

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

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

RODNEY MALIN, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

VAN BUREN COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Van Buren County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	16
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	17
Notes to the Financial Statements		19-36
REQUIRED SUPPLEMENTARY INFORMATION:		37
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	39-41
Highway/Public Works Fund	D-2	42
Notes to the Required Supplementary Information		43-44
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		45
Nonmajor Governmental Funds:		47-48
Combining Balance Sheet	E-1	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	50
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Courthouse and Jail Maintenance Fund	E-3	51
Solid Waste/Sanitation Fund	E-4	52
Ambulance Service Fund	E-5	53
Local Purpose Tax Fund	E-6	54
Drug Control Fund	E-7	55
General Debt Service Fund	E-8	56

	Exhibit	Page(s)
Fiduciary Funds:		57
Combining Statement of Fiduciary Assets and Liabilities	F-1	59
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	F-2	60
Miscellaneous Schedules:		61
Schedule of Changes in Long-term Notes and Capital Leases	G-1	63
Schedule of Notes Receivable	G-2	64
Schedule of Salaries and Official Bonds of Principal Officials	G-3	65
Schedule of Detailed Revenues – All Governmental Fund Types	G-4	66-68
Schedule of Detailed Expenditures – All Governmental Fund Types	G-5	69-81
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	G-6	82

Audit Highlights

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

Results

Our report on Van Buren 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 15 findings and recommendations, which we have reviewed with Van Buren County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

VAN BUREN COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ A cash shortage of \$7,428.26 existed in the office at January 25, 2007. This shortage was a result of the unauthorized use of a county credit card by an employee. A cash shortage of \$2,896.72 is reflected in the financial statements of the General Fund at June 30, 2006.
- ◆ The Solid Waste/Sanitation Fund had a fund deficit (\$585) and a cash overdraft (\$14,257) at June 30, 2006.
- ◆ Expenditures and encumbrances exceeded total appropriations approved by the County Commission in the General Fund (\$312,742), the Solid Waste/Sanitation Fund (\$23,827), and the Drug Control Fund (\$350).
- ◆ Receivables and payables were not determined and recorded on the accounting records of the funds administered by the county mayor at June 30, 2006. General ledger payroll deduction accounts were not reconciled with subsidiary payroll records monthly. Reservations of fund balance were not properly determined and documented, and several errors were noted in the classification of revenues and expenditures on the accounting records.

OFFICE OF COUNTY MAYOR (Cont.)

- ◆ The office did not issue purchase orders for some applicable purchases. Invoices were not on file to support some purchases, and several invoices were paid without documentation that goods had been received or services had been rendered.
 - ◆ The County Commission had not adopted a formal travel policy. During the year, several different methods were used to reimburse employees, some travel payments were paid without proper supervisory approval, and documentation was not on file to support some reimbursements for lodging.
 - ◆ Convenience center collections were not deposited with the county trustee within three days of collection as required by state statute.
 - ◆ The office had deficiencies in contracts for maintenance, cleaning, and environmental services.
 - ◆ Ambulance Service collections were not deposited within three days of collection, receipts were either not issued when collections were received or they were not issued at all, and trip tickets were not prenumbered.
 - ◆ A \$65,000 tax anticipation note issued in September 2003 to provide cash for the General Fund was still unpaid at June 30, 2006.
 - ◆ Inventory records were not maintained as required by generally accepted accounting principles.
-

OFFICE OF SHERIFF

- ◆ Sheriff's Department employees were not required to comply with the department's personnel policy regarding leave.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Road Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Van Buren County Officials

June 30, 2006

Officials

Carolyn Houston, County Mayor
Wendell Wheeler, Road Superintendent
Tammie Clendenon, Trustee
Pam Mooneyham, Assessor of Property
Linda Pettit, County Clerk
Teresa Simmons Delong, Circuit and General Sessions Courts Clerk
Tina Shockley, Clerk and Master
Linda Davis Simmons, Register
Donnie Evans, Sheriff

Board of County Commissioners

Leon Deweese, Chairman
Bennie Bryant
Joey Grissom
Johnny Guy
Lesa Guy
Darin Lance
Sandra Shockley
Kenneth Simmons
David Solomon
David Sullivan

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

February 27, 2007

Van Buren County Mayor and
Board of County Commissioners
Van Buren 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 Van Buren County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 36, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Van Buren 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, Van Buren 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 Van Buren 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 Van Buren County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2007, on our consideration of Van Buren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 39 through 44 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 Van Buren County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Van Buren County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds		Nonmajor	Total
	General	Highway / Public Works	Other Govern- mental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 900	\$ 900
Equity in Pooled Cash and Investments	197,219	1,101,501	195,212	1,493,932
Accounts Receivable	1,726	0	124,348	126,074
Allowance for Uncollectibles	0	0	(34,384)	(34,384)
Due from Other Governments	56,803	229,707	18,553	305,063
Due from Other Funds	3,598	0	26,734	30,332
Property Taxes Receivable	1,047,315	0	309,513	1,356,828
Allowance for Uncollectible Property Taxes	(37,526)	0	(10,389)	(47,915)
Prepaid Items	3,339	0	0	3,339
Notes Receivable - Current	0	0	65,000	65,000
Cash Shortage	2,897	0	0	2,897
Total Assets	<u>\$ 1,275,371</u>	<u>\$ 1,331,208</u>	<u>\$ 695,487</u>	<u>\$ 3,302,066</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 79,556	\$ 0	\$ 6,223	\$ 85,779
Payroll Deductions Payable	4,324	0	766	5,090
Cash Overdraft	0	0	14,257	14,257
Due to Other Funds	26,036	0	4,296	30,332
Revenue Anticipation Notes Payable	65,000	0	0	65,000
Deferred Revenue - Current Property Taxes	949,808	0	284,130	1,233,938
Deferred Revenue - Delinquent Property Taxes	58,322	0	14,580	72,902
Other Deferred Revenues	25,554	118,915	88,415	232,884
Total Liabilities	<u>\$ 1,208,600</u>	<u>\$ 118,915</u>	<u>\$ 412,667</u>	<u>\$ 1,740,182</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 99,640	\$ 0	\$ 0	\$ 99,640
Reserved for Alcohol and Drug Treatment	263	0	0	263
Reserved for Computer System - Register	3,986	0	0	3,986
Reserved for Automation Purposes - Circuit Court	56	0	0	56
Reserved for Automation Purposes - General Sessions Court	6,397	0	0	6,397
Reserved for Automation Purposes - Chancery Court	362	0	0	362
Reserved for Capital Outlay	4,843	0	0	4,843
Reserved for Notes Receivable	0	0	65,000	65,000
Unreserved, Reported In:				
General Fund (Deficit)	(48,776)	0	0	(48,776)
Special Revenue Funds	0	1,212,293	155,782	1,368,075
Debt Service Funds	0	0	62,038	62,038
Total Fund Balances	<u>\$ 66,771</u>	<u>\$ 1,212,293</u>	<u>\$ 282,820</u>	<u>\$ 1,561,884</u>
Total Liabilities and Fund Balances	<u>\$ 1,275,371</u>	<u>\$ 1,331,208</u>	<u>\$ 695,487</u>	<u>\$ 3,302,066</u>

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

Exhibit B

Van Buren 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	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 969,089	\$ 0	\$ 319,096	\$ 1,288,185
Licenses and Permits	2,632	0	0	2,632
Fines, Forfeitures, and Penalties	33,245	0	23,764	57,009
Charges for Current Services	10,378	0	667,127	677,505
Other Local Revenues	48,965	14,968	895	64,828
Fees Received from County Officials	258,910	0	0	258,910
State of Tennessee	236,944	1,328,718	231,314	1,796,976
Federal Government	367,026	0	0	367,026
Total Revenues	<u>\$ 1,927,189</u>	<u>\$ 1,343,686</u>	<u>\$ 1,242,196</u>	<u>\$ 4,513,071</u>
<u>Expenditures</u>				
Current:				
General Government	\$ 307,305	\$ 0	\$ 41,384	\$ 348,689
Finance	166,726	0	268,612	435,338
Administration of Justice	165,605	0	0	165,605
Public Safety	539,675	0	104,356	644,031
Public Health and Welfare	38,994	0	636,987	675,981
Social, Cultural, and Recreational Services	36,356	0	0	36,356
Agricultural and Natural Resources	39,410	0	0	39,410
Other Operations	579,474	0	2,335	581,809
Highways	29,664	1,296,710	0	1,326,374
Debt Service:				
Principal on Debt	0	0	284,549	284,549
Interest on Debt	2,627	0	6,517	9,144
Other Debt Service	0	0	758	758
Total Expenditures	<u>\$ 1,905,836</u>	<u>\$ 1,296,710</u>	<u>\$ 1,345,498</u>	<u>\$ 4,548,044</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 21,353</u>	<u>\$ 46,976</u>	<u>\$ (103,302)</u>	<u>\$ (34,973)</u>
Net Change in Fund Balances	\$ 21,353	\$ 46,976	\$ (103,302)	\$ (34,973)
Fund Balance, July 1, 2005	<u>45,418</u>	<u>1,165,317</u>	<u>386,122</u>	<u>1,596,857</u>
Fund Balance, June 30, 2006	<u>\$ 66,771</u>	<u>\$ 1,212,293</u>	<u>\$ 282,820</u>	<u>\$ 1,561,884</u>

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 298,598
Due from Other Governments	<u>13,970</u>
Total Assets	<u>\$ 312,568</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 13,970
Due to Litigants, Heirs, and Others	<u>298,598</u>
Total Liabilities	<u>\$ 312,568</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Van Buren 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.

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

Although Van Buren 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 Van Buren County:

A. Reporting Entity

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

Blended Component Units – There are no legally separate component units of Van Buren 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 Van Buren 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 Van Buren County School Department operates the public school system in the county, and the voters of Van Buren 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 Industrial Development Board of Van Buren County provides assistance in industrial recruitment in Van Buren County, and the Van Buren County Commission appoints its seven-member board. The board is funded primarily through lease payments collected from industries that lease buildings from the Industrial Development Board.

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

The Van Buren County School Department, the Industrial Development Board of Van Buren County, and the Van Buren County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report but under the same cover as the county’s financial statements. The Van Buren County Emergency Communications District’s financial statements are published as a separate report. The Industrial Development Board of Van Buren County’s financial statements had not been audited. Complete financial statements of the Industrial Development Board of Van Buren County and the Van Buren County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Van Buren County Emergency Communications District
112 Generations Drive
Spencer, TN 38585

The Industrial Development Board of Van Buren County
500 College Street
Spencer, TN 38585

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

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

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

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

Van Buren 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.

Additionally, Van Buren County reports the following fund types:

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

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 Van Buren 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 Van Buren County and Van Buren 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 Fund. Van Buren County and the Van Buren County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at

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

2. Receivables and Payables

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

Outstanding balances between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as notes payable/receivable. Notes receivable between funds, as reported in the fund financial statements, are offset by a fund balance reserve to indicate that they are not available for current appropriation and are not expendable available financial resources.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.11 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current

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

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

3. Prepaid Items

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

4. Capital Assets

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

5. Compensated Absences

The general policy of Van Buren County (with the exception of the Highway Department) permits employees to accumulate earned but unused vacation and sick leave. Vacation and sick leave is granted at a rate of one day per month. Employees of the county are allowed to accumulate up to 24 vacation days and do not have a limit on the number of sick days that can be accumulated. Upon termination of employment an employee will be paid for any unused vacation days up to the 24 day limit, however, all sick leave will be forfeited.

The policy of the Highway Department allows employees to accumulate earned but unused sick leave. Sick leave is granted at a rate of one day per month. Employees are paid for their unused sick leave balance as of each December 31.

A liability for vacation and sick leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

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 except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management

may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Cash Shortage

The General Fund had a cash shortage of \$2,896.72 as of June 30, 2006, and \$7,428.26 as of January 25, 2007, as a result of the unauthorized use of a county credit card by an employee. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Fund Deficits

The General Fund had a fund deficit of \$48,776 at June 30 2006. This fund deficit resulted from a contract to purchase electronic voting machines of \$99,640 being reserved as encumbrances in the financial statements. Generally accepted accounting principles require unperformed contracts to be reflected as a reservation (encumbrance) of fund balance. If the contract had not been reserved as an encumbrance of the fund balance in the financial statements, the General Fund would have reflected a fund balance of \$50,864. Subsequent to June 30, 2006, this deficit was liquidated with the receipt of state grant funds. The following statement presents the condition of the General Fund at June 30, 2006, if unperformed contracts had not been reflected as a reservation of the fund balance:

General Fund
Fund Equity - Restated
June 30, 2006

Fund Balance

Unreserved:	
Undesignated	\$ 50,864
Fund Balance, June 30, 2006, Restated	<u>\$ 50,864</u>

The Solid Waste/Sanitation Fund had a fund deficit of \$585 at June 30, 2006, from expenditures exceeding available funding. Subsequent to June 30, 2006, the deficit was liquidated with the issuance of revenue anticipation notes.

D. Cash Overdraft

The Solid Waste/Sanitation Fund had a cash overdraft of \$14,257 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. Subsequent to June 30, 2006, the cash overdraft was liquidated with the issuance of revenue anticipation notes.

E. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded total appropriations approved by the County Commission in the General Fund by \$312,742. This overexpenditure was primarily the result of the failure to reflect a budget for a Community Development Block Grant project (\$337,026) in the accounting records. Also, expenditures and encumbrances exceeded appropriations in 12 of the 40 major appropriation categories (the legal level of control) of the General Fund.

Expenditures and encumbrances exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund (\$23,827) and the Drug Control Fund (\$350).

Expenditures exceeded appropriations in the Interest on Debt - General Government major appropriation category (\$1,688) in the Ambulance Service Fund.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by grant revenues and available fund balance in the General Fund, available fund balance in the Solid Waste/Sanitation Fund and the Drug Control Fund, and by greater than anticipated revenues in the Ambulance Service Fund.

F. A Revenue Anticipation Note Was Not Retired In Compliance With State Statutes

In September 2003, Van Buren County issued revenue anticipation notes of \$65,000 from the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General Fund. These funds should have been repaid by June 30, 2004; however, the funds were still unpaid at June 30, 2006.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Van Buren County and the Van Buren County School Department participate in an internal cash and investment pool through the Office of Trustee. The Van Buren County School Department meets the criteria for a discretely

presented component unit of Van Buren County. Since Van Buren County is presenting fund financial statements only, the financial information for the Van Buren 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. Van Buren County had no pooled or nonpooled investments at June 30, 2006.

B. Interfund Receivables and Payables

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 3,598
Nonmajor governmental	General	26,036
Nonmajor governmental	Nonmajor governmental	698

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.

C. Long-term Debt

Since Van Buren 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 Van Buren County is not presenting government-wide financial statements.

