2,965
DUI Treatment Fines	0	0	0	0	1,204
Data Entry Fee - Circuit Court	0	0	0	0	488
<u>General Sessions Court</u>					
Fines	0	0	0	0	21,748
Officers Costs	0	0	0	0	31,098

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>General Sessions Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	2,593
Jail Fees	0	0	0	0	11,162
DUI Treatment Fines	0	0	0	0	2,869
Data Entry Fee - General Sessions Court	0	0	0	0	4,282
<u>Juvenile Court</u>					
Fines	0	0	0	0	620
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	3,929
Data Entry Fee - Chancery Court	0	0	0	0	209
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	0	0	0	0	3,532
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	4,094
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	108,213
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 0	\$ 0	10
Tipping Fees	0	0	0	0	206,592
Patient Charges	0	0	0	0	908,073
Other General Service Charges	0	207	0	0	207
<u>Fees</u>					
Copy Fees	0	0	0	0	1,346
Telephone Commissions	0	0	0	0	5,924
Vending Machine Collections	0	0	0	0	311
Constitutional Officers' Fees and Commissions	6,081	0	0	0	6,081
Data Processing Fee - Register	0	0	0	0	10,396
Probation Fees	0	0	0	0	832
Data Processing Fee - Sheriff	0	0	0	0	3,162
Sexual Offender Registration Fees - Sheriff	0	0	0	0	1,435
<u>Education Charges</u>					
Tuition - Adult Education	0	0	0	0	6,814

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Tuition - Other	\$ 0	\$ 0	\$ 0	\$ 0	73,466
Total Charges for Current Services	\$ 6,081	\$ 207	\$ 0	\$ 0	1,224,649
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 335,563	\$ 34,997	\$ 486,911
Lease/Rentals	0	0	3,900	0	6,550
Commissary Sales	0	0	0	0	4,876
Sale of Recycled Materials	0	0	0	0	38,926
Miscellaneous Refunds	0	9,855	0	0	33,158
<u>Nonrecurring Items</u>					
Insurance Recovery	0	7,307	0	0	9,753
Sale of Equipment	0	0	0	0	1,252
Sale of Property	0	0	0	0	196,000
Damages Recovered from Individuals	0	0	0	0	1,810
Contributions & Gifts	0	0	0	0	482,800
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	10,610
Total Other Local Revenues	\$ 0	\$ 17,162	\$ 339,463	\$ 34,997	\$ 1,272,646
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	178,578
Circuit Court Clerk	0	0	0	0	145,148
Clerk and Master	0	0	0	0	59,322
Register	0	0	0	0	109,948
Sheriff	0	0	0	0	11,953
Trustee	0	0	0	0	209,904
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	714,853

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	0	0	0	0	8,496
Other General Government Grants	0	0	0	0	45,550
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	8,299
<u>Health and Welfare Grants</u>					
Other Health and Welfare Grants	0	0	0	0	3,000
<u>Public Works Grants</u>					
State Aid Program	0	314,331	0	0	314,331
Litter Program	0	0	0	0	16,583
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	25,757
Beer Tax	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	32,250
State Revenue Sharing - T.V.A.	0	0	336,178	0	336,178
Emergency Hospital - Prisoners	0	0	0	0	15,215
Board of Jurors	0	0	0	0	683
Contracted Prisoner Boarding	0	0	0	0	798,404
Gasoline and Motor Fuel Tax	0	1,623,370	0	0	1,623,370
Petroleum Special Tax	0	16,183	0	0	16,183
Registrar's Salary Supplement	0	0	0	0	20,475
Other State Grants	0	0	0	0	18,091
Total State of Tennessee	\$ 0	\$ 1,953,884	\$ 336,178	\$ 0	\$ 3,309,077
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	17,500
Other Federal through State	0	0	0	0	58,144
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	75,644

(Continued)

Exhibit H-5

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Total
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	28,700
Contributions	0	0	0	0	32,698
Contracted Services	0	3,165	0	0	3,165
Total Other Governments and Citizens Groups	\$ 0	\$ 3,165	\$ 0	\$ 0	64,563
Total	\$ 6,081	\$ 2,166,884	\$ 1,149,783	\$ 34,997	\$ 11,248,358

Exhibit H-6

Overton 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	\$	52,080	
Social Security		3,984	
State Retirement		465	
Accounting Services		9,920	
Audit Services		4,687	
Dues and Memberships		7,934	
Travel		235	
Total County Commission			\$ 79,305

Board of Equalization

Board and Committee Members Fees	\$	1,200	
Total Board of Equalization			1,200

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Accountants/Bookkeepers		23,260	
Secretary(ies)		20,041	
Social Security		7,692	
State Retirement		4,256	
Medical Insurance		5,131	
Communication		4,137	
Legal Notices, Recording, and Court Costs		3,561	
Maintenance & Repair Services - Vehicles		67	
Travel		2,333	
Office Supplies		8,326	
Other Charges		13,354	
Office Equipment		2,666	
Total County Mayor/Executive			152,628

County Attorney

Social Security	\$	207	
Legal Services		14,084	
Total County Attorney			14,291

Election Commission

County Official/Administrative Officer	\$	42,541	
Clerical Personnel		21,900	
Election Commission		2,650	
Election Workers		9,118	
In-Service Training		525	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	5,095	
State Retirement		1,791	
Communication		821	
Data Processing Services		2,640	
Legal Notices, Recording, and Court Costs		3,150	
Printing, Stationery, and Forms		1,576	
Travel		714	
Other Contracted Services		1,200	
Electricity		611	
Office Supplies		1,996	
Office Equipment		738	
Other Equipment		7,221	
Total Election Commission			\$ 104,287

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		21,375	
Clerical Personnel		21,263	
Social Security		6,735	
State Retirement		3,902	
Medical Insurance		7,467	
Communication		2,188	
Data Processing Services		8,470	
Travel		192	
Other Contracted Services		3,948	
Office Supplies		4,244	
Total Register of Deeds			129,832

Planning

Supervisor/Director	\$	1,900	
Board and Committee Members Fees		2,040	
Social Security		156	
Contracts with Government Agencies		8,500	
Total Planning			12,596

County Buildings

Custodial Personnel	\$	56,103	
Maintenance Personnel		22,857	
Social Security		5,936	
State Retirement		1,574	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Medical Insurance	\$	10,876	
Communication		4,063	
Maintenance & Repair Services - Buildings		51,495	
Maintenance & Repair Services - Vehicles		292	
Custodial Supplies		5,633	
Electricity		81,460	
Gasoline		1,124	
Natural Gas		28,559	
Uniforms		926	
Utilities		2,429	
Other Charges		<u>1,090</u>	
Total County Buildings	\$		274,417

Other General Administration

Teachers	\$	1,375	
Social Security		105	
Unemployment Compensation		6,075	
Engineering Services		26,265	
Evaluation and Testing		3,430	
Licenses		3,853	
Medical and Dental Services		980	
Remittance of Revenue Collected		100	
Other Supplies and Materials		10,873	
Liability Insurance		205,192	
Premiums on Corporate Surety Bonds		3,041	
Trustee's Commission		68,761	
Workers' Compensation Insurance		119,039	
Other Charges		<u>9,519</u>	
Total Other General Administration			458,608

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	38,792	
Social Security		2,968	
State Retirement		<u>1,633</u>	
Total Accounting and Budgeting			43,393

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		21,150	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Clerical Personnel	\$	16,571	
Social Security		6,714	
State Retirement		3,695	
Medical Insurance		8,719	
Communication		2,037	
Data Processing Services		7,920	
Maintenance & Repair Services - Vehicles		590	
Travel		4,478	
Other Contracted Services		10,105	
Office Supplies		2,019	
Total Property Assessor's Office			\$ 134,046

Reappraisal Program

Assistant(s)	\$	21,150	
Social Security		1,519	
State Retirement		890	
Medical Insurance		3,691	
Data Processing Services		2,368	
Postal Charges		1,159	
Rentals		641	
Travel		700	
Total Reappraisal Program			32,118

County Trustee's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		16,571	
Clerical Personnel		16,000	
Social Security		6,222	
State Retirement		3,478	
Medical Insurance		7,383	
Communication		1,258	
Data Processing Services		5,261	
Legal Notices, Recording, and Court Costs		426	
Office Supplies		5,909	
Office Equipment		1,314	
Total County Trustee's Office			113,870

County Clerk's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		58,525	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Other Salaries & Wages	\$	16,000	
Social Security		9,530	
State Retirement		5,245	
Medical Insurance		8,761	
Communication		1,184	
Data Processing Services		1,527	
Travel		32	
Office Supplies		4,572	
Office Equipment		1,079	
Total County Clerk's Office			\$ 156,503

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		20,813	
Clerical Personnel		80,837	
Board and Committee Members Fees		450	
Jury and Witness Fees		9,859	
Social Security		11,407	
State Retirement		6,387	
Medical Insurance		7,998	
Communication		4,357	
Data Processing Services		7,297	
Office Supplies		5,612	
Office Equipment		278	
Total Circuit Court			205,343

General Sessions Court

Judge(s)	\$	68,864	
Secretary(ies)		20,255	
Social Security		6,777	
State Retirement		3,462	
Travel		1,709	
Office Supplies		1,490	
Total General Sessions Court			102,557

Chancery Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		21,037	
Clerical Personnel		35,006	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Social Security	\$	7,549	
State Retirement		1,983	
Medical Insurance		13,990	
Communication		2,869	
Data Processing Services		11,150	
Office Supplies		6,393	
Total Chancery Court			\$ 150,025

Juvenile Court

Guidance Personnel	\$	9,000	
Social Security		688	
State Retirement		379	
Other Contracted Services		1,650	
Total Juvenile Court			11,717

Judicial Commissioners

County Official/Administrative Officer	\$	13,457	
Social Security		1,030	
State Retirement		278	
Medical Insurance		769	
Total Judicial Commissioners			15,534

Other Administration of Justice

Deputy(ies)	\$	866	
Captain(s)		16,041	
Social Security		1,293	
State Retirement		675	
Medical Insurance		2,366	
Communication		331	
Maintenance & Repair Services - Vehicles		434	
Gasoline		511	
Uniforms		627	
Motor Vehicles		8,000	
Other Equipment		4,140	
Total Other Administration of Justice			35,284

