

**ANNUAL FINANCIAL REPORT
OF
PERRY COUNTY, TENNESSEE
AND
PERRY COUNTY SCHOOL DEPARTMENT**

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

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

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

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Comptroller of the Treasury***

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

PERRY COUNTY, TENNESSEE

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Audit Highlights

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

Scope

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

Results

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with Perry County management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

PERRY COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ In numerous instances, purchase orders were not issued for applicable purchases, and invoices were paid without documentation that goods had been received or services had been rendered.
 - ◆ Expenditures exceeded appropriations approved by the County Commission at the major appropriation category level of control (the legal level of control) in the General Fund, the Solid Waste/Sanitation Fund, and the General Debt Service Fund. Expenditures exceeded total appropriations by \$2,628 in the Courthouse/Jail Maintenance Fund.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ In numerous instances, purchase orders were not issued for applicable purchases, and invoices were paid without documentation that goods had been received or services had been rendered.
 - ◆ Employee time cards were not signed by a supervisor as evidence of supervisory review and approval.
 - ◆ The department did not maintain a system to account for the use of road materials.
 - ◆ The department did not reconcile fuel usage with fuel purchases.
-

OFFICE OF COUNTY CLERK

- ◆ The office did not have formal policies and procedures for computer operations.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Circuit Court funds were not deposited within three days of collection as required by state statute.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Perry County Officials
June 30, 2006

Officials

Benjamin Howard, County Mayor
Billy Horner, Highway Superintendent
George Duncan, Trustee
Garry Horner, Assessor of Property
Jane Lewis, County Clerk
Rosemary Burgess, Circuit and General Sessions Courts Clerk
Joyce Marshall, Clerk and Master
Patricia Bell, Register
Jerry Blakemore, Sheriff

Board of County Commissioners

Benjamin Howard, Chairman	
Chris Coble	Dennis Long
Lannie Dedrick	John Carroll
Ben Carroll	Eddie Ledbetter
Gary Rogers	James Hinson
Austin Pevahouse	Johnny Ward
J. R. Warren	John Skelton

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

March 27, 2007

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

To the County Mayor and Board of County Commissioners:

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

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

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

for the county's governmental activities and discretely presented component units are not reasonably determinable.

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

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

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

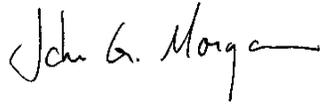
In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2007, on our consideration of Perry County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other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

As described in Note IV.B, Perry County has implemented Governmental Accounting Standards Board Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The budgetary comparison information on pages 43 through 47 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 Perry County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200	\$ 200
Equity in Pooled Cash and Investments	312,281	62,049	2,413,170	1,764,584	130,145	4,682,229
Accounts Receivable	33,351	3,564	0	0	24	36,939
Due from Other Governments	45,640	0	269,059	81,393	0	396,092
Due from Other Funds	224	0	0	0	1,456	1,680
Property Taxes Receivable	1,615,169	356,945	0	0	0	1,972,114
Allowance for Uncollectible Property Taxes	(39,944)	(8,867)	0	0	0	(48,811)
Total Assets	\$ 1,966,721	\$ 413,691	\$ 2,682,229	\$ 1,845,977	\$ 131,825	\$ 7,040,443
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 1,456	\$ 0	\$ 0	\$ 0	\$ 224	\$ 1,680
Due to State of Tennessee	14,160	0	0	0	0	14,160
Deferred Revenue - Current Property Taxes	1,488,058	328,627	0	0	0	1,816,685
Deferred Revenue - Delinquent Property Taxes	80,241	17,905	0	0	0	98,146
Other Deferred Revenues	13,362	0	134,746	39,525	0	187,633
Total Liabilities	\$ 1,597,277	\$ 346,532	\$ 134,746	\$ 39,525	\$ 224	\$ 2,118,304
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 66,734	\$ 0	\$ 66,734
Reserved for Alcohol and Drug Treatment	15,987	0	0	0	0	15,987
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	43,688	43,688
Reserved for Drug Court	2,442	0	0	0	0	2,442
Reserved for Sexual Offender Registration	1,080	0	0	0	0	1,080
Reserved for Computer System - Register	13,679	0	0	0	0	13,679
Reserved for Automation Purposes - Circuit Court	0	0	0	0	2,273	2,273
Reserved for Automation Purposes - Chancery Court	0	0	0	0	3,814	3,814
Reserved for Sales Tax - Education	176,878	0	0	0	0	176,878
Reserved for Nursing Home Improvements	23,323	0	0	0	0	23,323
Reserved for Library Computer	2,990	0	0	0	0	2,990

