

ANNUAL FINANCIAL REPORT
BENTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

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

**ANNUAL FINANCIAL REPORT
BENTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006**

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

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Audit Highlights

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

Scope

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

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include two component units whose financial statements were not available from other auditors at the date of this report. Also, our report on the aggregate remaining fund information is qualified because the financial statements did not include a nonmajor Special Revenue Fund whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, the business-type activities, and each major fund is unqualified.

Our audit resulted in 12 findings and recommendations, which we have reviewed with Benton County management. Detailed findings and recommendations are included in the Single Audit Section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The office did not issue requisitions and purchase orders for some purchases.
- ◆ General Fund expenditures exceeded appropriations approved by the County Commission in the County Buildings (\$3,828) and the Transfers Out (\$19,482) major appropriation categories (the legal level of control). Also, the Public Library Fund (a nonmajor special revenue fund) and the Special Purpose Fund (a major special revenue fund) were not budgeted.
- ◆ General Fund general ledger payroll accounts were not reconciled with subsidiary payroll records. Also, receivables at June 30, 2006, were incorrectly posted as revenues for 2006-07.

OFFICE OF ROAD SUPERVISOR

- ◆ Highway/Public Works Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the Capital Outlay major appropriations category by \$98,216.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The offices' bank statements were not reconciled with cash journal accounts, and lists of outstanding checks were not accurately prepared monthly.
 - ◆ The June 30, 2006, general sessions court's execution docket trial balance did not reconcile with cash journal accounts by a substantial amount.
-

OFFICE OF CLERK AND MASTER

- ◆ The June 30, 2006, execution docket trial balance did not reconcile with cash journal accounts.
-

OFFICE OF SHERIFF

- ◆ The office did not maintain forms and reports required by the Office of the Comptroller of the Treasury to document the administration of confidential drug funds.
 - ◆ In some instances, collections were not deposited to the office bank account within three days of collection.
 - ◆ The sheriff did not obtain a letter of agreement or file suit in Circuit Court to authorize deputy hires.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Benton County Officials

June 30, 2006

Officials

Jimmy Thornton, County Mayor
Ray Douglas, Road Supervisor
Randall Robertson, Director of Schools
Sherry Beasley, Trustee
Linda Armstrong, Assessor of Property
Rosanne Ward, County Clerk
Terry Hudson, Circuit and General Sessions Courts Clerk
Timothy Burrus, Clerk and Master
Debra Hargis, Register
Cecil Wells, Sheriff

Board of County Commissioners

Jimmy Thornton, Chairman	
Mureleane Steinbuck, Chairman Pro-Tem	Vickie Howe
Barry Barnett	Jo Jones
Randall Clark	Billy Malin
Dwayne Cole	Robert Pace
Deborah Dye	Roger Pafford
Gary Evans	Randy Patton
Eddie Griggs	Tommy Spence
Perry Hensley	Stephen Stokes
Jimmy Hivick	Allen Webb

Board of Education

Ruby Evans, Chairman	Mark Hargis
Joey Cooper, Vice-Chairman	Brent Hedge
Judy Arnold	Tim Hyatt
Keith Arnold	Robert Livingston
Barry Carter	Mark Winters
Michael Cuthbertson	James Woodall

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
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INDEPENDENT AUDITOR'S REPORT

February 5, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Benton County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Benton County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Benton County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Benton County Electric System (a major fund and the entire business-type activities). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Benton County Electric System, is based on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

The financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Benton County Emergency Communications District and the Benton County Industrial Development Board which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

Also, the financial statements of the Benton County Library, a nonmajor special revenue fund, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate remaining fund information financial statements referred to above do not include amounts for the Benton County Library which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate remaining fund information are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, discretely presented component units, and the effects of not including the financial statements of the Benton County Library, a nonmajor special revenue fund, as discussed in the two preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units and the aggregate remaining fund information of Benton County, Tennessee, at June 30, 2006, and the results of operations of the aggregate discretely presented component units and the aggregate remaining fund information, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2007, on our consideration of Benton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The management of Benton County did not prepare a 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 75 through 79 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 Benton County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Benton County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Benton County School Department (a discretely presented component unit), 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/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Benton County, Tennessee
Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Benton County School Department
ASSETS				
Cash	\$ 2,238	\$ 118,506	\$ 120,744	\$ 0
Equity in Pooled Cash and Investments	11,125,645	0	11,125,645	1,231,008
Inventories	0	223,137	223,137	0
Accounts Receivable	102,433	1,155,445	1,257,878	2,500
Allowance for Uncollectibles	0	(7,766)	(7,766)	0
Due from Other Governments	714,587	0	714,587	484,047
Due from Component Units	56,620	0	56,620	0
Property Taxes Receivable	2,058,487	0	2,058,487	3,602,337
Allowance for Uncollectible Property Taxes	(83,847)	0	(83,847)	(146,733)
Prepaid Items	0	2,150,155	2,150,155	0
Notes Receivable	0	163,474	163,474	0
Restricted Assets:				
Revenue Bond Construction Account	0	217,551	217,551	0
Revenue Bond Future Debt Service Account	0	566,802	566,802	0
Unamortized Bond Issue Costs	0	178,646	178,646	0
Capital Assets Not Depreciated:				
Land	850,884	178,328	1,029,212	136,560
Construction in Progress	0	952,767	952,767	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	3,081,530	1,034,504	4,116,034	12,397,447
Infrastructure	342,290	0	342,290	0
Other Capital Assets	790,197	13,378,330	14,168,527	367,734
Total Assets	\$ 19,041,064	\$ 20,309,879	\$ 39,350,943	\$ 18,074,900
LIABILITIES				
Accounts Payable	\$ 39,171	\$ 2,219,630	\$ 2,258,801	\$ 282,877
Accrued Payroll	15,494	15,352	30,846	0
Contracts Payable	649,776	0	649,776	50,534
Retainage Payable	0	0	0	21,063
Accrued Interest Payable	43,631	11,547	55,178	0
Accrued Leave	0	1,241,914	1,241,914	0
Due to Primary Government	0	0	0	56,620
Due to State of Tennessee	4,425	0	4,425	0
Matured Bonds Payable	10,000	0	10,000	0
Matured Interest on Bonds	1,913	0	1,913	0
Customer Deposits Payable	0	532,891	532,891	0
Other Payables	5,958	0	5,958	0
Deferred Revenue - Current Property Taxes	1,891,608	0	1,891,608	3,310,315
Noncurrent Liabilities:				
Due Within One Year	848,650	265,000	1,113,650	32,663
Due in More Than One Year	10,740,682	3,932,958	14,673,640	229,668
Total Liabilities	\$ 14,251,308	\$ 8,219,292	\$ 22,470,600	\$ 3,983,740
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 3,520,410	\$ 11,523,929	\$ 15,044,339	\$ 12,639,410
Restricted for:				
Capital Projects	12,761	0	12,761	13,307
Debt Service	1,702,824	555,255	2,258,079	0
Highway/Public Works	1,032,137	0	1,032,137	0
Other Purposes	117,715	0	117,715	56,112
Unrestricted	(1,596,091)	11,403	(1,584,688)	1,382,331
Total Net Assets	\$ 4,789,756	\$ 12,090,587	\$ 16,880,343	\$ 14,091,160

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

Exhibit B

Benton County, Tennessee
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Benton County School Department
					Governmental Activities	Business- type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 1,374,375	\$ 105,289	\$ 16,380	\$ 138,500	\$ (1,114,206)	\$ 0	\$ (1,114,206)	\$ 0
Finance	584,800	388,435	9,955	0	(186,410)	0	(186,410)	0
Administration of Justice	548,288	457,579	0	0	(90,709)	0	(90,709)	0
Public Safety	2,385,007	235,912	139,296	106,000	(1,903,799)	0	(1,903,799)	0
Public Health and Welfare	579,410	614,695	64,128	0	99,413	0	99,413	0
Social, Cultural, and Recreational Services	524,913	204	99,625	81,961	(343,123)	0	(343,123)	0
Agriculture and Natural Resources	72,066	0	0	0	(72,066)	0	(72,066)	0
Other Operations	741,707	82,199	8,336	136,132	(515,040)	0	(515,040)	0
Highways/Public Works	2,317,643	14,126	1,617,196	153,939	(532,382)	0	(532,382)	0
Education	219,753	0	0	0	(219,753)	0	(219,753)	0
Interest on Long-term Debt	435,290	658,556	0	0	223,266	0	223,266	0
Other Debt Service	8,830	0	0	0	(8,830)	0	(8,830)	0
Total Governmental Activities	\$ 9,792,081	\$ 2,556,995	\$ 1,954,916	\$ 616,532	\$ (4,663,638)	\$ 0	\$ (4,663,638)	\$ 0
Business-type Activities:								
Benton County Public Utility	\$ 17,029,273	\$ 17,116,052	\$ 0	\$ 0	\$ 0	\$ 86,779	\$ 86,779	\$ 0
Total Primary Government	\$ 26,821,354	\$ 19,673,047	\$ 1,954,916	\$ 616,532	\$ (4,663,638)	\$ 86,779	\$ (4,576,859)	\$ 0
Component Unit:								
Benton County School Department	\$ 18,407,643	\$ 49,719	\$ 2,119,567	\$ 0	\$ 0	\$ 0	\$ 0	\$ (16,238,357)
Total Component Unit	\$ 18,407,643	\$ 49,719	\$ 2,119,567	\$ 0	\$ 0	\$ 0	\$ 0	\$ (16,238,357)

(Continued)

Exhibit B

Benton County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Benton County School Department
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- type Activities	Total	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 1,745,599	\$ 0	\$ 1,745,599	\$ 3,510,090
Property Taxes Levied for Debt Service					262,109	0	262,109	0
Local Option Sales Tax					446,912	0	446,912	1,612,063
Other Local Taxes					554,042	0	554,042	2,853
Grants and Contributions Not Restricted for Specific Programs					1,237,305	0	1,237,305	10,744,136
Unrestricted Investment Earnings					397,868	90,340	488,208	0
Miscellaneous					64,177	0	64,177	55,144
Total General Revenues					\$ 4,708,012	\$ 90,340	\$ 4,798,352	\$ 15,924,286
Change in Net Assets					\$ 44,374	\$ 177,119	\$ 221,493	\$ (314,071)
Prior Period Adjustment					0	0	0	75,035
Net Assets, July 1, 2005					4,745,382	11,913,468	16,658,850	14,330,196
Net Assets, June 30, 2006					\$ 4,789,756	\$ 12,090,587	\$ 16,880,343	\$ 14,091,160

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

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,238	\$ 2,238
Equity in Pooled Cash and Investments	1,112,136	7,200,000	913,773	1,635,754	263,982	11,125,645
Accounts Receivable	59,694	0	0	42,614	125	102,433
Due from Other Governments	173,779	0	458,124	0	82,684	714,587
Due from Other Funds	2,238	0	0	13,176	0	15,414
Due from Component Units	0	0	830	55,790	0	56,620
Property Taxes Receivable	1,564,449	0	226,432	267,606	0	2,058,487
Allowance for Uncollectible Property Taxes	(63,724)	0	(9,223)	(10,900)	0	(83,847)
Total Assets	\$ 2,848,572	\$ 7,200,000	\$ 1,589,936	\$ 2,004,040	\$ 349,029	\$ 13,991,577
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 38,399	\$ 0	\$ 84	\$ 0	\$ 688	\$ 39,171
Payroll Deductions Payable	14,568	0	926	0	0	15,494
Contracts Payable	0	0	348,713	0	301,063	649,776
Due to Other Funds	13,176	0	0	0	2,238	15,414
Due to State of Tennessee	4,425	0	0	0	0	4,425
Matured Bonds Payable	0	0	0	10,000	0	10,000
Matured Interest on Bonds	0	0	0	1,913	0	1,913
Current Liabilities Payable from Restricted Assets:						
Other Payables from Restricted Assets	5,958	0	0	0	0	5,958
Deferred Revenue - Current Property Taxes	1,437,622	0	208,077	245,909	0	1,891,608
Deferred Revenue - Delinquent Property Taxes	56,137	0	8,125	9,602	0	73,864
Other Deferred Revenues	54,641	0	140,998	56,137	0	251,776
Total Liabilities	\$ 1,624,926	\$ 0	\$ 706,923	\$ 323,561	\$ 303,989	\$ 2,959,399
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 41,687	\$ 0	\$ 3,918,042	\$ 3,959,729
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	83,193	0	0	0	0	83,193
Reserved for Sexual Offender Registration	1,700	0	0	0	0	1,700

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Automation Purposes - General Sessions Court	\$ 543	\$ 0	\$ 0	\$ 0	\$ 0	\$ 543
Reserved for Other General Purposes	0	0	0	0	7,531	7,531
Unreserved, Reported In:						
General Fund	1,138,210	0	0	0	0	1,138,210
Special Revenue Funds	0	7,200,000	841,326	0	32,279	8,073,605
Debt Service Funds	0	0	0	1,680,479	0	1,680,479
Capital Projects Funds (Deficit)	0	0	0	0	(3,912,812)	(3,912,812)
Total Fund Balances	\$ 1,223,646	\$ 7,200,000	\$ 883,013	\$ 1,680,479	\$ 45,040	\$ 11,032,178
Total Liabilities and Fund Balances	\$ 2,848,572	\$ 7,200,000	\$ 1,589,936	\$ 2,004,040	\$ 349,029	\$ 13,991,577

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

Exhibit C-2

Benton County, Tennessee

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
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)		\$ 11,032,178
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 850,884	
Add: buildings and improvements net of accumulated depreciation	3,081,530	
Add: infrastructure net of accumulated depreciation	342,290	
Add: other capital assets net of accumulated depreciation	<u>790,197</u>	5,064,901
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		325,640
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (971,000)	
Less: other loans payable	(547,000)	
Less: capital leases payable	(26,491)	
Less: bonds payable	(9,955,000)	
Less: compensated absences payable	(89,841)	
Less: accrued interest on notes, capital leases, and bonds	<u>(43,631)</u>	<u>(11,632,963)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 4,789,756</u>

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

Exhibit C-3

Benton 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	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds		Governmental Funds
<u>Revenues</u>							
Local Taxes	\$ 2,565,228	\$ 0	\$ 413,273	\$ 280,290	\$ 0	\$ 3,258,791	
Licenses and Permits	3,935	0	0	0	0	3,935	
Fines, Forfeitures, and Penalties	79,974	0	0	0	30,534	110,508	
Charges for Current Services	638,539	0	20	0	32	638,591	
Other Local Revenues	320,829	224,389	21,343	82,673	881	650,115	
Fees Received from County Officials	877,489	0	0	0	0	877,489	
State of Tennessee	1,429,686	0	1,801,658	0	172,378	3,403,722	
Federal Government	244,500	0	13,854	0	1,518	259,872	
Other Governments and Citizens Groups	28,764	0	0	575,883	2,000	606,647	
Total Revenues	\$ 6,188,944	\$ 224,389	\$ 2,250,148	\$ 938,846	\$ 207,343	\$ 9,809,670	
<u>Expenditures</u>							
Current:							
General Government	\$ 1,421,831	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,421,831	
Finance	446,223	0	0	0	0	446,223	
Administration of Justice	414,209	0	0	0	32	414,241	
Public Safety	1,973,895	0	0	0	27,153	2,001,048	
Public Health and Welfare	485,298	0	0	0	0	485,298	
Social, Cultural, and Recreational Services	100,710	0	0	0	0	100,710	
Agricultural and Natural Resources	66,053	0	0	0	0	66,053	
Other Operations	1,157,579	2,092	0	0	337	1,160,008	
Highways	0	0	2,292,506	0	12,575	2,305,081	
Instruction	0	219,753	0	0	0	219,753	
Debt Service:							
Principal on Debt	25,485	0	0	670,000	0	695,485	
Interest on Debt	2,053	0	0	423,678	0	425,731	
Other Debt Service	0	0	0	8,830	0	8,830	
Capital Projects	0	0	0	0	731,127	731,127	
Total Expenditures	\$ 6,093,336	\$ 221,845	\$ 2,292,506	\$ 1,102,508	\$ 771,224	\$ 10,481,419	
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 95,608	\$ 2,544	\$ (42,358)	\$ (163,662)	\$ (563,881)	\$ (671,749)	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 350,000
Insurance Recovery	31,097	0	0	0	0	31,097
Transfers In	0	0	0	79,882	19,600	99,482
Transfers Out	(270,872)	0	0	0	0	(270,872)
Total Other Financing Sources (Uses)	\$ (239,775)	\$ 0	\$ 0	\$ 79,882	\$ 369,600	\$ 209,707
Net Change in Fund Balances	\$ (144,167)	\$ 2,544	\$ (42,358)	\$ (83,780)	\$ (194,281)	\$ (462,042)
Fund Balance, July 1, 2005	1,367,813	7,197,456	925,371	1,764,259	239,321	11,494,220
Fund Balance, June 30, 2006	\$ 1,223,646	\$ 7,200,000	\$ 883,013	\$ 1,680,479	\$ 45,040	\$ 11,032,178

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

Exhibit C-4

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

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (462,042)
(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	\$ 507,528	
Less: current year depreciation expense	<u>(376,952)</u>	130,576
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 325,640	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(298,855)</u>	26,785
(3) The issuance of long-term debt (e.g. notes, capital 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.		
Less: note proceeds	\$ (350,000)	
Add: principal payments on notes	155,000	
Add: principal payments on other loans	75,000	
Add: principal payments on capital leases	25,485	
Add: principal payments on bonds	<u>440,000</u>	345,485
(4) 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 the governmental funds.		
Change in accrued interest payable	\$ (9,558)	
Change in compensated absences	<u>13,128</u>	<u>3,570</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 44,374</u>

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

Exhibit D-1

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

	Business-type Activities - Major Fund
	<u>Benton County Electric System</u>
<u>ASSETS</u>	
Current Assets:	
Cash on Hand	\$ 3,000
Cash in Bank	899,859
Accounts Receivable	1,155,445
Allowance for Uncollectibles	(7,766)
Inventories	223,137
Prepaid Items	2,150,155
Total Current Assets	<u>\$ 4,423,830</u>
Noncurrent Assets:	
Notes Receivable	\$ 163,474
Unamortized Bond Issue Costs	178,646
Capital Assets (Net of Accumulated Depreciation):	
Land	178,328
Construction in Progress	952,767
Buildings and Improvements	1,034,504
Other Capital Assets	13,378,330
Total Noncurrent Assets	<u>\$ 15,886,049</u>
Total Assets	<u>\$ 20,309,879</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 2,219,630
Accrued Payroll	15,352
Accrued Leave	1,241,914
Customer Deposits Payable	532,891
Current Maturities of Long-term Debt	265,000
Accrued Interest Payable	11,547
Total Current Liabilities	<u>\$ 4,286,334</u>

(Continued)

Exhibit D-1

Benton County, Tennessee
Statement of Net Assets
Proprietary Fund (Cont.)