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,052	
Deputy(ies)		310,799	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Investigator(s)	\$	26,652	
Captain(s)		30,007	
Lieutenant(s)		21,403	
Salary Supplements		8,299	
Secretary(ies)		16,575	
Overtime Pay		15,666	
In-Service Training		11,003	
Social Security		36,908	
State Retirement		18,971	
Medical Insurance		20,583	
Communication		11,492	
Maintenance & Repair Services - Equipment		346	
Maintenance & Repair Services - Vehicles		7,090	
Rentals		135	
Other Contracted Services		3,000	
Gasoline		63,593	
Office Supplies		12,112	
Tires and Tubes		4,193	
Uniforms		3,430	
Vehicle Parts		7,819	
Motor Vehicles		134,604	
Office Equipment		5,341	
Other Equipment		2,622	
Total Sheriff's Department			\$ 827,695

Jail

County Official/Administrative Officer	\$	26,685
Sergeant(s)		70,414
Guards		339,747
Clerical Personnel		31,436
Cafeteria Personnel		34,334
Custodial Personnel		15,989
Overtime Pay		24,395
Social Security		41,334
State Retirement		15,247
Medical Insurance		38,876
Contracts with Government Agencies		2,144
Maintenance & Repair Services - Buildings		46,895
Medical and Dental Services		262,405
Other Contracted Services		7,248

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Custodial Supplies	\$	23,649	
Diesel Fuel		134	
Electricity		28,806	
Food Supplies		106,199	
Natural Gas		82,885	
Uniforms		4,314	
Other Supplies and Materials		3,928	
Office Equipment		5,125	
Total Jail			\$ 1,212,189

Fire Prevention and Control

Contracts with Government Agencies	\$	1,000	
Contributions		30,000	
Electricity		912	
Total Fire Prevention and Control			31,912

Civil Defense

Supervisor/Director	\$	3,358	
Social Security		257	
Communication		48	
Licenses		18	
Maintenance & Repair Services - Equipment		933	
Travel		134	
Electricity		40	
Gasoline		864	
Building Construction		34,943	
Surplus Equipment		3,010	
Other Equipment		21,594	
Total Civil Defense			65,199

Rescue Squad

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

Other Emergency Management

Contributions	\$	200,000	
Total Other Emergency Management			200,000

County Coroner/Medical Examiner

Other Contracted Services	\$	25,622	
Total County Coroner/Medical Examiner			25,622

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$	3,490	
Social Security		267	
Communication		4,231	
Contracts with Other Public Agencies		4,336	
Contributions		1,500	
Maintenance & Repair Services - Buildings		16,058	
Travel		490	
Custodial Supplies		301	
Drugs and Medical Supplies		1,571	
Office Supplies		4,387	
Utilities		11,015	
Other Supplies and Materials		1,779	
Other Charges		5,058	
Total Local Health Center			\$ 54,483

Ambulance/Emergency Medical Services

Supervisor/Director	\$	38,846
Paraprofessionals		253,814
Secretary(ies)		23,632
Attendants		224,971
Overtime Pay		142,494
In-Service Training		3,535
Social Security		49,051
State Retirement		25,660
Medical Insurance		63,592
Communication		6,591
Licenses		150
Maintenance & Repair Services - Buildings		6,083
Maintenance & Repair Services - Equipment		678
Maintenance & Repair Services - Vehicles		18,955
Custodial Supplies		2,544
Drugs and Medical Supplies		32,593
Electricity		9,195
Gasoline		39,785
Natural Gas		8,652
Office Supplies		13,434
Tires and Tubes		11,008
Uniforms		6,521
In Service/Staff Development		5,422
Other Charges		150

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Motor Vehicles	\$	54,950	
Office Equipment		2,315	
Other Equipment		2,000	
Total Ambulance/Emergency Medical Services			\$ 1,046,621

Other Local Health Services

Maintenance & Repair Services - Vehicles	\$	1,285	
Drugs and Medical Supplies		963	
Uniforms		2,419	
Total Other Local Health Services			4,667

Regional Mental Health Center

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

Aid to Dependent Children

Contracts with Other Public Agencies	\$	383	
Total Aid to Dependent Children			383

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	11,398	
Utilities		8,465	
Total Senior Citizens Assistance			19,863

Libraries

Supervisor/Director	\$	27,394	
Other Salaries & Wages		26,979	
Social Security		4,055	
State Retirement		1,153	
Medical Insurance		3,733	
Maintenance & Repair Services - Buildings		304	
Utilities		5,498	
Land		120,000	
Total Libraries			189,116

Other Social, Cultural, and Recreational

Contributions	\$	19,000	
Other Charges		25,000	
Total Other Social, Cultural, and Recreational			44,000

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	40,097	
Other Salaries & Wages		1,020	
Social Security		675	
Extension Service Medicare		244	
State Retirement		3,133	
Communication		4,250	
Contributions		128	
Office Equipment		860	
Total Agriculture Extension Service			\$ 50,407

Soil Conservation

Secretary(ies)	\$	16,068	
Overtime Pay		1,326	
Social Security		1,331	
State Retirement		732	
Total Soil Conservation			19,457

Other Operations

Industrial Development

Contributions	\$	15,500	
Other Charges		8,483	
Total Industrial Development			23,983

Other Economic and Community Development

Contracts with Government Agencies	\$	18,811	
Other Charges		900	
Building Construction		25,874	
Motor Vehicles		47,083	
Total Other Economic and Community Development			92,668

Airport

Contracts with Government Agencies	\$	3,600	
Airport Improvement		158,160	
Total Airport			161,760

Veterans' Services

Supervisor/Director	\$	12,770	
Secretary(ies)		21,952	
Social Security		2,472	
State Retirement		900	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Communication	\$	1,468	
Contributions		6,314	
Travel		604	
Office Supplies		1,165	
Other Charges		800	
Office Equipment		<u>2,618</u>	
Total Veterans' Services	\$		51,063

Contributions to Other Agencies

Contributions	\$	<u>5,152</u>	
Total Contributions to Other Agencies			5,152

Highways

Traffic Control

Supervisor/Director	\$	2,915	
Social Security		223	
State Retirement		123	
Maintenance & Repair Services - Vehicles		30	
Gasoline		464	
Road Signs		<u>3,475</u>	
Total Traffic Control			7,230

Litter and Trash Collection

Supervisor/Director	\$	19,946	
Social Security		1,526	
State Retirement		840	
Medical Insurance		2,307	
Advertising		5,160	
Communication		86	
Maintenance & Repair Services - Vehicles		309	
Custodial Supplies		30	
Gasoline		<u>1,132</u>	
Total Litter and Trash Collection			<u>31,336</u>

Total General Fund \$ 6,401,187

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$	<u>2,833</u>	
Total County Buildings	\$		2,833

(Continued)

Exhibit H-6

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

Courthouse & Jail Maintenance Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 40	
Total Other Charges		\$ 40

Total Courthouse & Jail Maintenance Fund \$ 2,873

Solid Waste/Sanitation Fund

General Government

Other General Administration

Medical Insurance	\$ 10,921	
Data Processing Services	3,657	
Legal Notices, Recording, and Court Costs	147	
Office Supplies	966	
Liability Insurance	21,985	
Trustee's Commission	10,554	
Workers' Compensation Insurance	13,529	
Other Charges	850	
Total Other General Administration		\$ 62,609

Public Health and Welfare

Convenience Centers

Laborers	\$ 75,912	
Social Security	5,807	
State Retirement	1,240	
Communication	2,427	
Evaluation and Testing	100	
Maintenance & Repair Services - Equipment	62	
Rentals	4,575	
Custodial Supplies	734	
Electricity	3,372	
Water and Sewer	4,173	
Other Charges	500	
Other Equipment	48,733	
Other Construction	41,444	
Total Convenience Centers		189,079

Transfer Stations

Supervisor/Director	\$ 29,258
Equipment Operators	24,138
Truck Drivers	26,962
Laborers	17,074

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Transfer Stations (Cont.)

Attendants	\$	14,134	
Overtime Pay		225	
Social Security		8,552	
State Retirement		4,191	
Communication		1,587	
Maintenance & Repair Services - Equipment		13,578	
Disposal Fees		462,730	
Other Contracted Services		3,207	
Diesel Fuel		18,733	
Lubricants		693	
Tires and Tubes		6,462	
Other Supplies and Materials		12	
Other Charges		17,474	
		<hr/>	
Total Transfer Stations	\$		649,010

Recycling Center

Materials Supervisor	\$	17,334	
Social Security		1,325	
State Retirement		730	
Communication		856	
Maintenance & Repair Services - Buildings		1,500	
Maintenance & Repair Services - Equipment		3,076	
Custodial Supplies		937	
Electricity		3,119	
Gasoline		1,000	
Natural Gas		34	
Uniforms		3,968	
Water and Sewer		216	
Other Supplies and Materials		1,720	
Other Equipment		12,358	
		<hr/>	
Total Recycling Center			48,173

Other Waste Disposal

Other Construction	\$	300	
		<hr/>	
Total Other Waste Disposal			300

Postclosure Care Costs

Testing	\$	11,103	
		<hr/>	
Total Postclosure Care Costs			11,103

Total Solid Waste/Sanitation Fund \$ 960,274

(Continued)

Exhibit H-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Deputy(ies)	\$	13,235	
Overtime Pay		1,427	
Social Security		1,109	
State Retirement		610	
Medical Insurance		2,000	
Confidential Drug Enforcement Payments		1,500	
Dues and Memberships		300	
Trustee's Commission		110	
Total Drug Enforcement			\$ 20,291

Total Drug Control Fund \$ 20,291

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	960	
Total County Trustee's Office			\$ 960

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	5,121	
Total Chancery Court			5,121

Total Constitutional Officers - Fees Fund 6,081

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Supervisor/Director		32,261	
Communication		3,054	
Dues and Memberships		2,344	
Legal Notices, Recording, and Court Costs		202	
Licenses		36	
Postal Charges		267	
Travel		82	
Electricity		2,238	
Office Supplies		158	
Utilities		4,487	
Other Charges		6,294	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Traffic Control Equipment	\$ 72	
Total Administration		\$ 106,547