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In:

General Fund

Special Revenue Funds

Debt Service Funds

Capital Projects Funds

Total Fund Balances

Total Liabilities and Fund Balances

	Major Funds			Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	Other Govern- mental Funds	
	\$ 133,065	\$ 0	\$ 0	\$ 0	\$ 133,065
	0	67,159	2,547,483	66,730	2,681,372
	0	0	0	1,739,718	1,739,718
	0	0	0	15,096	15,096
	<u>\$ 369,444</u>	<u>\$ 67,159</u>	<u>\$ 2,547,483</u>	<u>\$ 131,601</u>	<u>\$ 4,922,139</u>
	<u>\$ 1,966,721</u>	<u>\$ 413,691</u>	<u>\$ 2,682,229</u>	<u>\$ 131,825</u>	<u>\$ 7,040,443</u>

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

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 1,665,435	\$ 337,227	\$ 31,609	\$ 445,463	\$ 18,096	\$ 2,497,830
Fines, Forfeitures, and Penalties	28,195	0	0	0	3,448	31,643
Charges for Current Services	11,739	35,135	0	0	0	46,874
Other Local Revenues	293,832	0	1,394	70,904	180	366,310
Fees Received from County Officials	313,308	0	0	0	0	313,308
State of Tennessee	508,581	48,205	1,582,249	0	0	2,139,035
Federal Government	349,129	0	80,321	0	0	429,450
Other Governments and Citizens Groups	108,130	0	1,577	167,167	0	276,874
Total Revenues	\$ 3,278,349	\$ 420,567	\$ 1,697,150	\$ 683,534	\$ 21,724	\$ 6,101,324
<u>Expenditures</u>						
Current:						
General Government	\$ 478,703	\$ 0	\$ 0	\$ 0	\$ 24,902	\$ 503,605
Finance	298,005	0	0	0	0	298,005
Administration of Justice	303,578	0	0	0	37	303,615
Public Safety	1,405,841	0	0	0	2,827	1,408,668
Public Health and Welfare	332,266	422,127	0	0	0	754,393
Social, Cultural, and Recreational Services	110,538	0	0	0	0	110,538
Agricultural and Natural Resources	57,677	0	0	0	0	57,677
Other Operations	122,720	790	0	0	151	123,661
Highways	28,122	0	1,201,957	0	0	1,230,079
Debt Service:						
Principal on Debt	0	0	0	659,600	0	659,600
Interest on Debt	0	0	0	322,014	0	322,014
Other Debt Service	0	0	0	43,144	0	43,144
Capital Projects	258,536	0	0	0	70,200	328,736
Total Expenditures	\$ 3,395,986	\$ 422,917	\$ 1,201,957	\$ 1,024,758	\$ 98,117	\$ 6,143,735
Excess (Deficiency) of Revenues Over Expenditures	\$ (117,637)	\$ (2,350)	\$ 495,193	\$ (341,224)	\$ (76,393)	\$ (42,411)

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 120,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,000
Proceeds from Insurance Recovery	6,010	0	0	0	0	6,010
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 126,010</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 126,010</u>
Net Change in Fund Balances	\$ 8,373	\$ (2,350)	\$ 495,193	\$ (341,224)	\$ (76,393)	\$ 83,599
Fund Balance, July 1, 2005	361,071	69,509	2,052,290	2,147,676	207,994	4,838,540
Fund Balance, June 30, 2006	<u>\$ 369,444</u>	<u>\$ 67,159</u>	<u>\$ 2,547,483</u>	<u>\$ 1,806,452</u>	<u>\$ 131,601</u>	<u>\$ 4,922,139</u>

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 83,530
Due from Other Governments	<u>43,523</u>
Total Assets	<u>\$ 127,053</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 43,523
Due to Litigants, Heirs, and Others	<u>83,530</u>
Total Liabilities	<u>\$ 127,053</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

Perry County is a public municipal corporation governed by an elected 12-member board. As required by GAAP, these financial statements present Perry County (the primary government).