Business-type
 Activities -
 Major Fund

 Benton County
 Electric
 System

LIABILITIES (Cont.)

Noncurrent Liabilities:	
Advances from Home Insulation Program	\$ 177,958
General Obligation Bonds Payable - Long-term	3,755,000
Total Noncurrent Liabilities	<u>\$ 3,932,958</u>
Total Liabilities	<u>\$ 8,219,292</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 11,523,929
Restricted for Debt Service	555,255
Unrestricted	<u>11,403</u>
Total Net Assets	<u><u>\$ 12,090,587</u></u>

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

Exhibit D-2

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

	<u>Business-type Activities - Major Fund</u>
	<u>Benton County Electric System</u>
<u>Operating Revenues</u>	
Sale of Electric Energy	\$ 16,751,895
Forfeited Discounts	117,131
Rent from Electric Property	110,636
Other Electric Revenue	49,610
Miscellaneous Service Revenue	86,780
Total Operating Revenues	<u>\$ 17,116,052</u>
<u>Operating Expenses</u>	
Purchased Power	\$ 11,990,883
Distribution Expense:	
Station Expense	11,851
Overhead Line Expense	189,322
Street Lighting and Signal System	2,123
Meter Expense	94,448
Customer Installations Expense	1,334
Security Lighting	15,439
Rents	11,659
Miscellaneous	98,906
Customer Accounts Expense:	
Meter Reading Expense	107,604
Customer Records and Collection	363,506
Sales Expenses:	
Demonstration and Selling Expense	5,471
Sales Expense	60
Administrative Expenses:	
Salaries	270,109
Office Supplies and Expense	66,335
Outside Services Employed	13,795
Insurance	44,833
Injuries and Damages	160,142

(Continued)

Exhibit D-2

Benton County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund (Cont.)

	<u>Business-type Activities - Major Fund</u>
	<u>Benton County Electric System</u>
<u>Operating Expenses (Cont.)</u>	
Administrative Expenses (Cont.):	
Employee Pension and Benefits	\$ 711,343
General Advertising	3,971
Miscellaneous	22,952
Maintenance Expenses:	
Station Equipment	15,661
Overhead Lines	1,158,700
Underground Lines	1,508
Line Transformers	47,466
Street Lights and Signal System	13,697
Meters	376
Security Lighting	49,652
General Plant and Equipment	30,080
Depreciation and Amortization	819,553
Taxes and Tax Equivalent	557,845
Total Operating Expenses	<u>\$ 16,880,624</u>
Operating Income	<u>\$ 235,428</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 90,340
Interest Expense	(130,485)
Amortization of Debt Expense	(18,164)
Total Nonoperating Revenues (Expenses)	<u>\$ (58,309)</u>
Change in Net Assets	\$ 177,119
Net Assets, July 1, 2005	<u>11,913,468</u>
Net Assets, June 30, 2006	<u>\$ 12,090,587</u>

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

Exhibit D-3

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

	<u>Business-type Activities - Major Fund</u>
	<u>Benton County Electric System</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 17,072,889
Payments to Suppliers	(13,976,949)
Payments to Employees and for Employee Benefits	(1,452,562)
Payments for in-Lieu-of Tax Payments	(557,845)
Customer Deposits Received	113,350
Customer Deposits Refunded	(95,125)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,103,758</u>
<u>Cash Flows from Noncapital and Related Financing Activities</u>	
Repayment of TVA Advances	\$ 6,014
Net Cash Provided By (Used In) Noncapital and Related Financing Activities	<u>\$ 6,014</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Construction and Acquisition of Plant	\$ (1,115,914)
Plant Removal Cost	(104,250)
Materials Salvaged from Retirements	19,289
Principal Paid on Bonds	(255,000)
Interest Paid on Bonds	(140,305)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (1,596,180)</u>
<u>Cash Flows from Investing Activities</u>	
Collection of Notes Receivable	\$ 6,219
Interest Earned	90,045
Net Cash Provided By (Used In) Investing Activities	<u>\$ 96,264</u>
Net Increase (Decrease) in Cash	\$ (390,144)
Cash, July 1, 2005	<u>1,293,003</u>
Cash, June 30, 2006	<u><u>\$ 902,859</u></u>

(Continued)

Exhibit D-3

Benton County, Tennessee
Statement of Cash Flows
Proprietary Fund (Cont.)

	<u>Business-type Activities - Major Fund</u>
	<u>Benton County Electric System</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 235,428
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	819,553
Increase in Accounts Receivable	(43,163)
Increase in Materials and Supplies	(33,032)
Increase in Prepayments and Other Current Assets	(359,066)
Increase in Accounts Payable and Accrued Expenses	465,813
Increase in Customer Deposits	<u>18,225</u>
Net Cash Provided by Operating Activities	<u>\$ 1,103,758</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Cash on Hand per Net Assets	\$ 3,000
Cash in Bank per Net Assets	<u>899,859</u>
Cash, June 30, 2006	<u>\$ 902,859</u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 814,803
Due from Other Governments	<u>236,743</u>
Total Assets	<u>\$ 1,051,546</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 236,743
Due to Litigants, Heirs, and Others	<u>814,803</u>
Total Liabilities	<u>\$ 1,051,546</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton County'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 Benton County:

A. Reporting Entity

Benton County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Benton County (the primary government) and its component units. Although required by GAAP, the financial statements of the Benton County Library, a special revenue fund, were not available from other auditors in time for inclusion in this report. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Benton County School Department operates the public school system in the county, and the voters of Benton 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 Benton County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Benton County, and the Benton 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 financial statements of the Benton County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Benton County Industrial Board was formed as an operating agency and instrumentality of Benton County for the purpose of acquiring and developing land for industrial development in the county. The Benton County Commission appoints five members of the nine-member board. The other members are permanent members and consist of the county mayor, the chairman of the Chamber of Commerce, and the mayors of the Cities of Big Sandy and Camden. Also, the county annually provides significant operating subsidies to the board. The financial statements for the Benton County Industrial Board were not available from other auditors in time for inclusion in this report.

The Benton County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Benton County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Board were not available in time for inclusion, as previously mentioned. Complete financial statements of the Benton County Emergency Communications District and the Benton County Industrial Board can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Benton County Emergency
Communications District
P.O. Box 755
Camden, TN 38320

Benton County Industrial Board
P.O. Box 549
Camden, TN 38320

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Benton County School Department component unit only reports governmental activities in the government-wide financial statements.

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.

Benton County issues all debt for the discretely presented Benton County School Department. No new debt issues were contributed by the county to the School Department during the year ended June 30, 2006.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements, except for agency funds which have no measurement focus. 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 Benton County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Benton County only reports one proprietary fund, a major enterprise fund.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both

measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Benton 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 (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Benton 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.

Special Purpose Fund – This fund is used to account for the proceeds received from the sale of the county’s hospital. All interest earned from the investment of the proceeds (net of trustee’s commission) was contributed to the discretely presented Benton County School Department’s General Purpose School Fund.

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

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

Benton County reports the following major proprietary fund:

Public Utility Fund – This fund accounts for the operations of the Benton County Electric System.

Additionally, Benton County reports the following fund types:

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

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 Benton 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.

The discretely presented Benton County School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for financial resources to be used by the School Department for building construction and renovations.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.2 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or

constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Building and Improvements	7-40
Land Improvements	20-30
Vehicles	5-10
Other Capital Assets	5-20
Infrastructure:	
Roads	8-20
Bridges	15-30

Benton County has recognized infrastructure assets acquired after July 1, 2002, in the financial statements of this report, and plans to retroactively report infrastructure assets acquired between July 1, 1980, and June 30, 2002, by the fiscal year ending June 30, 2007.

4. Compensated Absences

It is the policy of Benton County's General Fund to permit full-time employees to accumulate a limited amount of earned but unused vacation benefits that will be paid to employees upon separation from service. A liability for the vacation benefits is reported in governmental funds only if the amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual or recording.

The Benton County Highway Department's personnel policy does not provide for employees to accumulate vacation or sick leave days beyond the end of the fiscal year. Therefore, accrual or recording is not required.

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

5. Long-term Obligations

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including 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 and the proprietary fund in the fund financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2006, Benton County had \$9,955,000 of outstanding debt for capital purposes for the discretely presented Benton County School Department. The debt is a liability of Benton County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Benton County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

Primary Government

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

Discretely Presented Benton County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to 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

Primary Government

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

Discretely Presented Benton County School Department

Exhibit J-5 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 except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

B. Fund Deficit

The Other Capital Projects Fund had a fund deficit of \$3,928,798 at June 30, 2006. This fund deficit primarily resulted from the unperformed portions of construction contracts of \$3,918,042, being reserved as an encumbrance in the financial statements of this report. Funding for these future expenditures is expected to be received from grants and capital outlay notes.

C. Local Option Sales Tax – Debt Service

In November 1996, the citizens of Benton County voted by public referendum to increase the local sales tax by one-half percent. Benton County began collecting this tax in January 1997. The increase in sales tax was specifically designated for paying the debt service requirements for bonds issued to construct school facilities. Benton County, the Benton County School Department, the City of Camden, and the City of Big Sandy have pledged their portions of the sales tax increase to the county's General Debt Service Fund through December 1, 2021, for the retirement of this school debt. The amount of sales tax collections transferred (Benton County \$79,882), and contributed (General Purpose School Fund \$291,731, City of Camden \$179,651, and City of Big Sandy \$13,379) to the General Debt Service Fund as a result of this sales tax increase totaled \$564,643 during the year.

D. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the County Buildings (\$3,828) and the Transfers Out (\$19,482) major appropriation categories (the legal level of control) of the General Fund and the Capital Outlay (\$98,216) major appropriation category of the Highway/Public Works Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Fund and by available fund balance in the Highway/Public Works Fund.

E. The Public Library Fund and the Special Purpose Fund Were Not Budgeted

Budgets for the county's Public Library Fund (a nonmajor special revenue fund) and the Special Purpose Fund (a major special revenue fund) were not presented to the County Commission for their approval. State statutes provide that revenues should be appropriated by the County Commission.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Benton County (excluding the Benton County Electric System) and the Benton County 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. Cash and Investments reflected on the balance sheets or statements of net assets represent nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 2,563,197</u>
Total		<u><u>\$ 2,563,197</u></u>

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

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

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 711,367	\$ 139,517	\$ 850,884
Total Capital Assets Not Depreciated	<u>\$ 711,367</u>	<u>\$ 139,517</u>	<u>\$ 850,884</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 4,879,716	\$ 0	\$ 4,879,716
Roads and Bridges	638,252	28,000	666,252
Other Capital Assets	2,862,358	340,011	3,202,369
Total Capital Assets Depreciated	<u>\$ 8,380,326</u>	<u>\$ 368,011</u>	<u>\$ 8,748,337</u>

Governmental Activities: (Cont.)

	Balance 7-1-05	Increases	Balance 6-30-06
Less Accumulated Depreciation For:			
Buildings and			
Improvements	\$ 1,628,868	\$ 169,318	\$ 1,798,186
Roads and Bridges	300,160	23,802	323,962
Other Capital Assets	2,228,340	183,832	2,412,172
Total Accumulated Depreciation	<u>\$ 4,157,368</u>	<u>\$ 376,952</u>	<u>\$ 4,534,320</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,222,958</u>	<u>\$ (8,941)</u>	<u>\$ 4,214,017</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,934,325</u>	<u>\$ 130,576</u>	<u>\$ 5,064,901</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Administration	\$ 40,565
Finance	2,240
Administration of Justice	5,060
Public Safety	101,248
Public Health and Welfare	37,097
Social, Cultural, and Recreational Services	73,565
Agriculture and Natural Resources	1,854
Other Operations	6,582
Highways/Public Works	<u>108,741</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 376,952</u></u>

Discretely Presented Benton County School Department

Governmental Activities:

	Balance 7-1-05	Prior Period Adjustment	Increases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 136,560	\$ 0	\$ 0	\$ 136,560
Total Capital Assets Not Depreciated	\$ 136,560	\$ 0	\$ 0	\$ 136,560
Capital Assets Depreciated:				
Buildings and Improvements	\$ 18,539,404	\$ 0	\$ 115,262	\$ 18,654,666
Other Capital Assets	1,131,736	75,035	0	1,206,771
Total Capital Assets Depreciated	\$ 19,671,140	\$ 75,035	\$ 115,262	\$ 19,861,437
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,809,472	\$ 0	\$ 447,747	\$ 6,257,219
Other Capital Assets	684,588	0	154,449	839,037
Total Accumulated Depreciation	\$ 6,494,060	\$ 0	\$ 602,196	\$ 7,096,256
Total Capital Assets Depreciated, Net	\$ 13,177,080	\$ 75,035	\$ (486,934)	\$ 12,765,181
Governmental Activities Capital Assets, Net	\$ 13,313,640	\$ 75,035	\$ (486,934)	\$ 12,901,741

Depreciation expense was charged to functions of the discretely presented Benton County School Department as follows:

Governmental Activities:

Instruction	\$ 422,757
Support Services	101,427
Operation of Non-Instructional Services	<u>78,012</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 602,196</u>

C. Construction Commitments

At June 30, 2006, the Highway Department had uncompleted construction contracts of approximately \$41,687 for the construction of a bridge. Funding

has been received for these future expenditures. The Other Capital Projects Fund had uncompleted construction contracts of approximately \$3,918,042 for airport improvements. Funding for these future expenditures is expected to be received from grants and capital outlay notes.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 2,238
General Debt Service	General	<u>13,176</u>
Total		<u><u>\$ 15,414</u></u>

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

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component unit:	
Primary government:	School Department:	
Highway/Public Works	General Purpose School	\$ 830
General Debt Service	General Purpose School	<u>55,790</u>
Total		<u><u>\$ 56,620</u></u>

Interfund Transfers:

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

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Debt Service Fund</u>	<u>Nonmajor Governmental Fund</u>
General Fund	<u>\$ 79,882</u>	<u>\$ 190,990</u>
Total	<u><u>\$ 79,882</u></u>	<u><u>\$ 190,990</u></u>

Discretely Presented Benton County School Department

	<u>Transfers In</u>
Transfers Out	General Purpose School Fund
Nonmajor governmental fund	\$ 37,730
Total	<u>\$ 37,730</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 and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The county made transfers of \$171,390 from the General Fund to the Benton County Library (special revenue fund) to provide funds for operations. The financial statements of the Benton County Library had not been made available by other auditors as of the date of this report.

E. Capital Leases

Primary Government

On April 8, 2005, Benton County entered into a two-year lease-purchase agreement for three patrol cars. The terms of the agreement require total lease payments of \$79,514, plus interest at 3.95 percent. Title to the patrol cars transfers to Benton County at the end of the lease period.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Fund
2007	\$ 27,537
Total Minimum Lease Payment	\$ 27,537
Amount Representing Interest	<u>(1,046)</u>
Present Value of Minimum Lease Payments	<u>\$ 26,491</u>

Discretely Presented Benton County School Department

On July 23, 2003, the Benton County School Department entered into a ten-year lease-purchase agreement for energy-efficient lighting equipment. The terms of the agreement require total lease payments of \$352,035, plus interest at 4.5 percent. Title to the lighting equipment transfers to the Benton County School Department at the end of the lease period.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Fund</u>
2007	\$ 44,104
2008	44,104
2009	44,104
2010	44,104
2011	44,104
2012-2013	88,211
Total Minimum Lease Payment	\$ 308,731
Amount Representing Interest	(46,400)
	<hr/>
Present Value of Minimum Lease Payments	<u>\$ 262,331</u>

F. Long-term Debt

Primary Government (excluding the Benton County Electric System, enterprise fund)

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 19 years for bonds, up to 12 years for notes, and up to 15 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds - Schools	4.35 to 5.5%	\$11,600,000	\$1,180,000
General Obligation Bond - School Refunding	3.5	9,020,000	8,775,000
Capital Outlay Notes	2.94 to 5.1	1,375,000	971,000
Other Loan	Variable	1,100,000	547,000
Capital Lease	3.95	79,514	26,491

During the 1996-97 year, Benton County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned Benton County \$1,100,000 for jail construction and renovation. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent's daily or weekly rate. In addition, the county pays various other fees (letter of credit, trustee, remarketing, etc.) in connection with this loan. At June 30, 2006, the variable interest rate was 3.37 percent and other fees amounted to approximately .25 percent (letter of credit fee), .08 percent (remarketing fee), and .25 percent (administrative fee) of the outstanding loan principal plus \$1,200 (trustee fee) annually.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 460,000	\$ 352,055	\$ 277,667	\$ 36,195
2008	485,000	331,203	283,667	26,046
2009	500,000	309,145	184,666	17,187
2010	525,000	288,663	71,000	9,664
2011	545,000	269,938	75,000	5,942
2012-2016	3,025,000	1,044,315	79,000	2,015
2017-2021	3,615,000	465,065	0	0
2022	800,000	14,000	0	0
Total	\$ 9,955,000	\$ 3,074,384	\$ 971,000	\$ 97,049

Year Ending June 30	Other Loan (\$1,100,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 80,000	\$ 18,434	\$ 4,373	\$ 102,807
2008	84,000	15,738	3,909	103,647
2009	88,000	12,907	3,421	104,328
2010	93,000	9,942	2,911	105,853
2011	98,000	6,807	2,372	107,179
2012	104,000	3,505	1,803	109,308
Total	\$ 547,000	\$ 67,333	\$ 18,789	\$ 633,122

There is \$1,680,479 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$602, based on the 2000 federal census. Debt per capita, including bonds, notes, capital leases, and other loans, totaled \$695, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the primary government (excluding the Benton County Electric System, enterprise fund) for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2005	\$ 10,395,000	\$ 776,000	\$ 51,976
Additions	0	350,000	0
Deductions	(440,000)	(155,000)	(25,485)
Balance, June 30, 2006	\$ 9,955,000	\$ 971,000	\$ 26,491
Balance Due Within One Year	\$ 460,000	\$ 277,667	\$ 26,491

	Other Loan	Compensated Absences
Balance, July 1, 2005	\$ 622,000	\$ 102,969
Additions	0	85,216
Deductions	(75,000)	(98,344)
Balance, June 30, 2006	\$ 547,000	\$ 89,841
Balance Due Within One Year	\$ 80,000	\$ 4,492

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 11,589,332
Less: Balance Due Within One Year	<u>(848,650)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,740,682</u>
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Compensated absences are liquidated from the individual funds from which the related salaries and wages are paid.