Capital Outlay Notes

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

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

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Notes	0 to 4.55 %	\$ 339,915	\$ 98,616

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

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 76,311	\$ 3,171
2008	22,305	1,004
Total	\$ 98,616	\$ 4,175

There is \$62,038 available in the General Debt Service Fund to service long-term debt. Debt per capita including notes, totaled \$20, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Capital Leases	Landfill Postclosure Care Costs
Balance, July 1, 2005	\$ 163,581	\$ 11,987	\$ 407,604
Deductions	(64,965)	(11,987)	(11,800)
Balance, June 30, 2006	\$ 98,616	\$ 0	\$ 395,804
Balance Due Within One Year	\$ 76,311	\$ 0	\$ 12,650

D. Short-term Debt

On September 18, 2003, Van Buren County issued revenue anticipation notes of \$65,000 from the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General Fund. These funds were necessary because funds were not available to meet the current expenditures of the fund. This note should have been retired by June 30, 2004; however,

the note still remains unpaid as of June 30, 2006, and therefore has been reflected in the financial statements of this report as a current notes receivable in the General Debt Service Fund and a current notes payable in the General Fund.

During the 2005-06 year, Van Buren County issued revenue anticipation notes of \$135,000 in advance of property tax collections and deposited the proceeds in the General Fund (\$85,000) and the Ambulance Service Fund (\$50,000). These funds were necessary because funds were not available to meet the current expenditures of the funds. These notes were properly retired by June 30, 2006.

Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Revenue				
Anticipation Notes	\$ 65,000	\$ 135,000	\$ (135,000)	\$ 65,000

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county's risk of loss relating to general liability, property, casualty, and workers' compensation is covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund (LWCF), which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to these pools for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of these pools provides for it to be self-sustaining through member premiums. The LGPCF and LWCF reinsure through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for

insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

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

offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Van Buren County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

On August 31, 2006, Carolyn Houston left the Office of County Mayor and was succeeded by Kelly Dishman, and Donnie Evans left the Office of Sheriff and was succeeded by Barney Evans.

The county issued tax anticipation notes on September 1, 2006, (\$105,000) and on September 8, 2006, (\$293,000) for temporary operating funds. The proceeds of these loans were deposited into the General Fund (\$375,000) and the Solid Waste/Sanitation Fund (\$23,000).

On December 20, 2006, the county issued capital outlay notes totaling \$24,000 for a patrol car.

D. Contingent Liabilities

Van Buren County is contingently liable for a capital outlay note of the Van Buren County Industrial Development Board. Van Buren County would become liable for these bonds and the interest thereon, in the event of default by the Van Buren County Industrial Development Board. The county made payments of \$16,257 in principal and interest toward this note during the year, and the outstanding balance was \$52,381 on June 30, 2006.

Van Buren County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans with Disabilities Act (ADA). This lawsuit applies to all Van Buren County facilities. As of the date of this report, Van Buren County has not completed any studies of the estimated costs to renovate the existing county facilities to bring them into compliance with the ADA. Therefore, a reasonable estimate, or range of potential loss to the county, resulting from this lawsuit cannot be made.

The county is also involved in other 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.

E. Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. The landfill was closed

October 3, 1997. The \$395,804 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date, based on the use of 100 percent of the capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual costs may vary from the estimate due to inflation, changes in technology, or changes in regulations.

F. Retirement Commitments

Plan Description

Employees of Van Buren 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 Van Buren 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

Van Buren County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 5.15 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Van Buren County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Van Buren County's annual pension cost of \$104,354 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. Van Buren County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$104,354	100%	\$0
6-30-05	102,427	100	0
6-30-04	59,683	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$3,103	\$3,128	\$25	99.20%	\$1,931	1.29%
6-30-03	2,724	2,753	29	98.95	1,673	1.73
6-30-01	2,392	2,462	70	97.16	1,632	4.29

G. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Van Buren County Mayor's Office are governed by Chapter 36, Private Acts of 1973, and Chapter 111, Private Acts of 1986, which provide for competitive bids to be solicited on all purchases exceeding \$2,500.

Office of Road Superintendent

Chapter 565, Private Acts of 1951, as amended, and Section 54-7-113, Tennessee Code Annotated (Uniform Road Law), govern purchasing procedures for the Highway Department. Provisions of the Uniform Road Law require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Van Buren 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)	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	\$ 969,089	\$ 0	\$ 969,089	\$ 923,576	\$ 945,776	\$ 23,313
Licenses and Permits	2,632	0	2,632	2,400	2,400	232
Fines, Forfeitures, and Penalties	33,245	0	33,245	40,980	40,980	(7,735)
Charges for Current Services	10,378	0	10,378	5,850	7,956	2,422
Other Local Revenues	48,965	0	48,965	18,000	40,613	8,352
Fees Received from County Officials	258,910	0	258,910	244,800	244,800	14,110
State of Tennessee	236,944	0	236,944	210,656	312,496	(75,552)
Federal Government	367,026	0	367,026	0	0	367,026
Total Revenues	\$ 1,927,189	\$ 0	\$ 1,927,189	\$ 1,446,262	\$ 1,595,021	\$ 332,168
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 28,906	\$ 0	\$ 28,906	\$ 24,643	\$ 29,599	\$ 693
Board of Equalization	150	0	150	1,000	1,000	850
Beer Board	500	0	500	1,000	1,000	500
County Mayor/Executive	103,010	0	103,010	96,542	101,404	(1,606)
County Attorney	9,600	0	9,600	7,200	7,200	(2,400)
Election Commission	61,648	99,640	161,288	68,204	167,044	5,756
Register of Deeds	53,077	0	53,077	48,898	48,898	(4,179)
County Buildings	50,414	0	50,414	48,000	50,500	86
<u>Finance</u>						
Property Assessor's Office	52,159	0	52,159	54,478	54,478	2,319
County Trustee's Office	48,817	0	48,817	48,198	50,305	1,488
County Clerk's Office	65,750	0	65,750	65,872	65,872	122
<u>Administration of Justice</u>						
Circuit Court	79,674	0	79,674	80,897	80,897	1,223
General Sessions Court	27,771	0	27,771	28,836	28,836	1,065

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice (Cont.)</u>						
Chancery Court	\$ 45,660	\$ 0	\$ 45,660	\$ 48,348	\$ 48,348	\$ 2,688
Juvenile Court	10,300	0	10,300	10,500	10,500	200
Judicial Commissioners	2,200	0	2,200	2,263	2,263	63
<u>Public Safety</u>						
Sheriff's Department	302,139	0	302,139	370,043	269,056	(33,083)
Jail	175,211	0	175,211	82,000	201,334	26,123
Fire Prevention and Control	1,000	0	1,000	1,000	1,000	0
Rescue Squad	2,500	0	2,500	2,500	2,500	0
Other Emergency Management	0	0	0	1,200	1,200	1,200
County Coroner/Medical Examiner	1,485	0	1,485	3,600	3,600	2,115
Other Public Safety	57,340	0	57,340	57,930	57,930	590
<u>Public Health and Welfare</u>						
Local Health Center	11,311	0	11,311	10,390	10,390	(921)
Ambulance/Emergency Medical Services	260	0	260	0	0	(260)
Regional Mental Health Center	2,423	0	2,423	2,423	2,423	0
Appropriation to State	25,000	0	25,000	25,000	25,000	0
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	11,802	0	11,802	11,625	11,625	(177)
Libraries	21,604	0	21,604	21,604	21,604	0
Parks and Fair Boards	0	0	0	1,200	1,200	1,200
Other Social, Cultural, and Recreational	2,950	0	2,950	3,550	3,550	600
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	32,046	0	32,046	30,179	30,179	(1,867)
Soil Conservation	7,364	0	7,364	7,383	7,383	19
<u>Other Operations</u>						
Industrial Development	29,465	0	29,465	29,300	29,300	(165)

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Other Operations (Cont.)</u>						
Other Economic and Community Development	\$ 337,026	\$ 0	\$ 337,026	\$ 0	\$ 0	\$(337,026)
Other Charges	92,689	0	92,689	97,500	102,379	9,690
Employee Benefits	93,828	0	93,828	94,500	106,200	12,372
Miscellaneous	26,466	0	26,466	25,000	25,000	(1,466)
<u>Highways</u>						
Litter and Trash Collection	29,664	0	29,664	31,737	31,737	2,073
<u>Interest on Debt</u>						
General Government	2,627	0	2,627	0	0	(2,627)
Total Expenditures	\$ 1,905,836	\$ 99,640	\$ 2,005,476	\$ 1,544,543	\$ 1,692,734	\$ (312,742)
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,353	\$ (99,640)	\$ (78,287)	\$ (98,281)	\$ (97,713)	\$ 19,426
Net Change in Fund Balance	\$ 21,353	\$ (99,640)	\$ (78,287)	\$ (98,281)	\$ (97,713)	\$ 19,426
Fund Balance, July 1, 2005	45,418	0	45,418	116,117	116,117	(70,699)
Fund Balance, June 30, 2006	\$ 66,771	\$ (99,640)	\$ (32,869)	\$ 17,836	\$ 18,404	\$ (51,273)

Exhibit D-2

Van Buren 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	\$ 0	\$ 100	\$ 100	\$ (100)
Other Local Revenues	14,968	0	0	14,968
State of Tennessee	1,328,718	1,408,162	1,408,162	(79,444)
Total Revenues	<u>\$ 1,343,686</u>	<u>\$ 1,408,262</u>	<u>\$ 1,408,262</u>	<u>\$ (64,576)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 118,283	\$ 124,547	\$ 124,547	\$ 6,264
Highway and Bridge Maintenance	740,740	1,243,800	1,243,800	503,060
Operation and Maintenance of Equipment	231,035	290,070	294,570	63,535
Quarry Operations	10,007	12,060	12,060	2,053
Other Charges	98,879	110,500	106,000	7,121
Employee Benefits	70,168	103,500	103,500	33,332
Capital Outlay	27,598	239,500	239,500	211,902
Total Expenditures	<u>\$ 1,296,710</u>	<u>\$ 2,123,977</u>	<u>\$ 2,123,977</u>	<u>\$ 827,267</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 46,976</u>	<u>\$ (715,715)</u>	<u>\$ (715,715)</u>	<u>\$ 762,691</u>
Net Change in Fund Balance	\$ 46,976	\$ (715,715)	\$ (715,715)	\$ 762,691
Fund Balance, July 1, 2005	<u>1,165,317</u>	<u>1,106,914</u>	<u>1,106,914</u>	<u>58,403</u>
Fund Balance, June 30, 2006	<u>\$ 1,212,293</u>	<u>\$ 391,199</u>	<u>\$ 391,199</u>	<u>\$ 821,094</u>

VAN BUREN 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 Van Buren County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. CASH SHORTAGE

The General Fund had a cash shortage of \$2,896.72 as of June 30, 2006, and \$7,428.26 as of January 25, 2007, because of the unauthorized use of a county credit card by an employee. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS

Expenditures and encumbrances exceeded total appropriations approved by the County Commission in the General Fund by \$312,742. This overexpenditure was primarily the result of the failure to reflect a budget for a Community Development Block Grant project (\$337,026) in the accounting records. Also, expenditures and encumbrances exceeded appropriations in 12 of the 40 major appropriations categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by grant revenues and available fund balance.

D. A REVENUE ANTICIPATION NOTE WAS NOT RETIRED IN COMPLIANCE WITH STATE STATUTES

In September 2003, Van Buren County issued revenue anticipation notes of \$65,000 from the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General Fund. These funds should have been repaid by June 30, 2004; however, the funds were still unpaid at June 30, 2006.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Ambulance Service Fund – The Ambulance Service Fund is used to account for transactions relating to the county-operated Ambulance Service.

Local Purpose Tax Fund – The Local Purpose Tax Fund is used to account for a special property tax levied to provide funding for Van Buren County Volunteer Fire Departments.

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.

Debt Service Fund

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

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

Exhibit E-1

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

	Special Revenue Funds						Debt Service Fund	Total Nonmajor Governmental Funds	
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	General Debt Service		
<u>ASSETS</u>									
Cash	\$ 0	\$ 0	\$ 500	\$ 0	\$ 0	\$ 400	\$ 900	\$ 900	
Equity in Pooled Cash and Investments	26,404	40	69,655	38,211	24,832	0	159,142	36,070	
Accounts Receivable	0	1,297	122,943	0	0	108	124,348	0	
Allowance for Uncollectibles	0	0	(34,384)	0	0	0	(34,384)	0	
Due from Other Governments	0	18,553	0	0	0	0	18,553	0	
Due from Other Funds	68	0	0	698	0	0	766	25,968	
Property Taxes Receivable	0	52,721	166,455	90,337	0	0	309,513	0	
Allowance for Uncollectible Property Taxes	0	(1,706)	(5,293)	(3,390)	0	0	(10,389)	0	
Notes Receivable - Current	0	0	0	0	0	0	0	65,000	
Total Assets	\$ 26,472	\$ 70,905	\$ 319,876	\$ 125,856	\$ 24,832	\$ 508	\$ 568,449	\$ 127,038	\$ 695,487
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 0	\$ 6,223	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,223	\$ 0	\$ 6,223
Payroll Deductions Payable	0	59	707	0	0	0	766	0	766
Cash Overdraft	0	14,257	0	0	0	0	14,257	0	14,257
Due to Other Funds	520	0	2,570	0	698	508	4,296	0	4,296
Deferred Revenue - Current Property Taxes	0	48,708	154,242	81,180	0	0	284,130	0	284,130
Deferred Revenue - Delinquent Property Taxes	0	2,243	6,729	5,608	0	0	14,580	0	14,580
Other Deferred Revenues	0	0	88,415	0	0	0	88,415	0	88,415
Total Liabilities	\$ 520	\$ 71,490	\$ 252,663	\$ 86,788	\$ 698	\$ 508	\$ 412,667	\$ 0	\$ 412,667
<u>Fund Balances</u>									
Reserved for Notes Receivable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 65,000	\$ 65,000
Unreserved (Deficit)	25,952	(585)	67,213	39,068	24,134	0	155,782	62,038	217,820
Total Fund Balances	\$ 25,952	\$ (585)	\$ 67,213	\$ 39,068	\$ 24,134	\$ 0	\$ 155,782	\$ 127,038	\$ 282,820
Total Liabilities and Fund Balances	\$ 26,472	\$ 70,905	\$ 319,876	\$ 125,856	\$ 24,832	\$ 508	\$ 568,449	\$ 127,038	\$ 695,487