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

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Perry County is

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

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

Administrative Office:

Perry County Emergency Communications District
124 North Mill Street
P.O. Box 724
Linden, TN 37096

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

Fund financial statements of Perry County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. 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. Perry County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Perry County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This fund accounts for transactions of the county’s transfer station and convenience centers.

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

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

Additionally, Perry County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund accounts for capital projects of the general government.

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

C. Assets, Liabilities, and 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 Perry County and Perry County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General, General Debt Service, and General Purpose School Funds. Perry County and the Perry 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.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to one percent of total taxes levied.

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. Perry County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Perry County does not present government-wide statements.

4. **Compensated Absences**

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

5. **Long-term Obligations**

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

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

6. **Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The General Fund had a designation of \$15,944 at June 30, 2006, which represents ten percent of the lease and rental income from the Angelica Building to help defray utility and maintenance costs.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted, and the capital projects fund, which adopts project length budgets. All 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 Perry County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

B. Expenditures Exceeded Appropriations

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

<u>Fund</u>	<u>Major Category</u>	<u>Amount</u> <u>Overspent</u>
General	Sheriff's Department	\$ 27,627
General	Jail	223,920
General	Libraries	1,597
Solid Waste/Sanitation	Transfer Stations	3,877
General Debt Service	Capital Projects	
	Donated to School	
	Department	66,734

Expenditures exceeded total appropriations by \$2,628 in the Courthouse/Jail Maintenance Fund.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

B. Interfund Receivables and Payables

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 1,456
General	Nonmajor governmental	224

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

C. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. However, the county had no general obligation bonds outstanding as of June 30, 2006.

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

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 12 years for notes and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Notes	0 to 5.5 %	\$ 1,926,000	\$ 781,850
Other Loans	variable	11,276,294	9,179,294

In prior years, Perry County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$5,000,000 and \$2,500,000 to Perry County for various renovation and construction projects. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with the loans. At June 30, 2006, the loans variable interest rates were 3.52 percent, and other fees were \$100 per month per loan (trustee fees), approximately .3 percent (letter of credit fees), and .08 percent (remarketing fees) of the outstanding loans' principal.

During the 2003-04 year, Perry County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provides for the authority to make \$4,000,000 available for loan to Perry County on an as-needed basis for various renovation and construction projects. Perry County had borrowed \$3,776,294 of the loan at June 30, 2006. The loan is repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2006, the variable interest rate was 3.7 percent, and other fees were \$100 per month (trustee fee), approximately .25 percent (letter of credit fee), and .08 percent (remarketing fee) of the outstanding loan principal.

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

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 299,600	\$ 15,316
2008	94,600	6,188
2009	91,400	4,208
2010	90,000	2,228
2011	45,000	0
2012-2015	161,250	0
Total	\$ 781,850	\$ 27,940

Year Ending June 30	Other Loan (\$5,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 227,000	\$ 130,698	\$ 15,309	\$ 373,007
2008	239,000	122,707	14,447	376,154
2009	252,000	114,294	13,539	379,833
2010	266,000	105,424	12,581	384,005
2011	281,000	96,061	11,570	388,631
2012-2016	1,653,000	320,742	40,626	2,014,368
2017-2018	795,000	42,346	6,871	844,217
Total	\$ 3,713,000	\$ 932,272	\$ 114,943	\$ 4,760,215

Year Ending June 30	Other Loan (\$2,500,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 113,000	\$ 70,717	\$ 8,834	\$ 192,551
2008	119,000	66,739	8,405	194,144
2009	125,000	62,550	7,953	195,503
2010	131,000	58,150	7,478	196,628
2011	138,000	53,539	6,980	198,519
2012-2016	800,000	189,799	26,489	1,016,288
2017-2019	583,000	41,713	8,002	632,715
Total	\$ 2,009,000	\$ 543,207	\$ 74,141	\$ 2,626,348

Year Ending June 30	Other Loan (\$3,776,296)			
	Principal	Interest	Other Fees	Total
2007	\$ 167,000	\$ 127,920	\$ 12,609	\$ 307,529
2008	173,000	121,741	12,058	306,799
2009	178,000	115,340	11,487	304,827
2010	183,000	108,754	10,899	302,653
2011	189,000	101,983	10,296	301,279
2012-2016	1,038,000	400,543	41,724	1,480,267
2017-2021	1,213,000	195,933	23,474	1,432,407
2022-2023	316,294	13,564	3,610	333,468
Total	\$ 3,457,294	\$ 1,185,778	\$ 126,157	\$ 4,769,229