Defeasance of Prior-year Debt

On June 12, 2003, Benton County defeased certain portions of outstanding general obligation bonds by placing the proceeds of a new bond into an irrevocable trust to provide future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2006, the following outstanding bonds are considered defeased:

	<u>Amount</u>
1996 School Bonds	\$5,420,000
1998 School Bonds	2,380,000

Discretely Presented Benton County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Benton County School Department for the year ended June 30, 2006, was as follows:

	<u>Capital Lease</u>
Balance, July 1, 2005	\$ 293,573
Deductions	<u>(31,242)</u>
Balance, June 30, 2006	<u>\$ 262,331</u>
Balance Due Within One Year	<u>\$ 32,663</u>

G. Prior-period Adjustment

Capital assets of the discretely presented Benton County School Department reflect a prior-period adjustment of \$75,035 because certain equipment had been omitted.

V. OTHER INFORMATION

A. Risk Management

Primary Government (Excluding the Benton County Electric System, Enterprise Fund)

Employee Health Insurance

The Benton County General Fund purchases commercial health insurance to provide individual coverage for its employees. Employees may purchase additional family coverage health insurance as well as accident, cancer, and dental insurance for the risk of losses for which they are exposed.

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

Liability, Property, Casualty, and Workers' Compensation Insurance

Benton County 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 county pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Discretely Presented Benton County School Department

Employee Health Insurance

The discretely presented Benton County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

Workers' Compensation Insurance

The discretely presented Benton County School Department participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, TCA, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

Liability, Property, and Casualty

The discretely presented Benton County School Department carries commercial insurance for risks of loss from general liability, property, and casualty. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Accounting Changes

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

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 Benton 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 Benton 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. Benton County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Benton 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. Benton County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Benton 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, Jimmy Thornton left the Office of County Mayor and was succeeded by Jimmy Wiseman, Ray Douglas left the Office of Road Supervisor and was succeeded by Barry Carter, Rosanne Ward left the Office

of County Clerk and was succeeded by Wanda Malin, and Cecil Wells left the Office of Sheriff and was succeeded by Tony King.

On July 7, 2006, Benton County entered into a loan agreement with the Tennessee State School Bond Authority. Under this loan agreement, the authority loaned Benton County \$204,000 for school renovations.

On September 1, 2006, Benton County issued capital outlay notes of \$450,000 for an airport runway extension project and \$260,600 for central dispatch equipment and renovations.

On November 6, 2006, Benton County issued a tax anticipation note for \$350,000 for temporary operating funds.

D. Contingent Liabilities

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

E. Joint Ventures

The Twenty-Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Fourth Judicial District, Benton, Carroll, Decatur, Hardin, and Henry Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Benton County made no contributions to the DTF for the year ended June 30, 2006.

The Benton-Decatur Special Sewer District was created through a joint agreement between Benton and Decatur Counties. The agreement established the Benton-Decatur Special Sewer District Management Board, which plans, constructs, and manages a public sewer system for residents of Benton and Decatur Counties. The management board includes six members, three of whom are appointed by the mayor of Benton County and three are appointed by the mayor of Decatur County. Benton County has control over budgeting and financing only to the extent of representation by the three board members appointed.

Benton County does not retain an equity interest in either of the joint ventures. Complete financial statements for the Twenty-Fourth Judicial District Drug Task Force and for the Benton-Decatur Special Sewer District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

District Attorney General
Twenty-fourth Judicial District
P.O. Box 686
Huntingdon, TN 38344

Benton-Decatur Special Sewer District
P.O. Box 370
Parsons, TN 38363

F. Retirement Commitments

Plan Description

Employees of Benton 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 Benton 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

Benton 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 6.14 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Benton County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Benton County's annual pension cost of \$337,144 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. Benton 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 14 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$337,144	100%	\$0
6-30-05	320,405	100	0
6-30-04	255,808	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$8,196	\$8,679	\$483	94.43%	\$5,222	9.25%
6-30-03	6,939	7,459	520	93.03	5,081	10.23
6-30-01	5,954	6,482	528	91.85	4,027	13.11

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at

www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for the Benton County School department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Benton County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$459,004, \$452,316, and \$274,469, respectively, equal to the required contributions for each year.

G. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by provisions of Chapter 541, Private Acts of 1939, as amended, and the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). The private act provides for the issuance of requisitions and purchase orders for all purchases of equipment, supplies, and materials. The County Purchasing Law of 1983 provides for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Supervisor

Purchasing procedures for the Highway Department are governed by provisions of Chapter 250, Private Acts of 1943, and the Uniform Road Law, Section 54-7-113, TCA. Provisions of the private act stipulate that after taking bids, all purchases must be approved by the road supervisor, county mayor, and the County Highway Committee. The Uniform Road Law provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Director of Schools

Purchasing procedures for the Benton County School Department are governed by purchasing laws applicable to schools, as set forth in Section 49-2-203, TCA, 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 estimated to exceed \$10,000.

VI. **OTHER NOTES – BENTON COUNTY ELECTRIC SYSTEM (ENTERPRISE FUND)**

A. **Significant Accounting Policies**

1. **Reporting Entity**

The Benton County Electric System is a proprietary fund of Benton County, and is therefore, included in their audit. The Tennessee Code Annotated, Section 7-52-117(c) states “Subject to the provisions of section 7-52-132, the superintendent, with the approval of the supervisory body, may acquire and dispose of all property, real and personal, necessary to effectuate the purposes of this part. The title of such property shall be taken in the name of the municipality” (county). Therefore, Benton County Electric System does not possess sufficient corporate powers that distinguish it as a legally separate entity, and is considered a proprietary fund of Benton County, Tennessee.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The electric system’s financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the electric system conform to applicable generally accepted accounting principles as defined in the pronouncements of the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board (APB) Opinions, and Accounting Research Bulletins (ARBs), issued on or before November 30, 1989.

The electric system has adopted GASB Statement 34, Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments, and related interpretations issued through June 30, 2006. Statement 34 required certain changes in terminology, format, and content, as well as inclusion of the management’s discussion and analysis as required supplementary information.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund’s principal ongoing operations. The principal operating revenues of the system are charges to customers for sales and service. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

2. Assets, Liabilities, and Net Assets

a. Deposits and Investments

The electric system's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the electric system to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the state's investment pool.

Investments were made up entirely of certificates of deposits with a maturity of three months or more for the fiscal year ended June 30, 2006.

b. Accounts Receivable

Trade receivables result from unpaid billings for electric service to customers and from unpaid billings related to work performed for or materials sold to certain entities. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the electric system is based on past history of uncollectible accounts and management's analysis of current accounts.

c. Inventories and Prepaid Items

All inventories are valued at the lower of average cost or market, using the first-in/first-out (FIFO) method.

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

d. Restricted Assets

Certain proceeds of the bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The electric system elects to use

restricted assets before unrestricted assets when a situation arises where either can be used.

e. Capital Assets

Capital assets, which include property, plant, equipment, and construction in progress, are defined by the electric system as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the electric system are depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
General Plant	5-40
Transmission Plant	28-33
Distribution Plant	16-40

f. Compensated Absences

It is the electric system's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay has been accrued and is reflected as a long-term liability on the financial statements. All sick leave has been accrued at 75 percent of the total value and is reflected as a long-term liability on the financial statements.

In March 1997, the electric system approved a policy that would permit employees, at their discretion, to give sick leave to another employee involved in a catastrophic illness where such an employee had exhausted all available sick leave and vacation. The leave would be paid at the rate the employee receiving leave is currently earning. The board feels that the

75 percent approximation of sick leave accrued is enough to cover any expenditures for leave under this policy.

g. Long-term Obligations

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

h. Net Assets

Equity is classified as net assets and displayed in the following three components:

- Invested in Capital Assets, net of related debt – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted for Debt Service – Consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.
- Unrestricted – All other net assets that do not meet the description of the above categories.

B. Stewardship, Compliance, and Accountability

Budgetary Information

The electric system adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the electric system's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings, and certain revenues for capital projects.

All unexpended appropriations in the operating budget remaining at the end of the fiscal year lapse. Management submits a proposed budget to the board prior to the July meeting and the budget is then adopted at that meeting for the next fiscal year. During the year, management is authorized to transfer budgeted amounts between line items.

C. Detailed Notes on All Funds

1. Deposits and Investments

The electric system has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures for financial reporting of deposit and investment risks.

Custodial Credit Risk. The electric system’s policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the system’s agent in the system’s name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the electric system to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2006, none of the electric system’s deposits were exposed to custodial credit risk.

2. Receivables

Accounts receivable of the Benton County Electric System at June 30, 2006, consisted of the following:

	<u>Receivables</u>
Billed services for utility customers	\$ 1,152,629
Other receivables for utility services	2,816
Allowance for doubtful accounts	<u>(7,766)</u>
Total Accounts Receivable	<u><u>\$ 1,147,679</u></u>

3. Restricted Assets

All deposits required by the 1995, 1998, and 2000 Electric Plant Revenue Bonds have been made. Transactions in funds, other than the 1995, 1998, and 2000 Electric Plant Revenue Bond Funds are at the discretion of the Board of Directors and there are no applicable legal requirements or restrictions on these funds.

The restricted assets consist of the following:

2000 and 2004 Electric Plant Revenue Bond Funds		
Interest and sinking fund	\$	166,143
Reserve fund		400,659
2005 Electric Plant Revenue Bond Funds		
Construction fund		<u>217,551</u>
	\$	<u><u>784,353</u></u>

The total of these funds is represented by:

Certificates of deposit and bank accounts	\$	<u><u>784,353</u></u>
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4. Capital Assets

Capital asset activity during the year was as follows:

	Balance		Balance	
	7-1-05	Additions	Disposals	6-30-06
Capital Assets Not Depreciated:				
Land	\$ 178,328	\$ 0	\$ 0	\$ 178,328
Construction in Progress	570,731	1,267,374	885,338	<u>952,767</u>
Total Capital Assets Not Depreciated	\$ 749,059	\$ 1,267,374	\$ 885,338	\$ 1,131,095
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,287,195	\$ 1,985	\$ 0	\$ 1,289,180
Other Capital Assets	23,337,373	793,894	202,661	<u>23,928,606</u>
Total Capital Assets Depreciated	\$ 24,624,568	\$ 795,879	\$ 202,661	\$ 25,217,786

	Balance 7-1-05	Additions	Disposals	Balance 6-30-06
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 227,016	\$ 27,660	\$ 0	\$ 254,676
Other Capital Assets	9,984,004	853,894	287,622	10,550,276
Total Accumulated Depreciation	<u>\$10,211,020</u>	<u>\$ 881,554</u>	<u>\$ 287,622</u>	<u>\$10,804,952</u>
Total Capital Assets Depreciated, Net	<u>\$14,413,548</u>	<u>\$ (85,675)</u>	<u>\$ (84,961)</u>	<u>\$14,412,834</u>
Total Capital Assets, Net	<u>\$15,162,607</u>	<u>\$ 296,361</u>	<u>\$ (84,961)</u>	<u>\$15,543,929</u>

Depreciation expense of \$881,554 was recorded by the electric system.

5. **Long-term Debt**

Long-term debt is made up of the following:

<u>Type</u>	<u>Interest Rate</u>	<u>Amount</u>
Electric System Revenue Bonds, Series 2000	4.2 to 5.25%	\$ 840,000
Electric System Revenue Refunding Bonds, Series 2004	1.1 to 3.3	1,995,000
Electric System Revenue Refunding Bonds, Series 2005	3.9	<u>1,185,000</u>
Total		<u>\$ 4,020,000</u>

During 2005, Benton County issued \$1,225,000 of Electric System Revenue Bonds, Series 2005, for the purpose of replacing a substation in Camden, Tennessee. The bonds bear interest at rates of 3.9 percent and mature serially in varying amounts from \$40,000 in fiscal year 2006, to \$85,000 in fiscal year 2025. The bonds are secured by a pledge of revenues by the system. Expenses incurred in the issuance of the bonds are being amortized by equal charges to operations over the life of the bonds.

On April 1, 2004, Benton County Electric System issued at par \$2,275,000 of Electric System Revenue Refunding Bonds, Series 2004, for the purpose of refunding \$2,205,000 of then-outstanding series 1995 and 1998 bonds. The 2004 bonds bear an interest rate varying between 1.1 percent and 3.3 percent and will be repaid in variable amounts, with the final payment due December 1, 2015. The refunded 1995 and 1998 bonds carried an interest rate varying between

3.9 percent and 5.3 percent and also were due in variable amounts, with the final payment due January 1, 2016.

Unamortized debt issuance costs and premium discounts of \$91,047 on the series 1995 and 1998 bonds were rolled into the new debt when the refunding was completed. These costs, along with an additional \$13,650 in premium discounts and \$53,859 in debt issuance costs on the series 2004 bonds, are now being amortized over the new debt issuance.

During 2000, Benton County issued \$1,000,000 of Electric System Revenue Bonds, Series 2000, for the purpose of constructing a warehouse in Camden, Tennessee. The bonds bear interest at rates from 4.2 percent to 5.25 percent and mature serially in varying amounts from \$30,000 in fiscal year 2002, to \$80,000 in fiscal year 2020. The bonds are secured by a pledge of revenues by the system. Expenses incurred in the issuance of the bonds are being amortized by equal charges to operations over the life of the bonds.

The following is a summary of long-term debt transactions for the year ended June 30, 2006.

	Balance 7-1-05	Additions	Retirements	Balance 6-30-06
Revenue bonds payable \$	4,275,000	\$ 0	\$ 255,000	\$ 4,020,000

The scheduled annual requirements for long-term debt at June 30, 2006, including interest of \$1,155,994 are as follows:

Year Ending June 30	<u>Revenue Bonds</u>	
	Principal	Interest
2007	\$ 265,000	\$ 135,658
2008	270,000	129,468
2009	270,000	122,534
2010	285,000	114,754
2011	290,000	106,138
2012-2016	1,610,000	374,376
2017-2021	705,000	147,034
2022-2025	325,000	26,032
	<u>\$ 4,020,000</u>	<u>\$ 1,155,994</u>

Debt expense associated with the above bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

The system complied with all significant debt covenants and restrictions as set forth in the bond agreements.

6. Net Assets

Net assets represent the difference between assets and liabilities. The restricted net assets amounts were as follows:

Invested in Capital Assets, Net of Related Debt:	
Net Property, Plant, and Equipment in Services	\$ 15,543,929
Less: Revenue Bonds Payable	<u>(4,020,000)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 11,523,929</u>
Restricted for Debt Service:	
Restricted Investments	\$ 566,802
Less: Current Liabilities Payable from Restricted Assets	<u>(11,547)</u>
Total Restricted for Debt Service	<u>\$ 555,255</u>
Unrestricted	<u>\$ 11,403</u>
Total Net Assets	<u><u>\$ 12,090,587</u></u>

D. Other Information

1. Pension Costs

Tennessee Consolidated Retirement System

All employees of the Benton County Electric System hired after November 22, 1988, are included with the employees of Benton County and are covered under the Tennessee Consolidated Retirement System, a multi-employer plan. The system's payroll for these employees totaled \$913,996 with employer contributions of \$45,650 (five percent of covered wages) and employee contributions of \$56,058. Additional disclosures pertaining to the system's employees may be obtained by referring to Note V.F.

Central Service Plan (CSA)

The Benton County Electric System participates in a multi-employer pension plan sponsored by Central Service Association. Substantially all employees are covered by this trustee, contributory pension plan. The system funds both the employee and employer portion of the pension plan. Contributions to the plan were \$320,813. The system's payroll for employees covered by the plan for the year ended June 30, 2006, was \$1,382,853, and the total payroll for the year was \$2,296,849.

Plan Description

The following description of the plan is provided for the Central Service Association Employee Retirement Plan in total. Plan net assets and accumulated plan benefit information relative to the system's portion of the multi-employee plan are not determinable.

The plan is a multi-employer defined benefit plan with employees eligible to participate on the date of employment. The employer contributes amounts sufficient to meet the actuarially determined funding requirements of the plan in order to provide for anticipated benefits. The employer has a right to discontinue contributions at any time and terminate the plan. In the event of termination of the plan, the net assets of the plan are to be used to purchase annuities for the participants in a specified manner.

However, the Pension Benefit Guaranty Corporation guarantees the payments of all non-forfeitable basic benefits, subject to certain limitations prescribed by the Employee Retirement Income Security Act of 1974 (ERISA).

Funding Policy

The contributions of the employer are made in amounts sufficient to fund the plan's current service costs on a current basis and to fund the initial past service costs plus interest thereon over 20 years. The plan has met the ERISA minimum funding requirements.

Annual Pension Costs

For the year ended June 30, 2006, the system's annual pension cost of \$320,813 for the plan was equal to the system's required and actual contributions. The required contribution was determined as part of the October 1, 2005, actuarial valuation using the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions included (a) eight percent investment rate of return (net of administrative expenses) and (b) projected salary increases of five percent, including cost of living adjustments. The actuarial value of plan assets was determined using the following. The pension account is maintained in accordance with the group annuity contract between the plan sponsor and Massachusetts Mutual. Assets are assigned to the General Investment Account for the insurance company where investments are comprised mainly of bonds and mortgages. For valuation purposes, the unadjusted value of the pension account assigned by the insurance company is used.