Highway and Bridge Maintenance

Supervisor/Director	\$ 94,481	
Equipment Operators	219,120	
Truck Drivers	78,112	
Laborers	56,145	
Freight Expenses	3,208	
Rentals	1,083	
Other Contracted Services	4,212	
Asphalt	180,401	
Asphalt - Cold Mix	4,198	
Asphalt - Hot Mix	248,709	
Crushed Stone	41,330	
Pipe	443	
Pipe - Metal	32,487	
Road Signs	1,575	
Wood Products	36	
Other Charges	4,722	
Total Highway and Bridge Maintenance		970,262

Operation and Maintenance of Equipment

Mechanic(s)	\$ 67,202	
Maintenance & Repair Services - Equipment	15,627	
Equipment and Machinery Parts	93,708	
Gasoline	132,465	
Lubricants	9,154	
Small Tools	1,488	
Tires and Tubes	24,195	
Total Operation and Maintenance of Equipment		343,839

Quarry Operations

Supervisor/Director	\$ 24,114	
Equipment Operators	31,277	
Truck Drivers	14,478	
Explosive and Drilling Services	12,609	
Operating Lease Payments	9,800	
Electricity	34,740	
Total Quarry Operations		127,018

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Other Contracted Services	\$	500	
Liability Insurance		149,738	
Trustee's Commission		19,515	
Workers' Compensation Insurance		52,005	
Total Other Charges			\$ 221,758

Employee Benefits

Social Security	\$	50,469	
State Retirement		26,112	
Medical Insurance		153,417	
Unemployment Compensation		8,818	
Total Employee Benefits			238,816

Capital Outlay

Engineering Services	\$	30,973	
Communication Equipment		5,329	
Highway Equipment		11,781	
Total Capital Outlay			48,083

Total Highway/Public Works Fund \$ 2,056,323

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	232,128	
Principal on Notes		355,671	
Principal on Other Loans		12,490	
Total General Government			\$ 600,289

Interest on Debt

General Government

Interest on Bonds	\$	369,382	
Interest on Notes		45,871	
Interest on Other Loans		2,233	
Total General Government			417,486

Other Debt Service

General Government

Fiscal Agent Charges	\$	1,521	
Remittance of Revenue Collected		117	

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Other Debt Service (Cont.)

General Government (Cont.)

Trustee's Commission

\$ 16,220

Total General Government

\$ 17,858

Total General Debt Service Fund

\$ 1,035,633

General Capital Projects Fund

Capital Projects

General Administration Projects

Architects

\$ 61,582

Evaluation and Testing

6,615

Printing, Stationery, and Forms

1,032

Crushed Stone

860

Trustee's Commission

350

Other Charges

2,600

Other Debt Issuance Charges

12,000

Building Construction

56,970

Total General Administration Projects

\$ 142,009

Total General Capital Projects Fund

142,009

Total Governmental Funds - Primary Government

\$ 10,624,671

Exhibit H-7

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 718,947
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 711,758
Trustee's Commission	7,189
Total Cash Disbursements	<u>\$ 718,947</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
OVERTON COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF OVERTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

JAMES D. HODGES, CFE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OVERTON COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ School Federal Projects Fund expenditures exceeded appropriations in Regular Instruction Program (\$26,161), Health Services (\$84), Special Education Program (\$2,557), and Transportation (\$6,620) major appropriation categories (the legal level of control).
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

INTRODUCTORY SECTION

Overton County School Officials
June 30, 2006

Official

William Needham, Director of Schools

Board of Education

Michelle Williams, Chairman

Patricia Bowman

Tim Coffee

Dolphus Dial

David Langford

Lenard Ledbetter

Tonya Sells

Joey Smith

Tim Vaughn

Melody Williams

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

August 18, 2006

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Overton County School Department, a component unit of Overton County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 31, which collectively comprise a portion of the Overton County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Overton County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

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

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Overton County School Department as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2006, on our consideration of the Overton County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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 35 through 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Overton County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,201	\$ 1,201
Equity in Pooled Cash and Investments	1,719,609	654,239	2,373,848
Inventories	0	39,841	39,841
Accounts Receivable	109	0	109
Due from Other Governments	391,248	67,810	459,058
Due from Other Funds	8,603	114	8,717
Property Taxes Receivable	1,762,931	0	1,762,931
Allowance for Uncollectible Property Taxes	(31,153)	0	(31,153)
Total Assets	<u>\$ 3,851,347</u>	<u>\$ 763,205</u>	<u>\$ 4,614,552</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accrued Payroll	\$ 37,829	\$ 0	\$ 37,829
Due to Other Funds	114	8,603	8,717
Deferred Revenue - Current Property Taxes	1,641,848	0	1,641,848
Deferred Revenue - Delinquent Property Taxes	83,673	0	83,673
Other Deferred Revenues	129,000	0	129,000
Total Liabilities	<u>\$ 1,892,464</u>	<u>\$ 8,603</u>	<u>\$ 1,901,067</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 39,882	\$ 6,022	\$ 45,904
Other Local Education Reserves	81,134	39,842	120,976
Reserved for Career Ladder - Extended Contract	29,922	0	29,922
Reserved for Career Ladder Program	1,448	0	1,448
Reserved for Basic Education Program	1,130,451	0	1,130,451
Reserved for Title I Grants to Local Education Agencies	0	1,800	1,800
Reserved for Special Education - Grants to States	0	69,607	69,607
Other Federal Reserves	0	15,159	15,159
Unreserved, Reported In:			
General Fund	676,046	0	676,046
Special Revenue Funds	0	259,394	259,394
Debt Service Funds	0	362,778	362,778
Total Fund Balances	<u>\$ 1,958,883</u>	<u>\$ 754,602</u>	<u>\$ 2,713,485</u>
Total Liabilities and Fund Balances	<u>\$ 3,851,347</u>	<u>\$ 763,205</u>	<u>\$ 4,614,552</u>

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,662,597	\$ 72,289	\$ 3,734,886
Licenses and Permits	1,729	0	1,729
Charges for Current Services	30,078	566,886	596,964
Other Local Revenues	64,622	33,685	98,307
State of Tennessee	14,676,622	111,893	14,788,515
Federal Government	312,287	2,876,579	3,188,866
Total Revenues	<u>\$ 18,747,935</u>	<u>\$ 3,661,332</u>	<u>\$ 22,409,267</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 11,218,974	\$ 1,433,017	\$ 12,651,991
Support Services	5,718,263	556,792	6,275,055
Operation of Non-Instructional Services	264,751	1,452,077	1,716,828
Capital Outlay	181,610	0	181,610
Debt Service:			
Principal on Debt	0	527,285	527,286
Interest on Debt	0	576,137	576,136
Other Debt Service	0	165,716	165,716
Total Expenditures	<u>\$ 17,383,598</u>	<u>\$ 4,711,024</u>	<u>\$ 22,094,622</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,364,337</u>	<u>\$ (1,049,692)</u>	<u>\$ 314,645</u>
<u>Other Financing Sources (Uses)</u>			
Refunding Debt Issued	\$ 0	\$ 5,090,000	\$ 5,090,000
Premiums on Debt Issued	0	4,260	4,260
Transfers In	29,738	955,169	984,907
Transfers Out	(955,169)	(29,738)	(984,907)
Payments to Refunded Debt Escrow Agent	0	(4,930,000)	(4,930,000)
Total Other Financing Sources (Uses)	<u>\$ (925,431)</u>	<u>\$ 1,089,691</u>	<u>\$ 164,260</u>
Net Change in Fund Balances	\$ 438,906	\$ 39,999	\$ 478,905
Fund Balance, July 1, 2005	1,519,977	714,603	2,234,580
Fund Balance, June 30, 2006	<u>\$ 1,958,883</u>	<u>\$ 754,602</u>	<u>\$ 2,713,485</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

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

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

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

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

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

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

1. **Deposits and Investments**

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

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

2. **Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .95 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. 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. Inventories

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

4. Capital Assets

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

however, as previously noted, the School Department does not present government-wide statements.

5. Compensated Absences

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

6. Long-term Obligations

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

7. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department

level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Overton County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Expenditures Exceeded Appropriations

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
School Federal Projects	Regular Instruction Program	\$ 26,161
“	Health Services	84
“	Special Education Program	2,557
“	Transportation	6,620
Education Debt Service	Other Debt Service	656

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held.

Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

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

Investments

Legal Provisions. Overton 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, Overton County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Overton County and the Overton County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u><u>\$ 9,308,115</u></u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit

the maturities of certain investments as previously disclosed. Overton County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

B. Interfund Receivables, Payables, and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 8,603
Nonmajor governmental	General Purpose School	114

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

Interfund Transfers:

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

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	Nonmajor Governmental Funds
General Purpose School Fund	\$ 0	\$ 955,169
Nonmajor governmental funds	29,738	0
Total	<u>\$ 29,738</u>	<u>\$ 955,169</u>

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

C. Long-term Debt

Since the Overton County School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial

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

General Obligation Bonds

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

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

General obligation bonds outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4.8 to 5.45%	\$ 9,500,000	\$ 395,000
General Obligation Bonds - Refunding	2 to 5	12,885,000	12,855,000

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

Year Ending June 30	Bonds	
	Principal	Interest
2007	\$ 460,000	\$ 538,065
2008	525,000	517,205
2009	535,000	506,105
2010	545,000	493,815
2011	555,000	479,790
2012-2016	3,090,000	2,072,035
2017-2021	3,885,000	1,263,285
2022-2025	3,655,000	393,989
Total	\$ 13,250,000	\$ 6,264,289

There is \$362,778 available in the Education Debt Service Fund to service long-term debt. Total bonded debt per capita amounted to \$659, 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	Other Loan	Capital Lease
Balance, July 1, 2005	\$ 8,565,000	\$ 4,930,000	\$ 122,286
Additions	5,090,000	0	0
Deductions	(405,000)	(4,930,000)	(122,286)
	<hr/>	<hr/>	<hr/>
Balance, June 30, 2006	\$ 13,250,000	\$ 0	\$ 0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance Due Within One Year	\$ 460,000	\$ 0	\$ 0
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Advance or Current Refunding

On July 1, 2005, the School Department advance refunded a public building authority loan with a separate general obligation bond issue. The School Department issued \$5,090,000 of general obligation refunding bonds to provide resources for all future debt service payments of the refunded debt. As a result, the refunded loans are considered defeased, and the liability has been removed from the School Department's long-term debt. As a result of the advance refunding, total debt service payments will be reduced by \$742,773, and an economic gain (difference between the present value of the debt service payments of the refunded loans and refunding bonds) of \$486,973 was obtained.