Exhibit E-2

Van Buren 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	Debt Service Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax	Drug Control		General Debt Service	
<u>Revenues</u>								
Local Taxes	\$ 50,779	\$ 31,188	\$ 94,273	\$ 78,383	\$ 0	\$ 254,623	\$ 64,473	\$ 319,096
Fines, Forfeitures, and Penalties	0	0	0	0	23,764	23,764	0	23,764
Charges for Current Services	0	67,162	331,353	0	0	398,515	0	398,515
Other Local Revenues	52	12	151	680	0	895	0	895
State of Tennessee	0	218,392	0	873	0	219,265	12,049	231,314
Total Revenues	\$ 50,831	\$ 316,754	\$ 425,777	\$ 79,936	\$ 23,764	\$ 897,062	\$ 76,522	\$ 973,584
<u>Expenditures</u>								
Current:								
General Government	\$ 41,384	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,384	\$ 0	\$ 41,384
Public Safety	1,880	0	0	94,058	8,418	104,356	0	104,356
Public Health and Welfare	0	303,399	333,588	0	0	636,987	0	636,987
Other Operations	503	0	0	1,600	232	2,335	0	2,335
Debt Service:								
Principal on Debt	0	207,597	0	0	0	207,597	76,952	284,549
Interest on Debt	0	0	1,688	0	0	1,688	4,829	6,517
Other Debt Service	0	0	0	0	0	0	758	758
Total Expenditures	\$ 43,767	\$ 510,996	\$ 335,276	\$ 95,658	\$ 8,650	\$ 994,347	\$ 82,539	\$ 1,076,886
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,064	\$ (194,242)	\$ 90,501	\$ (15,722)	\$ 15,114	\$ (97,285)	\$ (6,017)	\$ (103,302)
Net Change in Fund Balances	\$ 7,064	\$ (194,242)	\$ 90,501	\$ (15,722)	\$ 15,114	\$ (97,285)	\$ (6,017)	\$ (103,302)
Fund Balance, July 1, 2005	18,888	193,657	(23,288)	54,790	9,020	253,067	133,055	386,122
Fund Balance, June 30, 2006	\$ 25,952	\$ (585)	\$ 67,213	\$ 39,068	\$ 24,134	\$ 155,782	\$ 127,038	\$ 282,820

Exhibit E-3

Van Buren 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	\$ 50,779	\$ 61,000	\$ 61,000	\$ (10,221)
Other Local Revenues	52	0	0	52
Total Revenues	<u>\$ 50,831</u>	<u>\$ 61,000</u>	<u>\$ 61,000</u>	<u>\$ (10,169)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 41,384	\$ 45,000	\$ 45,000	\$ 3,616
<u>Public Safety</u>				
Jail	1,880	30,000	30,000	28,120
<u>Other Operations</u>				
Other Charges	503	800	800	297
Total Expenditures	<u>\$ 43,767</u>	<u>\$ 75,800</u>	<u>\$ 75,800</u>	<u>\$ 32,033</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,064</u>	<u>\$ (14,800)</u>	<u>\$ (14,800)</u>	<u>\$ 21,864</u>
Net Change in Fund Balance	\$ 7,064	\$ (14,800)	\$ (14,800)	\$ 21,864
Fund Balance, July 1, 2005	<u>18,888</u>	<u>26,133</u>	<u>26,133</u>	<u>(7,245)</u>
Fund Balance, June 30, 2006	<u>\$ 25,952</u>	<u>\$ 11,333</u>	<u>\$ 11,333</u>	<u>\$ 14,619</u>

Exhibit E-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 31,188	\$ 28,141	\$ 28,141	\$ 3,047
Charges for Current Services	67,162	19,000	60,930	6,232
Other Local Revenues	12	0	0	12
State of Tennessee	218,392	220,000	225,685	(7,293)
Total Revenues	<u>\$ 316,754</u>	<u>\$ 267,141</u>	<u>\$ 314,756</u>	<u>\$ 1,998</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 296,644	\$ 224,391	\$ 274,669	\$ (21,975)
Landfill Operation and Maintenance	6,755	7,500	7,500	745
<u>Principal on Debt</u>				
General Government	207,597	205,000	205,000	(2,597)
Total Expenditures	<u>\$ 510,996</u>	<u>\$ 436,891</u>	<u>\$ 487,169</u>	<u>\$ (23,827)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (194,242)</u>	<u>\$ (169,750)</u>	<u>\$ (172,413)</u>	<u>\$ (21,829)</u>
Net Change in Fund Balance	\$ (194,242)	\$ (169,750)	\$ (172,413)	\$ (21,829)
Fund Balance, July 1, 2005	193,657	188,486	188,486	5,171
Fund Balance, June 30, 2006	<u>\$ (585)</u>	<u>\$ 18,736</u>	<u>\$ 16,073</u>	<u>\$ (16,658)</u>

Exhibit E-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 94,273	\$ 92,218	\$ 92,218	\$ 2,055
Charges for Current Services	331,353	175,000	175,000	156,353
Other Local Revenues	151	0	0	151
Total Revenues	<u>\$ 425,777</u>	<u>\$ 267,218</u>	<u>\$ 267,218</u>	<u>\$ 158,559</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 333,588	\$ 361,099	\$ 361,099	\$ 27,511
<u>Interest on Debt</u>				
General Government	1,688	0	0	(1,688)
Total Expenditures	<u>\$ 335,276</u>	<u>\$ 361,099</u>	<u>\$ 361,099</u>	<u>\$ 25,823</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 90,501</u>	<u>\$ (93,881)</u>	<u>\$ (93,881)</u>	<u>\$ 184,382</u>
Net Change in Fund Balance	\$ 90,501	\$ (93,881)	\$ (93,881)	\$ 184,382
Fund Balance, July 1, 2005	<u>(23,288)</u>	<u>102,542</u>	<u>102,542</u>	<u>(125,830)</u>
Fund Balance, June 30, 2006	<u>\$ 67,213</u>	<u>\$ 8,661</u>	<u>\$ 8,661</u>	<u>\$ 58,552</u>

Exhibit E-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 78,383	\$ 73,090	\$ 73,090	\$ 5,293
Other Local Revenues	680	0	0	680
State of Tennessee	873	0	0	873
Total Revenues	<u>\$ 79,936</u>	<u>\$ 73,090</u>	<u>\$ 73,090</u>	<u>\$ 6,846</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Fire Prevention and Control	\$ 94,058	\$ 95,000	\$ 95,000	\$ 942
<u>Other Operations</u>				
Other Charges	1,600	1,700	1,700	100
Total Expenditures	<u>\$ 95,658</u>	<u>\$ 96,700</u>	<u>\$ 96,700</u>	<u>\$ 1,042</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (15,722)</u>	<u>\$ (23,610)</u>	<u>\$ (23,610)</u>	<u>\$ 7,888</u>
Net Change in Fund Balance	\$ (15,722)	\$ (23,610)	\$ (23,610)	\$ 7,888
Fund Balance, July 1, 2005	<u>54,790</u>	<u>54,238</u>	<u>54,238</u>	<u>552</u>
Fund Balance, June 30, 2006	<u>\$ 39,068</u>	<u>\$ 30,628</u>	<u>\$ 30,628</u>	<u>\$ 8,440</u>

Exhibit E-7

Van Buren 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	\$ 23,764	\$ 4,600	\$ 4,600	\$ 19,164
Total Revenues	\$ 23,764	\$ 4,600	\$ 4,600	\$ 19,164
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 8,418	\$ 8,200	\$ 8,200	\$ (218)
<u>Other Operations</u>				
Other Charges	232	100	100	(132)
Total Expenditures	\$ 8,650	\$ 8,300	\$ 8,300	\$ (350)
Excess (Deficiency) of Revenues Over Expenditures	\$ 15,114	\$ (3,700)	\$ (3,700)	\$ 18,814
Net Change in Fund Balance	\$ 15,114	\$ (3,700)	\$ (3,700)	\$ 18,814
Fund Balance, July 1, 2005	9,020	7,051	7,051	1,969
Fund Balance, June 30, 2006	\$ 24,134	\$ 3,351	\$ 3,351	\$ 20,783

Exhibit E-8

Van Buren 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	\$ 64,473	\$ 50,624	\$ 50,624	\$ 13,849
State of Tennessee	12,049	10,000	10,000	2,049
Total Revenues	<u>\$ 76,522</u>	<u>\$ 60,624</u>	<u>\$ 60,624</u>	<u>\$ 15,898</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 76,952	\$ 87,750	\$ 87,750	\$ 10,798
<u>Interest on Debt</u>				
General Government	4,829	5,800	5,800	971
<u>Other Debt Service</u>				
General Government	758	800	800	42
Total Expenditures	<u>\$ 82,539</u>	<u>\$ 94,350</u>	<u>\$ 94,350</u>	<u>\$ 11,811</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,017)</u>	<u>\$ (33,726)</u>	<u>\$ (33,726)</u>	<u>\$ 27,709</u>
Net Change in Fund Balance	\$ (6,017)	\$ (33,726)	\$ (33,726)	\$ 27,709
Fund Balance, July 1, 2005	<u>133,055</u>	<u>141,263</u>	<u>141,263</u>	<u>(8,208)</u>
Fund Balance, June 30, 2006	<u>\$ 127,038</u>	<u>\$ 107,537</u>	<u>\$ 107,537</u>	<u>\$ 19,501</u>

Fiduciary Funds

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

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

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

Exhibit F-1

Van Buren 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	\$ 298,598	\$ 298,598
Due from Other Governments	13,970	0	13,970
Total Assets	<u>\$ 13,970</u>	<u>\$ 298,598</u>	<u>\$ 312,568</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 13,970	\$ 0	\$ 13,970
Due to Litigants, Heirs, and Others	0	298,598	298,598
Total Liabilities	<u>\$ 13,970</u>	<u>\$ 298,598</u>	<u>\$ 312,568</u>

Exhibit F-2

Van Buren County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ending 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	\$ 79,997	\$ 79,997	\$ 0
Due from Other Governments	13,285	13,970	13,285	13,970
Total Assets	\$ 13,285	\$ 93,967	\$ 93,282	\$ 13,970
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 13,285	\$ 93,967	\$ 93,282	\$ 13,970
Total Liabilities	\$ 13,285	\$ 93,967	\$ 93,282	\$ 13,970
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 391,675	\$ 3,063,458	\$ 3,156,535	\$ 298,598
Total Assets	\$ 391,675	\$ 3,063,458	\$ 3,156,535	\$ 298,598
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 391,675	\$ 3,063,458	\$ 3,156,535	\$ 298,598
Total Liabilities	\$ 391,675	\$ 3,063,458	\$ 3,156,535	\$ 298,598
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 79,997	\$ 79,997	\$ 0
Cash	391,675	3,063,458	3,156,535	298,598
Due from Other Governments	13,285	13,970	13,285	13,970
Total Assets	\$ 404,960	\$ 3,157,425	\$ 3,249,817	\$ 312,568
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 13,285	\$ 93,967	\$ 93,282	\$ 13,970
Due to Litigants, Heirs, and Others	391,675	3,063,458	3,156,535	298,598
Total Liabilities	\$ 404,960	\$ 3,157,425	\$ 3,249,817	\$ 312,568

MISCELLANEOUS SCHEDULES

Exhibit G-1

Van Buren County, Tennessee
Schedule of Changes in Long-term Notes and Capital Leases
For the Year Ending June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Industrial Park	\$ 212,000	0 %	4-21-1998	4-23-07	\$ 53,000	\$ 26,500	\$ 26,500
Matching Portion - CDBG Communications Grant	26,000	4.1	1-7-03	1-7-06	8,666	8,666	0
Patrol Car and Roofing Project	81,915	4.5	10-25-04	10-25-07	81,915	29,799	52,116
Solid Waste Recycling Center	20,000	4.55	5-26-05	5-25-08	20,000	0	20,000
Total Payable through General Debt Service Fund					<u>\$ 163,581</u>	<u>\$ 64,965</u>	<u>\$ 98,616</u>
<u>Payable through Solid Waste/Sanitation Fund</u>							
Solid Waste Recycling Center	200,000	4.55	5-26-05	6-30-06	\$ 200,000	\$ 200,000	\$ 0
Total Notes Payable					<u>\$ 363,581</u>	<u>\$ 264,965</u>	<u>\$ 98,616</u>
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Patrol Cars	35,976	3.6	11-10-03	11-10-05	\$ 11,987	\$ 11,987	\$ 0

Exhibit G-2

Van Buren County, Tennessee
Schedule of Notes Receivable
June 30, 2006

Description/Payee	Debtor	Original Amount of Notes	Date of Maturity	Interest Rate	Balance 6-30-06
Revenue Anticipation Note:					
General Debt Service Fund	General Fund	\$ 65,000	6-30-04	0%	\$ 65,000 (1)

(1) This note was not retired by June 30, 2004, as required by state statutes.

Exhibit G-3

Van Buren County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ending June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 51,452	\$ 25,000	Western Surety Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	49,002	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	44,548	243,686	Hartford Fire Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	44,548	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	44,548	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	44,548	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	44,548	50,000	"
Register	Section 8-24-102, <u>TCA</u>	44,548	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	49,002	25,000	"
Public Employees Blanket Bond: General County Employees			150,000	Local Government Insurance Pool

Exhibit G-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax	Drug Control	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 729,219	\$ 0	\$ 28,185	\$ 84,556	\$ 70,463	\$ 0	\$ 0	\$ 0	\$ 912,423
Trustee's Collections - Prior Year	56,708	0	2,028	6,543	5,453	0	0	0	70,732
Circuit/Clerk & Master Collections - Prior Years	15,838	0	617	2,065	1,543	0	0	0	20,063
Interest and Penalty	9,609	0	358	1,109	924	0	0	0	12,000
Pick-up Taxes	3,598	0	0	0	0	0	0	0	3,598
Payments in-Lieu-of Taxes - T.V.A.	4,001	0	0	0	0	0	0	572	4,573
Payments in-Lieu-of Taxes - Other	50,159	0	0	0	0	0	0	0	50,159
<u>County Local Option Taxes</u>									
Local Option Sales Tax	61,450	0	0	0	0	0	0	0	61,450
Hotel/Motel Tax	0	0	0	0	0	0	0	63,901	63,901
Litigation Tax - General	526	0	0	0	0	0	0	0	526
Litigation Tax - Special Purpose	0	37,676	0	0	0	0	0	0	37,676
Litigation Tax - Jail, Workhouse, or Courthouse	0	13,103	0	0	0	0	0	0	13,103
Business Tax	11,220	0	0	0	0	0	0	0	11,220
<u>Statutory Local Taxes</u>									
Bank Excise Tax	1,490	0	0	0	0	0	0	0	1,490
Wholesale Beer Tax	24,588	0	0	0	0	0	0	0	24,588
Interstate Telecommunications Tax	683	0	0	0	0	0	0	0	683
Total Local Taxes	\$ 969,089	\$ 50,779	\$ 31,188	\$ 94,273	\$ 78,383	\$ 0	\$ 0	\$ 64,473	\$ 1,288,185
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 2,632	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,632
Total Licenses and Permits	\$ 2,632	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,632
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 1,829	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,829
Officers Costs	2,053	0	0	0	0	0	0	0	2,053
Drug Control Fines	399	0	0	0	0	20,867	0	0	21,266
Data Entry Fee - Circuit Court	29	0	0	0	0	0	0	0	29
<u>Criminal Court</u>									
Drug Control Fines	598	0	0	0	0	0	0	0	598