There is \$1,739,718 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans, totaled \$1,305, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Other Loans
Balance, July 1, 2005	\$ 836,450	\$ 9,664,294
Additions	120,000	0
Deductions	(174,600)	(485,000)
Balance, June 30, 2006	\$ 781,850	\$ 9,179,294
Balance Due Within One Year	\$ 299,600	\$ 507,000

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 22,267	\$ 368,053
Additions	37,369	0
Deductions	(30,773)	(6,497)
Balance, June 30, 2006	\$ 28,863	\$ 361,556
Balance Due Within One Year	\$ 28,863	\$ 6,497

Compensated absences payable will be paid from the employing funds, primarily the General Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

D. Short-term Debt

Perry County issued revenue anticipation notes through the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General and Solid Waste/Sanitation Funds. These notes were necessary because funds were not available to meet payroll and other operating expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Revenue				
Anticipation Notes	\$ 0	\$ 800,000	\$ (800,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums.

B. Accounting Changes

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

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 Perry 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 Perry 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. Perry County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Perry 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. Perry County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Perry 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 14, 2006, the county's General Debt Service Fund issued tax anticipation notes totaling \$700,000 (General Fund) and \$100,000 (Solid Waste/Sanitation Fund) for temporary operating funds.

On August 31, 2006, Benjamin Howard left the Office of County Mayor and was succeeded by John Carroll, Billy Horner left the Office of Highway Superintendent and was succeeded by Gary Rhodes, Jerry Blakemore left the Office of Sheriff and was succeeded by David Ramey, and Rosemary Burgess left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Peggy Smotherman.

On November 2, 2006, Perry County drew the balance (\$223,706) of the \$4,000,000 loan from the Montgomery County Public Building Authority.

D. Sales Tax Collections

Section 67-6-712, Tennessee Code Annotated, requires that at least one-half of sales tax revenue be expended for education purposes. In 1996 Perry County voters approved an additional one-half cent increase in the local sales tax rate that was allocated 100 percent for the repayment of school indebtedness related to the 1996/1999 school building program. During the 2004-05 year, Perry County did not expend the required amount of these collections for educational purposes, resulting in a sales tax – education reserve of \$185,454 in the county's General Fund. During the 2005-06 year, Perry County expended \$8,576 in excess of the amount required to be spent for educational purposes. Therefore, the sales tax – education reserve was reduced to \$176,878 and is presented in the financial statements of the county's General Fund.

E. Contingent Liabilities

Perry County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans with Disabilities Act (ADA). This lawsuit applies to all Perry County facilities. The county mayor stated that since the county has made the courthouse accessible, as required by the disability act, it appears that the county is now in compliance, except for a few technical requirements such as putting up signs, and will ultimately be dismissed from the suit.

Under the terms of an agreement between the Perry County Commission and the Perry County Board of Education, beginning in 2000-01, the Perry County Board of Education began paying \$150,000 per year to the General Debt Service Fund to retire any indebtedness incurred as a result of the 1996-99 school building program until such indebtedness is paid in full or for 20 years, whichever comes first. In addition, beginning in the 2001-02 year, the Perry County Board of Education began paying the General Debt Service

Fund \$171,666 over the next ten years, in installments of \$17,167 per year, to help retire the principal indebtedness on the building program loans.

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

F. Changes in Administration

Robert O'Guin, Circuit and General Sessions Courts Clerk, died March 16, 2006. On April 17, 2006, the County Commission appointed Rosemary Burgess to fill the remainder of his term.

G. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The county closed the landfill in 1998. The Solid Waste/Sanitation Fund reports postclosure care costs as a current operating expense. The \$361,556 reported as the landfill postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

H. Joint Ventures

The Perry County Joint Economic Development Board is a joint venture between Perry County, the City of Lobelville, and the Town of Linden. The board comprises the county mayor, city mayors, and other members. The purpose of the board is to foster communication relative to economic and community development between and among governmental entities, industry, and private citizens. Perry County did not appropriate any funds to the Perry County Joint Economic Development Board during the 2005-06 year.