Defeasance of Prior Debt

In prior years, Overton County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2006, the following outstanding bonds are considered defeased:

	<u>Amount</u>
1999 School Construction and Renovation	\$ 7,375,000

IV. OTHER INFORMATION

A. Risk Management

The School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by their participation in the

Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee Schools Boards Association, an association of member school districts. Annual premiums are paid to the pool for the risk coverage noted above. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

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

B. Accounting 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 Overton County is not presenting a comprehensive annual financial report, they have elected not to prepare a statistical section. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44

establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Overton County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

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

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

C. Subsequent Event

Director of Schools, William Needham, retired on June 30, 2006, and was succeeded by Michael Gilpatrick effective July 1, 2006.

D. Contingent Liabilities

The School Department is the defendant in a suit filed in the U.S. District Court alleging the civil rights of several students were violated by allowing a video surveillance camera to operate in a locker room at one of the schools. The suit seeks an unspecified amount of damages and punitive damages as a result of the alleged negligence on behalf of the school board and/or its employees. An estimate or range of any potential loss to the county as a result of this lawsuit cannot be reasonably estimated.

There are no other pending lawsuits in which the School Department is involved. The School Department's attorney estimates that any potential

claims against the School Department would not materially affect the School Department's financial statements.

E. Retirement Commitments

Plan Description

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

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

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

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Overton County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Overton County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$594,454, \$569,877, and \$332,646, respectively, equal to the required contributions for each year.

F. Other Post-employment Benefits

In addition to the retirement commitments described above, the School Department provides post-retirement health care benefits, in accordance with contract provisions, to teachers who retire from the School Department with 30 years of service or have reached age 55 and continue the payment until the teacher reaches 67 or becomes eligible for medical coverage. Currently, 29 school retirees meet those eligibility requirements. The School Department pays up to \$1,150 annually for medical premiums for retirees and their dependents. Those retirees not having insurance through the group plan receive an equal cash payment from the School Department. During the year, expenditures totaling \$29,999 (health insurance - \$23,574; payments to retirees - \$6,425) were recognized for post-employment health care.

G. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton County School Department
General Purpose School Fund
For the Year Ended June 30, 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	\$ 3,662,597	\$ 0	\$ 0	\$ 3,662,597	\$ 3,490,310	\$ 3,521,758	\$ 140,839
Licenses and Permits	1,729	0	0	1,729	1,650	1,650	79
Charges for Current Services	30,078	0	0	30,078	22,600	22,600	7,478
Other Local Revenues	64,622	0	0	64,622	51,500	57,398	7,224
State of Tennessee	14,676,622	0	0	14,676,622	14,704,596	14,691,355	(14,733)
Federal Government	312,287	0	0	312,287	107,744	253,445	58,842
Total Revenues	\$ 18,747,935	\$ 0	\$ 0	\$ 18,747,935	\$ 18,378,400	\$ 18,548,206	\$ 199,729
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 9,144,713	\$ (161,848)	\$ 16	\$ 8,982,881	\$ 9,216,357	\$ 9,216,357	\$ 233,476
Alternative Instruction Program	56,217	0	0	56,217	44,468	57,321	1,104
Special Education Program	1,167,531	(203)	0	1,167,328	1,089,817	1,186,943	19,615
Vocational Education Program	795,321	(102)	34	795,253	898,174	848,424	53,171
Adult Education Program	55,192	0	0	55,192	54,063	55,243	51
<u>Support Services</u>							
Attendance	86,064	0	0	86,064	78,514	89,454	3,390
Health Services	48,483	0	0	48,483	44,309	48,489	6
Other Student Support	350,581	(1,950)	2,509	351,140	328,182	352,902	1,762
Regular Instruction Program	464,908	0	625	465,533	499,743	499,743	34,210
Special Education Program	145,506	0	0	145,506	146,584	146,584	1,078
Vocational Education Program	77,579	0	0	77,579	76,832	78,650	1,071
Adult Programs	86,069	0	0	86,069	88,691	89,191	3,122
Board of Education	291,445	0	0	291,445	291,536	291,536	91
Director of Schools	116,895	(41)	0	116,854	118,399	118,399	1,545
Office of the Principal	1,204,419	0	0	1,204,419	1,218,330	1,228,555	24,136

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Support Services (Cont.)</u>							
Fiscal Services	\$ 216,376	\$ (261)	\$ 0	\$ 216,115	\$ 248,238	\$ 248,238	\$ 32,123
Operation of Plant	1,648,076	0	0	1,648,076	1,623,248	1,654,048	5,972
Maintenance of Plant	217,623	0	0	217,623	239,911	239,911	22,288
Transportation	764,239	0	0	764,239	872,091	874,091	109,852
<u>Operation of Non-Instructional Services</u>							
Food Service	759	0	0	759	0	760	1
Early Childhood Education	263,992	0	12,237	276,229	268,327	276,230	1
<u>Capital Outlay</u>							
Regular Capital Outlay	181,610	0	24,461	206,071	166,380	206,715	644
Total Expenditures	\$ 17,383,598	\$ (164,405)	\$ 39,882	\$ 17,259,075	\$ 17,612,194	\$ 17,807,784	\$ 548,709
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 1,364,337	\$ 164,405	\$ (39,882)	\$ 1,488,860	\$ 766,206	\$ 740,422	\$ 748,438
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 29,738	\$ 0	\$ 0	\$ 29,738	\$ 35,000	\$ 35,000	\$ (5,262)
Transfers Out	(955,169)	0	0	(955,169)	(955,169)	(955,169)	0
Total Other Financing Sources (Uses)	\$ (925,431)	\$ 0	\$ 0	\$ (925,431)	\$ (920,169)	\$ (920,169)	\$ (5,262)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ 438,906	\$ 164,405	\$ (39,882)	\$ 563,429	\$ (153,963)	\$ (179,747)	\$ 743,176
	1,519,977	(164,405)	0	1,355,572	1,404,583	1,404,583	(49,011)
Fund Balance, June 30, 2006	\$ 1,958,883	\$ 0	\$ (39,882)	\$ 1,919,001	\$ 1,250,620	\$ 1,224,836	\$ 694,165

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

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

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

**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.

Debt Service Fund

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

Exhibit D-1

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

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Debt Service</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 1,201	\$ 1,201	\$ 0	\$ 1,201
Equity in Pooled Cash and Investments	68,831	222,630	291,461	362,778	654,239
Inventories	0	39,841	39,841	0	39,841
Due from Other Governments	25,770	42,040	67,810	0	67,810
Due from Other Funds	114	0	114	0	114
Total Assets	<u>\$ 94,715</u>	<u>\$ 305,712</u>	<u>\$ 400,427</u>	<u>\$ 362,778</u>	<u>\$ 763,205</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 4,619	\$ 3,984	\$ 8,603	\$ 0	\$ 8,603
Total Liabilities	<u>\$ 4,619</u>	<u>\$ 3,984</u>	<u>\$ 8,603</u>	<u>\$ 0</u>	<u>\$ 8,603</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 3,530	\$ 2,492	\$ 6,022	\$ 0	\$ 6,022
Other Local Education Reserves	0	39,842	39,842	0	39,842
Reserved for Title I Grants to Local Education Agencies	1,800	0	1,800	0	1,800
Reserved for Special Education - Grants to States	69,607	0	69,607	0	69,607
Other Federal Reserves	15,159	0	15,159	0	15,159
Unreserved	0	259,394	259,394	362,778	622,172
Total Fund Balances	<u>\$ 90,096</u>	<u>\$ 301,728</u>	<u>\$ 391,824</u>	<u>\$ 362,778</u>	<u>\$ 754,602</u>
Total Liabilities and Fund Balances	<u>\$ 94,715</u>	<u>\$ 305,712</u>	<u>\$ 400,427</u>	<u>\$ 362,778</u>	<u>\$ 763,205</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Debt Service</u>	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 72,289	\$ 72,289
Charges for Current Services	0	566,886	566,886	0	566,886
Other Local Revenues	0	1,099	1,099	32,586	33,685
State of Tennessee	0	111,893	111,893	0	111,893
Federal Government	1,940,902	935,677	2,876,579	0	2,876,579
Total Revenues	\$ 1,940,902	\$ 1,615,555	\$ 3,556,457	\$ 104,875	\$ 3,661,332
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,433,017	\$ 0	\$ 1,433,017	\$ 0	\$ 1,433,017
Support Services	556,792	0	556,792	0	556,792
Operation of Non-Instructional Services	0	1,452,077	1,452,077	0	1,452,077
Debt Service:					
Principal on Debt	0	0	0	527,286	527,286
Interest on Debt	0	0	0	576,136	576,136
Other Debt Service	0	0	0	165,716	165,716
Total Expenditures	\$ 1,989,809	\$ 1,452,077	\$ 3,441,886	\$ 1,269,138	\$ 4,711,024
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (48,907)	\$ 163,478	\$ 114,571	\$ (1,164,263)	\$ (1,049,692)
<u>Other Financing Sources (Uses)</u>					
Refunding Debt Issued	\$ 0	\$ 0	\$ 0	\$ 5,090,000	\$ 5,090,000
Premiums on Debt Issued	0	0	0	4,260	4,260
Transfers In	0	0	0	955,169	955,169
Transfers Out	(25,754)	(3,984)	(29,738)	0	(29,738)
Payments to Refunded Debt Escrow Agent	0	0	0	(4,930,000)	(4,930,000)
Total Other Financing Sources (Uses)	\$ (25,754)	\$ (3,984)	\$ (29,738)	\$ 1,119,429	\$ 1,089,691
Net Change in Fund Balances					
	\$ (74,661)	\$ 159,494	\$ 84,833	\$ (44,834)	\$ 39,999
Fund Balance, July 1, 2005	164,757	142,234	306,991	407,612	714,603
Fund Balance, June 30, 2006	\$ 90,096	\$ 301,728	\$ 391,824	\$ 362,778	\$ 754,602