(Continued)

Exhibit G-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax	Drug Control	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court</u>									
Fines	\$ 13,787	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,787
Officers Costs	11,512	0	0	0	0	0	0	0	11,512
Drug Control Fines	200	0	0	0	0	2,897	0	0	3,097
Data Entry Fee - General Sessions Court	2,453	0	0	0	0	0	0	0	2,453
<u>Juvenile Court</u>									
Drug Control Fines	133	0	0	0	0	0	0	0	133
<u>Chancery Court</u>									
Officers Costs	24	0	0	0	0	0	0	0	24
Data Entry Fee - Chancery Court	228	0	0	0	0	0	0	0	228
Total Fines, Forfeitures, and Penalties	\$ 33,245	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,764	\$ 0	\$ 0	\$ 57,009
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Convenience Waste Centers Collection Charge	\$ 0	\$ 0	\$ 67,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,162
Patient Charges	0	0	0	331,353	0	0	0	0	331,353
<u>Fees</u>									
Copy Fees	1,864	0	0	0	0	0	0	0	1,864
Telephone Commissions	655	0	0	0	0	0	0	0	655
Vending Machine Collections	857	0	0	0	0	0	0	0	857
Data Processing Fee - Register	6,602	0	0	0	0	0	0	0	6,602
<u>Other Charges for Services</u>									
Other Charges for Services	400	0	0	0	0	0	0	0	400
Total Charges for Current Services	\$ 10,378	\$ 0	\$ 67,162	\$ 331,353	\$ 0	\$ 0	\$ 0	\$ 0	\$ 408,893
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 28,543	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,543
Lease/Rentals	2,054	0	0	0	0	0	0	0	2,054
Miscellaneous Refunds	14,585	52	12	151	680	0	14,968	0	30,448
<u>Nonrecurring Items</u>									
Sale of Property	\$ 3,783	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,783
Total Other Local Revenues	\$ 48,965	\$ 52	\$ 12	\$ 151	\$ 680	\$ 0	\$ 14,968	\$ 0	\$ 64,828

(Continued)

Exhibit G-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax	Drug Control	Highway / Public Works	General Debt Service	
Fees Received from County Officials									
<u>Fees-In-Lieu of Salary</u>									
County Clerk	\$ 49,468	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,468
Circuit Court Clerk	12,671	0	0	0	0	0	0	0	12,671
General Sessions Court Clerk	53,828	0	0	0	0	0	0	0	53,828
Clerk and Master	7,854	0	0	0	0	0	0	0	7,854
Register	68,320	0	0	0	0	0	0	0	68,320
Sheriff	2,503	0	0	0	0	0	0	0	2,503
Trustee	64,266	0	0	0	0	0	0	0	64,266
Total Fees Received from County Officials	\$ 258,910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 258,910
State of Tennessee									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Solid Waste Grants	0	0	218,392	0	0	0	0	0	218,392
<u>Health and Welfare Grants</u>									
Other Health and Welfare Grants	2,783	0	0	0	0	0	0	0	2,783
<u>Public Works Grants</u>									
Litter Program	44,378	0	0	0	0	0	0	0	44,378
<u>Other State Revenues</u>									
Income Tax	7,729	0	0	0	0	0	0	0	7,729
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	14,592	0	0	0	0	0	0	0	14,592
State Revenue Sharing - T.V.A.	84,343	0	0	0	0	0	0	12,049	96,392
Contracted Prisoner Boarding	32,427	0	0	0	0	0	0	0	32,427
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,324,287	0	1,324,287
Petroleum Special Tax	0	0	0	0	0	0	4,431	0	4,431
Reappraisal Program Reimbursement	3,076	0	0	0	0	0	0	0	3,076
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Revenues	5,024	0	0	0	873	0	0	0	5,897
Total State of Tennessee	\$ 236,944	\$ 0	\$ 218,392	\$ 0	\$ 873	\$ 0	\$ 1,328,718	\$ 12,049	\$ 1,796,976
Federal Government									
<u>Federal Through State</u>									
Homeland Security Grants	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,000
Other Federal through State	337,026	0	0	0	0	0	0	0	337,026
Total Federal Government	\$ 367,026	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 367,026
Total	\$ 1,927,189	\$ 50,831	\$ 316,754	\$ 425,777	\$ 79,936	\$ 23,764	\$ 1,343,686	\$ 76,522	\$ 4,244,459

Exhibit G-5

Van Buren 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	\$	13,350	
Audit Services		1,319	
Consultants		1,786	
Contracts with Government Agencies		3,926	
Dues and Memberships		2,215	
Legal Services		5,060	
Other Contracted Services		1,250	
Total County Commission			\$ 28,906

Board of Equalization

Board and Committee Members Fees	\$	150	
Total Board of Equalization			150

Beer Board

Board and Committee Members Fees	\$	500	
Total Beer Board			500

County Mayor/Executive

County Official/Administrative Officer	\$	51,452	
Accountants/Bookkeepers		31,164	
Communication		7,025	
Data Processing Services		4,565	
Dues and Memberships		1,338	
Legal Notices, Recording, and Court Costs		895	
Printing, Stationery, and Forms		597	
Travel		3,733	
Office Supplies		970	
Premiums on Corporate Surety Bonds		210	
Other Charges		1,061	
Total County Mayor/Executive			103,010

County Attorney

County Official/Administrative Officer	\$	9,600	
Total County Attorney			9,600

Election Commission

County Official/Administrative Officer	\$	37,866	
Election Commission		5,826	
Election Workers		3,180	
Communication		1,219	

(Continued)

Exhibit G-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Data Processing Services	\$	1,863	
Dues and Memberships		1,000	
Legal Notices, Recording, and Court Costs		2,011	
Printing, Stationery, and Forms		3,249	
Travel		1,385	
Other Contracted Services		1,900	
Office Supplies		1,565	
Other Charges		275	
Data Processing Equipment		309	
Total Election Commission			\$ 61,648

Register of Deeds

County Official/Administrative Officer	\$	44,548	
Communication		679	
Data Processing Services		5,302	
Dues and Memberships		236	
Printing, Stationery, and Forms		2,246	
Office Supplies		14	
Premiums on Corporate Surety Bonds		52	
Total Register of Deeds			53,077

County Buildings

Communication	\$	1,613	
Custodial Supplies		707	
Electricity		24,974	
Natural Gas		19,564	
Water and Sewer		3,556	
Total County Buildings			50,414

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	44,548	
Audit Services		700	
Communication		580	
Data Processing Services		4,559	
Dues and Memberships		1,304	
Legal Notices, Recording, and Court Costs		79	
Travel		207	
Office Supplies		182	
Total Property Assessor's Office			52,159

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	44,548	
Communication		856	
Dues and Memberships		306	
Legal Notices, Recording, and Court Costs		134	
Printing, Stationery, and Forms		1,252	
Office Supplies		1,602	
Data Processing Equipment		119	
Total County Trustee's Office			\$ 48,817

County Clerk's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		16,375	
Communication		1,378	
Data Processing Services		1,347	
Dues and Memberships		311	
Printing, Stationery, and Forms		737	
Office Supplies		929	
Premiums on Corporate Surety Bonds		125	
Total County Clerk's Office			65,750

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	44,548	
Part-time Personnel		17,375	
Board and Committee Members Fees		340	
Jury and Witness Fees		11,014	
Communication		2,458	
Dues and Memberships		472	
Printing, Stationery, and Forms		2,746	
Office Supplies		621	
Premiums on Corporate Surety Bonds		100	
Total Circuit Court			79,674

General Sessions Court

Judge(s)	\$	19,326	
Secretary(ies)		5,003	
Other Fringe Benefits		2,648	
Communication		298	
Travel		321	
Office Supplies		175	
Total General Sessions Court			27,771

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	44,548	
Communication		453	
Printing, Stationery, and Forms		194	
Office Supplies		165	
Premiums on Corporate Surety Bonds		300	
Total Chancery Court			\$ 45,660

Juvenile Court

Contracts with Government Agencies	\$	10,000	
Other Charges		300	
Total Juvenile Court			10,300

Judicial Commissioners

County Official/Administrative Officer	\$	2,100	
Premiums on Corporate Surety Bonds		100	
Total Judicial Commissioners			2,200

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	49,002	
Deputy(ies)		178,917	
Accountants/Bookkeepers		19,634	
Overtime Pay		8,299	
Communication		6,163	
Dues and Memberships		18	
Legal Notices, Recording, and Court Costs		94	
Maintenance & Repair Services - Vehicles		6,610	
Postal Charges		40	
Printing, Stationery, and Forms		429	
Travel		1,494	
Gasoline		23,713	
Office Supplies		1,855	
Uniforms		2,278	
Premiums on Corporate Surety Bonds		1,425	
Other Charges		1,450	
Communication Equipment		200	
Motor Vehicles		518	
Total Sheriff's Department			302,139

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Dispatchers/Radio Operators	\$	64,020	
Overtime Pay		3,955	
Medical and Dental Services		62,740	
Custodial Supplies		4,281	
Electricity		6,901	
Food Supplies		21,764	
Natural Gas		3,469	
Water and Sewer		5,971	
Other Charges		2,110	
Total Jail			\$ 175,211

Fire Prevention and Control

Contributions	\$	1,000	
Total Fire Prevention and Control			1,000

Rescue Squad

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

County Coroner/Medical Examiner

Other Charges	\$	1,485	
Total County Coroner/Medical Examiner			1,485

Other Public Safety

Contracts with Government Agencies	\$	6,120	
Contributions		51,220	
Total Other Public Safety			57,340

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	1,739	
Communication		1,271	
Postal Charges		626	
Travel		272	
Custodial Supplies		194	
Drugs and Medical Supplies		450	
Electricity		3,195	
Natural Gas		1,687	
Office Supplies		107	
Water and Sewer		1,292	

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Charges	\$ 478	
Total Local Health Center		\$ 11,311

Ambulance/Emergency Medical Services

Electricity	\$ 260	
Total Ambulance/Emergency Medical Services		260

Regional Mental Health Center

Contributions	\$ 2,423	
Total Regional Mental Health Center		2,423

Appropriation to State

Contracts with Government Agencies	\$ 25,000	
Total Appropriation to State		25,000

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Communication	\$ 709	
Contributions	9,090	
Medical and Dental Services	1,170	
Printing, Stationery, and Forms	529	
Office Supplies	304	
Total Senior Citizens Assistance		11,802

Libraries

Contributions	\$ 21,604	
Total Libraries		21,604

Other Social, Cultural, and Recreational

Contributions	\$ 2,950	
Total Other Social, Cultural, and Recreational		2,950

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 16,935	
Secretary(ies)	6,301	
Social Security	1,778	
Other Fringe Benefits	2,701	
Communication	4,045	
Other Charges	286	
Total Agriculture Extension Service		32,046

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	6,883	
Communication		481	
Total Soil Conservation			\$ 7,364

Other Operations

Industrial Development

Contributions	\$	1,238	
Other Charges		28,227	
Total Industrial Development			29,465

Other Economic and Community Development

Other Contracted Services	\$	337,026	
Total Other Economic and Community Development			337,026

Other Charges

Licenses	\$	300	
Liability Insurance		38,693	
Trustee's Commission		22,061	
Workers' Compensation Insurance		31,635	
Total Other Charges			92,689

Employee Benefits

Social Security	\$	50,748	
State Retirement		30,503	
Unemployment Compensation		1,266	
Employer Medicare		11,311	
Total Employee Benefits			93,828

Miscellaneous

Postal Charges	\$	11,956	
Duplicating Supplies		10,299	
Other Charges		4,211	
Total Miscellaneous			26,466

Highways

Litter and Trash Collection

Laborers	\$	23,416	
Overtime Pay		93	
Accounting Services		2,098	
Other Supplies and Materials		2,631	

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection (Cont.)

Other Charges	\$	141	
Motor Vehicles		<u>1,285</u>	
Total Litter and Trash Collection	\$		29,664

Interest on Debt

General Government

Interest on Notes	\$	<u>2,627</u>	
Total General Government			<u>2,627</u>

Total General Fund \$ 1,905,836

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$	27,587	
Building Improvements		<u>13,797</u>	
Total County Buildings	\$		41,384

Public Safety

Jail

Maintenance & Repair Services - Buildings	\$	<u>1,880</u>	
Total Jail			1,880

Other Operations

Other Charges

Trustee's Commission	\$	<u>503</u>	
Total Other Charges			<u>503</u>

Total Courthouse & Jail Maintenance Fund 43,767

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Laborers	\$	24,096	
Overtime Pay		1,487	
Social Security		1,562	
Unemployment Compensation		333	
Employer Medicare		365	
Communication		1,342	
Other Contracted Services		55,040	

(Continued)

Exhibit G-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Electricity	\$	4,048	
Water and Sewer		924	
Other Supplies and Materials		478	
Trustee's Commission		1,264	
Other Charges		31,223	
Building Construction		<u>174,482</u>	
Total Convenience Centers	\$		296,644

Landfill Operation and Maintenance

Other Charges	\$	<u>6,755</u>	
Total Landfill Operation and Maintenance			6,755

Principal on Debt

General Government

Principal on Notes	\$	200,000	
Interest on Notes		<u>7,597</u>	
Total General Government			<u>207,597</u>

Total Solid Waste/Sanitation Fund \$ 510,996

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Medical Personnel	\$	189,314	
Part-time Personnel		2,472	
Overtime Pay		34,008	
In-Service Training		549	
Social Security		14,004	
State Retirement		7,451	
Unemployment Compensation		1,473	
Employer Medicare		3,275	
Communication		5,038	
Data Processing Services		12,274	
Dues and Memberships		793	
Maintenance & Repair Services - Buildings		40	
Maintenance & Repair Services - Equipment		641	
Maintenance & Repair Services - Vehicles		6,804	
Printing, Stationery, and Forms		309	
Custodial Supplies		49	
Data Processing Supplies		260	

(Continued)

Exhibit G-5

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

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Diesel Fuel	\$	12,528	
Drugs and Medical Supplies		13,437	
Electricity		3,015	
Equipment and Machinery Parts		225	
Natural Gas		1,502	
Office Supplies		15	
Uniforms		2,695	
Water and Sewer		1,108	
Other Supplies and Materials		574	
Trustee's Commission		4,966	
Vehicle and Equipment Insurance		14,500	
Other Charges		269	
Total Ambulance/Emergency Medical Services			\$ 333,588

Interest on Debt

General Government

Interest on Notes	\$	1,688	
Total General Government			1,688

Total Ambulance Service Fund \$ 335,276

Local Purpose Tax Fund

Public Safety

Fire Prevention and Control

Contributions	\$	75,000	
Building and Contents Insurance		18,185	
Communication Equipment		873	
Total Fire Prevention and Control			\$ 94,058