The Twenty-First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-First Judicial District, Williamson, Lewis, Hickman, and Perry Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies

within each judicial district. Perry County did not contribute to the DTF for the year ended June 30, 2006.

Perry County does not retain an equity interest in any of the above-noted joint ventures.

Complete financial statements for the Perry County Joint Economic Development Board and the Twenty-First Judicial District Drug Task Force can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Perry County Joint Economic Development Board
Perry County Mayor
P.O. Box 16
Linden, TN 37096

Office of District Attorney General
Twenty-First Judicial District Drug Task Force
P.O. Box 937
Franklin, TN 37065

I. Jointly Governed Organization

The South Central Tennessee Railroad Authority (SCTRA) was created by the county in conjunction with Hickman, Lewis, and Wayne Counties and the cities of Centerville, Linden, Hohenwald, and Waynesboro. The SCTRA's board includes 16 members who are the elected county mayor or city mayor and an appointed member of the County Commission or City Council from each of the respective counties or cities. Perry County did not appropriate any funds for this operation during the year, and the county does not have any ongoing financial interest or responsibility for the entity. Funding sources for SCTRA are lease payments, switching fees, interest income, and grants.

J. Retirement Commitments

Plan Description

Employees of Perry 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 Perry 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

Perry 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 8.6 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Perry County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Perry County's annual pension cost of \$243,110 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. Perry 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 11 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	\$243,110	100%	\$0
6-30-05	235,160	100	0
6-30-04	170,659	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-06	\$6,465	\$6,806	\$341	94.99%	\$2,590	13.17%
6-30-03	5,660	6,039	379	93.72	2,448	15.48
6-30-01	5,021	5,481	460	91.61	2,293	20.06

K. Purchasing Laws

Office of County Mayor

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

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by provisions of the Uniform Road Law, Section 54-7-113, TCA, which provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Perry 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	\$ 1,665,435	\$ 1,618,851	\$ 1,655,071	\$ 10,364
Fines, Forfeitures, and Penalties	28,195	42,043	39,563	(11,368)
Charges for Current Services	11,739	9,450	12,800	(1,061)
Other Local Revenues	293,832	270,070	264,463	29,369
Fees Received from County Officials	313,308	307,959	305,959	7,349
State of Tennessee	508,581	854,082	656,980	(148,399)
Federal Government	349,129	469,501	356,251	(7,122)
Other Governments and Citizens Groups	108,130	96,086	96,168	11,962
Total Revenues	<u>\$ 3,278,349</u>	<u>\$ 3,668,042</u>	<u>\$ 3,387,255</u>	<u>\$ (108,906)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 26,870	\$ 25,000	\$ 28,930	\$ 2,060
County Mayor/Executive	135,971	136,005	138,555	2,584
County Attorney	1,932	3,000	3,000	1,068
Election Commission	93,334	108,676	107,326	13,992
Register of Deeds	86,662	87,641	88,841	2,179
Geographical Information Systems	566	1,000	1,000	434
County Buildings	133,368	134,927	137,675	4,307
<u>Finance</u>				
Accounting and Budgeting	0	500	500	500
Property Assessor's Office	83,256	83,427	84,987	1,731
Reappraisal Program	40,854	44,141	48,191	7,337
County Trustee's Office	88,408	91,287	91,787	3,379
County Clerk's Office	85,487	86,119	87,023	1,536
<u>Administration of Justice</u>				
Circuit Court	120,957	135,550	128,099	7,142
General Sessions Court	74,422	79,145	77,237	2,815
Chancery Court	80,412	82,482	83,260	2,848
Juvenile Court	12,688	13,645	14,085	1,397
Courtroom Security	15,099	30,000	19,307	4,208
<u>Public Safety</u>				
Sheriff's Department	544,853	517,226	517,226	(27,627)
Jail	682,920	459,000	459,000	(223,920)
Civil Defense	74,720	116,776	74,801	81
Rescue Squad	9,990	9,925	9,990	0
Other Emergency Management	71,493	115,357	120,357	48,864
County Coroner/Medical Examiner	9,190	10,000	10,600	1,410
Other Public Safety	12,675	11,174	12,794	119
<u>Public Health and Welfare</u>				
Local Health Center	29,757	34,565	35,240	5,483
Ambulance/Emergency Medical Services	185,303	187,536	187,536	2,233
Nursing Home	96,677	0	96,678	1