Exhibit D-3

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton County School Department
School Federal Projects Fund
For the Year Ended June 30, 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>							
Federal Government	\$ 1,940,902	\$ 0	\$ 0	\$ 1,940,902	\$ 2,043,417	\$ 2,043,417	\$ (102,515)
Total Revenues	\$ 1,940,902	\$ 0	\$ 0	\$ 1,940,902	\$ 2,043,417	\$ 2,043,417	\$ (102,515)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 839,122	\$ (9)	\$ 0	\$ 839,113	\$ 812,952	\$ 812,952	\$ (26,161)
Special Education Program	535,174	0	0	535,174	595,742	590,403	55,229
Vocational Education Program	58,721	0	3,210	61,931	61,351	61,945	14
<u>Support Services</u>							
Health Services	23,680	0	0	23,680	23,596	23,596	(84)
Other Student Support	286,160	(210)	0	285,950	326,625	310,878	24,928
Regular Instruction Program	171,857	0	320	172,177	196,616	196,616	24,439
Special Education Program	30,971	0	0	30,971	23,075	28,414	(2,557)
Vocational Education Program	3,000	0	0	3,000	3,000	3,000	0
Transportation	41,124	0	0	41,124	18,757	34,504	(6,620)
Total Expenditures	\$ 1,989,809	\$ (219)	\$ 3,530	\$ 1,993,120	\$ 2,061,714	\$ 2,062,308	\$ 69,188
<u>Excess (Deficiency) of Revenues Over Expenditures</u>							
	\$ (48,907)	\$ 219	\$ (3,530)	\$ (52,218)	\$ (18,297)	\$ (18,891)	\$ (33,327)
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (25,754)	\$ 0	\$ 0	\$ (25,754)	\$ (31,996)	\$ (31,402)	\$ 5,648
Total Other Financing Sources (Uses)	\$ (25,754)	\$ 0	\$ 0	\$ (25,754)	\$ (31,996)	\$ (31,402)	\$ 5,648
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ (74,661)	\$ 219	\$ (3,530)	\$ (77,972)	\$ (50,293)	\$ (50,293)	\$ (27,679)
	164,757	(219)	0	164,538	50,293	50,293	114,245
Fund Balance, June 30, 2006	\$ 90,096	\$ 0	\$ (3,530)	\$ 86,566	\$ 0	\$ 0	\$ 86,566

Exhibit D-4

Overton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Overton County School Department
Central Cafeteria Fund
For the Year Ended June 30, 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>							
Charges for Current Services	\$ 566,886	\$ 0	\$ 0	\$ 566,886	\$ 560,231	\$ 560,231	\$ 6,655
Other Local Revenues	1,099	0	0	1,099	2,500	2,500	(1,401)
State of Tennessee	111,893	0	0	111,893	76,500	76,500	35,393
Federal Government	935,677	0	0	935,677	875,665	875,665	60,012
Total Revenues	\$ 1,615,555	\$ 0	\$ 0	\$ 1,615,555	\$ 1,514,896	\$ 1,514,896	\$ 100,659
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,402,675	\$ 0	\$ 0	\$ 1,402,675	\$ 1,457,896	\$ 1,457,896	\$ 55,221
Community Services	49,402	(1,000)	2,492	50,894	53,000	53,000	2,106
Total Expenditures	\$ 1,452,077	\$ (1,000)	\$ 2,492	\$ 1,453,569	\$ 1,510,896	\$ 1,510,896	\$ 57,327
Excess (Deficiency) of Revenues Over Expenditures	\$ 163,478	\$ 1,000	\$ (2,492)	\$ 161,986	\$ 4,000	\$ 4,000	\$ 157,986
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (3,984)	\$ 0	\$ 0	\$ (3,984)	\$ (4,000)	\$ (4,000)	\$ 16
Total Other Financing Sources (Uses)	\$ (3,984)	\$ 0	\$ 0	\$ (3,984)	\$ (4,000)	\$ (4,000)	\$ 16
Net Change in Fund Balance	\$ 159,494	\$ 1,000	\$ (2,492)	\$ 158,002	\$ 0	\$ 0	\$ 158,002
Fund Balance, July 1, 2005	142,234	(1,000)	0	141,234	145,707	145,707	(4,473)
Fund Balance, June 30, 2006	\$ 301,728	\$ 0	\$ (2,492)	\$ 299,236	\$ 145,707	\$ 145,707	\$ 153,529

Exhibit D-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 72,289	\$ 55,000	\$ 55,000	\$ 17,289
Other Local Revenues	32,586	0	0	32,586
Total Revenues	\$ 104,875	\$ 55,000	\$ 55,000	\$ 49,875
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 527,286	\$ 527,286	\$ 527,286	\$ 0
<u>Interest on Debt</u>				
Education	576,136	604,369	604,369	28,233
<u>Other Debt Service</u>				
Education	165,716	800	165,060	(656)
Total Expenditures	\$ 1,269,138	\$ 1,132,455	\$ 1,296,715	\$ 27,577
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,164,263)	\$ (1,077,455)	\$ (1,241,715)	\$ 77,452
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 5,090,000	\$ 0	\$ 5,090,000	\$ 0
Premiums on Debt Issued	4,260	0	4,260	0
Transfers In	955,169	955,169	955,169	0
Payments to Refunded Debt Escrow Agent	(4,930,000)	0	(4,930,000)	0
Total Other Financing Sources (Uses)	\$ 1,119,429	\$ 955,169	\$ 1,119,429	\$ 0
Net Change in Fund Balance	\$ (44,834)	\$ (122,286)	\$ (122,286)	\$ 77,452
Fund Balance, July 1, 2005	407,612	407,612	407,612	0
Fund Balance, June 30, 2006	\$ 362,778	\$ 285,326	\$ 285,326	\$ 77,452

MISCELLANEOUS SCHEDULES

Exhibit E-1

Overton County, Tennessee
 Schedule of Changes in Other Loans, Capital Leases, and Bonds
 Overton 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	Issued During Period	Paid and/or Matured During Period	Transfer	Refunded Debt	Outstanding 6-30-06
OTHER LOANS PAYABLE										
<u>Public Building Authority Loan Agreement</u>										
<u>Payable through Education Debt Service Fund</u>										
School Construction and Renovation	\$ 5,000,000	Variable %	2-3-00	7-28-05	\$ 4,930,000	\$ 0	\$ 0	\$ 0	\$ 4,930,000	\$ 0
CAPITAL LEASES PAYABLE										
<u>Payable through General Purpose School Fund</u>										
Geothermal Equipment	137,066	4.7	4-10-04	9-27-05	\$ 122,286	\$ 0	\$ 0	\$ (122,286)	\$ 0	\$ 0
<u>Payable through Education Debt Service Fund</u>										
Geothermal Equipment	137,066	4.7	4-10-04	9-27-05	0	0	122,286	122,286	0	0
Total Capital Leases Payable					\$ 122,286	\$ 0	\$ 122,286	\$ 0	\$ 0	\$ 0
BONDS PAYABLE										
<u>Payable through Education Debt Service Fund</u>										
School Construction and Renovation	9,500,000	4.8 to 5.45	9-23-1999	6-1-07	\$ 770,000	\$ 0	\$ 375,000	\$ 0	\$ 0	\$ 395,000
School Refunding Bonds, Series 2004	7,795,000	2 to 5	3-26-04	4-1-20	7,795,000	0	0	0	0	7,795,000
School Refunding Bonds, Series 2005	5,090,000	3.5 to 4.3	7-28-05	6-30-25	0	5,090,000	30,000	0	0	5,060,000
Total Bonds Payable					\$ 8,565,000	\$ 5,090,000	\$ 405,000	\$ 0	\$ 0	\$ 13,250,000

Exhibit E-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 460,000	\$ 538,066	\$ 998,066
2008	525,000	517,206	1,042,206
2009	535,000	506,106	1,041,106
2010	545,000	493,816	1,038,816
2011	555,000	479,791	1,034,791
2012	570,000	464,228	1,034,228
2013	585,000	446,728	1,031,728
2014	615,000	417,878	1,032,878
2015	645,000	387,528	1,032,528
2016	675,000	355,678	1,030,678
2017	715,000	322,328	1,037,328
2018	750,000	287,028	1,037,028
2019	790,000	249,978	1,039,978
2020	820,000	218,378	1,038,378
2021	810,000	185,578	995,578
2022	855,000	153,178	1,008,178
2023	895,000	118,123	1,013,123
2024	935,000	80,980	1,015,980
2025	970,000	41,710	1,011,710
Total	\$ 13,250,000	\$ 6,264,298	\$ 19,514,298

Exhibit E-3

Overton County, Tennessee
Schedule of Transfers
Overton 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	\$ 25,754
Central Cafeteria	General Purpose School	Indirect costs	3,984
General Purpose School	Education Debt Service	Debt retirement	<u>955,169</u>
Total Transfers			<u><u>\$ 984,907</u></u>