Other Operations

Other Charges

Trustee's Commission	\$	1,600	
Total Other Charges			1,600

Total Local Purpose Tax Fund 95,658

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	3,000	
---------------	----	-------	--

(Continued)

Exhibit G-5

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Maintenance & Repair Services - Vehicles	\$	4,101	
Other Supplies and Materials		298	
Law Enforcement Equipment		1,019	
Total Drug Enforcement			\$ 8,418

Other Operations

Other Charges

Trustee's Commission	\$	232	
Total Other Charges			232

Total Drug Control Fund \$ 8,650

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	49,002	
Assistant(s)		30,645	
Accountants/Bookkeepers		30,300	
Other Salaries & Wages		3,103	
Communication		1,145	
Dues and Memberships		1,803	
Legal Notices, Recording, and Court Costs		17	
Postal Charges		182	
Printing, Stationery, and Forms		301	
Travel		352	
Electricity		1,065	
Office Supplies		340	
Other Charges		28	
Total Administration			\$ 118,283

Highway and Bridge Maintenance

Equipment Operators	\$	53,540
Truck Drivers		80,404
Laborers		155,526
Other Contracted Services		399,426
Asphalt - Cold Mix		4,628
Crushed Stone		14,696
Pipe - Metal		56
Road Signs		3,113
Salt		29,089

(Continued)

Exhibit G-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Small Tools	\$	35	
Structural Steel		31	
Wood Products		15	
Other Charges		181	
Total Highway and Bridge Maintenance			\$ 740,740

Operation and Maintenance of Equipment

Mechanic(s)	\$	53,373	
Nightwatchmen		46,754	
Laundry Service		772	
Maintenance & Repair Services - Equipment		875	
Other Contracted Services		14,505	
Diesel Fuel		24,089	
Equipment and Machinery Parts		43,185	
Garage Supplies		246	
Gasoline		24,887	
Lubricants		6,543	
Propane Gas		1,396	
Small Tools		319	
Tires and Tubes		12,714	
Water and Sewer		508	
Other Supplies and Materials		425	
Other Charges		444	
Total Operation and Maintenance of Equipment			231,035

Quarry Operations

Communication	\$	1,753	
Operating Lease Payments		4,800	
Electricity		3,329	
Other Charges		125	
Total Quarry Operations			10,007

Other Charges

Liability Insurance	\$	18,073	
Premiums on Corporate Surety Bonds		400	
Trustee's Commission		13,341	
Workers' Compensation Insurance		67,065	
Total Other Charges			98,879

(Continued)

Exhibit G-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	38,473	
State Retirement		24,164	
Employee and Dependent Insurance		5,368	
Unemployment Compensation		982	
Other Fringe Benefits		<u>1,181</u>	
Total Employee Benefits	\$		70,168

Capital Outlay

Communication Equipment	\$	385	
Furniture and Fixtures		688	
Highway Equipment		14,226	
Motor Vehicles		8,000	
Office Equipment		<u>4,299</u>	
Total Capital Outlay			<u>27,598</u>

Total Highway/Public Works Fund \$ 1,296,710

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	64,965	
Principal on Capital Leases		<u>11,987</u>	
Total General Government	\$		76,952

Interest on Debt

General Government

Interest on Notes	\$	4,396	
Interest on Capital Leases		<u>433</u>	
Total General Government			4,829

Other Debt Service

General Government

Trustee's Commission	\$	<u>758</u>	
Total General Government			<u>758</u>

Total General Debt Service Fund 82,539

Total Governmental Funds - Primary Government \$ 4,279,432

Exhibit G-6

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 79,997
Total Cash Receipts	<u>\$ 79,997</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 79,197
Trustee's Commission	800
Total Cash Disbursements	<u>\$ 79,997</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
VAN BUREN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF VAN BUREN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

RODNEY MALIN, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Van Buren County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
BASIC FINANCIAL STATEMENTS:		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	D-1	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-2	18
Notes to the Financial Statements		19-35
REQUIRED SUPPLEMENTARY INFORMATION:		37
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget: General Purpose School Fund	E	39-40
Notes to the Required Supplementary Information		41
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		43
Nonmajor Governmental Funds:		45
Combining Balance Sheet	F-1	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	48

	Exhibit	Page(s)
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
School Federal Projects Fund	F-3	49
Central Cafeteria Fund	F-4	50
Miscellaneous Schedules:		51
Schedule of Changes in Long-term Other Loans and Bonds	G-1	53
Schedule of Bond and Interest Requirements by Year	G-2	54
Schedule of Transfers	G-3	55
Schedule of Salaries and Official Bonds of Principal Officials	G-4	56
Schedule of Detailed Revenues – All Governmental Fund Types	G-5	57-58
Schedule of Detailed Expenditures – All Governmental Fund Types	G-6	59-68

Audit Highlights

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

Scope

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

Results

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

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

Findings

The following is a summary of the audit findings:

- ◆ School Department officials did not maintain adequate controls over inventory. Some assets were not included on the inventory. Certain assets on the inventory were not identified by serial number or other specific identification, and the inventory was not verified by personnel independent of maintaining the inventory records.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

INTRODUCTORY SECTION

Van Buren County School Officials
June 30, 2006

Official

Neal O'Neal, Director of Schools

Board of Education

Ricky Walling, Chairman

Robert Delon

Tabitha Denney

J. W. Deweese

Tim Hodges

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

February 27, 2007

Van Buren County Director of Schools and
Board of Education
Van Buren County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Van Buren County School Department, a component unit of Van Buren County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Van Buren County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Van Buren County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Van Buren County School

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

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2007, on our consideration of the Van Buren 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 management of the Van Buren County School Department did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 39 through 41 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 Van Buren 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,



John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 1,722,166
Due from Other Governments	97,034
Property Taxes Receivable	587,932
Allowance for Uncollectible Property Taxes	(22,196)
Assets Not Depreciated:	
Land	102,406
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	4,719,542
Infrastructure	48,621
Other Capital Assets	477,140
Total Assets	<u>\$ 7,732,645</u>
<u>LIABILITIES</u>	
Accrued Interest Payable	\$ 4,910
Deferred Revenue - Current Property Taxes	527,671
Noncurrent Liabilities:	
Due Within One Year	173,000
Due in More Than One Year	1,436,000
Total Liabilities	<u>\$ 2,141,581</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 3,738,709
Restricted for:	
Other Purposes	1,344,668
Unrestricted	507,687
Total Net Assets	<u>\$ 5,591,064</u>

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 3,300,884	\$ 12,600	\$ 360,697	\$ 12,150	\$ (2,915,437)
Support Services	1,913,145	0	60,102	0	(1,853,043)
Operation of Non-Instructional Services	542,694	171,619	368,241	0	(2,834)
Interest on Long-term Debt	70,512	0	0	0	(70,512)
Other Debt Service	7,716	0	0	0	(7,716)
Total Governmental Activities	\$ 5,834,951	\$ 184,219	\$ 789,040	\$ 12,150	\$ (4,849,542)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 494,092
Local Option Sales Tax					378,607
Other Local Taxes					109,805
Grants and Contributions Not Restricted for Specific Programs					4,381,111
Interest Income					249
Miscellaneous					71,161
Total General Revenues					\$ 5,435,025
Change in Net Assets					\$ 585,483
Net Assets, July 1, 2005					5,005,581
Net Assets, June 30, 2006					\$ 5,591,064

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

Exhibit C-1

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,608,732	\$ 113,434	\$ 1,722,166
Due from Other Governments	89,606	7,428	97,034
Property Taxes Receivable	587,932	0	587,932
Allowance for Uncollectible Property Taxes	(22,196)	0	(22,196)
Total Assets	<u>\$ 2,264,074</u>	<u>\$ 120,862</u>	<u>\$ 2,384,936</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Deferred Revenue - Current Property Taxes	\$ 527,671	\$ 0	\$ 527,671
Deferred Revenue - Delinquent Property Taxes	37,012	0	37,012
Other Deferred Revenues	39,542	0	39,542
Total Liabilities	<u>\$ 604,225</u>	<u>\$ 0</u>	<u>\$ 604,225</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 18,376	\$ 0	\$ 18,376
Reserved for Career Ladder - Extended Contract	7,797	0	7,797
Reserved for Career Ladder Program	7,437	0	7,437
Reserved for Basic Education Program	1,287,433	0	1,287,433
Reserved for Title I Grants to Local Education Agencies	0	2,166	2,166
Reserved for Innovative Education Program Strategies	0	31	31
Reserved for Special Education - Grants to States	0	37,563	37,563
Other Federal Reserves	0	2,241	2,241
Unreserved, Reported In:			
General Fund	338,806	0	338,806
Special Revenue Funds	0	78,861	78,861
Total Fund Balances	<u>\$ 1,659,849</u>	<u>\$ 120,862</u>	<u>\$ 1,780,711</u>
Total Liabilities and Fund Balances	<u>\$ 2,264,074</u>	<u>\$ 120,862</u>	<u>\$ 2,384,936</u>

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

Exhibit C-2

Van Buren County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
Van Buren County School Department
For the Year Ended June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 1,780,711
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 102,406	
Add: infrastructure net of accumulated depreciation	48,621	
Add: buildings and improvements net of accumulated depreciation	4,719,542	
Add: other capital assets net of accumulated depreciation	<u>477,140</u>	5,347,709
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		
Less: bonds payable	\$ (255,000)	
Less: other loans payable	(1,354,000)	
Less: accrued interest on bonds and other loans	<u>(4,910)</u>	(1,613,910)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>76,554</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 5,591,064</u>

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

Exhibit D-1

Van Buren County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Van Buren 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	\$ 1,010,333	\$ 0	\$ 1,010,333
Licenses and Permits	195	0	195
Charges for Current Services	12,100	171,619	183,719
Other Local Revenues	27,772	44,974	72,746
State of Tennessee	4,332,514	5,396	4,337,910
Federal Government	43,682	729,877	773,559
Total Revenues	<u>\$ 5,426,596</u>	<u>\$ 951,866</u>	<u>\$ 6,378,462</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,759,763	\$ 368,931	\$ 3,128,694
Support Services	1,836,882	93,249	1,930,131
Operation of Non-Instructional Services	122,062	383,250	505,312
Capital Outlay	26,543	0	26,543
Debt Service:			
Principal on Debt	163,000	0	163,000
Interest on Debt	71,937	0	71,937
Other Debt Service	7,716	0	7,716
Total Expenditures	<u>\$ 4,987,903</u>	<u>\$ 845,430</u>	<u>\$ 5,833,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 438,693</u>	<u>\$ 106,436</u>	<u>\$ 545,129</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 13,100	\$ 0	\$ 13,100
Transfers Out	0	(13,100)	(13,100)
Total Other Financing Sources (Uses)	<u>\$ 13,100</u>	<u>\$ (13,100)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 451,793	\$ 93,336	\$ 545,129
Fund Balance, July 1, 2005	<u>1,208,056</u>	<u>27,526</u>	<u>1,235,582</u>
Fund Balance, June 30, 2006	<u>\$ 1,659,849</u>	<u>\$ 120,862</u>	<u>\$ 1,780,711</u>

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

Exhibit D-2

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

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

Net change in fund balances - total governmental funds (Exhibit D-1)	\$	545,129	
 (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	58,609	
Less: current year depreciation expense		<u>(228,038)</u>	(169,429)
 (2) The net effect of the receipt of donated capital assets is to increase net assets.			
			12,150
 (3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$	76,554	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(67,793)</u>	8,761
 (4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Add: principal payment on bonds	\$	75,000	
Add: principal payment on other loans		<u>88,000</u>	163,000
 (5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest on bonds	\$	1,425	
Change in compensated absences		<u>24,447</u>	<u>25,872</u>
Change in net assets of governmental activities (Exhibit B)	\$		<u><u>585,483</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Van Buren County School Department's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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 General Purpose School Fund for payments to be made early in the following year.

Property taxes for the year 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 of the School Department. It is used to account for general operations of the School Department.

Additionally, the School Department reports the following fund type:

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds of Van Buren County and the School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund. Van Buren 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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.11 percent of total taxes levied.

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

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-40
Other Capital Assets	5-20
Infrastructure	25

4. Compensated Absences

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end for professional personnel. However, the contract with the director of schools does permit him to accumulate earned but unused vacation benefits of 12 days per year. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded. The director of school's vacation pay is accrued when incurred in the government-wide financial statements for the School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

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

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

6. Net Assets and Fund Equity

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Exhibit D-2 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. 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 Van Buren 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, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Van Buren 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 schedule.

B. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the Van Buren County Commission in the Maintenance of Plant major appropriation category (the legal level of control) of the General Purpose School Fund by \$10,343. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Van Buren County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, 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.

Deposits

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

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

Investments

Legal Provisions. Van Buren County, the School Department's primary government, is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments at June 30, 2006.

B. Capital Assets

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

Governmental Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 90,256	\$ 12,150	\$ 102,406
Total Capital Assets Not Depreciated	\$ 90,256	\$ 12,150	\$ 102,406
Capital Assets Depreciated:			
Buildings and Improvements	\$ 6,877,975	\$ 21,519	\$ 6,899,494
Infrastructure	117,160	0	117,160
Other Capital Assets	786,597	37,090	823,687
Total Capital Assets Depreciated	\$ 7,781,732	\$ 58,609	\$ 7,840,341

Governmental Activities (Cont.):

	Balance 7-1-05	Increases	Balance 6-30-06
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 2,010,334	\$ 169,618	\$ 2,179,952
Infrastructure	63,674	4,865	68,539
Other Capital Assets	292,992	53,555	346,547
Total Accumulated Depreciation	<u>\$ 2,367,000</u>	<u>\$ 228,038</u>	<u>\$ 2,595,038</u>
Total Capital Assets Depreciated, Net	<u>\$ 5,414,732</u>	<u>\$ (169,429)</u>	<u>\$ 5,245,303</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,504,988</u>	<u>\$ (157,279)</u>	<u>\$ 5,347,709</u>

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

Governmental Activities:

Instruction	\$ 172,125
Support Services	<u>55,913</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 228,038</u>

C. Interfund Transfers

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

	<u>Transfers In</u>
	General Purpose School Fund
<u>Transfers Out</u>	
Nonmajor governmental funds	<u>\$ 13,100</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

General Obligation Bonds and Other Loans

Van Buren County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans 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 and other loans included in long-term debt as of June 30, 2006, will be retired from the General Purpose School Fund.

General obligation bonds 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	7.1 to 9.5 %	\$ 1,000,000	\$ 255,000
Other Loans	Variable	2,000,000	1,354,000

In prior years, Van Buren County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority issued variable rate bonds of \$2,000,000 and loaned the proceeds to Van Buren County for the construction of an elementary school. As of June 30, 2006, Van Buren County had borrowed the entire amount. This loan is repayable at a tax-exempt variable rate of interest determined by the remarking agent daily or weekly depending on the particular program. At June 30, 2006, the variable interest rate was four percent and other fees amounted to approximately .3 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal. In addition, a trustee fee is charged on this loan at \$100 per month.