(Continued)

Exhibit D-1

Perry 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 (Cont.)</u>				
Other Local Health Services	\$ 17,779	\$ 26,700	\$ 17,779	\$ 0
Regional Mental Health Center	2,750	2,750	2,750	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	9,000	9,000	9,000	0
Libraries	77,892	76,295	76,295	(1,597)
Other Social, Cultural, and Recreational	23,646	25,050	25,050	1,404
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	34,302	35,638	35,638	1,336
Soil Conservation	23,375	23,375	23,375	0
<u>Other Operations</u>				
Tourism	26,000	22,000	26,814	814
Industrial Development	15,878	0	23,000	7,122
Airport	3,552	5,328	3,552	0
Veterans' Services	3,549	3,594	3,594	45
Other Charges	45,015	49,000	47,000	1,985
Employee Benefits	7,392	6,500	9,100	1,708
Miscellaneous	21,334	16,300	22,119	785
<u>Highways</u>				
Litter and Trash Collection	28,122	29,237	30,308	2,186
<u>Capital Projects</u>				
Public Health and Welfare Projects	258,536	852,725	408,536	150,000
Total Expenditures	<u>\$ 3,395,986</u>	<u>\$ 3,787,596</u>	<u>\$ 3,427,935</u>	<u>\$ 31,949</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (117,637)	\$ (119,554)	\$ (40,680)	\$ (76,957)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 120,000	\$ 0	\$ 120,000	\$ 0
Insurance Recovery	6,010	0	6,011	(1)
Transfers In	0	700,000	700,000	(700,000)
Transfers Out	0	(700,000)	(700,000)	700,000
Total Other Financing Sources (Uses)	<u>\$ 126,010</u>	<u>\$ 0</u>	<u>\$ 126,011</u>	<u>\$ (1)</u>
Net Change in Fund Balance	\$ 8,373	\$ (119,554)	\$ 85,331	\$ (76,958)
Fund Balance, July 1, 2005	<u>361,071</u>	<u>282,115</u>	<u>282,115</u>	<u>78,956</u>
Fund Balance, June 30, 2006	<u>\$ 369,444</u>	<u>\$ 162,561</u>	<u>\$ 367,446</u>	<u>\$ 1,998</u>

Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 337,227	\$ 327,659	\$ 337,409	\$ (182)
Charges for Current Services	35,135	30,000	35,000	135
State of Tennessee	48,205	43,866	43,866	4,339
Total Revenues	<u>\$ 420,567</u>	<u>\$ 401,525</u>	<u>\$ 416,275</u>	<u>\$ 4,292</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 7,477	\$ 6,500	\$ 7,700	\$ 223
Convenience Centers	34,443	34,916	36,116	1,673
Transfer Stations	316,128	289,301	312,251	(3,877)
Landfill Operation and Maintenance	64,079	66,968	68,768	4,689
<u>Other Operations</u>				
Employee Benefits	790	750	1,000	210
Total Expenditures	<u>\$ 422,917</u>	<u>\$ 398,435</u>	<u>\$ 425,835</u>	<u>\$ 2,918</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,350)</u>	<u>\$ 3,090</u>	<u>\$ (9,560)</u>	<u>\$ 7,210</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 100,000	\$ 100,000	\$ (100,000)
Transfers Out	0	(100,000)	(100,000)	100,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (2,350)	\$ 3,090	\$ (9,560)	\$ 7,210
Fund Balance, July 1, 2005	<u>69,509</u>	<u>64,972</u>	<u>64,972</u>	<u>4,537</u>
Fund Balance, June 30, 2006	<u>\$ 67,159</u>	<u>\$ 68,062</u>	<u>\$ 55,412</u>	<u>\$ 11,747</u>