Exhibit E-4

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

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

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

Exhibit E-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,510,543	\$ 0	\$ 0	\$ 0	\$ 1,510,543
Trustee's Collections - Prior Year	80,334	0	0	0	80,334
Circuit/Clerk & Master Collections - Prior Years	10,052	0	0	0	10,052
Interest and Penalty	15,366	0	0	0	15,366
Payments in-Lieu-of Taxes - Other	1,434	0	0	0	1,434
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,435,402	0	0	0	1,435,402
Wheel Tax	460,000	0	0	72,289	532,289
Other County Local Option Taxes	93	0	0	0	93
<u>Statutory Local Taxes</u>					
Bank Excise Tax	26,425	0	0	0	26,425
Wholesale Beer Tax	116,660	0	0	0	116,660
Interstate Telecommunications Tax	6,288	0	0	0	6,288
Total Local Taxes	\$ 3,662,597	\$ 0	\$ 0	\$ 72,289	\$ 3,734,886
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,729	\$ 0	\$ 0	\$ 0	\$ 1,729
Total Licenses and Permits	\$ 1,729	\$ 0	\$ 0	\$ 0	\$ 1,729
<u>Charges for Current Services</u>					
<u>Fees</u>					
Vending Machine Collections	\$ 840	\$ 0	\$ 0	\$ 0	\$ 840
<u>Education Charges</u>					
Tuition - Summer School	1,045	0	0	0	1,045
Lunch Payments - Children	0	0	267,677	0	267,677
Lunch Payments - Adults	0	0	53,919	0	53,919
Income from Breakfast	0	0	38,193	0	38,193
Special Milk Sales	0	0	3,416	0	3,416
A la carte Sales	0	0	203,681	0	203,681
Receipts from Individual Schools	28,193	0	0	0	28,193
Total Charges for Current Services	\$ 30,078	\$ 0	\$ 566,886	\$ 0	\$ 596,964
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 947	\$ 13,734	\$ 14,681
Lease/Rentals	1,000	0	0	0	1,000
Miscellaneous Refunds	52,541	0	152	3,083	55,776
<u>Nonrecurring Items</u>					
Accrued Interest on Debt Issues	0	0	0	15,769	15,769
Insurance Recovery	4,255	0	0	0	4,255
Sale of Equipment	4,000	0	0	0	4,000
Contributions & Gifts	2,826	0	0	0	2,826
Total Other Local Revenues	\$ 64,622	\$ 0	\$ 1,099	\$ 32,586	\$ 98,307
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 13,879,274	\$ 0	\$ 0	\$ 0	\$ 13,879,274

(Continued)

Exhibit E-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Early Childhood Education	\$ 274,388	\$ 0	\$ 0	\$ 0	\$ 274,388
School Food Service	0	0	19,287	0	19,287
Driver Education	11,804	0	0	0	11,804
Other State Education Funds	146,337	0	0	0	146,337
Career Ladder Program	230,941	0	0	0	230,941
Career Ladder - Extended Contract	120,259	0	0	0	120,259
<u>Other State Revenues</u>					
Other State Grants	13,619	0	92,606	0	106,225
Total State of Tennessee	\$ 14,676,622	\$ 0	\$ 111,893	\$ 0	\$ 14,788,515
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 655,251	\$ 0	\$ 655,251
Breakfast	0	0	266,756	0	266,756
USDA - Other	0	0	13,670	0	13,670
Adult Education State Grant Program	87,197	0	0	0	87,197
Vocational Education - Basic Grants to States	0	100,075	0	0	100,075
Title I Grants to Local Education Agencies	0	764,086	0	0	764,086
Innovative Education Program Strategies	0	109,814	0	0	109,814
Special Education - Grants to States	31,158	722,659	0	0	753,817
Special Education Preschool Grants	0	23,187	0	0	23,187
Eisenhower Professional Development State Grants	0	130,740	0	0	130,740
Job Training Partnership Act	17,000	0	0	0	17,000
Other Federal through State	176,932	90,341	0	0	267,273
Total Federal Government	\$ 312,287	\$ 1,940,902	\$ 935,677	\$ 0	\$ 3,188,866
Total	\$ 18,747,935	\$ 1,940,902	\$ 1,615,555	\$ 104,875	\$ 22,409,267

Exhibit E-6

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,532,478	
Career Ladder Program	130,525	
Career Ladder Extended Contracts	53,500	
Educational Assistants	47,275	
Other Salaries & Wages	101,926	
Certified Substitute Teachers	41,632	
In-Service Training	268	
Non-certified Substitute Teachers	112,029	
Social Security	403,033	
State Retirement	369,396	
Life Insurance	3,481	
Medical Insurance	612,478	
Unemployment Compensation	5,802	
Employer Medicare	95,614	
Other Fringe Benefits	7,368	
Maintenance & Repair Services - Equipment	2,635	
Other Contracted Services	36,305	
Instructional Supplies and Materials	70,265	
Textbooks	304,553	
Other Supplies and Materials	49,697	
Fee Waivers	45,517	
Other Charges	3,512	
Regular Instruction Equipment	115,424	
Total Regular Instruction Program		\$ 9,144,713

Alternative Instruction Program

Teachers	\$ 46,798	
Non-certified Substitute Teachers	1,300	
Social Security	2,216	
State Retirement	1,967	
Life Insurance	24	
Medical Insurance	3,166	
Unemployment Compensation	33	
Employer Medicare	518	
Regular Instruction Equipment	195	
Total Alternative Instruction Program		56,217

Special Education Program

Teachers	\$ 868,569
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(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	16,000	
Career Ladder Extended Contracts		4,500	
Homebound Teachers		18,730	
Other Salaries & Wages		40,848	
Non-certified Substitute Teachers		475	
Social Security		54,837	
State Retirement		51,358	
Life Insurance		545	
Medical Insurance		89,481	
Unemployment Compensation		771	
Employer Medicare		12,825	
Contracts with Private Agencies		250	
Maintenance & Repair Services - Equipment		275	
Travel		11	
Other Contracted Services		500	
Instructional Supplies and Materials		3,062	
Other Supplies and Materials		220	
Other Charges		72	
Special Education Equipment		4,202	
Total Special Education Program			\$ 1,167,531

Vocational Education Program

Teachers	\$	601,736	
Career Ladder Program		12,500	
Non-certified Substitute Teachers		1,820	
Social Security		35,494	
State Retirement		33,783	
Life Insurance		396	
Medical Insurance		66,858	
Unemployment Compensation		444	
Employer Medicare		8,301	
Maintenance & Repair Services - Equipment		30	
Tuition		27,572	
Instructional Supplies and Materials		3,105	
Textbooks		2,861	
Other Supplies and Materials		271	
Vocational Instruction Equipment		150	
Total Vocational Education Program			795,321

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program

Teachers	\$	7,485	
Career Ladder Extended Contracts		3,000	
Other Salaries & Wages		24,671	
Social Security		2,106	
State Retirement		1,485	
Medical Insurance		3,280	
Unemployment Compensation		51	
Employer Medicare		492	
Other Contracted Services		155	
Instructional Supplies and Materials		6,238	
Other Supplies and Materials		98	
Other Charges		825	
Other Equipment		5,306	
Total Adult Education Program			\$ 55,192

Support Services

Attendance

Supervisor/Director	\$	58,038	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		6,000	
Other Salaries & Wages		1,759	
Social Security		4,184	
State Retirement		3,784	
Life Insurance		24	
Medical Insurance		3,162	
Unemployment Compensation		28	
Employer Medicare		979	
Travel		804	
Other Supplies and Materials		267	
Attendance Equipment		4,035	
Total Attendance			86,064

Health Services

Medical Personnel	\$	38,114
Social Security		2,034
State Retirement		1,354
Life Insurance		24
Medical Insurance		6,429
Unemployment Compensation		52

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Employer Medicare	\$ 476	
Total Health Services		\$ 48,483

Other Student Support

Career Ladder Program	\$ 7,000	
Guidance Personnel	277,981	
Career Ladder Extended Contracts	4,000	
Social Security	16,930	
State Retirement	15,854	
Life Insurance	162	
Medical Insurance	21,613	
Unemployment Compensation	214	
Employer Medicare	3,959	
Evaluation and Testing	2,868	
Total Other Student Support		350,581

Regular Instruction Program

Supervisor/Director	\$ 52,351	
Career Ladder Program	10,500	
Career Ladder Extended Contracts	8,000	
Librarians	199,473	
Instructional Computer Personnel	30,094	
Clerical Personnel	12,662	
Other Salaries & Wages	53,394	
Social Security	21,849	
State Retirement	20,466	
Life Insurance	180	
Medical Insurance	23,446	
Unemployment Compensation	177	
Employer Medicare	5,132	
Maintenance & Repair Services - Equipment	560	
Travel	8,274	
Other Contracted Services	3,605	
Library Books/Media	3,997	
Other Supplies and Materials	3,162	
In Service/Staff Development	3,552	
Other Equipment	4,034	
Total Regular Instruction Program		464,908

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	53,597	
Career Ladder Program		4,000	
Psychological Personnel		43,865	
Career Ladder Extended Contracts		4,000	
Clerical Personnel		13,997	
Social Security		7,011	
State Retirement		6,347	
Life Insurance		46	
Medical Insurance		7,417	
Unemployment Compensation		70	
Employer Medicare		1,640	
Travel		3,144	
Other Supplies and Materials		5	
Other Charges		9	
Other Equipment		358	
Total Special Education Program			\$ 145,506

Vocational Education Program

Supervisor/Director	\$	58,398	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		4,000	
Social Security		3,621	
State Retirement		3,487	
Life Insurance		24	
Medical Insurance		6,172	
Unemployment Compensation		28	
Employer Medicare		847	
Other Supplies and Materials		2	
Total Vocational Education Program			77,579

Adult Programs

Supervisor/Director	\$	49,758
Career Ladder Program		1,000
Clerical Personnel		17,669
Social Security		3,902
State Retirement		3,536
Life Insurance		24
Medical Insurance		6,172
Unemployment Compensation		54

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Employer Medicare	\$	912	
Travel		1,524	
Other Supplies and Materials		12	
In Service/Staff Development		1,200	
Other Charges		306	
Total Adult Programs			\$ 86,069

Board of Education

Secretary to Board	\$	1,530	
Board and Committee Members Fees		26,455	
Social Security		1,655	
State Retirement		1,049	
Employer Medicare		401	
Audit Services		5,500	
Legal Services		1,710	
Travel		3,213	
Other Contracted Services		2,250	
Other Supplies and Materials		140	
Liability Insurance		7,390	
Trustee's Commission		87,184	
Workers' Compensation Insurance		151,467	
Other Charges		1,501	
Total Board of Education			291,445

Director of Schools

County Official/Administrative Officer	\$	75,000	
Career Ladder Program		1,000	
Social Security		4,712	
State Retirement		4,180	
Life Insurance		24	
Medical Insurance		3,162	
Unemployment Compensation		28	
Employer Medicare		1,102	
Communication		10,304	
Dues and Memberships		10,677	
Postal Charges		3,933	
Travel		2,055	
Office Supplies		272	
Other Charges		446	
Total Director of Schools			116,895