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

Year Ending June 30	Bonds	
	Principal	Interest
2007	\$ 80,000	\$ 19,640
2008	85,000	13,520
2009	90,000	6,975
Total	\$ 255,000	\$ 40,135

Year Ending June 30	Other Loan (\$2,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 93,000	\$ 54,160	\$ 6,345	\$ 153,505
2008	98,000	50,440	5,992	154,432
2009	103,000	46,520	5,619	155,139
2010	109,000	42,400	5,228	156,628
2011	115,000	38,040	4,814	157,854
2012-2016	677,000	115,960	17,017	809,977
2017	159,000	6,360	1,804	167,164
Total	\$ 1,354,000	\$ 353,880	\$ 46,819	\$ 1,754,699

Bonded debt per capita totaled \$46, based on the 2000 federal census. Debt per capita, including bonds and other loans totaled \$292, 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	Compensated Absences
Balance, July 1, 2005	\$ 330,000	\$ 1,442,000	\$ 24,447
Deductions	(75,000)	(88,000)	(24,447)
Balance, June 30, 2006	\$ 255,000	\$ 1,354,000	\$ 0
Balance Due Within One Year	\$ 80,000	\$ 93,000	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 1,609,000
Less: Balance Due Within One Year	<u>(173,000)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 1,436,000</u>

V. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation.

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

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

B. Accounting Changes

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

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Van Buren County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the

comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Van Buren County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

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

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

C. Subsequent Events

Neal O'Neal retired from the Office of Director of Schools effective June 30, 2006. Cordell Crawford was appointed interim director on July 1, 2006, and served until September 21, 2006. Michael Martin was appointed director of schools effective September 22, 2006.

D. Contingent Liabilities

The School Department's attorney advised us there are no pending lawsuits in which the School Department is involved as of the date of this report.

E. Retirement Commitments

Plan Description

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

SCHOOL TEACHERS

Plan Description

The 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 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 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 \$161,383, \$165,931, and \$97,405, 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 to all professional employees who retire from the School Department with ten or more years of service. The employee must be eligible for retirement under the standards set by the state's retirement system, they must have taught for three consecutive

years prior to their first eligible retirement date, and they must have been enrolled in the Board-sponsored insurance plan for one full year prior to retirement. Benefits are determined based upon the employees' years of service with 100 percent for 30 years of service, 90 percent for 20 to 29 years of service, and 80 percent for ten to 20 years of service. Currently, ten school retirees receive benefits under this policy. During the year, expenditures totaling \$31,451 were recognized for post-employment health care.

G. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,010,333	\$ 0	\$ 1,010,333	\$ 999,360	\$ 999,360	\$ 10,973
Licenses and Permits	195	0	195	200	200	(5)
Charges for Current Services	12,100	0	12,100	12,000	12,000	100
Other Local Revenues	27,772	0	27,772	30,000	30,000	(2,228)
State of Tennessee	4,332,514	0	4,332,514	4,165,880	4,179,880	152,634
Federal Government	43,682	0	43,682	79,200	79,200	(35,518)
Total Revenues	\$ 5,426,596	\$ 0	\$ 5,426,596	\$ 5,286,640	\$ 5,300,640	\$ 125,956
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 2,342,579	\$ 0	\$ 2,342,579	\$ 2,564,270	\$ 2,564,270	\$ 221,691
Special Education Program	249,151	0	249,151	293,850	293,850	44,699
Vocational Education Program	134,212	0	134,212	172,550	172,550	38,338
Adult Education Program	33,821	0	33,821	37,910	37,910	4,089
<u>Support Services</u>						
Attendance	59,281	0	59,281	63,550	63,550	4,269
Health Services	44,867	0	44,867	46,740	46,740	1,873
Other Student Support	110,255	0	110,255	114,190	114,190	3,935
Regular Instruction Program	233,446	0	233,446	289,190	289,190	55,744
Special Education Program	47,166	0	47,166	65,000	65,000	17,834
Adult Programs	30,432	0	30,432	37,220	37,220	6,788
Board of Education	104,816	0	104,816	129,610	129,610	24,794
Director of Schools	104,113	0	104,113	106,600	106,600	2,487
Office of the Principal	224,224	0	224,224	236,000	236,000	11,776
Fiscal Services	80,014	0	80,014	86,050	86,050	6,036
Operation of Plant	419,894	0	419,894	441,820	441,820	21,926

(Continued)

Exhibit E

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Maintenance of Plant	\$ 123,427	\$ 18,376	\$ 141,803	\$ 97,460	\$ 131,460	\$ (10,343)
Transportation	254,947	0	254,947	311,900	291,900	36,953
<u>Operation of Non-Instructional Services</u>						
Community Services	61,316	0	61,316	65,750	65,750	4,434
Early Childhood Education	60,746	0	60,746	69,610	69,610	8,864
<u>Capital Outlay</u>						
Regular Capital Outlay	26,543	0	26,543	40,000	40,000	13,457
<u>Principal on Debt</u>						
Education	163,000	0	163,000	163,000	163,000	0
<u>Interest on Debt</u>						
Education	71,937	0	71,937	104,650	101,650	29,713
<u>Other Debt Service</u>						
Education	7,716	0	7,716	6,000	9,000	1,284
Total Expenditures	\$ 4,987,903	\$ 18,376	\$ 5,006,279	\$ 5,542,920	\$ 5,556,920	\$ 550,641
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 438,693	\$ (18,376)	\$ 420,317	\$ (256,280)	\$ (256,280)	\$ 676,597
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 13,100	\$ 0	\$ 13,100	\$ 8,000	\$ 8,000	\$ 5,100
Total Other Financing Sources (Uses)	\$ 13,100	\$ 0	\$ 13,100	\$ 8,000	\$ 8,000	\$ 5,100
Net Change in Fund Balance						
Fund Balance, July 1, 2005	\$ 451,793	\$ (18,376)	\$ 433,417	\$ (248,280)	\$ (248,280)	\$ 681,697
	1,208,056	0	1,208,056	1,035,141	1,035,141	172,915
Fund Balance, June 30, 2006	\$ 1,659,849	\$ (18,376)	\$ 1,641,473	\$ 786,861	\$ 786,861	\$ 854,612

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

A. 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 Van Buren 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, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Van Buren 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 schedule.

B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS

Expenditures and encumbrances exceeded appropriations approved by the Van Buren County Commission in the Maintenance of Plant major appropriation category (the legal level of control) of the General Purpose School Fund by \$10,343. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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.

Exhibit F-1

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

	<u>Special Revenue</u> <u>Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 42,001	\$ 71,433	\$ 113,434
Due from Other Governments	0	7,428	7,428
Total Assets	<u>\$ 42,001</u>	<u>\$ 78,861</u>	<u>\$ 120,862</u>
<u>FUND BALANCES</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 2,166	\$ 0	\$ 2,166
Reserved for Innovative Education Program Strategies	31	0	31
Reserved for Special Education - Grants to States	37,563	0	37,563
Other Federal Reserves	2,241	0	2,241
Unreserved	0	78,861	78,861
Total Fund Balances	<u>\$ 42,001</u>	<u>\$ 78,861</u>	<u>\$ 120,862</u>

Exhibit F-2

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

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 171,619	\$ 171,619
Other Local Revenues	40	44,934	44,974
State of Tennessee	0	5,396	5,396
Federal Government	486,393	243,484	729,877
Total Revenues	<u>\$ 486,433</u>	<u>\$ 465,433</u>	<u>\$ 951,866</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 368,931	\$ 0	\$ 368,931
Support Services	93,249	0	93,249
Operation of Non-Instructional Services	0	383,250	383,250
Total Expenditures	<u>\$ 462,180</u>	<u>\$ 383,250</u>	<u>\$ 845,430</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,253</u>	<u>\$ 82,183</u>	<u>\$ 106,436</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (13,100)	\$ 0	\$ (13,100)
Total Other Financing Sources (Uses)	<u>\$ (13,100)</u>	<u>\$ 0</u>	<u>\$ (13,100)</u>
Net Change in Fund Balances	\$ 11,153	\$ 82,183	\$ 93,336
Fund Balance, July 1, 2005	30,848	(3,322)	27,526
Fund Balance, June 30, 2006	<u>\$ 42,001</u>	<u>\$ 78,861</u>	<u>\$ 120,862</u>

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 40	\$ 0	\$ 0	\$ 40
Federal Government	486,393	470,322	471,079	15,314
Total Revenues	<u>\$ 486,433</u>	<u>\$ 470,322</u>	<u>\$ 471,079</u>	<u>\$ 15,354</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 244,970	\$ 240,385	\$ 247,612	\$ 2,642
Special Education Program	98,780	132,515	125,568	26,788
Vocational Education Program	25,181	22,682	25,182	1
<u>Support Services</u>				
Other Student Support	0	3,000	0	0
Regular Instruction Program	42,575	50,142	44,260	1,685
Special Education Program	49,684	53,930	61,634	11,950
Vocational Education Program	990	990	990	0
Total Expenditures	<u>\$ 462,180</u>	<u>\$ 503,644</u>	<u>\$ 505,246</u>	<u>\$ 43,066</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,253</u>	<u>\$ (33,322)</u>	<u>\$ (34,167)</u>	<u>\$ 58,420</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (13,100)	\$ (13,905)	\$ (13,219)	\$ 119
Total Other Financing Sources (Uses)	<u>\$ (13,100)</u>	<u>\$ (13,905)</u>	<u>\$ (13,219)</u>	<u>\$ 119</u>
Net Change in Fund Balance	\$ 11,153	\$ (47,227)	\$ (47,386)	\$ 58,539
Fund Balance, July 1, 2005	<u>30,848</u>	<u>47,386</u>	<u>47,386</u>	<u>(16,538)</u>
Fund Balance, June 30, 2006	<u>\$ 42,001</u>	<u>\$ 159</u>	<u>\$ 0</u>	<u>\$ 42,001</u>

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 171,619	\$ 171,800	\$ 171,800	\$ (181)
Other Local Revenues	44,934	700	700	44,234
State of Tennessee	5,396	5,500	5,500	(104)
Federal Government	243,484	241,000	241,000	2,484
Total Revenues	<u>\$ 465,433</u>	<u>\$ 419,000</u>	<u>\$ 419,000</u>	<u>\$ 46,433</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 383,250	\$ 419,000	\$ 419,000	\$ 35,750
Total Expenditures	<u>\$ 383,250</u>	<u>\$ 419,000</u>	<u>\$ 419,000</u>	<u>\$ 35,750</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 82,183</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 82,183</u>
Net Change in Fund Balance	\$ 82,183	\$ 0	\$ 0	\$ 82,183
Fund Balance, July 1, 2005	<u>(3,322)</u>	<u>184</u>	<u>184</u>	<u>(3,506)</u>
Fund Balance, June 30, 2006	<u>\$ 78,861</u>	<u>\$ 184</u>	<u>\$ 184</u>	<u>\$ 78,677</u>

MISCELLANEOUS SCHEDULES

Exhibit G-1

Van Buren County, Tennessee
Schedule of Changes in Long-term Other Loans and Bonds
Van Buren County School Department
For the Year Ending June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>OTHER LOANS PAYABLE</u>							
<u>Public Building Authority Loan Agreement</u>							
<u>Payable through General Purpose School Fund</u>							
School	\$ 2,000,000	Variable	6-30-1997	5-15-17	\$ 1,442,000	\$ 88,000	\$ 1,354,000
<u>BONDS PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School	1,000,000	7.1 to 9.5 %	4-1-1989	4-1-09	\$ 330,000	\$ 75,000	\$ 255,000

Exhibit G-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 80,000	\$ 19,640	\$ 99,640
2008	85,000	13,520	98,520
2009	90,000	6,975	96,975
Total	<u>\$ 255,000</u>	<u>\$ 40,135</u>	<u>\$ 295,135</u>

Exhibit G-3

Van Buren County, Tennessee
Schedule of Transfers
Van Buren County School Department
For the Year Ending 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	<u>\$ 13,100</u>

Exhibit G-4

Van Buren County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Van Buren County School Department
For the Year Ending June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Van Buren County Board of Education	\$ 81,618	\$ 50,000	Auto Owners Insurance
Public Employees Blanket Bond: School Employees			150,000	Tennessee School Boards Risk Management Trust

Exhibit G-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 438,600	\$ 0	\$ 0	\$ 438,600
Trustee's Collections - Prior Year	29,477	0	0	29,477
Circuit/Clerk & Master Collections - Prior Years	10,181	0	0	10,181
Interest and Penalty	5,677	0	0	5,677
Pick-up Taxes	2,203	0	0	2,203
Payments in-Lieu-of Taxes - T.V.A.	5,404	0	0	5,404
Payments in-Lieu-of Taxes - Local Utilities	31,186	0	0	31,186
<u>County Local Option Taxes</u>				
Local Option Sales Tax	377,877	0	0	377,877
Hotel/Motel Tax	108,805	0	0	108,805
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	923	0	0	923
Total Local Taxes	\$ 1,010,333	\$ 0	\$ 0	\$ 1,010,333
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 195	\$ 0	\$ 0	\$ 195
Total Licenses and Permits	\$ 195	\$ 0	\$ 0	\$ 195
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 81,200	\$ 81,200
Lunch Payments - Adults	0	0	8,311	8,311
Income from Breakfast	0	0	22,429	22,429
Special Milk Sales	0	0	148	148
A la carte Sales	0	0	59,531	59,531
Receipts from Individual Schools	12,100	0	0	12,100
Total Charges for Current Services	\$ 12,100	\$ 0	\$ 171,619	\$ 183,719
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 249	\$ 249
Lease/Rentals	500	0	0	500
Miscellaneous Refunds	24,365	40	44,685	69,090
<u>Nonrecurring Items</u>				
Sale of Equipment	719	0	0	719
Damages Recovered from Individuals	1,157	0	0	1,157
Contributions & Gifts	1,031	0	0	1,031
Total Other Local Revenues	\$ 27,772	\$ 40	\$ 44,934	\$ 72,746
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 4,011,816	\$ 0	\$ 0	\$ 4,011,816
School Food Service	0	0	5,396	5,396
Other State Education Funds	136,577	0	0	136,577
Career Ladder Program	51,315	0	0	51,315
Career Ladder - Extended Contract	28,381	0	0	28,381

(Continued)

Exhibit G-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	\$ 104,425	\$ 0	\$ 0	\$ 104,425
Total State of Tennessee	\$ 4,332,514	\$ 0	\$ 5,396	\$ 4,337,910
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 166,645	\$ 166,645
Breakfast	0	0	76,839	76,839
Adult Education State Grant Program	28,988	0	0	28,988
Vocational Education - Basic Grants to States	0	26,172	0	26,172
Title I Grants to Local Education Agencies	0	200,222	0	200,222
Innovative Education Program Strategies	0	27,027	0	27,027
Special Education - Grants to States	0	165,857	0	165,857
Special Education Preschool Grants	0	5,974	0	5,974
Eisenhower Professional Development State Grants	0	56,055	0	56,055
Other Federal through State	14,694	5,086	0	19,780
Total Federal Government	\$ 43,682	\$ 486,393	\$ 243,484	\$ 773,559
Total	\$ 5,426,596	\$ 486,433	465,433	\$ 6,378,462