For assets held in separate investment accounts, the Actuarial Value of Assets is equal to the average market value of assets, with phase-in,

as defined in 1.412 (c) (2)-1(b)(7) of the regulations under Section 412 of the Internal Revenue Code. The averaging period is five years. The average market value is adjusted to be no greater than 120 percent and no less than 80 percent of the market value of assets.

Six-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-05	\$6,198,868	105.23 %	(\$12,768)
9-30-04	5,585,108	101.19	(66,295)
9-30-03	5,611,023	90.34	541,748
9-30-02	4,626,889	93.51	300,253
9-30-01	4,028,231	103.04	(122,583)
9-30-00	4,097,832	97.13	117,687

The information above is presented for all years that information is available. All information shown above includes all entities covered by CSA. Separate information for the system is not available.

2. Power Contract

The Benton County Electric System has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging or otherwise diverting system funds, revenues or property to other operations of the county and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

3. Risk Management

The Benton County Electric System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the system purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

4. Post-Employment Health Benefits

In November 1996, the Benton County Electric System approved a policy for post-employment health insurance coverage eligible to those

employees retiring after November 26, 1996. This policy entitles all employees who retire from the system on or after attaining age 55 with at least 20 years of service to retain Blue Cross Health Coverage at 100 percent cost to the system until the employee reaches age 65. Additionally, family coverage may also be retained and paid for by the retiring employee, with the electric system paying 75 percent of the cost. Currently there are four retirees who meet these requirements. Expenditures for this insurance coverage are recognized at the time the employee retires and the premiums for coverage come due.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,565,228	\$ 2,418,402	\$ 2,418,402	\$ 146,826
Licenses and Permits	3,935	4,900	4,900	(965)
Fines, Forfeitures, and Penalties	79,974	76,095	76,095	3,879
Charges for Current Services	638,539	554,980	554,980	83,559
Other Local Revenues	320,829	187,000	190,270	130,559
Fees Received from County Officials	877,489	667,000	667,000	210,489
State of Tennessee	1,429,686	1,482,304	1,505,474	(75,788)
Federal Government	244,500	186,667	188,167	56,333
Other Governments and Citizens Groups	28,764	33,000	60,791	(32,027)
Total Revenues	\$ 6,188,944	\$ 5,610,348	\$ 5,666,079	\$ 522,865
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 37,317	\$ 35,450	\$ 37,950	\$ 633
Board of Equalization	2,100	2,100	2,100	0
Beer Board	225	500	500	275
County Mayor/Executive	684,527	201,870	689,382	4,855
County Attorney	6,871	7,000	7,000	129
Election Commission	247,034	114,567	259,677	12,643
Register of Deeds	111,599	112,946	114,446	2,847
County Buildings	332,158	277,450	328,330	(3,828)
<u>Finance</u>				
Property Assessor's Office	137,619	138,803	138,803	1,184
Reappraisal Program	19,856	15,087	19,946	90
County Trustee's Office	118,277	123,298	123,298	5,021
County Clerk's Office	170,471	164,670	179,979	9,508
<u>Administration of Justice</u>				
Circuit Court	188,117	192,912	192,912	4,795
General Sessions Judge	87,175	88,121	88,771	1,596
Chancery Court	105,891	107,212	107,212	1,321
Juvenile Court	33,026	34,765	34,765	1,739
<u>Public Safety</u>				
Sheriff's Department	1,008,832	1,102,223	1,110,946	102,114
Administration of the Sexual Offender Registry	211	0	600	389
Jail	592,669	659,415	696,337	103,668
Juvenile Services	120,663	109,081	123,947	3,284
Fire Prevention and Control	2,000	2,000	2,000	0
Rural Fire Protection	110,165	110,165	110,165	0
Rescue Squad	0	10,000	10,000	10,000
Other Emergency Management	129,174	166,700	168,900	39,726
Inspection and Regulation	1,000	2,000	2,000	1,000
County Coroner/Medical Examiner	9,181	24,500	24,500	15,319

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 36,674	\$ 49,113	\$ 42,205	\$ 5,531
Rabies and Animal Control	37,232	39,483	46,183	8,951
Ambulance/Emergency Medical Services	318,230	174,000	374,000	55,770
Alcohol and Drug Programs	0	7,750	8,050	8,050
Crippled Children Services	900	900	900	0
Appropriation to State	15,506	15,506	15,506	0
Sanitation Management	45,177	36,886	49,286	4,109
Sanitation Education/Information	31,224	32,476	33,092	1,868
Other Public Health and Welfare	355	200	700	345
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	100,710	112,037	112,478	11,768
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	44,689	41,616	68,416	23,727
Soil Conservation	21,364	21,364	21,364	0
<u>Other Operations</u>				
Tourism	24,000	21,000	24,000	0
Airport	181,366	188,045	202,045	20,679
Veterans' Services	9,742	9,944	10,071	329
Other Charges	118,344	107,400	120,600	2,256
Contributions to Other Agencies	109,811	109,812	109,812	1
Employee Benefits	714,316	725,000	725,000	10,684
<u>Principal on Debt</u>				
General Government	25,485	0	25,485	0
<u>Interest on Debt</u>				
General Government	2,053	0	2,053	0
Total Expenditures	\$ 6,093,336	\$ 5,495,367	\$ 6,565,712	\$ 472,376
Excess (Deficiency) of Revenues Over Expenditures	\$ 95,608	\$ 114,981	\$ (899,633)	\$ 995,241
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 31,097	\$ 0	\$ 25,123	\$ 5,974
Transfers Out	(270,872)	(251,390)	(251,390)	(19,482)
Total Other Financing Sources (Uses)	\$ (239,775)	\$ (251,390)	\$ (226,267)	\$ (13,508)
Net Change in Fund Balance	\$ (144,167)	\$ (136,409)	\$ (1,125,900)	\$ 981,733
Fund Balance, July 1, 2005	1,367,813	1,169,864	1,169,864	197,949
Fund Balance, June 30, 2006	\$ 1,223,646	\$ 1,033,455	\$ 43,964	\$ 1,179,682

Exhibit F-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 413,273	\$ 0	\$ 0	\$ 413,273	\$ 367,349	\$ 367,349	\$ 45,924
Charges for Current Services	20	0	0	20	0	0	20
Other Local Revenues	21,343	0	0	21,343	8,200	20,405	938
State of Tennessee	1,801,658	0	0	1,801,658	1,819,270	1,881,342	(79,684)
Federal Government	13,854	0	0	13,854	10,500	10,500	3,354
Total Revenues	\$ 2,250,148	\$ 0	\$ 0	\$ 2,250,148	\$ 2,205,319	\$ 2,279,596	\$ (29,448)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 127,587	\$ 0	\$ 0	\$ 127,587	\$ 138,641	\$ 138,641	\$ 11,054
Highway and Bridge Maintenance	1,194,249	0	0	1,194,249	1,486,325	1,539,164	344,915
Operation and Maintenance of Equipment	226,181	0	0	226,181	280,723	280,723	54,542
Other Charges	70,551	0	0	70,551	117,000	117,000	46,449
Employee Benefits	248,971	0	0	248,971	280,959	280,959	31,988
Capital Outlay	424,967	(12,072)	41,687	454,582	345,000	356,366	(98,216)
Total Expenditures	\$ 2,292,506	\$ (12,072)	\$ 41,687	\$ 2,322,121	\$ 2,648,648	\$ 2,712,853	\$ 390,732
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,358)	\$ 12,072	\$ (41,687)	\$ (71,973)	\$ (443,329)	\$ (433,257)	\$ 361,284
Net Change in Fund Balance	\$ (42,358)	\$ 12,072	\$ (41,687)	\$ (71,973)	\$ (443,329)	\$ (433,257)	\$ 361,284
Fund Balance, July 1, 2005	925,371	(12,072)	0	913,299	602,509	602,509	310,790
Fund Balance, June 30, 2006	\$ 883,013	\$ 0	\$ (41,687)	\$ 841,326	\$ 159,180	\$ 169,252	\$ 672,074

BENTON 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 Benton County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, County Mayor, etc.). Management may make revisions within major categories, but only the Benton 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. EXPENDITURES EXCEEDED APPROPRIATIONS

General Fund expenditures exceeded appropriations approved by the County Commission in the County Buildings (\$3,828) and the Transfers Out (\$19,482) major appropriation categories (the legal level of control). Highway/Public Works Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the Capital Outlay (\$98,216) major category. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Fund and by available fund balance in the Highway/Public Works Fund.

C. SPECIAL PURPOSE FUND WAS NOT BUDGETED

A budget for the county's Special Purpose Fund (a major special revenue fund) was not presented to the County Commission for approval. This is a violation of state statute.

**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.

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

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

Capital Projects Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county. During the current year this fund was used primarily for improvements to county recreational facilities.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for expenditures related to the maintenance of a water storage tank.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for grant proceeds received from a HOME Investment Partnership Grant for housing improvements for low-income households.

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for the acquisition of road signs due to the creation of the Benton County Emergency Communications District.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for note proceeds and grant funds received from the state for airport improvements.

Exhibit G-1

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

	Special Revenue Funds			Capital Projects Funds	
	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	Community Development/Industrial Park
<u>ASSETS</u>					
Cash	\$ 0	\$ 2,238	\$ 2,238	\$ 0	\$ 0
Equity in Pooled Cash and Investments	32,842	0	32,842	9,634	7,531
Accounts Receivable	125	0	125	0	0
Due from Other Governments	0	0	0	22,826	0
Total Assets	\$ 32,967	\$ 2,238	\$ 35,205	\$ 32,460	\$ 7,531
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 688	\$ 0	\$ 688	\$ 0	\$ 0
Contracts Payable	0	0	0	23,750	0
Due to Other Funds	0	2,238	2,238	0	0
Total Liabilities	\$ 688	\$ 2,238	\$ 2,926	\$ 23,750	\$ 0
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reserved for Other General Purposes	0	0	0	0	7,531
Unreserved (Deficit)	32,279	0	32,279	8,710	0
Total Fund Balances	\$ 32,279	\$ 0	\$ 32,279	\$ 8,710	\$ 7,531
Total Liabilities and Fund Balances	\$ 32,967	\$ 2,238	\$ 35,205	\$ 32,460	\$ 7,531

(Continued)

Exhibit G-1

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

	Capital Projects Funds (Cont.)				Total Nonmajor Governmental Funds
	HUD Grant Projects	Highway Capital Projects	Other Capital Projects	Total	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	2,238
Equity in Pooled Cash and Investments	54	7,222	206,699	231,140	263,982
Accounts Receivable	0	0	0	0	125
Due from Other Governments	0	0	59,858	82,684	82,684
Total Assets	\$ 54	\$ 7,222	\$ 266,557	\$ 313,824	\$ 349,029
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	688
Contracts Payable	0	0	277,313	301,063	301,063
Due to Other Funds	0	0	0	0	2,238
Total Liabilities	\$ 0	\$ 0	\$ 277,313	\$ 301,063	\$ 303,989
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 3,918,042	\$ 3,918,042	\$ 3,918,042
Reserved for Other General Purposes	0	0	0	7,531	7,531
Unreserved (Deficit)	54	7,222	(3,928,798)	(3,912,812)	(3,880,533)
Total Fund Balances	\$ 54	\$ 7,222	\$ (10,756)	\$ 12,761	\$ 45,040
Total Liabilities and Fund Balances	\$ 54	\$ 7,222	\$ 266,557	\$ 313,824	\$ 349,029

Exhibit G-2

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

	Special Revenue Funds			Capital Projects Funds	
	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	Community Development/Industrial Park
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 30,534	\$ 0	\$ 30,534	\$ 0	\$ 0
Charges for Current Services	0	32	32	0	0
Other Local Revenues	381	0	381	500	0
State of Tennessee	0	0	0	78,961	0
Federal Government	0	0	0	0	0
Other Governments and Citizens Groups	0	0	0	2,000	0
Total Revenues	<u>\$ 30,915</u>	<u>\$ 32</u>	<u>\$ 30,947</u>	<u>\$ 81,461</u>	<u>\$ 0</u>
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 32	\$ 32	\$ 0	\$ 0
Public Safety	27,153	0	27,153	0	0
Other Operations	0	0	0	5	0
Highways	0	0	0	0	0
Capital Projects	0	0	0	265,915	8,715
Total Expenditures	<u>\$ 27,153</u>	<u>\$ 32</u>	<u>\$ 27,185</u>	<u>\$ 265,920</u>	<u>\$ 8,715</u>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 3,762	\$ 0	\$ 3,762	\$(184,459)	\$(8,715)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 3,762	\$ 0	\$ 3,762	\$(184,459)	\$(8,715)
Fund Balance, July 1, 2005	28,517	0	28,517	193,169	16,246
Fund Balance, June 30, 2006	<u>\$ 32,279</u>	<u>\$ 0</u>	<u>\$ 32,279</u>	<u>\$ 8,710</u>	<u>\$ 7,531</u>

(Continued)

Exhibit G-2

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

	<u>Capital Projects Funds (Cont.)</u>				Total Nonmajor Governmental Funds
	HUD Grant Projects	Highway Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,534
Charges for Current Services	0	0	0	0	32
Other Local Revenues	0	0	0	500	881
State of Tennessee	0	0	93,417	172,378	172,378
Federal Government	0	0	1,518	1,518	1,518
Other Governments and Citizens Groups	0	0	0	2,000	2,000
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 94,935</u>	<u>\$ 176,396</u>	<u>\$ 207,343</u>
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32
Public Safety	0	0	0	0	27,153
Other Operations	0	0	332	337	337
Highways	0	12,575	0	12,575	12,575
Capital Projects	0	0	456,497	731,127	731,127
Total Expenditures	<u>\$ 0</u>	<u>\$ 12,575</u>	<u>\$ 456,829</u>	<u>\$ 744,039</u>	<u>\$ 771,224</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ (12,575)</u>	<u>\$ (361,894)</u>	<u>\$ (567,643)</u>	<u>\$ (563,881)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 350,000	\$ 350,000	\$ 350,000
Transfers In	0	19,600	0	19,600	19,600
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 19,600</u>	<u>\$ 350,000</u>	<u>\$ 369,600</u>	<u>\$ 369,600</u>
Net Change in Fund Balances	\$ 0	\$ 7,025	\$ (11,894)	\$ (198,043)	\$ (194,281)
Fund Balance, July 1, 2005	54	197	1,138	210,804	239,321
Fund Balance, June 30, 2006	<u>\$ 54</u>	<u>\$ 7,222</u>	<u>\$ (10,756)</u>	<u>\$ 12,761</u>	<u>\$ 45,040</u>

Exhibit G-3

Benton 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	\$ 30,534	\$ 27,500	\$ 30,705	\$ (171)
Other Local Revenues	381	300	300	81
Total Revenues	<u>\$ 30,915</u>	<u>\$ 27,800</u>	<u>\$ 31,005</u>	<u>\$ (90)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 27,153	\$ 39,800	\$ 43,005	\$ 15,852
Total Expenditures	<u>\$ 27,153</u>	<u>\$ 39,800</u>	<u>\$ 43,005</u>	<u>\$ 15,852</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,762</u>	<u>\$ (12,000)</u>	<u>\$ (12,000)</u>	<u>\$ 15,762</u>
Net Change in Fund Balance	\$ 3,762	\$ (12,000)	\$ (12,000)	\$ 15,762
Fund Balance, July 1, 2005	<u>28,517</u>	<u>34,611</u>	<u>34,611</u>	<u>(6,094)</u>
Fund Balance, June 30, 2006	<u><u>\$ 32,279</u></u>	<u><u>\$ 22,611</u></u>	<u><u>\$ 22,611</u></u>	<u><u>\$ 9,668</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Benton 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	\$ 280,290	\$ 270,904	\$ 270,904	\$ 9,386
Other Local Revenues	82,673	76,315	76,315	6,358
Other Governments and Citizens Groups	575,883	67,614	507,614	68,269
Total Revenues	<u>\$ 938,846</u>	<u>\$ 414,833</u>	<u>\$ 854,833</u>	<u>\$ 84,013</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 230,000	\$ 230,000	\$ 230,000	\$ 0
Education	440,000	440,000	440,000	0
<u>Interest on Debt</u>				
General Government	52,003	64,402	64,402	12,399
Education	371,675	371,675	371,675	0
<u>Other Debt Service</u>				
General Government	7,880	8,100	8,100	220
Education	950	6,000	6,000	5,050
Total Expenditures	<u>\$ 1,102,508</u>	<u>\$ 1,120,177</u>	<u>\$ 1,120,177</u>	<u>\$ 17,669</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (163,662)</u>	<u>\$ (705,344)</u>	<u>\$ (265,344)</u>	<u>\$ 101,682</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 79,882	\$ 525,000	\$ 85,000	\$ (5,118)
Total Other Financing Sources (Uses)	<u>\$ 79,882</u>	<u>\$ 525,000</u>	<u>\$ 85,000</u>	<u>\$ (5,118)</u>
Net Change in Fund Balance	\$ (83,780)	\$ (180,344)	\$ (180,344)	\$ 96,564
Fund Balance, July 1, 2005	<u>1,764,259</u>	<u>1,761,855</u>	<u>1,761,855</u>	<u>2,404</u>
Fund Balance, June 30, 2006	<u>\$ 1,680,479</u>	<u>\$ 1,581,511</u>	<u>\$ 1,581,511</u>	<u>\$ 98,968</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 I-1

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

	<u>Agency Funds</u>		
	<u>Cities -</u>	<u>Constitutional</u>	
	<u>Sales</u>	<u>Officers -</u>	
	<u>Tax</u>	<u>Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 814,803	\$ 814,803
Due from Other Governments	236,743	0	236,743
Total Assets	<u>\$ 236,743</u>	<u>\$ 814,803</u>	<u>\$ 1,051,546</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 236,743	\$ 0	\$ 236,743
Due to Litigants, Heirs, and Others	0	814,803	814,803
Total Liabilities	<u>\$ 236,743</u>	<u>\$ 814,803</u>	<u>\$ 1,051,546</u>

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,174,374	\$ 1,174,374	\$ 0
Due from Other Governments	196,455	236,743	196,455	236,743
Total Assets	\$ 196,455	\$ 1,411,117	\$ 1,370,829	\$ 236,743
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 196,455	\$ 1,411,117	\$ 1,370,829	\$ 236,743
Total Liabilities	\$ 196,455	\$ 1,411,117	\$ 1,370,829	\$ 236,743
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,006,390	\$ 3,632,789	\$ 3,824,376	\$ 814,803
Cash Shortage	906	0	906	0
Total Assets	\$ 1,007,296	\$ 3,632,789	\$ 3,825,282	\$ 814,803
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,007,296	\$ 3,632,789	\$ 3,825,282	\$ 814,803
Total Liabilities	\$ 1,007,296	\$ 3,632,789	\$ 3,825,282	\$ 814,803
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,174,374	\$ 1,174,374	\$ 0
Cash	1,006,390	3,632,789	3,824,376	814,803
Due from Other Governments	196,455	236,743	196,455	236,743
Cash Shortage	906	0	906	0
Total Assets	\$ 1,203,751	\$ 5,043,906	\$ 5,196,111	\$ 1,051,546
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 196,455	\$ 1,411,117	\$ 1,370,829	\$ 236,743
Due to Litigants, Heirs, and Others	1,007,296	3,632,789	3,825,282	814,803
Total Liabilities	\$ 1,203,751	\$ 5,043,906	\$ 5,196,111	\$ 1,051,546

Benton County School Department

This section presents combining and individual fund financial statements for the Benton County School Department, a discretely presented component unit. The School Department uses a General Fund, a Special Revenue Fund, and a Capital Projects Fund.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of certain school projects.