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	417,745	
Career Ladder Program		14,000	
Assistant Principals		144,450	
Secretary(ies)		372,882	
Other Salaries & Wages		1,718	
Social Security		51,703	
State Retirement		44,995	
Life Insurance		258	
Medical Insurance		80,851	
Unemployment Compensation		929	
Employer Medicare		12,742	
Communication		30,789	
Travel		15,579	
Other Contracted Services		3,910	
Other Supplies and Materials		49	
Excess Risk Insurance		8,502	
Administration Equipment		3,317	
Total Office of the Principal	\$		1,204,419

Fiscal Services

Accountants/Bookkeepers	\$	98,026	
Secretary(ies)		51,195	
Other Salaries & Wages		23,563	
Social Security		10,459	
State Retirement		6,765	
Medical Insurance		13,120	
Unemployment Compensation		200	
Employer Medicare		2,446	
Other Fringe Benefits		194	
Maintenance & Repair Services - Equipment		100	
Travel		2,924	
Other Contracted Services		3,152	
Data Processing Supplies		413	
Office Supplies		1,582	
Other Supplies and Materials		111	
Administration Equipment		2,126	
Total Fiscal Services			216,376

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	499,137	
Social Security		29,664	
State Retirement		19,151	
Medical Insurance		48,687	
Unemployment Compensation		985	
Employer Medicare		6,938	
Communication		814	
Laundry Service		600	
Maintenance & Repair Services - Equipment		5,158	
Pest Control		9,275	
Other Contracted Services		48,361	
Custodial Supplies		47,444	
Electricity		591,158	
Natural Gas		135,316	
Propane Gas		51,754	
Water and Sewer		42,564	
Chemicals		11,052	
Other Supplies and Materials		4,139	
Boiler Insurance		4,185	
Building and Contents Insurance		86,610	
Vehicle and Equipment Insurance		2,989	
In Service/Staff Development		150	
Other Charges		501	
Plant Operation Equipment		1,444	
Total Operation of Plant			\$ 1,648,076

Maintenance of Plant

Maintenance Personnel	\$	111,726
Social Security		6,976
State Retirement		4,704
Medical Insurance		9,840
Unemployment Compensation		94
Employer Medicare		1,586
Communication		1,263
Maintenance & Repair Services - Buildings		1,276
Maintenance & Repair Services - Equipment		4,072
Maintenance & Repair Services - Vehicles		217
Other Contracted Services		6,970
Custodial Supplies		20

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Equipment Parts - Light	\$	23,017	
Equipment and Machinery Parts		13,326	
General Construction Materials		5,539	
Small Tools		10,204	
Uniforms		1,460	
Other Supplies and Materials		11,965	
Other Charges		379	
Maintenance Equipment		2,989	
Total Maintenance of Plant			\$ 217,623

Transportation

Supervisor/Director	\$	44,814
Mechanic(s)		67,468
Bus Drivers		370,616
Social Security		29,602
State Retirement		10,725
Life Insurance		24
Medical Insurance		5,616
Unemployment Compensation		1,029
Employer Medicare		6,987
Communication		793
Maintenance & Repair Services - Equipment		50
Maintenance & Repair Services - Vehicles		6,773
Medical and Dental Services		1,274
Tow-in Services		1,945
Other Contracted Services		989
Custodial Supplies		49
Diesel Fuel		117,168
Equipment and Machinery Parts		6
Garage Supplies		2,905
Gasoline		10,951
Lubricants		4,971
Small Tools		1,534
Tires and Tubes		9,918
Uniforms		1,109
Vehicle Parts		37,889
Other Supplies and Materials		384
Vehicle and Equipment Insurance		25,043
Other Charges		3,423

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Transportation Equipment	\$ 184	
Total Transportation		\$ 764,239

Operation of Non-Instructional Services

Food Service

Food Service Equipment	\$ 759	
Total Food Service		759

Early Childhood Education

Supervisor/Director	\$ 9,406	
Teachers	88,293	
Educational Assistants	37,575	
Other Salaries & Wages	132	
Certified Substitute Teachers	60	
Non-certified Substitute Teachers	1,725	
Social Security	7,308	
State Retirement	6,317	
Life Insurance	72	
Medical Insurance	11,764	
Unemployment Compensation	227	
Employer Medicare	1,709	
Other Fringe Benefits	782	
Communication	770	
Maintenance & Repair Services - Equipment	100	
Travel	987	
Other Contracted Services	350	
Instructional Supplies and Materials	20,661	
Other Supplies and Materials	6,987	
In Service/Staff Development	3,210	
Other Charges	5,832	
Other Equipment	59,725	
Total Early Childhood Education		263,992

Capital Outlay

Regular Capital Outlay

Architects	\$ 2,060
Building Construction	24,355
Building Improvements	10,127
Plant Operation Equipment	104,536

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Capital Outlay (Cont.)

Regular Capital Outlay (Cont.)

Site Development	\$ 40,532	
Total Regular Capital Outlay		\$ 181,610

Total General Purpose School Fund \$ 17,383,598

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 526,593	
Educational Assistants	127,115	
Other Salaries & Wages	10,659	
Social Security	38,980	
State Retirement	38,714	
Life Insurance	317	
Medical Insurance	62,628	
Unemployment Compensation	703	
Employer Medicare	9,117	
Other Fringe Benefits	2,943	
Other Contracted Services	6,012	
Instructional Supplies and Materials	14,780	
Other Equipment	561	
Total Regular Instruction Program		\$ 839,122

Special Education Program

Teachers	\$ 135,079
Educational Assistants	287,198
Certified Substitute Teachers	150
Non-certified Substitute Teachers	5,475
Social Security	25,574
State Retirement	18,419
Life Insurance	120
Medical Insurance	34,998
Unemployment Compensation	827
Employer Medicare	5,984
Other Fringe Benefits	4,397
Contracts with Other Public Agencies	540
Contracts with Private Agencies	2,968
Maintenance & Repair Services - Equipment	186
Instructional Supplies and Materials	10,266

(Continued)

Exhibit E-6

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Charges	\$ 2,993	
Total Special Education Program		\$ 535,174

Vocational Education Program

Travel	\$ 4,231	
Instructional Supplies and Materials	1,000	
Other Supplies and Materials	1,000	
Vocational Instruction Equipment	52,490	
Total Vocational Education Program		58,721

Support Services

Health Services

Medical Personnel	\$ 16,806	
Social Security	883	
State Retirement	695	
Medical Insurance	3,280	
Unemployment Compensation	29	
Employer Medicare	207	
Other Fringe Benefits	97	
Travel	1,437	
Drugs and Medical Supplies	232	
Instructional Supplies and Materials	14	
Total Health Services		23,680

Other Student Support

Guidance Personnel	\$ 98,785	
Psychological Personnel	39,215	
Attendants	9,468	
Other Salaries & Wages	54,405	
In-Service Training	25	
Social Security	10,967	
State Retirement	9,499	
Life Insurance	66	
Medical Insurance	17,940	
Unemployment Compensation	176	
Employer Medicare	2,565	
Other Fringe Benefits	1,157	
Evaluation and Testing	8,394	
Travel	6,127	

(Continued)

Exhibit E-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Instructional Supplies and Materials	\$	2,615	
Other Supplies and Materials		1,069	
In Service/Staff Development		8,551	
Other Charges		15,136	
Total Other Student Support			\$ 286,160

Regular Instruction Program

Supervisor/Director	\$	31,255	
Librarians		38,973	
Social Security		4,343	
State Retirement		3,862	
Life Insurance		48	
Medical Insurance		6,230	
Unemployment Compensation		99	
Employer Medicare		1,022	
Other Fringe Benefits		320	
Travel		5,976	
Tuition		931	
Library Books/Media		3,076	
Other Supplies and Materials		9,469	
In Service/Staff Development		51,432	
Other Equipment		14,821	
Total Regular Instruction Program			171,857

Special Education Program

Supervisor/Director	\$	4,873	
Social Security		302	
State Retirement		268	
Life Insurance		2	
Medical Insurance		545	
Employer Medicare		71	
Travel		18,932	
In Service/Staff Development		5,978	
Total Special Education Program			30,971

Vocational Education Program

Travel	\$	3,000	
Total Vocational Education Program			3,000

(Continued)

Exhibit E-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	31,838	
Social Security		1,961	
State Retirement		404	
Unemployment Compensation		67	
Employer Medicare		459	
Other Fringe Benefits		600	
Contracts with Parents		5,795	
Total Transportation			\$ 41,124

Total School Federal Projects Fund \$ 1,989,809

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	25,764	
Clerical Personnel		28,766	
Cafeteria Personnel		533,141	
Temporary Personnel		49,898	
Other Salaries & Wages		13,079	
Social Security		36,652	
State Retirement		20,869	
Medical Insurance		61,261	
Unemployment Compensation		1,666	
Employer Medicare		8,892	
Other Fringe Benefits		18,000	
Maintenance & Repair Services - Equipment		2,123	
Travel		2,305	
Other Contracted Services		12,586	
Food Supplies		529,199	
Other Supplies and Materials		46,476	
In Service/Staff Development		1,012	
Food Service Equipment		10,986	
Total Food Service			\$ 1,402,675

Community Services

Supervisor/Director	\$	6,016	
Cafeteria Personnel		14,186	
Social Security		1,142	
State Retirement		731	

(Continued)

Exhibit E-6

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Life Insurance	\$	4	
Medical Insurance		1,572	
Unemployment Compensation		9	
Employer Medicare		267	
Other Fringe Benefits		4,335	
Travel		1,665	
Other Contracted Services		615	
Food Supplies		16,035	
Other Supplies and Materials		2,825	
Total Community Services			\$ 49,402

Total Central Cafeteria Fund \$ 1,452,077

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	405,000	
Principal on Capital Leases		122,286	
Total Education			\$ 527,286

Interest on Debt

Education

Interest on Bonds	\$	539,663	
Interest on Capital Leases		763	
Interest on Other Loans		35,710	
Total Education			576,136

Other Debt Service

Education

Underwriter's Discount	\$	42,358	
Other Debt Issuance Charges		121,902	
Other Debt Service		1,456	
Total Education			165,716

Total Education Debt Service Fund 1,269,138

Total Governmental Funds - Overton County School Department \$ 22,094,622

SINGLE AUDIT REPORT
OVERTON COUNTY, TENNESSEE
AND
OVERTON COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

JAMES D. HODGES, CFE
KELLEY J. McNEAL, CPA, CGFM
STEPHEN ALRED
State Auditors

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

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

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

August 18, 2006

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Overton County, Tennessee, and the Overton County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Overton County's and the Overton County School Department's basic financial statements and have issued our reports thereon dated August 18, 2006. Our reports on the financial statements of Overton County, Tennessee, and the Overton County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Overton County's and the Overton County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.04, 06.05(B), 06.08, 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 Overton County's and the Overton County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as item 06.01, 06.02, 06.03, 06.05(A), 06.06, and 06.07.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rc



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

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

August 18, 2006

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

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

Compliance

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

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

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

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

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Overton County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.09 and 06.10.