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 31,609	\$ 35,000	\$ 35,000	\$ (3,391)
Other Local Revenues	1,394	350	350	1,044
State of Tennessee	1,582,249	2,039,636	2,039,636	(457,387)
Federal Government	80,321	0	0	80,321
Other Governments and Citizens Groups	1,577	0	0	1,577
Total Revenues	<u>\$ 1,697,150</u>	<u>\$ 2,074,986</u>	<u>\$ 2,074,986</u>	<u>\$ (377,836)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 87,856	\$ 93,102	\$ 93,102	\$ 5,246
Highway and Bridge Maintenance	543,991	1,211,250	1,211,250	667,259
Operation and Maintenance of Equipment	145,164	180,500	180,500	35,336
Other Charges	63,681	70,700	70,700	7,019
Employee Benefits	96,131	132,500	132,500	36,369
Capital Outlay	265,134	406,143	566,143	301,009
Total Expenditures	<u>\$ 1,201,957</u>	<u>\$ 2,094,195</u>	<u>\$ 2,254,195</u>	<u>\$ 1,052,238</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 495,193</u>	<u>\$ (19,209)</u>	<u>\$ (179,209)</u>	<u>\$ 674,402</u>
Net Change in Fund Balance	\$ 495,193	\$ (19,209)	\$ (179,209)	\$ 674,402
Fund Balance, July 1, 2005	2,052,290	1,910,699	1,910,699	141,591
Fund Balance, June 30, 2006	<u>\$ 2,547,483</u>	<u>\$ 1,891,490</u>	<u>\$ 1,731,490</u>	<u>\$ 815,993</u>

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

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

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

Fund	Major Category	Amount Overspent
General	Sheriff's Department	\$ 27,627
General	Jail	223,920
General	Libraries	1,597
Solid Waste/Sanitation	Transfer Stations	3,877

Expenditures exceeded total appropriations by \$2,628 in the Courthouse/Jail Maintenance Fund.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Local Purpose Tax Fund – The Local Purpose Tax Fund is used to account for the proceeds of a \$2.50 increase in the litigation tax. The proceeds of the tax must be used to pay for computerization, a fax machine, and related costs for the circuit and general sessions courts clerk and clerk and master.

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

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

Capital Projects Fund

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

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

Exhibit E-1

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

	Special Revenue Funds				Capital	Total	
	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitu- tional Officers - Fees	Projects Fund		Nonmajor Governmental Funds
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 200	\$ 0	\$ 200	
Equity in Pooled Cash and Investments	89,523	4,631	20,895	0	15,096	130,145	
Accounts Receivable	0	0	0	24	0	24	
Due from Other Funds	0	1,456	0	0	0	1,456	
Total Assets	\$ 89,523	\$ 6,087	\$ 20,895	\$ 224	\$ 15,096	\$ 131,825	
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 224	\$ 0	\$ 224	
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 224	\$ 0	\$ 224	
<u>Fund Balances</u>							
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	\$ 43,688	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,688	
Reserved for Automation Purposes - Circuit Court	0	2,273	0	0	0	2,273	
Reserved for Automation Purposes - Chancery Court	0	3,814	0	0	0	3,814	
Unreserved	45,835	0	20,895	0	15,096	81,826	
Total Fund Balances	\$ 89,523	\$ 6,087	\$ 20,895	\$ 0	\$ 15,096	\$ 131,601	
Total Liabilities and Fund Balances	\$ 89,523	\$ 6,087	\$ 20,895	\$ 224	\$ 15,096	\$ 131,825	

Exhibit E-2

Perry 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 Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Total	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 15,419	\$ 2,677	\$ 0	\$ 18,096	\$ 0	\$ 18,096
Fines, Forfeitures, and Penalties	266	366	2,816	3,448	0	3,448
Other Local Revenues	0	0	180	180	0	180
Total Revenues	<u>\$ 15,685</u>	<u>\$ 3,043</u>	<u>\$ 2,996</u>	<u>\$ 21,724</u>	<u>\$ 0</u>	<u>\$ 21,724</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 24,902	\$ 0	\$ 0	\$ 24,902	\$ 0	\$ 24,902
Administration of Justice	0	37	0	37	0	37
Public Safety	0	0	2,827	2,827	0	2,827
Other Operations	151	0	0	151	0	151
Capital Projects	0	0	0	0	70,200	70,200
Total Expenditures	<u>\$ 25,053</u>	<u>\$ 37</u>	<u>\$ 2,827</u>	<u>\$ 27,917</u>	<u>\$ 70,200</u>	<u>\$ 98,117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,368)</u>	<u>\$ 3,006</u>	<u>\$ 169</u>	<u>\$ (6,193)</u>	<u>\$ (70,200)</u>	<u>\$ (76,393)</u>
Net Change in Fund Balances	\$ (9,368)	\$ 3,006	\$ 169	\$ (6,193)	\$ (70,200)	\$ (76,393)
Fund Balance, July 1, 2005	<u>98,891</u>	<u>3,081</u>	<u>20,726</u>	<u>122,698</u>	<u>85,296</u>	<u>207,994</u>
Fund Balance, June 30, 2006	<u>\$ 89,523</u>	<u>\$ 6,087</u>	<u>\$ 20,895</u>	<u>\$ 116,505</u>	<u>\$ 15,096</u>	<u>\$ 131,601</u>