Exhibit J-1

Benton County, Tennessee
Statement of Activities
Discretely Presented Benton County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 11,335,184	\$ 22,188	\$ 1,087,230	\$ (10,225,766)
Support Services	5,580,424	26,758	61,505	(5,492,161)
Operation of Non-Instructional Services	1,119,827	773	970,832	(148,222)
Interest on Long-term Debt	12,862	0	0	(12,862)
Other Debt Service	359,346	0	0	(359,346)
Total Governmental Activities	<u>\$ 18,407,643</u>	<u>\$ 49,719</u>	<u>\$ 2,119,567</u>	<u>\$ (16,238,357)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,510,090
Local Option Sales Tax				1,612,063
Other Local Taxes				2,853
Grants and Contributions Not Restricted for Specific Programs				10,744,136
Miscellaneous				55,144
Total General Revenues				<u>\$ 15,924,286</u>
Change in Net Assets				\$ (314,071)
Prior Period Adjustment				75,035
Net Assets, July 1, 2005				<u>14,330,196</u>
Net Assets, June 30, 2006				<u>\$ 14,091,160</u>

Exhibit J-2

Benton County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Benton County School Department
June 30, 2006

	<u>Major Fund</u>	Nonmajor <u>Funds</u>	Total
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,195,981	\$ 35,027	\$ 1,231,008
Accounts Receivable	2,500	0	2,500
Due from Other Governments	483,587	460	484,047
Property Taxes Receivable	3,602,337	0	3,602,337
Allowance for Uncollectible Property Taxes	(146,733)	0	(146,733)
Total Assets	<u>\$ 5,137,672</u>	<u>\$ 35,487</u>	<u>\$ 5,173,159</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 279,016	\$ 3,861	\$ 282,877
Contracts Payable	50,534	0	50,534
Retainage Payable	21,063	0	21,063
Due to Primary Government	56,620	0	56,620
Deferred Revenue - Current Property Taxes	3,310,315	0	3,310,315
Deferred Revenue - Delinquent Property Taxes	129,264	0	129,264
Other Deferred Revenues	92,729	0	92,729
Total Liabilities	<u>\$ 3,939,541</u>	<u>\$ 3,861</u>	<u>\$ 3,943,402</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 10,865	\$ 0	\$ 10,865
Reserved for Career Ladder Program	26,928	0	26,928
Reserved for Title I Grants to Local Education Agencies	0	14,619	14,619
Reserved for Innovative Education Program Strategies	0	2,998	2,998
Reserved for Special Education - Grants to States	0	697	697
Other Federal Reserves	0	5	5
Unreserved, Reported In:			
General Fund	1,160,338	0	1,160,338
Capital Projects Funds	0	13,307	13,307
Total Fund Balances	<u>\$ 1,198,131</u>	<u>\$ 31,626</u>	<u>\$ 1,229,757</u>
Total Liabilities and Fund Balances	<u>\$ 5,137,672</u>	<u>\$ 35,487</u>	<u>\$ 5,173,159</u>

Exhibit J-3

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

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 1,229,757
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 136,560	
Add: buildings and improvements net of accumulated depreciation	12,397,447	
Add: other capital assets net of accumulated depreciation	<u>367,734</u>	12,901,741
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		221,993
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(262,331)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 14,091,160</u>

Exhibit J-4

Benton County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Benton 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	\$ 5,382,952	\$ 0	\$ 5,382,952
Licenses and Permits	1,687	0	1,687
Charges for Current Services	49,719	0	49,719
Other Local Revenues	57,144	0	57,144
State of Tennessee	9,829,167	0	9,829,167
Federal Government	1,010,087	1,460,152	2,470,239
Other Governments and Citizens Groups	219,753	0	219,753
Total Revenues	\$ 16,550,509	\$ 1,460,152	\$ 18,010,661
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,292,468	\$ 1,246,860	\$ 10,539,328
Support Services	4,996,941	302,839	5,299,780
Operation of Non-Instructional Services	961,823	0	961,823
Capital Outlay	667,578	0	667,578
Debt Service:			
Principal on Debt	31,242	0	31,242
Interest on Debt	12,862	0	12,862
Other Debt Service	359,346	0	359,346
Total Expenditures	\$ 16,322,260	\$ 1,549,699	\$ 17,871,959
Excess (Deficiency) of Revenues Over Expenditures	\$ 228,249	\$ (89,547)	\$ 138,702
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 37,730	\$ 0	\$ 37,730
Transfers Out	0	(37,730)	(37,730)
Total Other Financing Sources (Uses)	\$ 37,730	\$ (37,730)	\$ 0
Net Change in Fund Balances	\$ 265,979	\$ (127,277)	\$ 138,702
Fund Balance, July 1, 2005	932,152	158,903	1,091,055
Fund Balance, June 30, 2006	\$ 1,198,131	\$ 31,626	\$ 1,229,757

Exhibit J-5

Benton County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Benton 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 J-4)		\$ 138,702
(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	\$ 115,262	
Less: current year depreciation expense	<u>(602,196)</u>	(486,934)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 221,993	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(219,074)</u>	2,919
(3) The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.		
Add: principal payments on capital lease		<u>31,242</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (314,071)</u>

Exhibit J-6

Benton County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Benton County School Department
June 30, 2006

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 21,720	\$ 13,307	\$ 35,027
Due from Other Governments	460	0	460
Total Assets	<u>\$ 22,180</u>	<u>\$ 13,307</u>	<u>\$ 35,487</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 3,861	\$ 0	\$ 3,861
Total Liabilities	<u>\$ 3,861</u>	<u>\$ 0</u>	<u>\$ 3,861</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 14,619	\$ 0	\$ 14,619
Reserved for Innovative Education Program Strategies	2,998	0	2,998
Reserved for Special Education - Grants to States	697	0	697
Other Federal Reserves	5	0	5
Unreserved	0	13,307	13,307
Total Fund Balances	<u>\$ 18,319</u>	<u>\$ 13,307</u>	<u>\$ 31,626</u>
Total Liabilities and Fund Balances	<u>\$ 22,180</u>	<u>\$ 13,307</u>	<u>\$ 35,487</u>

Exhibit J-7

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

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<u>Revenues</u>			
Federal Government	\$ 1,460,152	\$ 0	\$ 1,460,152
Total Revenues	<u>\$ 1,460,152</u>	<u>\$ 0</u>	<u>\$ 1,460,152</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,246,860	\$ 0	\$ 1,246,860
Support Services	302,839	0	302,839
Total Expenditures	<u>\$ 1,549,699</u>	<u>\$ 0</u>	<u>\$ 1,549,699</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (89,547)</u>	<u>\$ 0</u>	<u>\$ (89,547)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (37,730)	\$ 0	\$ (37,730)
Total Other Financing Sources (Uses)	<u>\$ (37,730)</u>	<u>\$ 0</u>	<u>\$ (37,730)</u>
Net Change in Fund Balances	\$ (127,277)	\$ 0	\$ (127,277)
Fund Balance, July 1, 2005	<u>145,596</u>	<u>13,307</u>	<u>158,903</u>
Fund Balance, June 30, 2006	<u>\$ 18,319</u>	<u>\$ 13,307</u>	<u>\$ 31,626</u>

Exhibit J-8

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Benton County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,382,952	\$ 4,933,997	\$ 4,933,997	\$ 448,955
Licenses and Permits	1,687	2,077	2,077	(390)
Charges for Current Services	49,719	35,500	53,952	(4,233)
Other Local Revenues	57,144	178,400	46,425	10,719
State of Tennessee	9,829,167	9,883,276	9,913,430	(84,263)
Federal Government	1,010,087	825,121	998,275	11,812
Other Governments and Citizens Groups	219,753	0	175,000	44,753
Total Revenues	<u>\$ 16,550,509</u>	<u>\$ 15,858,371</u>	<u>\$ 16,123,156</u>	<u>\$ 427,353</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 7,586,025	\$ 7,647,393	\$ 7,637,605	\$ 51,580
Special Education Program	954,995	997,715	997,753	42,758
Vocational Education Program	596,977	599,024	601,143	4,166
Adult Education Program	154,471	159,130	159,288	4,817
<u>Support Services</u>				
Attendance	70,333	70,573	70,683	350
Health Services	36,873	38,000	38,000	1,127
Other Student Support	319,263	325,960	325,960	6,697
Regular Instruction Program	464,906	471,017	471,832	6,926
Special Education Program	83,454	82,320	83,904	450
Vocational Education Program	114,670	118,700	118,700	4,030
Adult Programs	71,626	77,653	77,726	6,100
Board of Education	413,963	438,049	438,049	24,086
Director of Schools	105,690	111,525	111,645	5,955
Office of the Principal	770,825	778,970	779,162	8,337
Fiscal Services	122,850	123,097	123,377	527
Operation of Plant	1,082,756	1,049,112	1,113,099	30,343
Maintenance of Plant	462,820	467,581	474,341	11,521
Transportation	802,635	747,955	803,232	597
Central and Other	74,277	91,555	91,555	17,278
<u>Operation of Non-Instructional Services</u>				
Food Service	959,573	797,295	959,607	34
Community Services	2,250	750	2,250	0
<u>Capital Outlay</u>				
Regular Capital Outlay	667,578	310,891	728,756	61,178
<u>Principal on Debt</u>				
Education	31,242	31,242	31,242	0
<u>Interest on Debt</u>				
Education	12,862	12,864	12,864	2
<u>Other Debt Service</u>				
Education	359,346	315,000	382,614	23,268
Total Expenditures	<u>\$ 16,322,260</u>	<u>\$ 15,863,371</u>	<u>\$ 16,634,387</u>	<u>\$ 312,127</u>

(Continued)

Exhibit J-8

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Benton County School Department
General Purpose School Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 228,249	\$ (5,000)	\$ (511,231)	\$ 739,480
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 0	\$ 0	\$ 204,000	\$ (204,000)
Transfers In	37,730	5,000	42,730	(5,000)
Total Other Financing Sources (Uses)	\$ 37,730	\$ 5,000	\$ 246,730	\$ (209,000)
Net Change in Fund Balance	\$ 265,979	\$ 0	\$ (264,501)	\$ 530,480
Fund Balance, July 1, 2005	932,152	579,819	579,819	352,333
Fund Balance, June 30, 2006	\$ 1,198,131	\$ 579,819	\$ 315,318	\$ 882,813

Exhibit J-9

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Benton 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>				
Federal Government	\$ 1,460,152	\$ 1,616,479	\$ 1,622,415	\$ (162,263)
Total Revenues	\$ 1,460,152	\$ 1,616,479	\$ 1,622,415	\$ (162,263)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 718,903	\$ 794,354	\$ 774,887	\$ 55,984
Special Education Program	471,009	547,082	549,377	78,368
Vocational Education Program	56,948	59,360	56,948	0
<u>Support Services</u>				
Health Services	13,813	14,325	14,273	460
Other Student Support	124,465	99,159	128,180	3,715
Regular Instruction Program	87,994	96,233	97,233	9,239
Special Education Program	73,349	81,641	79,516	6,167
Vocational Education Program	3,218	5,000	3,218	0
Total Expenditures	\$ 1,549,699	\$ 1,697,154	\$ 1,703,632	\$ 153,933
Excess (Deficiency) of Revenues Over Expenditures	\$ (89,547)	\$ (80,675)	\$ (81,217)	\$ (8,330)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 13,701	\$ 0	\$ 0
Transfers Out	(37,730)	(78,622)	(64,379)	26,649
Total Other Financing Sources (Uses)	\$ (37,730)	\$ (64,921)	\$ (64,379)	\$ 26,649
Net Change in Fund Balance	\$ (127,277)	\$ (145,596)	\$ (145,596)	\$ 18,319
Fund Balance, July 1, 2005	145,596	145,596	145,596	0
Fund Balance, June 30, 2006	\$ 18,319	\$ 0	\$ 0	\$ 18,319

MISCELLANEOUS SCHEDULES

Exhibit K-1

Benton County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
Primary Government and Discretely Presented Benton County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Vocational Rehabilitation Center	\$ 725,000	5.1	% 12-30-1999	12-1-11	\$ 476,000	\$ 0	\$ 58,000	\$ 418,000
Recreational Facilities	300,000	2.94	12-30-04	12-1-07	300,000	0	97,000	203,000
Runway Extension	350,000	3.41	8-9-05	8-9-08	0	350,000	0	350,000
Total Notes Payable					\$ 776,000	\$ 350,000	\$ 155,000	\$ 971,000
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Renovation	1,100,000	Variable	1-8-1997	5-25-12	\$ 622,000	\$ 0	\$ 75,000	\$ 547,000
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff Patrol Cars	79,514	3.95	4-8-05	4-8-07	\$ 51,976	\$ 0	\$ 25,485	\$ 26,491
Total Capital Leases Payable					\$ 51,976	\$ 0	\$ 25,485	\$ 26,491
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Bonds Series 1996	8,000,000	4.55 to 5.5	12-1-1996	6-1-09	\$ 1,040,000	\$ 0	\$ 240,000	\$ 800,000
School Bonds Series 1998	3,600,000	4.35 to 4.875	5-1-1998	6-1-09	500,000	0	120,000	380,000
School Bonds Series 2003 Refunding	9,020,000	3.5	6-12-03	12-1-21	8,855,000	0	80,000	8,775,000
Total Bonds Payable					\$ 10,395,000	\$ 0	\$ 440,000	\$ 9,955,000
<u>DISCRETELY PRESENTED BENTON COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Energy Efficient Lighting Equipment	352,035	4.5	7-23-03	7-1-13	\$ 293,573	\$ 0	\$ 31,242	\$ 262,331

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 460,000	\$ 352,055	\$ 812,055
2008	485,000	331,203	816,203
2009	500,000	309,145	809,145
2010	525,000	288,663	813,663
2011	545,000	269,938	814,938
2012	565,000	250,513	815,513
2013	585,000	230,388	815,388
2014	605,000	209,563	814,563
2015	625,000	188,038	813,038
2016	645,000	165,813	810,813
2017	675,000	142,713	817,713
2018	695,000	118,738	813,738
2019	725,000	93,888	818,888
2020	745,000	68,163	813,163
2021	775,000	41,563	816,563
2022	800,000	14,000	814,000
Total	<u>\$ 9,955,000</u>	<u>\$ 3,074,384</u>	<u>\$ 13,029,384</u>

Exhibit K-3

Benton County, Tennessee

Schedule of Transfers

Primary Government and Discretely Presented Benton County School Department

For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Benton County Public Library	Provide funds for operations	\$ 171,390
General	Highway Capital Projects	To provide funds for E-911 road signs	19,600
General	General Debt Service	Provide funds for retirement of debt	<u>79,882</u>
Total Transfers Primary Government			<u>\$ 270,872</u>
<u>Discretely Presented Benton County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 37,730</u>

Exhibit K-4

Benton County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Benton County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 57,804	\$ 25,000	RLI Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	56,201	100,000	"
Director of Schools	State Board of Education and Benton County Board of Education	75,229	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	50,048	675,320	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	50,048	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	57,606 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (2)	25,000	"
Employee Blanket Bond:				
County Mayor and Road Supervisor:				
All Employees			150,000	Tennessee School Boards Risk Management Trust
Schools Employees' Blanket Bond			10,000	Western Surety Company

(1) Includes special commissioner fees of \$7,558.