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

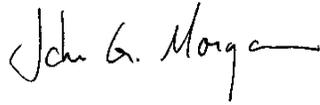
Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Overton County, Tennessee, and the Overton County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated August 18, 2006. Our reports on the financial statements of Overton County and the Overton County School Department express adverse opinions because the

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

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and 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" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rc

Overton County, Tennessee, and the Overton County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 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	\$ 101,053
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 266,756
National School Lunch Program	10.555	N/A	655,251
Total Passed-through State Department of Education			<u>\$ 922,007</u>
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	\$ 13,670
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	N/A	92,606
Total Passed-through State Department of Human Services			<u>\$ 106,276</u>
Total U.S. Department of Agriculture			<u>\$ 1,129,336</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/Small Cities Program	14.219	GG-05-11497-00	\$ 17,500
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-56	29,896
Total U.S. Department of Housing and Urban Development			<u>\$ 47,396</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 17,000
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 798,688
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	784,816
Special Education - Preschool Grants	84.173	N/A	24,191
Vocational Education - Basic Grants to States	84.048	N/A	96,865
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	22,839
Twenty-First Century Community Learning Centers	84.287	(2)	176,932
State Grants for Innovative Programs	84.298	N/A	11,006
Education Technology State Grants	84.318	N/A	22,669
Rural Education	84.358	N/A	98,808
Improving Teacher Quality State Grants	84.367	N/A	186,838
Passed-through State Department of Education			<u>\$ 2,223,652</u>
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027804-00	\$ 87,197
Total U.S. Department of Education			<u>\$ 2,310,849</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Elections Assistance Commission:			
Passed-through State Office of the Secretary of State:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 45,550
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-22481-00	\$ 28,248
Total Expenditures of Federal Awards			<u>\$ 3,578,379</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Adult Basic Education - State Department of Education	N/A	(2)	\$ 23,179
Very Special Arts Day - State Arts Commission	N/A	(2)	1,500
Litter Program - State Department of Transportation	N/A	(2)	16,853
Voluntary Pre K for Tennessee - State Department of Education	N/A	(2)	274,388
Lottery for Education - After School Program - State Department of Education	N/A	(2)	101,076
Touching the Lives of Children - State Department of Education	N/A	(2)	7,119
Star Student Management Regional User Group - State Department of Education	N/A	(2)	5,000
Safe Schools Act - State Department of Education	N/A	(2)	22,082
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	8,496
Early Periodic Screening Diagnosis and Treatment Outreach - State Department of Health	N/A	Z-05-020584-00	1,328
Youth Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Law Enforcement Training Program - State Department of Safety	N/A	(2)	8,299
Local Health Services - State Department of Health	N/A	(2)	3,000
Veteran's Grant - State Department of Veteran's Affairs	N/A	(2)	1,154
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011336-00	15,609
Total State Grants			<u>\$ 498,083</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.

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

OVERTON COUNTY MAYOR AND OVERTON COUNTY SCHOOL DEPARTMENT

<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

OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.03(A)	14	Expenditures exceeded appropriations in major appropriation categories of the General Fund

OFFICE OF COUNTY CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.07	16	The County Commission minutes were not maintained properly
05.08	17	Collections were not deposited properly

OFFICE OF GENERAL SESSIONS COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.09	18	Receipts were not issued for traffic-school payments

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.10	18	Funds were not deposited within three days of collection
05.11(B)	18	Commissary receipts were voided without original receipts attached

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.13	19	Duties were not segregated adequately in the Offices of County Mayor, Director of Accounts and Budgets, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Overton County and the Overton County School Department.
2. The audit of the financial statements of Overton County and the Overton County School Department disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Overton County and two instances of noncompliance that were material to the financial statements of the Overton County School Department.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program, the National School Lunch Program, and the Summer Food Service Program (CFDA Nos. 10.553, 10.555, and 10.559); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education - Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Overton County and the Overton County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the director of schools are 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.

OVERTON COUNTY AND OVERTON COUNTY SCHOOL DEPARTMENT

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

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

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

RECOMMENDATION

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

OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS

FINDING 06.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

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

<u>Fund/Major Category</u>	<u>Amount</u>
General:	
General Sessions Court	\$ 207
Senior Citizens Assistance	1,166
Other Social, Cultural, and Recreational	500
Soil Conservation	292
Airport	14,589
General Debt Service:	
Other Debt Service - General Government	1,241

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

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.03 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(Material Noncompliance Under Government Auditing Standards)

We noted the following deficiencies in budget operations:

- A. Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the School Federal Projects Fund:

<u>Major Categories</u>	<u>Amount</u>
Regular Instruction Program	\$ 26,161
Health Services	84
Special Education Program	2,557
Transporation	6,620

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

- B. The appropriation resolution approved by the County Commission stated that the budget for the School Federal Projects Fund would be the budgets approved for the separate projects as approved by the State Department of Education. School Department employees could not provide us with documentation that the budget posted to the accounting records agreed with the budgets for the separate projects approved by the State Department of Education. Therefore, we were unable to determine if the School Federal Projects Fund’s budget had been approved by the State Department of Education, as required by the appropriating resolution approved by the County Commission.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. Also, the School Federal Projects Fund’s budget should agree with the project budgets approved by the State Department of Education, as required by the appropriating resolution approved by the County Commission, and the department should maintain documentation as evidence of this agreement.

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

It should be noted that pursuant to these findings any future budgets including un-programmed monies, carry-over amounts, and amendments related to the original budget will be approved in an appropriate manner by the appropriate governing body. In as much, documentation will be included in the minutes of said body in a timely manner.

OFFICE OF COUNTY CLERK

FINDING 06.04 THE COUNTY COMMISSION’S MINUTES WERE NOT MAINTAINED PROPERLY
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Commission’s official minutes maintained by the county clerk were routinely prepared by employees of the County Mayor’s Office using notes from the meetings taken by the county clerk and county mayor. These minutes did not include the necessary information to accurately describe the actions of the County Commission. We noted several instances where copies of resolutions adopted by the County Commission were not included in the minutes. Also, several pages of the adopted budget resolution were not included in the minute book, and the pages included were out-of-sequence. The minutes are the official record of the County Commission and should accurately reflect the actions of the commission. Section 18-6-104, Tennessee Code Annotated, provides that the county clerk serve as the clerk of the county legislative body; therefore, the county clerk is responsible for the preparation, accuracy, and proper maintenance of the minutes.

RECOMMENDATION

The county clerk should ensure that the minutes provide a clear, accurate, and complete description of the County Commission’s actions.

FINDING 06.05 COLLECTIONS WERE NOT DEPOSITED PROPERLY
(A. Noncompliance Under Government Auditing Standards;
B. Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of collections and deposits noted the following deficiencies:

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

RECOMMENDATION

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

OFFICE OF GENERAL SESSIONS COURT CLERK

FINDING 06.06 RECEIPTS WERE NOT ISSUED FOR TRAFFIC-SCHOOL PAYMENTS
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 06.07 FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.08 DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF THE COMMISSARY RECORDS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Sheriff's Department used a computerized record maintenance system through February 2006 to account for inmate commissary receipts, disbursements, and balances. Commissary operations were suspended during March and April and then resumed in May using a computerized spreadsheet to account for the receipts, disbursements, and balances.

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

- A. The Sheriff's Department did not provide auditors a trial balance of inmates' accounts. Therefore, we were unable to determine if the records accurately reflected the commissary operations.
- B. We noted several voided commissary receipts without original receipts attached. We also noted several receipts where the duplicate receipt remaining in the receipt book was manually prepared rather than being a copy of the original receipt. Therefore, we were unable to determine if collections were actually received for these receipts or if the collections received agreed with the receipts.
- C. Although receipts were issued for commissary collections, it was noted that visitors contributing to an inmate's account were not given the original copy of the receipt.

RECOMMENDATION

The Sheriff's Department should maintain a trial balance of inmates' accounts reconciled with the commissary general ledger monthly. All voided receipts should have the original receipt attached, and duplicate receipts should be copies of the original receipt. The commissary should give the original receipt to the individual contributing money to an inmate's account.

OTHER FINDING

FINDING 06.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, DIRECTOR OF ACCOUNTS AND BUDGETS, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

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

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

Due to Overton County's limited resources, it is often necessary to assign employees more than one area of responsibility making it impossible to properly segregate duties.

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

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture:					
Passed-through State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	06.10	10.553	Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.09 - Duties were not adequately segregated in the Office of Director of Schools	\$ 0
School Lunch Program		10.555			
Passed-through State Department of Human Services:					
Summer Food Service Program for Children		10.559			
U.S. Department of Education:					
Passed-through State Department of Education:					
Title 1 Grant to Local Educational Agencies					
		84.010			
Special Education Cluster:					
Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			

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

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

Director of Schools – Corrective Action Plan for Current-year Finding

FINDINGS 06.09 and 06.10

Contact Person: Michael Gilpatrick

Corrective action planned: Due to Overton County's limited resources, it is often necessary to assign employees to more than one area of responsibility making it impossible to properly segregate duties.

Anticipated completion date: None