Exhibit G-6

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	1,678,770	
Career Ladder Program		21,815	
Career Ladder Extended Contracts		14,921	
Homebound Teachers		4,274	
Educational Assistants		74,867	
Other Salaries & Wages		652	
Non-certified Substitute Teachers		44,273	
Social Security		104,463	
State Retirement		97,871	
Medical Insurance		113,039	
Unemployment Compensation		2,991	
Employer Medicare		24,431	
Contracts with Other School Systems		16,275	
Maintenance & Repair Services - Equipment		565	
Instructional Supplies and Materials		16,806	
Textbooks		50,486	
Other Supplies and Materials		891	
Other Charges		2,792	
Regular Instruction Equipment		72,397	
Total Regular Instruction Program			\$ 2,342,579

Special Education Program

Teachers	\$	203,003	
Career Ladder Program		3,000	
Social Security		11,165	
State Retirement		11,080	
Medical Insurance		16,251	
Unemployment Compensation		100	
Employer Medicare		2,604	
Maintenance & Repair Services - Equipment		134	
Other Supplies and Materials		1,000	
Other Charges		814	
Total Special Education Program			249,151

Vocational Education Program

Teachers	\$	109,244
Career Ladder Program		1,000
Social Security		6,407
State Retirement		6,118

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Medical Insurance	\$	6,029	
Unemployment Compensation		140	
Employer Medicare		1,498	
Tuition		3,265	
Other Charges		511	
Total Vocational Education Program			\$ 134,212

Adult Education Program

Teachers	\$	26,293	
Social Security		1,507	
State Retirement		1,446	
Medical Insurance		1,335	
Unemployment Compensation		40	
Employer Medicare		352	
Instructional Supplies and Materials		285	
Other Charges		563	
Other Equipment		2,000	
Total Adult Education Program			33,821

Support Services

Attendance

Supervisor/Director	\$	51,259	
Career Ladder Program		1,000	
Social Security		3,200	
State Retirement		2,874	
Unemployment Compensation		40	
Employer Medicare		748	
Other Supplies and Materials		160	
Total Attendance			59,281

Health Services

Medical Personnel	\$	33,784	
Social Security		1,707	
State Retirement		1,740	
Medical Insurance		5,109	
Employer Medicare		399	
Drugs and Medical Supplies		1,189	
Other Supplies and Materials		219	
Other Charges		720	
Total Health Services			44,867

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		90,600	
Social Security		5,476	
State Retirement		5,093	
Medical Insurance		2,200	
Unemployment Compensation		80	
Employer Medicare		1,281	
Evaluation and Testing		3,525	
Total Other Student Support			\$ 110,255

Regular Instruction Program

Supervisor/Director	\$	57,539	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		10,000	
Librarians		75,353	
Instructional Computer Personnel		40,902	
Other Salaries & Wages		3,248	
Social Security		11,665	
State Retirement		10,474	
Medical Insurance		3,098	
Unemployment Compensation		50	
Employer Medicare		2,728	
Maintenance & Repair Services - Equipment		98	
Travel		2,867	
Library Books/Media		7,138	
Other Supplies and Materials		186	
In Service/Staff Development		1,929	
Other Charges		150	
Other Equipment		21	
Total Regular Instruction Program			233,446

Special Education Program

Supervisor/Director	\$	25,989
Career Ladder Program		2,000
Psychological Personnel		10,989
Clerical Personnel		295
Social Security		2,436
State Retirement		2,398
Medical Insurance		1,298

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	570	
Travel		1,191	
Total Special Education Program			\$ 47,166

Adult Programs

Supervisor/Director	\$	14,718	
Career Ladder Program		1,000	
Social Security		897	
State Retirement		865	
Medical Insurance		865	
Employer Medicare		210	
Travel		46	
In Service/Staff Development		876	
Other Charges		2,955	
Other Equipment		8,000	
Total Adult Programs			30,432

Board of Education

Board and Committee Members Fees	\$	2,400	
Social Security		149	
Medical Insurance		31,451	
Employer Medicare		35	
Audit Services		2,500	
Dues and Memberships		2,667	
Travel		252	
Other Contracted Services		1,250	
Trustee's Commission		25,099	
Workers' Compensation Insurance		39,013	
Total Board of Education			104,816

Director of Schools

County Official/Administrative Officer	\$	81,618	
Social Security		4,855	
State Retirement		4,489	
Medical Insurance		2,191	
Employer Medicare		1,135	
Communication		6,933	
Dues and Memberships		713	
Postal Charges		1,139	

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Office Supplies	\$ 874	
Other Charges	166	
Total Director of Schools	\$ 1,040	\$ 104,113

Office of the Principal

Principals	\$ 104,610	
Career Ladder Program	3,000	
Assistant Principals	45,425	
Secretary(ies)	35,724	
Social Security	10,655	
State Retirement	10,257	
Medical Insurance	10,872	
Unemployment Compensation	110	
Employer Medicare	2,492	
Other Supplies and Materials	79	
Administration Equipment	1,000	
Total Office of the Principal	224,224	224,224

Fiscal Services

Accountants/Bookkeepers	\$ 29,720	
Secretary(ies)	27,708	
Social Security	3,502	
State Retirement	2,958	
Employer Medicare	819	
Data Processing Services	5,711	
Other Contracted Services	1,302	
Data Processing Supplies	1,324	
Office Supplies	863	
Other Charges	132	
Administration Equipment	5,975	
Total Fiscal Services	80,014	80,014

Operation of Plant

Custodial Personnel	\$ 109,616
Social Security	6,764
State Retirement	5,351
Unemployment Compensation	500
Employer Medicare	1,582
Janitorial Services	1,645

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Disposal Fees	\$	15,671	
Other Contracted Services		5,996	
Custodial Supplies		5,583	
Electricity		119,397	
Natural Gas		57,584	
Water and Sewer		19,402	
Other Supplies and Materials		1,785	
Building and Contents Insurance		64,514	
Other Charges		847	
Plant Operation Equipment		3,657	
Total Operation of Plant			\$ 419,894

Maintenance of Plant

Supervisor/Director	\$	29,937	
Social Security		1,856	
State Retirement		1,542	
Unemployment Compensation		40	
Employer Medicare		434	
Communication		370	
Maintenance & Repair Services - Buildings		14,936	
Maintenance & Repair Services - Equipment		22,575	
Other Contracted Services		11,855	
Other Supplies and Materials		14,493	
Other Charges		17,218	
Maintenance Equipment		8,171	
Total Maintenance of Plant			123,427

Transportation

Mechanic(s)	\$	30,664	
Bus Drivers		92,549	
Other Salaries & Wages		8,095	
Social Security		8,029	
State Retirement		6,580	
Unemployment Compensation		390	
Employer Medicare		1,878	
Communication		381	
Gasoline		43,885	
Lubricants		1,343	
Tires and Tubes		4,995	

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Vehicle Parts	\$	12,354	
Other Supplies and Materials		3,941	
Other Charges		26,431	
Transportation Equipment		13,432	
Total Transportation			\$ 254,947

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	49,766	
Social Security		2,608	
State Retirement		2,737	
Medical Insurance		5,491	
Employer Medicare		610	
Food Supplies		42	
Other Charges		62	
Total Community Services			61,316

Early Childhood Education

Teachers	\$	32,579	
Educational Assistants		17,104	
Social Security		2,665	
State Retirement		2,673	
Medical Insurance		5,032	
Employer Medicare		623	
Other Charges		70	
Total Early Childhood Education			60,746

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	19,813	
Furniture and Fixtures		1,298	
Site Development		5,432	
Total Regular Capital Outlay			26,543

Principal on Debt

Education

Principal on Bonds	\$	75,000	
Principal on Other Loans		88,000	
Total Education			163,000

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Bonds	\$	25,340	
Interest on Other Loans		46,597	
Total Education			\$ 71,937

Other Debt Service

Education

Other Debt Service	\$	7,716	
Total Education			7,716

Total General Purpose School Fund \$ 4,987,903

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	199,387	
Social Security		12,362	
State Retirement		10,966	
Medical Insurance		6,389	
Employer Medicare		2,891	
Instructional Supplies and Materials		1,670	
Library Books/Media		7,104	
Other Charges		4,201	
Total Regular Instruction Program			\$ 244,970

Special Education Program

Educational Assistants	\$	76,176	
Social Security		4,723	
State Retirement		3,916	
Employer Medicare		1,112	
Contracts with Private Agencies		10,943	
Instructional Supplies and Materials		603	
Other Supplies and Materials		1,307	
Total Special Education Program			98,780

Vocational Education Program

Travel	\$	47	
Instructional Supplies and Materials		452	
Other Charges		1,640	
Vocational Instruction Equipment		23,042	
Total Vocational Education Program			25,181

(Continued)

Exhibit G-6

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

School Federal Projects Fund (Cont.)

Support Services

Regular Instruction Program

Travel	\$	490	
Library Books/Media		4,836	
In Service/Staff Development		12,693	
Other Charges		505	
Other Equipment		24,051	
Total Regular Instruction Program	\$		42,575

Special Education Program

Psychological Personnel	\$	15,000	
Clerical Personnel		936	
Other Salaries & Wages		24,217	
Social Security		2,490	
State Retirement		2,206	
Employer Medicare		582	
Travel		2,396	
Other Supplies and Materials		1,317	
In Service/Staff Development		540	
Total Special Education Program			49,684

Vocational Education Program

Supervisor/Director	\$	990	
Total Vocational Education Program			990

Total School Federal Projects Fund \$ 462,180

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	29,438	
Cafeteria Personnel		117,172	
Social Security		8,964	
State Retirement		7,325	
Unemployment Compensation		468	
Employer Medicare		2,096	
Communication		853	
Maintenance & Repair Services - Equipment		5,431	
Travel		371	
Other Contracted Services		3,192	
Food Preparation Supplies		8,218	

(Continued)

Exhibit G-6

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Food Supplies	\$ 192,273	
Office Supplies	473	
Other Supplies and Materials	1,377	
In Service/Staff Development	170	
Other Charges	1,253	
Food Service Equipment	4,176	
Total Food Service	<u>383,250</u>	\$ 383,250

Total Central Cafeteria Fund \$ 383,250

Total Governmental Funds - Van Buren County School Department \$ 5,833,333

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

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

RODNEY MALIN, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

SINGLE AUDIT REPORT TABLE OF CONTENTS

	Page(s)
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1-2
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	3-5
Schedule of Expenditures of Federal Awards and State Grants	7-8
Schedule of Audit Findings Not Corrected	9-10
Schedule of Findings and Questioned Costs	11-23
Auditee Reporting Responsibilities	25



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

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

February 27, 2007

Van Buren County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Van Buren 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 Van Buren County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Van Buren County School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Van Buren County's and the Van Buren County School Department's basic financial statements and have issued our reports thereon dated February 27, 2007. Our report on the financial statements of Van Buren County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Van Buren County School Department expresses an unqualified opinion. 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 Van Buren County's and the Van Buren 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 Van Buren County's and the Van Buren County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03, 06.05, 06.06, 06.07, 06.09(A,B,C), 06.10(C), 06.12, 06.13, 06.15, and 06.16.

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 items described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Buren County's and the Van Buren County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.04, 06.08, 06.09(D), 06.10(A,B), 06.11, and 06.14.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



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

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

February 27, 2007

Van Buren County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Van Buren County, Tennessee

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

Compliance

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

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

Internal Control Over Compliance

The management of Van Buren County and the Van Buren 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 Van Buren County's and the Van Buren 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 Van Buren County's and the Van Buren 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 06.16 and 06.17.

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 Van Buren County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Van Buren County School Department as of and for the year ended June 30, 2006, and have issued our reports

thereon dated February 27, 2007. Our report on the financial statements of Van Buren County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Van Buren County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

Van Buren County, Tennessee, and the Van Buren 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	\$ 21,061
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	72,021
National School Lunch Program	10.555	N/A	164,095
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	N/A	7,368
Total U.S. Department of Agriculture			\$ 264,545
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant - State's Program	14.228	GG-05-11766-00	\$ 337,026
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-06-002654-00	\$ 9,000
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-02783-00	\$ 28,988
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	207,479
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	147,237
Special Education - Grants to States - Preschool	84.173	N/A	6,731
Vocational Education - Basic Grants to States	84.048	N/A	26,171
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	4,033
State Grants for Innovative Programs	84.298	N/A	4,912
Education Technology State Grants	84.318	(2)	5,205
Rural Education	84.358	(2)	24,331
Improving Teacher Quality State Grants	84.367	N/A	51,431
Total U.S. Department of Education			\$ 506,518
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-06-02723-10	\$ 8,694
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	(2)	\$ 6,000
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(3)	\$ 30,873
Total Expenditures of Federal Awards			\$ 1,162,656

(Continued)

Van Buren County, Tennessee, and the Van Buren 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	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 3,076
Litter Program - State Department of Transportation	N/A	(2)	26,530
Local Health Services - State Department of Health	N/A	(2)	2,783
Adult Basic Education - State Department of Education	N/A	(2)	7,705
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	18,500
Waste Reduction Grant - State Department of Environment and Conservation	N/A	(2)	65,000
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	199,892
Safe Schools Act - State Department of Education	N/A	(2)	14,426
Families First - State Department of Labor and Workforce Development	N/A	(2)	16,146
Family Resource Center - State Department of Education	N/A	(2)	<u>33,300</u>
 Total State Grants			 <u>\$ 387,358</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 was not available.
- (3) Z-03-017809-00: \$30,000; Z-04-020154-01: \$873

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

VAN BUREN COUNTY

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

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.03(B,C)	13	Payroll deduction accounts were not reconciled with subsidiary payroll records, and revenues and expenditures were coded to accounts that did not reflect the true nature of the transactions
05.04(A,B,C,E)	14	The office did not issue purchase orders for some applicable purchases; in some instances, invoices were not on file to support purchases; several invoices were paid without documentation that goods had been received or services had been rendered; and several travel payments were made without supervisory review or approval
05.06	16	Solid waste collections were not deposited within three days of receipt
05.08(A,B,F)	17	Written contracts were not maintained for cleaning and environmental services, work orders were not compared with invoices submitted by the county's maintenance contractor to ensure the services requested were the services performed, and the maintenance and cleaning services were not competitively bid

OFFICE OF COUNTY MAYOR (Cont.)