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

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,344,893	\$ 0	\$ 0	\$ 0	\$ 194,656	\$ 230,059	\$ 0	\$ 0	\$ 1,769,608
Trustee's Collections - Prior Year	51,626	0	0	0	7,491	9,357	0	0	68,474
Circuit/Clerk & Master Collections - Prior Years	108,656	0	0	0	15,522	19,403	0	0	143,581
Interest and Penalty	10,809	0	0	0	1,576	2,109	0	0	14,494
Payments in-Lieu-of Taxes - T.V.A.	7,201	0	0	0	0	0	0	0	7,201
Payments in-Lieu-of Taxes - Local Utilities	112,860	0	0	0	16,335	19,305	0	0	148,500
Payments in-Lieu-of Taxes - Other	332	0	0	0	48	57	0	0	437
<u>County Local Option Taxes</u>									
Local Option Sales Tax	443,787	0	0	0	0	0	0	0	443,787
Hotel/Motel Tax	35,918	0	0	0	0	0	0	0	35,918
Litigation Tax - General	63,101	0	0	0	0	0	0	0	63,101
Litigation Tax - Special Purpose	19,609	0	0	0	0	0	0	0	19,609
Litigation Tax - Jail, Workhouse, or Courthouse	18,236	0	0	0	0	0	0	0	18,236
Business Tax	71,852	0	0	0	0	0	0	0	71,852
Mineral Severance Tax	91,131	0	0	0	177,645	0	0	0	268,776
Other County Local Option Taxes	2,342	0	0	0	0	0	0	0	2,342
<u>Statutory Local Taxes</u>									
Bank Excise Tax	108,669	0	0	0	0	0	0	0	108,669
Wholesale Beer Tax	70,699	0	0	0	0	0	0	0	70,699
Beer Privilege Tax	1,400	0	0	0	0	0	0	0	1,400
Interstate Telecommunications Tax	2,107	0	0	0	0	0	0	0	2,107
Total Local Taxes	\$ 2,565,228	\$ 0	\$ 0	\$ 0	\$ 413,273	\$ 280,290	\$ 0	\$ 0	\$ 3,258,791
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 3,435	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,435
<u>Permits</u>									
Beer Permits	500	0	0	0	0	0	0	0	500
Total Licenses and Permits	\$ 3,935	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,935

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 6,460	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,460
Officers Costs	2,864	0	0	0	0	0	0	0	2,864
Drug Control Fines	0	0	5,225	0	0	0	0	0	5,225
Jail Fees	6	0	0	0	0	0	0	0	6
DUI Treatment Fines	95	0	0	0	0	0	0	0	95
Data Entry Fee - Circuit Court	68	0	0	0	0	0	0	0	68
<u>General Sessions Court</u>									
Fines	12,461	0	0	0	0	0	0	0	12,461
Officers Costs	47,565	0	0	0	0	0	0	0	47,565
Game and Fish Fines	1,545	0	0	0	0	0	0	0	1,545
Drug Control Fines	0	0	3,810	0	0	0	0	0	3,810
Jail Fees	134	0	0	0	0	0	0	0	134
DUI Treatment Fines	3,161	0	0	0	0	0	0	0	3,161
Data Entry Fee - General Sessions Court	1,778	0	0	0	0	0	0	0	1,778
<u>Juvenile Court</u>									
Fines	1,720	0	0	0	0	0	0	0	1,720
<u>Chancery Court</u>									
Officers Costs	1,839	0	0	0	0	0	0	0	1,839
Data Entry Fee - Chancery Court	278	0	0	0	0	0	0	0	278
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	21,499	0	0	0	0	0	21,499
Total Fines, Forfeitures, and Penalties	\$ 79,974	\$ 0	\$ 30,534	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	110,508
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Surcharge - Host Agency	\$ 614,695	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	614,695
<u>Fees</u>									
Copy Fees	3,314	0	0	0	20	0	0	0	3,334
Telephone Commissions	11,618	0	0	0	0	0	0	0	11,618
Vending Machine Collections	208	0	0	0	0	0	0	0	208
Constitutional Officers' Fees and Commissions	0	0	0	32	0	0	0	0	32
Data Processing Fee - Register	7,604	0	0	0	0	0	0	0	7,604

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Sexual Offender Registration Fees - Sheriff	\$ 1,100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,100
Total Charges for Current Services	\$ 638,539	\$ 0	\$ 0	\$ 32	\$ 20	\$ 0	\$ 0	\$ 0	\$ 638,591
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 173,479	\$ 224,389	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 397,868
Lease/Rentals	13,955	0	0	0	0	82,673	0	0	96,628
Sale of Materials and Supplies	2,076	0	0	0	6,395	0	0	0	8,471
Commissary Sales	4,154	0	0	0	0	0	0	0	4,154
Sale of Gasoline	67,808	0	0	0	6,433	0	0	0	74,241
Miscellaneous Refunds	34,101	0	381	0	495	0	0	0	34,977
<u>Nonrecurring Items</u>									
Sale of Equipment	1,940	0	0	0	7,950	0	0	0	9,890
Sale of Property	19,240	0	0	0	0	0	0	0	19,240
Damages Recovered from Individuals	0	0	0	0	70	0	0	0	70
Contributions & Gifts	3,572	0	0	0	0	0	500	0	4,072
<u>Other Local Revenues</u>									
Other Local Revenues	504	0	0	0	0	0	0	0	504
Total Other Local Revenues	\$ 320,829	\$ 224,389	\$ 381	\$ 0	\$ 21,343	\$ 82,673	\$ 500	\$ 0	\$ 650,115
<u>Fees Received from County Officials</u>									
<u>Fees-In-Lieu of Salary</u>									
County Clerk	\$ 158,650	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 158,650
Circuit Court Clerk	23,169	0	0	0	0	0	0	0	23,169
General Sessions Court Clerk	110,570	0	0	0	0	0	0	0	110,570
Clerk and Master	234,499	0	0	0	0	0	0	0	234,499
Register	90,228	0	0	0	0	0	0	0	90,228
Sheriff	30,588	0	0	0	0	0	0	0	30,588
Trustee	229,785	0	0	0	0	0	0	0	229,785
Total Fees Received from County Officials	\$ 877,489	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 877,489

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 137,296	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 137,296
Airport Maintenance Program	49,533	0	0	0	0	0	0	93,417	142,950
Aging Programs	77,064	0	0	0	0	0	0	0	77,064
State Reappraisal Grant	9,955	0	0	0	0	0	0	0	9,955
Solid Waste Grants	9,914	0	0	0	0	0	0	0	9,914
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	7,262	0	0	0	0	0	0	0	7,262
<u>Health and Welfare Grants</u>									
Health Department Programs	693	0	0	0	0	0	0	0	693
Other Health and Welfare Grants	14,581	0	0	0	0	0	0	0	14,581
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	140,085	0	0	0	140,085
Litter Program	27,667	0	0	0	0	0	0	0	27,667
<u>Other State Revenues</u>									
Income Tax	13,858	0	0	0	0	0	0	0	13,858
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	27,921	0	0	0	0	0	0	0	27,921
State Revenue Sharing - T.V.A.	852,037	0	0	0	50,000	0	0	0	902,037
Contracted Prisoner Boarding	165,313	0	0	0	0	0	0	0	165,313
Gasoline and Motor Fuel Tax	0	0	0	0	1,548,270	0	0	0	1,548,270
Petroleum Special Tax	0	0	0	0	13,303	0	0	0	13,303
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	3,000	0	0	0	50,000	0	78,961	0	131,961
Total State of Tennessee	\$ 1,429,686	\$ 0	\$ 0	\$ 0	\$ 1,801,658	\$ 0	\$ 78,961	\$ 93,417	\$ 3,403,722
<u>Federal Government</u>									
<u>Federal Through State</u>									
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,518	\$ 1,518
Disaster Relief	0	0	0	0	13,854	0	0	0	13,854
Homeland Security Grants	106,000	0	0	0	0	0	0	0	106,000
Other Federal through State	138,500	0	0	0	0	0	0	0	138,500
Total Federal Government	\$ 244,500	\$ 0	\$ 0	\$ 0	\$ 13,854	\$ 0	\$ 0	\$ 1,518	\$ 259,872

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 16,255	\$ 0	\$ 0	\$ 0	\$ 0	\$ 575,883	\$ 0	\$ 0	\$ 592,138
<u>Citizens Groups</u>									
Donations	12,509	0	0	0	0	0	2,000	0	14,509
Total Other Governments and Citizens Groups	<u>\$ 28,764</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 575,883</u>	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ 606,647</u>
Total	<u>\$ 6,188,944</u>	<u>\$ 224,389</u>	<u>\$ 30,915</u>	<u>\$ 32</u>	<u>\$ 2,250,148</u>	<u>\$ 938,846</u>	<u>\$ 81,461</u>	<u>\$ 94,935</u>	<u>\$ 9,809,670</u>

Exhibit K-6

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

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 3,096,999	\$ 0	\$ 3,096,999
Trustee's Collections - Prior Year	118,968	0	118,968
Circuit/Clerk & Master Collections - Prior Years	247,063	0	247,063
Interest and Penalty	25,021	0	25,021
Payments in-Lieu-of Taxes - Local Utilities	259,876	0	259,876
Payments in-Lieu-of Taxes - Other	764	0	764
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,631,408	0	1,631,408
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	2,853	0	2,853
Total Local Taxes	\$ 5,382,952	\$ 0	\$ 5,382,952
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,253	\$ 0	\$ 1,253
<u>Permits</u>			
Other Permits	434	0	434
Total Licenses and Permits	\$ 1,687	\$ 0	\$ 1,687
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Summer School	\$ 1,188	\$ 0	\$ 1,188
School Based Health Services - FFS	773	0	773
Receipts from Individual Schools	26,758	0	26,758
<u>Other Charges for Services</u>			
Other Charges for Services	21,000	0	21,000
Total Charges for Current Services	\$ 49,719	\$ 0	\$ 49,719
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Sale of Materials and Supplies	\$ 2,500	\$ 0	\$ 2,500
Miscellaneous Refunds	51,029	0	51,029
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	1,615	0	1,615
Contributions & Gifts	2,000	0	2,000
Total Other Local Revenues	\$ 57,144	\$ 0	\$ 57,144
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 9,411,084	\$ 0	\$ 9,411,084
School Food Service	16,511	0	16,511
Other State Education Funds	47,086	0	47,086
Career Ladder Program	147,339	0	147,339
Career Ladder - Extended Contract	57,147	0	57,147
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	150,000	0	150,000
Total State of Tennessee	\$ 9,829,167	\$ 0	\$ 9,829,167

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 532,406	\$ 0	\$ 532,406
Breakfast	341,923	0	341,923
Vocational Education - Basic Grants to States	0	78,860	78,860
Title I Grants to Local Education Agencies	0	584,956	584,956
Innovative Education Program Strategies	0	113,791	113,791
Special Education - Grants to States	694	479,869	480,563
Special Education Preschool Grants	0	15,307	15,307
Eisenhower Professional Development State Grants	0	162,194	162,194
Job Training Partnership Act	32,037	0	32,037
Other Federal through State	103,027	25,175	128,202
Total Federal Government	<u>\$ 1,010,087</u>	<u>\$ 1,460,152</u>	<u>\$ 2,470,239</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 219,753	\$ 0	\$ 219,753
Total Other Governments and Citizens Groups	<u>\$ 219,753</u>	<u>\$ 0</u>	<u>\$ 219,753</u>
Total	<u>\$ 16,550,509</u>	<u>\$ 1,460,152</u>	<u>\$ 18,010,661</u>

Exhibit K-7

Benton 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	\$ 28,912	
In-Service Training	675	
Accounting Services	1,250	
Audit Services	3,993	
Travel	2,487	
Total County Commission		\$ 37,317

Board of Equalization

Board and Committee Members Fees	\$ 2,100	
Total Board of Equalization		2,100

Beer Board

Board and Committee Members Fees	\$ 225	
Total Beer Board		225

County Mayor/Executive

County Official/Administrative Officer	\$ 57,804	
Accountants/Bookkeepers	22,842	
Salary Supplements	3,019	
Secretary(ies)	23,880	
Clerical Personnel	22,259	
In-Service Training	75	
Advertising	4,658	
Communication	6,896	
Data Processing Services	5,498	
Dues and Memberships	21,436	
Operating Lease Payments	4,268	
Maintenance & Repair Services - Office Equipment	1,997	
Postal Charges	19,340	
Printing, Stationery, and Forms	1,441	
Travel	830	
Data Processing Supplies	1,348	
Duplicating Supplies	210	
Office Supplies	1,173	
Other Charges	485,333	
Office Equipment	220	
Total County Mayor/Executive		684,527

County Attorney

Legal Services	\$ 6,871	
Total County Attorney		6,871

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	40,902	
Deputy(ies)		41,892	
Salary Supplements		500	
Election Commission		2,700	
Election Workers		2,656	
In-Service Training		735	
Advertising		538	
Audit Services		1,000	
Communication		2,250	
Data Processing Services		9,110	
Dues and Memberships		75	
Postal Charges		231	
Printing, Stationery, and Forms		1,772	
Travel		645	
Data Processing Supplies		56	
Duplicating Supplies		45	
Office Supplies		165	
Other Supplies and Materials		34	
Other Charges		1,854	
Furniture and Fixtures		250	
Voting Machines		138,500	
Other Equipment		1,124	
Total Election Commission			\$ 247,034

Register of Deeds

County Official/Administrative Officer	\$	50,048
Deputy(ies)		42,198
Salary Supplements		300
In-Service Training		165
Communication		3,508
Data Processing Services		8,053
Dues and Memberships		115
Maintenance & Repair Services - Office Equipment		1,174
Printing, Stationery, and Forms		54
Travel		753
Data Processing Supplies		1,840
Office Supplies		808
Other Charges		1,574
Communication Equipment		310
Data Processing Equipment		291

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Furniture and Fixtures	\$ 408	
Total Register of Deeds		\$ 111,599

County Buildings

Salary Supplements	\$ 5,216	
Custodial Personnel	22,656	
Part-time Personnel	13,433	
Maintenance & Repair Services - Buildings	19,707	
Pest Control	1,787	
Custodial Supplies	4,633	
Electricity	60,128	
Natural Gas	14,151	
Water and Sewer	5,298	
Fencing	3,300	
Liability Insurance	161,769	
Other Charges	2,847	
Building Improvements	17,233	
Total County Buildings		332,158

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 50,048	
Deputy(ies)	22,248	
Salary Supplements	300	
Clerical Personnel	40,307	
Audit Services	12,560	
Communication	813	
Data Processing Services	8,298	
Dues and Memberships	1,173	
Legal Notices, Recording, and Court Costs	150	
Printing, Stationery, and Forms	143	
Travel	798	
Duplicating Supplies	290	
Office Supplies	312	
Other Charges	60	
Other Equipment	119	
Total Property Assessor's Office		137,619

Reappraisal Program

Data Processing Services	\$ 3,071	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Other Contracted Services	\$ 16,785	
Total Reappraisal Program		\$ 19,856

County Trustee's Office

County Official/Administrative Officer	\$ 50,048	
Deputy(ies)	58,265	
Salary Supplements	800	
Advertising	472	
Communication	1,514	
Data Processing Services	3,171	
Dues and Memberships	200	
Maintenance & Repair Services - Office Equipment	1,450	
Printing, Stationery, and Forms	1,187	
Travel	213	
Data Processing Supplies	491	
Office Supplies	395	
Other Charges	71	
Total County Trustee's Office		118,277

County Clerk's Office

County Official/Administrative Officer	\$ 50,048	
Deputy(ies)	98,801	
Salary Supplements	300	
In-Service Training	415	
Communication	2,446	
Data Processing Services	11,993	
Dues and Memberships	100	
Operating Lease Payments	1,775	
Maintenance & Repair Services - Office Equipment	728	
Printing, Stationery, and Forms	1,165	
Travel	1,373	
Data Processing Supplies	460	
Office Supplies	755	
Other Charges	30	
Office Equipment	82	
Total County Clerk's Office		170,471

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 50,048
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Deputy(ies)	\$	102,679	
Salary Supplements		800	
Board and Committee Members Fees		400	
Jury and Witness Fees		4,558	
In-Service Training		230	
Communication		2,863	
Data Processing Services		9,808	
Dues and Memberships		65	
Operating Lease Payments		2,613	
Legal Notices, Recording, and Court Costs		340	
Maintenance & Repair Services - Office Equipment		1,065	
Printing, Stationery, and Forms		1,339	
Travel		690	
Data Processing Supplies		997	
Office Supplies		1,884	
Other Charges		601	
Data Processing Equipment		6,327	
Furniture and Fixtures		810	
Total Circuit Court			\$ 188,117

General Sessions Judge

Judge(s)	\$	60,877	
Assistant(s)		20,894	
In-Service Training		175	
Communication		772	
Data Processing Services		678	
Dues and Memberships		100	
Printing, Stationery, and Forms		1,864	
Travel		1,271	
Data Processing Supplies		355	
Office Supplies		169	
Other Charges		20	
Total General Sessions Judge			87,175

Chancery Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		45,414	
Salary Supplements		1,000	
In-Service Training		230	
Communication		1,329	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Data Processing Services	\$	4,329	
Dues and Memberships		65	
Maintenance & Repair Services - Office Equipment		450	
Printing, Stationery, and Forms		449	
Travel		588	
Data Processing Supplies		360	
Office Supplies		1,174	
Other Charges		15	
Office Equipment		440	
Total Chancery Court			\$ 105,891

Juvenile Court

Guidance Personnel	\$	25,965	
Salary Supplements		300	
Communication		2,280	
Travel		524	
Data Processing Supplies		282	
Office Supplies		430	
Other Charges		3,245	
Total Juvenile Court			33,026

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,571	
Supervisor/Director		34,585	
Deputy(ies)		275,735	
Lieutenant(s)		34,849	
Sergeant(s)		108,994	
Accountants/Bookkeepers		19,421	
Paraprofessionals		20,987	
Salary Supplements		77,627	
Dispatchers/Radio Operators		77,728	
Temporary Personnel		10,688	
Other Salaries & Wages		76,202	
In-Service Training		1,100	
Communication		18,174	
Data Processing Services		5,380	
Dues and Memberships		1,500	
Evaluation and Testing		450	
Operating Lease Payments		1,600	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance & Repair Services - Buildings	\$	981	
Maintenance & Repair Services - Equipment		1,566	
Maintenance & Repair Services - Vehicles		24,741	
Matching Share		4,290	
Postal Charges		922	
Printing, Stationery, and Forms		1,000	
Tow-in Services		1,725	
Travel		3,472	
Tuition		10,150	
Data Processing Supplies		2,419	
Duplicating Supplies		967	
Gasoline		48,674	
Law Enforcement Supplies		2,228	
Office Supplies		657	
Tires and Tubes		6,841	
Uniforms		2,692	
Other Supplies and Materials		93	
Premiums on Corporate Surety Bonds		2,700	
Other Charges		1,380	
Communication Equipment		1,191	
Data Processing Equipment		47,627	
Furniture and Fixtures		200	
Law Enforcement Equipment		8,025	
Motor Vehicles		13,700	
Total Sheriff's Department			\$ 1,008,832

Administration of the Sexual Offender Registry

Other Charges	\$	211	
Total Administration of the Sexual Offender Registry			211

Jail

Supervisor/Director	\$	37,752	
Lieutenant(s)		28,402	
Sergeant(s)		24,270	
Salary Supplements		32,089	
Guards		280,531	
Cafeteria Personnel		27,362	
Architects		16,922	
Data Processing Services		2,075	
Maintenance & Repair Services - Buildings		14,949	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance & Repair Services - Equipment	\$	1,539	
Pest Control		534	
Printing, Stationery, and Forms		384	
Travel		440	
Custodial Supplies		4,902	
Drugs and Medical Supplies		2,508	
Duplicating Supplies		495	
Electricity		22,886	
Food Preparation Supplies		2,050	
Food Supplies		64,845	
Law Enforcement Supplies		379	
Natural Gas		4,340	
Office Supplies		373	
Prisoners Clothing		1,017	
Uniforms		977	
Water and Sewer		6,518	
Other Supplies and Materials		1,701	
Medical Claims		10,817	
Data Processing Equipment		528	
Food Service Equipment		635	
Furniture and Fixtures		30	
Law Enforcement Equipment		419	
Total Jail			\$ 592,669

Juvenile Services

Supervisor/Director	\$	8,000	
Youth Service Officer(s)		26,219	
Teachers		21,000	
Social Workers		26,219	
Salary Supplements		300	
Clerical Personnel		23,043	
Other Fringe Benefits		6,200	
Communication		148	
Postal Charges		1,336	
Travel		2,017	
Data Processing Supplies		900	
Instructional Supplies and Materials		1,606	
Other Charges		1,795	
Data Processing Equipment		1,880	
Total Juvenile Services			120,663

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

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

Rural Fire Protection

Contributions	\$ 110,165	
Total Rural Fire Protection		110,165

Other Emergency Management

Supervisor/Director	\$ 12,000	
In-Service Training	115	
Communication	2,394	
Dues and Memberships	35	
Maintenance & Repair Services - Vehicles	72	
Travel	854	
Data Processing Supplies	669	
Gasoline	1,367	
Office Supplies	348	
Other Equipment	111,320	
Total Other Emergency Management		129,174

Inspection and Regulation

Other Per Diem & Fees	\$ 1,000	
Total Inspection and Regulation		1,000

County Coroner/Medical Examiner

Other Per Diem & Fees	\$ 625	
Contracts with Government Agencies	7,606	
Contracts with Public Carriers	950	
Total County Coroner/Medical Examiner		9,181

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 10,182	
Other Salaries & Wages	688	
Communication	2,052	
Dues and Memberships	100	
Operating Lease Payments	1,234	
Maintenance & Repair Services - Buildings	326	
Maintenance & Repair Services - Office Equipment	950	
Pest Control	432	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Postal Charges	\$	1,500	
Travel		125	
Other Contracted Services		701	
Custodial Supplies		2,215	
Drugs and Medical Supplies		3,683	
Office Supplies		1,653	
Utilities		6,965	
Other Supplies and Materials		2,377	
Office Equipment		703	
Other Equipment		788	
Total Local Health Center			\$ 36,674

Rabies and Animal Control

Part-time Personnel	\$	8,275	
Other Salaries & Wages		17,939	
Communication		611	
Maintenance & Repair Services - Vehicles		712	
Veterinary Services		3,025	
Animal Food and Supplies		2,159	
Custodial Supplies		369	
Gasoline		1,351	
Office Supplies		45	
Utilities		2,252	
Other Charges		494	
Total Rabies and Animal Control			37,232

Ambulance/Emergency Medical Services

Contributions	\$	318,230	
Total Ambulance/Emergency Medical Services			318,230

Crippled Children Services

Contributions	\$	900	
Total Crippled Children Services			900

Appropriation to State

Salary Supplements	\$	15,506	
Total Appropriation to State			15,506

Sanitation Management

Salary Supplements	\$	197	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Laborers	\$	23,214	
Part-time Personnel		676	
Communication		463	
Maintenance & Repair Services - Equipment		1,432	
Other Contracted Services		14,464	
Gasoline		1,796	
Utilities		1,324	
Other Charges		1,611	
Total Sanitation Management			\$ 45,177

Sanitation Education/Information

Laborers	\$	20,604	
Maintenance & Repair Services - Vehicles		92	
Gasoline		2,524	
Instructional Supplies and Materials		4,068	
Tires and Tubes		240	
Other Supplies and Materials		3,420	
Maintenance Equipment		276	
Total Sanitation Education/Information			31,224

Other Public Health and Welfare

Drugs and Medical Supplies	\$	355	
Total Other Public Health and Welfare			355

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	22,911	
Deputy(ies)		16,363	
Social Workers		3,982	
Other Salaries & Wages		19,867	
State Retirement		2,423	
Medical Insurance		4,392	
Other Fringe Benefits		5,229	
Communication		3,075	
Contracts with Other Public Agencies		4,995	
Operating Lease Payments		972	
Postal Charges		447	
Travel		4,879	
Custodial Supplies		565	
Food Supplies		1,427	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Office Supplies	\$	817	
Other Charges		8,092	
Office Equipment		274	
Total Senior Citizens Assistance			\$ 100,710

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	22,650	
Clerical Personnel		5,391	
Part-time Personnel		10,379	
Other Fringe Benefits		755	
Communication		1,780	
Maintenance & Repair Services - Office Equipment		341	
Travel		394	
Custodial Supplies		147	
Food Supplies		647	
Office Supplies		304	
Other Charges		1,051	
Office Equipment		850	
Total Agriculture Extension Service			44,689

Soil Conservation

Clerical Personnel	\$	20,524	
Contributions		840	
Total Soil Conservation			21,364

Other Operations

Tourism

Contributions	\$	24,000	
Total Tourism			24,000

Airport

Supervisor/Director	\$	25,545	
Salary Supplements		5,858	
In-Service Training		199	
Communication		977	
Maintenance Agreements		1,476	
Maintenance & Repair Services - Buildings		358	
Maintenance & Repair Services - Equipment		2,109	
Maintenance & Repair Services - Vehicles		1,266	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Travel	\$	395	
Other Contracted Services		1,138	
Custodial Supplies		407	
Equipment and Machinery Parts		628	
Gasoline		57,942	
Lubricants		540	
Office Supplies		161	
Utilities		7,540	
Other Supplies and Materials		716	
Other Charges		3,941	
Maintenance Equipment		1,022	
Site Development		69,148	
Total Airport			\$ 181,366

Veterans' Services

Supervisor/Director	\$	8,380	
Communication		927	
Travel		386	
Office Supplies		49	
Total Veterans' Services			9,742

Other Charges

Other Per Diem & Fees	\$	205	
Rentals		2,400	
Electricity		3,561	
Trustee's Commission		66,888	
Workers' Compensation Insurance		45,290	
Total Other Charges			118,344

Contributions to Other Agencies

Contributions	\$	109,811	
Total Contributions to Other Agencies			109,811

Employee Benefits

Social Security	\$	188,335	
State Retirement		143,899	
Medical Insurance		367,305	
Unemployment Compensation		14,777	
Total Employee Benefits			714,316

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Principal on Debt

General Government

Principal on Capital Leases	\$ 25,485	
Total General Government		\$ 25,485

Interest on Debt

General Government

Interest on Capital Leases	\$ 2,053	
Total General Government		<u>2,053</u>

Total General Fund		\$ 6,093,336
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Special Purpose Fund

Other Operations

Miscellaneous

Trustee's Commission	\$ 2,092	
Total Miscellaneous		\$ 2,092

Instruction

Regular Instruction Program

Contributions	\$ 219,753	
Total Regular Instruction Program		<u>219,753</u>

Total Special Purpose Fund		221,845
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Drug Control Fund

Public Safety

Drug Enforcement

Maintenance & Repair Services - Equipment	\$ 1,080	
Maintenance & Repair Services - Vehicles	3,978	
Printing, Stationery, and Forms	665	
Tow-in Services	2,020	
Travel	489	
Gasoline	6,729	
Instructional Supplies and Materials	342	
Law Enforcement Supplies	1,581	
Office Supplies	300	
Tires and Tubes	979	
Trustee's Commission	302	
Other Charges	85	
Law Enforcement Equipment	8,463	
Surplus Equipment	140	
Total Drug Enforcement		<u>\$ 27,153</u>

Total Drug Control Fund		27,153
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(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$ 32	
Total Circuit Court Clerk		\$ 32

Total Constitutional Officers - Fees Fund \$ 32

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 56,201	
Accountants/Bookkeepers	24,170	
Secretary(ies)	24,170	
Other Salaries & Wages	2,466	
Advertising	598	
Communication	3,978	
Data Processing Services	5,407	
Dues and Memberships	2,113	
Maintenance & Repair Services - Office Equipment	672	
Pest Control	160	
Postal Charges	193	
Printing, Stationery, and Forms	38	
Travel	1,070	
Data Processing Supplies	140	
Electricity	3,639	
Natural Gas	1,623	
Office Supplies	250	
Water and Sewer	478	
Other Supplies and Materials	221	
Total Administration		\$ 127,587

Highway and Bridge Maintenance

Equipment Operators	\$ 296,586
Truck Drivers	219,805
Other Salaries & Wages	10,600
Medical and Dental Services	708
Permits	1,000
Asphalt	587,723
Concrete	1,025
Crushed Stone	63,108
Pipe - Metal	7,680
Road Signs	1,840

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Salt	\$	135	
Wood Products		2,345	
Other Supplies and Materials		1,394	
Other Charges		300	
Total Highway and Bridge Maintenance			\$ 1,194,249

Operation and Maintenance of Equipment

Mechanic(s)	\$	73,920	
Other Salaries & Wages		1,728	
Diesel Fuel		54,117	
Equipment and Machinery Parts		33,454	
Garage Supplies		2,822	
Gasoline		44,877	
Lubricants		4,734	
Small Tools		618	
Tires and Tubes		9,487	
Other Supplies and Materials		184	
Other Charges		240	
Total Operation and Maintenance of Equipment			226,181

Other Charges

Trustee's Commission	\$	22,587	
Workers' Compensation Insurance		47,964	
Total Other Charges			70,551

Employee Benefits

Social Security	\$	54,025	
State Retirement		36,403	
Employee and Dependent Insurance		153,372	
Unemployment Compensation		5,171	
Total Employee Benefits			248,971

Capital Outlay

Engineering Services	\$	13,978	
Bridge Construction		140,236	
Highway Equipment		108,004	
State Aid Projects		162,749	
Total Capital Outlay			424,967

Total Highway/Public Works Fund \$ 2,292,506

(Continued)

Exhibit K-7

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 155,000	
Principal on Other Loans	<u>75,000</u>	
Total General Government		\$ 230,000

Education

Principal on Bonds	\$ <u>440,000</u>	
Total Education		440,000

Interest on Debt

General Government

Interest on Notes	\$ 30,167	
Interest on Other Loans	<u>21,836</u>	
Total General Government		52,003

Education

Interest on Bonds	\$ <u>371,675</u>	
Total Education		371,675

Other Debt Service

General Government

Bank Charges	\$ 1,828	
Trustee's Commission	<u>6,052</u>	
Total General Government		7,880

Education

Bank Charges	\$ <u>950</u>	
Total Education		<u>950</u>

Total General Debt Service Fund \$ 1,102,508

General Capital Projects Fund

Other Operations

Other Charges

Trustee's Commission	\$ <u>5</u>	
Total Other Charges		\$ 5

Capital Projects

Social, Cultural, and Recreation Projects

Advertising	\$ 125	
Custodial Supplies	357	

(Continued)

Exhibit K-7

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Social, Cultural, and Recreation Projects (Cont.)

Food Preparation Supplies	\$	326	
General Construction Materials		62,479	
Other Supplies and Materials		716	
Other Charges		34,017	
Furniture and Fixtures		3,493	
Maintenance Equipment		4,335	
Other Construction		160,067	
Total Social, Cultural, and Recreation Projects			\$ 265,915

Total General Capital Projects Fund \$ 265,920

Community Development/Industrial Park Fund

Capital Projects

Public Health and Welfare Projects

Maintenance Agreements	\$	8,715	
Total Public Health and Welfare Projects			\$ 8,715

Total Community Development/Industrial Park Fund 8,715

Highway Capital Projects Fund

Highways

Highway and Bridge Maintenance

Road Signs	\$	12,575	
Total Highway and Bridge Maintenance			\$ 12,575

Total Highway Capital Projects Fund 12,575

Other Capital Projects Fund

Other Operations

Other Charges

Trustee's Commission	\$	332	
Total Other Charges			\$ 332

Capital Projects

General Administration Projects

Advertising	\$	274	
Engineering Services		368,089	
Legal Services		1,575	
Other Charges		10,352	
Land		72,526	
Total General Administration Projects			452,816

(Continued)

Exhibit K-7

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

<u>Other Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Public Health and Welfare Projects</u>		
Advertising	\$ 1,481	
Other Charges	<u>2,200</u>	
Total Public Health and Welfare Projects		<u>\$ 3,681</u>
Total Other Capital Projects Fund		<u>\$ 456,829</u>
Total Governmental Funds - Primary Government		<u><u>\$ 10,481,419</u></u>

Exhibit K-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,135,211	
Career Ladder Program	92,000	
Career Ladder Extended Contracts	50,527	
Homebound Teachers	2,920	
Clerical Personnel	19,409	
Educational Assistants	190,491	
Other Salaries & Wages	6,225	
Non-certified Substitute Teachers	51,682	
Social Security	330,233	
State Retirement	300,959	
Medical Insurance	855,695	
Unemployment Compensation	4,891	
Employer Medicare	77,232	
Other Fringe Benefits	1,157	
Legal Notices, Recording, and Court Costs	210	
Other Contracted Services	28,920	
Instructional Supplies and Materials	105,498	
Textbooks	140,459	
Fee Waivers	19,469	
Other Charges	1,217	
Regular Instruction Equipment	171,620	
Total Regular Instruction Program		\$ 7,586,025

Special Education Program

Teachers	\$ 563,501
Career Ladder Program	8,000
Homebound Teachers	17,298
Educational Assistants	48,314
Speech Pathologist	71,444
Non-certified Substitute Teachers	6,120
Social Security	43,051
State Retirement	38,891
Medical Insurance	111,008
Unemployment Compensation	632
Employer Medicare	10,068
Other Fringe Benefits	36
Communication	1,000
Maintenance & Repair Services - Equipment	1,140
Other Contracted Services	34,176

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	74	
Other Charges		242	
Total Special Education Program			\$ 954,995

Vocational Education Program

Teachers	\$	428,147	
Career Ladder Program		6,000	
Non-certified Substitute Teachers		4,500	
Social Security		25,920	
State Retirement		23,840	
Medical Insurance		62,854	
Unemployment Compensation		316	
Employer Medicare		6,062	
Maintenance & Repair Services - Equipment		6,680	
Instructional Supplies and Materials		18,217	
Vocational Instruction Equipment		14,441	
Total Vocational Education Program			596,977

Adult Education Program

Teachers	\$	97,325	
Career Ladder Program		1,000	
Paraprofessionals		14,355	
Social Security		6,914	
State Retirement		3,617	
Medical Insurance		9,758	
Unemployment Compensation		192	
Employer Medicare		1,617	
Communication		1,976	
Evaluation and Testing		472	
Maintenance & Repair Services - Equipment		627	
Postal Charges		200	
Other Contracted Services		1,750	
Instructional Supplies and Materials		11,208	
Other Charges		70	
Regular Instruction Equipment		3,390	
Total Adult Education Program			154,471

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	54,645	
Career Ladder Program		1,000	
Social Security		3,221	
State Retirement		3,061	
Medical Insurance		6,689	
Unemployment Compensation		29	
Employer Medicare		786	
Travel		902	
Total Attendance			\$ 70,333

Health Services

Medical Personnel	\$	32,010	
Social Security		1,985	
Unemployment Compensation		43	
Employer Medicare		464	
Travel		913	
Drugs and Medical Supplies		1,358	
Other Supplies and Materials		100	
Total Health Services			36,873

Other Student Support

Career Ladder Program	\$	6,500	
Guidance Personnel		241,434	
Social Security		14,653	
State Retirement		13,637	
Medical Insurance		28,080	
Unemployment Compensation		172	
Employer Medicare		3,427	
Evaluation and Testing		11,095	
Travel		265	
Total Other Student Support			319,263

Regular Instruction Program

Supervisor/Director	\$	82,977
Career Ladder Program		8,000
Librarians		198,691
Instructional Computer Personnel		48,000
Social Security		19,422
State Retirement		18,572

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	49,727	
Unemployment Compensation		215	
Employer Medicare		4,473	
Legal Notices, Recording, and Court Costs		40	
Postal Charges		1,000	
Travel		5,288	
Library Books/Media		24,994	
In Service/Staff Development		3,180	
Other Charges		327	
Total Regular Instruction Program			\$ 464,906

Special Education Program

Supervisor/Director	\$	25,453	
Career Ladder Program		1,000	
Psychological Personnel		38,681	
Social Security		3,612	
State Retirement		3,494	
Medical Insurance		7,198	
Unemployment Compensation		54	
Employer Medicare		881	
Travel		3,081	
Total Special Education Program			83,454

Vocational Education Program

Supervisor/Director	\$	56,455	
Secretary(ies)		19,934	
Social Security		4,654	
State Retirement		4,329	
Medical Insurance		10,439	
Unemployment Compensation		57	
Employer Medicare		1,088	
Travel		14,731	
Custodial Supplies		2,500	
Gasoline		233	
Other Supplies and Materials		250	
Total Vocational Education Program			114,670

Adult Programs

Supervisor/Director	\$	53,770	
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(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Career Ladder Program	\$	1,000	
Social Security		3,333	
State Retirement		3,012	
Medical Insurance		4,471	
Unemployment Compensation		29	
Employer Medicare		779	
Travel		5,232	
Total Adult Programs			\$ 71,626

Board of Education

Secretary to Board	\$	825	
Board and Committee Members Fees		13,552	
Social Security		893	
State Retirement		51	
Employer Medicare		209	
Audit Services		8,000	
Dues and Memberships		6,668	
Legal Services		1,359	
Legal Notices, Recording, and Court Costs		495	
Travel		1,059	
Building and Contents Insurance		101,362	
Trustee's Commission		120,115	
Workers' Compensation Insurance		156,333	
In Service/Staff Development		900	
Criminal Investigation of Applicants - TBI		48	
Refund to Applicant for Criminal Investigation		1,104	
Other Charges		990	
Total Board of Education			413,963

Director of Schools

County Official/Administrative Officer	\$	75,229	
Social Security		4,577	
State Retirement		4,138	
Life Insurance		802	
Medical Insurance		7,298	
Unemployment Compensation		29	
Employer Medicare		1,070	
Communication		5,509	
Dues and Memberships		1,394	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Postal Charges	\$	3,000	
Travel		2,644	
Total Director of Schools			\$ 105,690