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.10(A,C,D)	20	Funds were not deposited to the office bank account within three days of collection; in several instances, receipts were not issued at all or were issued well after the funds were received; and trip tickets were not prenumbered
05.11	21	Tax anticipation notes were not retired in compliance with state statute
05.12	21	Inventory records were not maintained

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.15	23	The School Department did not properly maintain its inventory records and control over assets

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.17	24	The office did not comply with its personnel policy

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.18	24	A central system of accounting, budgeting, and purchasing had not been adopted
05.19	25	Duties were not segregated adequately in the Offices of County Mayor, Road Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

**VAN BUREN COUNTY, TENNESSEE, AND THE
VAN BUREN COUNTY SCHOOL DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Van Buren County, and an unqualified opinion was issued on the financial statements of the Van Buren County School Department.
2. The audit of the financial statements of Van Buren County and the Van Buren County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Van Buren County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Van Buren 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 Community Development Block Grant – State's Program (CFDA No. 14.228), 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. Van Buren County and the Van Buren 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. Written responses of the current county mayor and the current 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.

VAN BUREN COUNTY

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

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

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

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 06.02 **A CASH SHORTAGE TOTALING \$7,428.26 EXISTED IN THE COUNTY MAYOR'S OFFICE AT JANUARY 25, 2007 (Internal Control – Reportable Condition Under Government Auditing Standards)**

During the year examined, the County Mayor's Office applied for a business credit card account and received three credit cards. The account was in the name of County Mayor Carolyn Houston/Van Buren County, and the billing address was the Van Buren County Mayor's Office. The approved credit card application was not signed by the county mayor, but by the mayor's administrative assistant. The application listed the authorized card users as the county mayor, the ambulance service director, and the mayor's administrative assistant.

Purchases began to appear on credit card statements in April 2006. However, the county has made no payments for charges made on this account as of the date of this report. The county mayor relied upon the administrative assistant for the administration of the office and did not ensure that the invoices were reviewed, approved, and paid currently. All purchases were made on the card assigned to the mayor's administrative assistant, while the other two cards were never used. Our review of the credit card statements indicated that the purchases did not appear to be for county business purposes, but were for the personal use of the administrative assistant.

County Mayor Carolyn Houston was defeated in the August 2006 general election, and sometime during that month, the credit card company, purportedly at the request of the administrative assistant, changed the billing address on the account from the county's address to the administrative assistant's personal residence. The administrative assistant maintained possession of his card and continued to use the account even after he had left the county's employment due to the change in administration.

On October 2, 2006, incumbent County Mayor Kelly Dishman became aware of this credit card account and requested copies of all statements from the credit card company. He also requested that the credit card company confiscate the former administrative assistant's card if it was used again. On October 3, 2006, the card was confiscated when the former administrative assistant attempted to use the card in Ft. Lauderdale, Florida. Subsequently, the account was closed, and the outstanding balance on the business account was transferred to another account in the name of the county and the current county mayor. The credit card company is now demanding payment from the county for the outstanding balance.

For the period April 20, 2006, to October 3, 2006, charges on the business credit card account totaled \$9,293.64, and payments made by the former administrative assistant from personal funds totaled \$2,857.32. On January 25, 2007, the balance on the credit card account was \$7,428.26, including finance charges of \$991.94. At June 30, 2006, the outstanding balance on the account was \$2,896.72 and has been reflected in the General Fund as a cash shortage in the financial statements of this report.

This finding has been discussed with the district attorney general.

RECOMMENDATION

County officials should liquidate the liability to stop interest charges from accruing on this county credit card account created from the unauthorized use of the card. Officials should pursue legal avenues to recover the costs associated with the unauthorized charges made by the former administrative assistant, including filing a claim with the county's bonding company. Furthermore, written guidelines should be adopted governing the use of credit cards.

FINDING 06.03 **THE SOLID WASTE/SANITATION FUND HAD A FUND DEFICIT AND A CASH OVERDRAFT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

At June 30, 2006, the Solid Waste/Sanitation Fund had a fund deficit of \$585 resulting from expenditures exceeding available funding and a cash overdraft of \$14,257 from the issuance of warrants that exceeded cash on deposit with the county trustee. Subsequent to June 30, 2006, the fund deficit and cash overdraft were liquidated.

RECOMMENDATION

County officials should take steps to ensure that the fund deficit does not recur, and should not issue warrants exceeding cash on deposit with the county trustee.

FINDING 06.04 **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the General Fund (\$312,742), the Solid Waste/Sanitation Fund (\$23,827), and the Drug Control Fund (\$350). Also, expenditures exceeded appropriations in the Interest - General Government major appropriation category (the legal level of control) by \$1,688 in the Ambulance Service Fund. Such overexpenditures are a violation of state statute.

RECOMMENDATION

Expenditures and encumbrances should be held within appropriations approved by the County Commission in accordance with state law.

FINDING 06.05

THE OFFICE HAD ACCOUNTING DEFICIENCIES

(Internal Control – Reportable Condition Under Government Auditing Standards)

The following accounting deficiencies were noted in the County Mayor’s Office:

- A. Receivables and payables were not properly determined and recorded on the accounting records of the funds administered by the office at June 30, 2006, as required by generally accepted accounting principles. We performed additional audit procedures to properly determine the balances of receivables and payables at June 30, 2006. As a result of these procedures, adjustments were presented to management for approval and posting to properly reflect these accounts for the various funds in the financial statements of this report.
- B. General ledger payroll liability accounts for the General, Solid Waste/Sanitation, and Ambulance Service Funds were not reconciled with subsidiary payroll records and payments on a monthly basis. As a result, unidentified balances accumulated in the withholding accounts for social security, income tax, and state retirement. The failure to regularly reconcile payroll deduction accounts allows certain errors to remain undiscovered and uncorrected. Subsequent to June 30, 2006, a financial consultant, hired by management, reviewed these payroll liability accounts and recommended adjustments to correct these accounts for financial statement presentation.
- C. Reservations of fund balance were reflected in the financial statements of the General Fund at June 30, 2006; however, the office did not provide an analysis or other documentation to support the balances reserved. An analysis is necessary for each reservation of fund balance to document the unexpended amount of any legally restricted revenue.
- D. Several revenues and expenditures were coded to accounts that did not reflect the true nature of the transactions. Adjustments were presented to management for approval and posting to properly reflect these revenues and expenditures in the financial statements of this report.

RECOMMENDATION

Receivables and payables for all funds administered by the county mayor should be determined and recorded on the accounting records in accordance with generally accepted accounting principles. General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly. Also, county officials should properly determine, record, and document all reservations of fund balance. Furthermore, revenues and expenditures should be posted to the accounts that most appropriately reflect the true nature of the transactions.

FINDING 06.06 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following purchasing deficiencies:

- A. The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. Furthermore, our examination disclosed that the date of issuance and dollar amounts of purchases were not listed on some purchase orders.
- B. In some instances, invoices were not on file to support the purchases. We extended our audit procedures and determined that these disbursements were for the benefit of the county.
- C. Several invoices were paid without documentation that goods had been received or services had been rendered. This practice could result in the county paying for items not received or paying invoices more than once. We extended our audit procedures and determined that these goods and services were received.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases including the date of issuance and the dollar amounts of items purchased. Invoices should be on file to support all purchases. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid.

FINDING 06.07 THE OFFICE HAD DEFICIENCIES IN THE REIMBURSEMENT OF TRAVEL CLAIMS
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of the office's travel reimbursements revealed the following deficiencies:

- A. The County Commission had not adopted formal policies and procedures governing travel reimbursements for county employees. During the period examined, the county used several different methods to reimburse employees for travel expenses. Without a formal travel policy, employees have no limitations placed on their mileage, lodging, and meal expenses.
- B. In several instances, travel reimbursements were paid without prior supervisory review and approval.

- C. In some instances, documentation was not available to support reimbursements for lodging.

RECOMMENDATION

The County Commission should adopt formal policies and procedures for payment of travel expenses. These policies and procedures should establish maximum limits for the reimbursement of mileage, lodging, meals, and other travel expenses. All travel reimbursement requests should be properly reviewed and approved by supervisory personnel. Travel reimbursements should not be made without proper supporting documentation.

FINDING 06.08 **SOLID WASTE COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT**
(Noncompliance Under Government Auditing Standards)

Solid waste funds collected at the convenience centers were not deposited with the county trustee within three days of collection as required by Section 5-8-207, Tennessee Code Annotated.

RECOMMENDATION

Collections at the convenience centers should be deposited with the county trustee within three days of receipt as required by state statute.

FINDING 06.09 **THE OFFICE HAD DEFICIENCIES IN CONTRACTS FOR MAINTENANCE, ENVIRONMENTAL, AND FLOOR WAXING SERVICES**
(A., B., and C. Internal Control – Reportable Condition Under Government Auditing Standards; D. Noncompliance Under Government Auditing Standards)

The office had the following deficiencies in its contracts for maintenance, environmental, and floor waxing services:

- A. Written contracts were not maintained to support payments for floor waxing (\$10,010) and environmental services (\$10,800). The written contract for maintenance services was dated July 1, 2005, but was not signed by the vendor and the county until February 27, 2006.
- B. The maintenance vendor performed services for the county based upon work orders issued by county personnel describing the required work. The vendor signed the work orders upon completion of the projects; however, these work orders were not compared with the invoices submitted by the vendor before the invoices were paid to ensure that the services requested were the services

performed. Also, no work orders were on hand to support invoices submitted by the vendor showing work performed from July 1, 2005 thru October 14, 2005.

- C. Invoices provided by the county's maintenance vendor included total travel expenses of \$339; however, the maintenance contract between the county and the vendor specifically states that no compensation for the use of the vendor's personal vehicle will be paid. Also, these invoices included a total of \$385 of out-of-pocket expenses which were reimbursed by the county; however, no receipts or other documentation of these expenses were included with the invoice as required by the maintenance contract.
- D. Maintenance (\$10,661), environmental (\$10,800), and floor waxing (\$10,010) services were not competitively bid. Chapter 36, Private Acts of 1973, and Chapter 111, Private Acts of 1986, require competitive bids to be solicited on all purchases exceeding \$2,500.

RECOMMENDATION

Written contracts should be maintained to support payments made to independent contractors for floor waxing and environmental services. Invoices from vendors should be compared with completed work orders prior to payment, and all payments should be made in accordance with provisions of the written contract. Also, maintenance, cleaning, and environmental services exceeding \$2,500 should be competitively bid.

FINDING 06.10 DEFICIENCIES WERE NOTED IN AMBULANCE SERVICE OPERATIONS
(A. and B. Noncompliance Under Government Auditing Standards;
C. Internal Control – Reportable Conditions Under Government Auditing Standards)

Our examination of Ambulance Service operations revealed the following deficiencies:

- A. Funds were not deposited to the office bank account within three days of collection. Section 5-8-207, Tennessee Code Annotated (TCA), requires county officials to deposit all public funds to the office bank account within three days of collection.
- B. In several instances, receipts were either not issued as required by Section 9-2-103, TCA, or were issued well after the funds had been received. Officials advised that the bookkeeper works part-time, and she is the only person who writes receipts; therefore, collections remained in the office unreceipted and undeposited.
- C. Trip tickets used by the Ambulance Service were not prenumbered. It should be noted that the Ambulance Service uses a sequential number stamper to

number trip tickets. However, the use of this sequential number stamper does not necessarily ensure a proper accounting of unnumbered trip tickets.

RECOMMENDATION

Ambulance Service funds should be deposited within three days of collection, and receipts should be issued when collections are received as required by state statutes. Also, prenumbered trip tickets should be utilized.

FINDING 06.11 **TAX ANTICIPATION NOTES WERE NOT RETIRED IN COMPLIANCE WITH STATE STATUTE**
(Material Noncompliance Under Government Auditing Standards)

On September 18, 2003, the General Fund borrowed \$65,000 from the General Debt Service Fund to provide cash for operations. This note should have been retired by June 30, 2004, but was still outstanding as of June 30, 2006. Section 9-21-801, Tennessee Code Annotated, provides that tax anticipation notes shall mature not later than the close of the fiscal year issued. This note has been reflected in the financial statements of this report as a current note receivable in the General Debt Service Fund and a current note payable in the General Fund.

RECOMMENDATION

All tax anticipation notes should be retired prior to the end of the fiscal year issued as required by state statute.

FINDING 06.12 **INVENTORY RECORDS WERE NOT MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.13 **THE SCHOOL DEPARTMENT DID NOT PROPERLY MAINTAIN ITS INVENTORY RECORDS AND CONTROLS OVER ASSETS**
(Internal Control – Reportable Condition under Government Auditing Standards)

Our examination of controls over School Department assets revealed the following deficiencies:

- A. A commercial grade barbeque grill/smoker purchased with vocational funds in a prior year was not included on the inventory.

- B. The inventory did not include serial numbers for assets located at the vocational education shop or for several computer monitors purchased during the period examined.

- C. Inventory records were not verified by personnel who are independent of maintaining the inventory records.

Generally accepted accounting principles require accountability for all School Department assets, such as equipment, furniture, and vehicles. The failure to properly maintain inventory records results in a loss of control over assets.

RECOMMENDATION

The School Department officials should ensure that their inventory records include all department assets and that the assets be identified by serial numbers if applicable. Personnel independent of the recordkeeping process should periodically verify inventory records.

OFFICE OF SHERIFF

FINDING 06.14 **THE OFFICE DID NOT COMPLY WITH ITS PERSONNEL POLICY**
(Noncompliance Under Government Auditing Standards)

We noted that several employees' time sheets reflected accumulated annual leave of more than five days and various accumulated balances for sick leave. The Sheriff Department's personnel policy permits employees to accumulate a maximum of five days of annual leave. The personnel policy does not provide for the accumulation of sick leave but does allow for hardship leave at the discretion of the sheriff.

RECOMMENDATION

The office should comply with its personnel policy regarding the accumulation of leave.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.15 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.16 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, ROAD 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, Road 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 accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

MANAGEMENT'S RESPONSE – CURRENT COUNTY MAYOR (DIRECT QUOTE)

Due to limited resources and personnel, we are unable to correct this finding at this time.

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

In regard to the finding of segregation of duties in the office of Van Buren County Director of Schools, due to limited resources in the Personnel Department we are unable to correct this finding at this time.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Housing and Urban Development: Passed-through State Department of Economic and Community Development: Community Development Block Grant - State's Program	06.17		Circular A-133, Section 500(c)(3)	Reportable Condition in Internal Control See Finding 06.16 - Duties were not adequately segregated in the Offices of County Mayor and Director of Schools	\$ 0
		14.228			
U.S. Department of Education: Passed-through State Department of Education: Title 1 Grants to Local Educational Agencies		84.010			
Special Education Cluster: Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			

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

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

Office of County Mayor – Corrective Action Plan for Current Year Findings

FINDINGS 06.16 and 06.17

Contact Person: Kelly Dishman (Current County Mayor)

Corrective Action Planned: Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: None

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

FINDINGS 06.16 and 06.17

Contact Person: Michael Martin (Current Director of Schools)

Corrective Action Planned: Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: None