Office of the Principal

Principals	\$	316,005	
Career Ladder Program		10,000	
Assistant Principals		155,555	
Secretary(ies)		96,547	
Social Security		34,698	
State Retirement		31,660	
Medical Insurance		81,062	
Unemployment Compensation		430	
Employer Medicare		8,115	
Communication		34,753	
Postal Charges		2,000	
Total Office of the Principal			770,825

Fiscal Services

Accountants/Bookkeepers	\$	26,464	
Clerical Personnel		54,856	
Social Security		4,922	
State Retirement		4,993	
Medical Insurance		17,076	
Unemployment Compensation		100	
Employer Medicare		1,151	
Data Processing Services		5,151	
Office Supplies		4,000	
Administration Equipment		4,137	
Total Fiscal Services			122,850

Operation of Plant

Custodial Personnel	\$	263,166	
Social Security		16,329	
State Retirement		13,551	
Medical Insurance		103,779	
Unemployment Compensation		742	
Employer Medicare		3,793	
Other Fringe Benefits		203	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Janitorial Services	\$	12,792	
Disposal Fees		11,168	
Permits		1,240	
Custodial Supplies		44,952	
Electricity		398,038	
Natural Gas		155,362	
Water and Sewer		38,117	
Other Supplies and Materials		9,101	
Other Charges		1,364	
Plant Operation Equipment		9,059	
Total Operation of Plant			\$ 1,082,756

Maintenance of Plant

Supervisor/Director	\$	35,288	
Maintenance Personnel		223,120	
Social Security		16,444	
State Retirement		14,213	
Medical Insurance		52,718	
Unemployment Compensation		354	
Employer Medicare		3,832	
Other Fringe Benefits		137	
Maintenance & Repair Services - Equipment		36,202	
Maintenance & Repair Services - Vehicles		1,146	
Other Contracted Services		299	
Equipment and Machinery Parts		14,208	
Gasoline		6,200	
Other Supplies and Materials		36,326	
Other Charges		798	
Maintenance Equipment		21,535	
Total Maintenance of Plant			462,820

Transportation

Other Fringe Benefits	\$	2,007	
Communication		3,325	
Contracts with Vehicle Owners		713,395	
Maintenance & Repair Services - Equipment		6,972	
Travel		417	
Other Contracted Services		18,805	
Diesel Fuel		16,566	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Charges	\$	19,152	
Transportation Equipment		21,996	
Total Transportation			\$ 802,635

Central and Other

Computer Programmer(s)	\$	31,333	
Data Processing Personnel		29,310	
Social Security		3,736	
State Retirement		2,847	
Medical Insurance		6,091	
Unemployment Compensation		58	
Employer Medicare		902	
Total Central and Other			74,277

Operation of Non-Instructional Services

Food Service

Medical Insurance	\$	82,777	
Payments to Schools - Breakfast		341,923	
Payments to Schools - Lunch		532,406	
Travel		744	
Office Supplies		73	
In Service/Staff Development		1,650	
Total Food Service			959,573

Community Services

Contributions	\$	2,250	
Total Community Services			2,250

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	10,207	
Building Construction		102,350	
Building Improvements		417,325	
Food Service Equipment		3,830	
Heating and Air Conditioning Equipment		4,436	
Site Development		129,430	
Total Regular Capital Outlay			667,578

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Capital Leases	\$ 31,242	
Total Education		\$ 31,242

Interest on Debt

Education

Interest on Capital Leases	\$ 12,862	
Total Education		12,862

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 359,346	
Total Education		<u>359,346</u>

Total General Purpose School Fund		\$ 16,322,260
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 390,099	
Educational Assistants	84,644	
Certified Substitute Teachers	83	
Non-certified Substitute Teachers	7,477	
Social Security	28,572	
State Retirement	25,914	
Medical Insurance	99,306	
Unemployment Compensation	642	
Employer Medicare	6,682	
Other Fringe Benefits	203	
Evaluation and Testing	1,780	
Maintenance & Repair Services - Equipment	708	
Tuition	11,032	
Other Contracted Services	15,489	
Instructional Supplies and Materials	39,263	
In Service/Staff Development	1,000	
Criminal Investigation of Applicants - TBI	480	
Refund to Applicant for Criminal Investigation	240	
Other Charges	821	
Regular Instruction Equipment	<u>4,468</u>	
Total Regular Instruction Program		\$ 718,903

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	62,815	
Educational Assistants		220,749	
Non-certified Substitute Teachers		495	
Social Security		17,297	
State Retirement		15,934	
Medical Insurance		110,066	
Unemployment Compensation		751	
Employer Medicare		4,045	
Other Fringe Benefits		158	
Instructional Supplies and Materials		17,832	
Other Charges		93	
Special Education Equipment		20,774	
Total Special Education Program			\$ 471,009

Vocational Education Program

Travel	\$	6,956	
Instructional Supplies and Materials		24,270	
Other Supplies and Materials		1,676	
Other Charges		1,097	
Vocational Instruction Equipment		22,949	
Total Vocational Education Program			56,948

Support Services

Health Services

Medical Personnel	\$	12,804	
Social Security		794	
Unemployment Compensation		29	
Employer Medicare		186	
Total Health Services			13,813

Other Student Support

Secretary(ies)	\$	19,021	
Other Salaries & Wages		51,399	
Social Security		4,321	
State Retirement		3,793	
Medical Insurance		9,758	
Unemployment Compensation		76	
Employer Medicare		1,011	
Maintenance & Repair Services - Equipment		1,095	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Postal Charges	\$	1,453	
Travel		13,341	
Instructional Supplies and Materials		7,789	
Office Supplies		555	
Other Supplies and Materials		227	
In Service/Staff Development		1,500	
Other Charges		5,328	
Other Equipment		<u>3,798</u>	
Total Other Student Support	\$		124,465

Regular Instruction Program

Supervisor/Director	\$	26,907	
Clerical Personnel		12,289	
Other Salaries & Wages		3,600	
Social Security		2,920	
State Retirement		2,654	
Medical Insurance		4,879	
Unemployment Compensation		29	
Employer Medicare		682	
Consultants		7,252	
Operating Lease Payments		2,763	
Maintenance & Repair Services - Equipment		49	
Postal Charges		279	
Travel		8,425	
Other Contracted Services		9,160	
Instructional Supplies and Materials		61	
Office Supplies		37	
In Service/Staff Development		5,850	
Other Equipment		<u>158</u>	
Total Regular Instruction Program			87,994

Special Education Program

Supervisor/Director	\$	25,454	
Secretary(ies)		2,314	
Clerical Personnel		12,745	
Social Security		2,480	
State Retirement		2,346	
Medical Insurance		7,318	
Unemployment Compensation		44	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	580	
Travel		6,665	
Other Contracted Services		12,787	
Other Charges		616	
Total Special Education Program			\$ 73,349

Vocational Education Program

Travel	\$	1,543	
Other Charges		1,675	
Total Vocational Education Program			3,218

Total School Federal Projects Fund \$ 1,549,699

Total Governmental Funds - Benton County School Department \$ 17,871,959

Exhibit K-9

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

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,174,374
Total Cash Receipts	<u>\$ 1,174,374</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 951,243
Trustee's Commission	11,744
Contributions	211,387
Total Cash Disbursements	<u>\$ 1,174,374</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>

SINGLE AUDIT 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

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 5, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Benton County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Benton County's basic financial statements and have issued our report thereon dated February 5, 2007. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, discretely presented component units, which were not available from other auditors as of the date of this report. Also, our report on the aggregate remaining fund information's financial statements was qualified due to not including the financial statements of the Benton County Library, a nonmajor special revenue fund, which were not available from other auditors as of the date of this report. 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 Benton County'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 Benton County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.03, 06.05, 6.11, and 06.12.

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

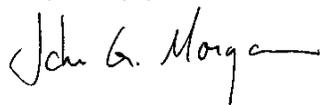
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.04, 06.06, 06.07, 06.08, 06.09, and 06.10.

We have also noted certain other matters that we reported to the management of Benton County in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, management, 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/sb



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 5, 2007

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Benton County 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 its major federal programs for the year ended June 30, 2006. Benton County'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 its major federal programs is the responsibility of Benton County's management. Our responsibility is to express an opinion on Benton County'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 Benton County'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 Benton County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Benton County 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 Benton County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Benton County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated February 5, 2007. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, discretely presented component units, which were not available from other auditors as of the date of this report. Also, our report on the aggregate remaining fund information's financial statements was qualified due to not including the financial statements of the Benton County Library, a nonmajor special revenue fund, which were not available from other auditors as of the date of this report. 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, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

OTHER AUDITOR'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 GOVERNMENT AUDITING STANDARDS

For the Benton County Electric System

Board of Directors
Benton County Electric System
Camden, Tennessee

We have audited the financial statements of the Benton County Electric System, an enterprise fund of Benton County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the system's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinions on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the system's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management and State of Tennessee, Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Benton County, Tennessee
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	\$ 79,992
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	341,923
National School Lunch Program	10.555	N/A	532,406
Passed-through Delta Regional Authority:			
Rural Development, Forestry, and Communities	10.672	TN-2117	1,518
Direct Program:			
Rural Business Enterprise Grants	10.769	N/A	3,000
Total U.S. Department of Agriculture			\$ 958,839
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-06002569-00	\$ 9,000
Total U.S. Department of Justice			\$ 9,000
U.S. Department of Labor:			
Passed-through Southwest Human Resources Agency:			
WIA Youth Activities	17.259	(2)	\$ 32,037
Total U.S. Department of Labor			\$ 32,037
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 50,000
Total U.S. Department of Transportation			\$ 50,000
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	\$ 118,029 (4)
Passed-through the University of Tennessee:			
Adult Education - State Grant Program	84.002	(2)	1,923 (4)
Passed-through the State Department of Education:			
Title I Grants to Local Educational Agencies			
Special Education Cluster:	84.010	N/A	650,477
Special Education - Grants to State	84.027	N/A	542,934
Special Education - Preschool Grants	84.173	N/A	20,358
Vocational Education - Basic Grants to States	84.048	N/A	78,860
Safe and Drug-Free Schools and Communities - National Programs	84.184	(2)	15,154
Safe and Drug-Free Schools and Communities - State Grants	84.186	(5)	20,029
State Grants for Innovative Programs	84.298	N/A	119,746
Improving Teacher Quality State Grants	84.367	N/A	150,578
Hurricane Education Recovery	84.938	N/A	10,148
Total U.S. Department of Education			\$ 1,728,236
U.S. Elections Assistance Commission:			
Passed-through State Department of State:			
Help America Vote Act Requirements Payments	90.401	Z-06-032918-00	\$ 138,500
Total U.S. Elections Assistance Commission			\$ 138,500

(Continued)

Benton County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Citizens	93.044	(2)	\$ 77,064
Total U.S. Department of Health and Human Services			<u>\$ 77,064</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(6)	\$ 100,000
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-03-017825-00	13,854
Emergency Management Performance Grants	97.042	(7)	6,000
Total U.S. Department of Homeland Security			<u>\$ 119,854</u>
Total Expenditures of Federal Awards			<u>\$ 3,113,530</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Wellness Grant - State Department of Education	N/A	(2)	\$ 10,000
Airport Land Acquisition Grant - State Department of Transportation	N/A	Z05024880-00	93,417
Local Park and Recreation Fund Grant - State Department of Environment and Conservation	N/A	Z-05-022794-00	54,161
Recreational Trail Program - State Department of Environment and Conservation	N/A	Z-05-023531-00	24,800
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	128,296
Airport Maintenance Program - State Department of Transportation	N/A	(8)	49,533
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	9,955
Waste Tire Option Grant - State Department of Environment and Conservation	N/A	Z-03011326-00	9,914
Local Health Services - State Department of Health	N/A	Z-06026005-00	693
Local Health Services - State Department of Health	N/A	(2)	14,581
Litter Program - State Department of Transportation	N/A	Z-06027933-00	<u>27,667</u>
Total State Grants			<u>\$ 423,017</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z-05-022194-00: \$6,034; Z-05-023777-00: \$4,286; Z-06-027748-00: \$83,258; Z-06-02715-90: \$24,451
- (4) Total Adult Education - State Grant Program (CFDA No. 84.002) from the U.S. Department of Education \$119,952.
- (5) Z-05-021781-00: \$4,859; Information not available: \$15,170
- (6) Z-04022417-00: \$60,000; GG-05-11681-00: \$40,000
- (7) Z-05025402-00: \$1,500; Z-06032829-00: \$4,500
- (8) Z-05023845-00: \$4,655; Z-05024880-00: \$42,714; Z-06028698-00: \$2,164

Benton County, Tennessee
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 Benton County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	176	Requisitions and purchase orders were not issued for some purchases
05.02	176	The office had deficiencies in budget operations
05.03	177	Accounting deficiencies were noted in funds administered by the county mayor

OFFICE OF GENERAL SESSIONS COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.07	179	The execution docket trial balance did not reconcile with cash journal accounts

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.09	180	The office had deficiencies in the administration of drug control funds
05.10	180	The sheriff did not file a letter of agreement or court decree to authorize deputy hires

OTHER FINDINGS

Finding Number	Page Number	Subject
05.12	181	A central system of accounting, budgeting, and purchasing had not been adopted
05.13	182	Duties were not segregated adequately in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

BENTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units and aggregate remaining fund information is qualified. Our report on the governmental activities, the business-type activities, and each major fund is unqualified.
2. The audit of the financial statements of Benton County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Benton County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. A unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Benton County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY MAYOR

FINDING 06.01 REQUISITIONS AND PURCHASE ORDERS WERE NOT ISSUED FOR SOME PURCHASES
(Noncompliance Under Government Auditing Standards)

The office did not issue requisitions and purchase orders for some purchases. Requisitions and purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. Chapter 541, Private Acts of 1939, as amended, provides for the issuance of requisitions and purchase orders for all general county purchases of equipment, supplies, and materials.

RECOMMENDATION

Requisitions and purchase orders should be issued for all applicable purchases in accordance with controlling statutes.

FINDING 06.02 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(A. Noncompliance Under Government Auditing Standards; B. Material Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. General Fund expenditures exceeded appropriations approved by the County Commission in the County Buildings (\$3,828) and the Transfers Out (\$19,482) major appropriation categories (the legal level of control).
- B. The Public Library Fund (nonmajor special revenue fund) and the Special Purpose Fund (major special revenue fund) were not budgeted. Expenditures for the year totaled \$221,845 in the Special Purpose Fund. The Public Library Fund was not available from other auditors in time for inclusion in this report.

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions,

boards, offices, and agencies of county government shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission, and the Public Library and Special Purpose Funds should be budgeted as required by state statute.

FINDING 06.03 **ACCOUNTING DEFICIENCIES WERE NOTED IN FUNDS ADMINISTERED BY THE COUNTY MAYOR**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following weaknesses:

- A. General Fund general ledger payroll deduction accounts were not reconciled with subsidiary payroll records. As a result, unidentified balances were allowed to accumulate in numerous withholding accounts. Routine reconciliation procedures would have identified problems quickly and allowed for correction. Management has approved and posted our audit adjustments to properly reflect the payroll deduction accounts in the financial statements of this report.

- B. Receivables were established in the General Fund at June 30, 2006. However, when these receivables were received subsequent to the end of the fiscal year, they were erroneously recorded on the books as revenues of 2006-07. Management has approved and posted our audit adjustments to correct the improper recording of the receivables.

RECOMMENDATION

Payroll deduction accounts should be reconciled with subsidiary payroll records routinely. Also, transactions reflecting the receipt of receivables should be recorded in the proper fiscal year.

OFFICE OF ROAD SUPERVISOR

FINDING 06.04 **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS IN ONE MAJOR CATEGORY OF THE HIGHWAY/PUBLIC WORKS FUND
(Noncompliance Under Government Auditing Standards)**

Highway/Public Works Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category by \$98,216.

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

RECOMMENDATION

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 06.05 **BANK STATEMENTS WERE NOT RECONCILED WITH CASH JOURNAL ACCOUNTS, AND OUTSTANDING CHECK LISTS WERE NOT ACCURATELY PREPARED
(Internal Control - Reportable Condition Under Government Auditing Standards)**

The offices’ bank statements were not reconciled with cash journal accounts, and lists of outstanding checks were not prepared accurately for the period under examination. The reconciliation of bank statements with cash journal accounts and the monthly preparation of accurate outstanding check lists are necessary procedures to ensure that all cash collections and disbursements are recorded accurately on the accounting records.

RECOMMENDATION

The offices should reconcile bank statements with cash journal accounts and prepare accurate lists of outstanding checks monthly.

FINDING 06.06 THE GENERAL SESSIONS COURT'S EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

OFFICE OF CLERK AND MASTER

FINDING 06.07 THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

OFFICE OF SHERIFF

**FINDING 06.08 THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF DRUG CONTROL FUNDS
(Noncompliance Under Government Auditing Standards)**

The office did not maintain forms and reports required by the Office of the Comptroller of the Treasury. These forms and reports are necessary to document the administration of confidential funds and to account for cash transactions related to undercover investigative operations.

RECOMMENDATION

The office should maintain drug control forms and reports as required by the Office of the Comptroller of the Treasury.

**FINDING 06.09 COLLECTIONS WERE NOT DEPOSITED PROPERLY
(Noncompliance Under Government Auditing Standards)**

In some instances, collections were not deposited to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated.

RECOMMENDATION

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

**FINDING 06.10 THE SHERIFF DID NOT FILE A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES
(Noncompliance Under Government Auditing Standards)**

The sheriff did not obtain a letter of agreement or file suit in Circuit Court to authorize the number and salaries of his deputies. Section 8-20-101, Tennessee Code Annotated, permits the sheriff to enter into a letter of agreement with the county mayor concerning the number and the salaries of deputies or to file suit in Circuit Court.

RECOMMENDATION

The sheriff should obtain a letter of agreement with the county mayor or petition Circuit Court for the number and salaries of deputies as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.11 **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 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 06.12 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal awards.

BENTON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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

County Mayor – Summary Schedule of Prior Year's Findings

FINDINGS 05.06 and 05.14

We have implemented procedures to comply with the provisions of the Davis-Bacon Act, including adding prevailing wage rate clauses in all future federally funded construction contracts and monitoring contractor's and subcontractor's payrolls for compliance with prevailing wage rate requirements.