Exhibit E-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 15,419	\$ 25,500	\$ 25,500	\$ (10,081)
Fines, Forfeitures, and Penalties	266	0	0	266
Total Revenues	<u>\$ 15,685</u>	<u>\$ 25,500</u>	<u>\$ 25,500</u>	<u>\$ (9,815)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 24,902	\$ 22,100	\$ 22,100	\$ (2,802)
<u>Other Operations</u>				
Other Charges	151	325	325	174
Total Expenditures	<u>\$ 25,053</u>	<u>\$ 22,425</u>	<u>\$ 22,425</u>	<u>\$ (2,628)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,368)</u>	<u>\$ 3,075</u>	<u>\$ 3,075</u>	<u>\$ (12,443)</u>
Net Change in Fund Balance	\$ (9,368)	\$ 3,075	\$ 3,075	\$ (12,443)
Fund Balance, July 1, 2005	<u>98,891</u>	<u>64,418</u>	<u>64,418</u>	<u>34,473</u>
Fund Balance, June 30, 2006	<u>\$ 89,523</u>	<u>\$ 67,493</u>	<u>\$ 67,493</u>	<u>\$ 22,030</u>

Exhibit E-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,677	\$ 6,050	\$ 3,050	\$ (373)
Fines, Forfeitures, and Penalties	366	465	1,165	(799)
Total Revenues	<u>\$ 3,043</u>	<u>\$ 6,515</u>	<u>\$ 4,215</u>	<u>\$ (1,172)</u>
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Circuit Court	\$ 37	\$ 2,300	\$ 1,350	\$ 1,313
General Sessions Court	0	2,300	1,300	1,300
Chancery Court	0	2,300	1,300	1,300
Total Expenditures	<u>\$ 37</u>	<u>\$ 6,900</u>	<u>\$ 3,950</u>	<u>\$ 3,913</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,006</u>	<u>\$ (385)</u>	<u>\$ 265</u>	<u>\$ 2,741</u>
Net Change in Fund Balance	\$ 3,006	\$ (385)	\$ 265	\$ 2,741
Fund Balance, July 1, 2005	<u>3,081</u>	<u>3,081</u>	<u>3,081</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 6,087</u>	<u>\$ 2,696</u>	<u>\$ 3,346</u>	<u>\$ 2,741</u>

Exhibit E-5

Perry 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	\$ 2,816	\$ 6,200	\$ 6,200	\$ (3,384)
Other Local Revenues	180	0	0	180
Total Revenues	<u>\$ 2,996</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ (3,204)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 2,827	\$ 8,075	\$ 8,075	\$ 5,248
Total Expenditures	<u>\$ 2,827</u>	<u>\$ 8,075</u>	<u>\$ 8,075</u>	<u>\$ 5,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 169</u>	<u>\$ (1,875)</u>	<u>\$ (1,875)</u>	<u>\$ 2,044</u>
Net Change in Fund Balance	\$ 169	\$ (1,875)	\$ (1,875)	\$ 2,044
Fund Balance, July 1, 2005	<u>20,726</u>	<u>1,875</u>	<u>1,875</u>	<u>18,851</u>
Fund Balance, June 30, 2006	<u><u>\$ 20,895</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 20,895</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, debt principal, interest, and related costs.

Exhibit F

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 445,463	\$ 0	\$ 445,463	\$ 385,650	\$ 408,700	\$ 36,763
Other Local Revenues	70,904	0	70,904	84,220	87,720	(16,816)
State of Tennessee	0	0	0	15,000	15,000	(15,000)
Other Governments and Citizens Groups	167,167	0	167,167	0	167,167	0
Total Revenues	\$ 683,534	\$ 0	\$ 683,534	\$ 484,870	\$ 678,587	\$ 4,947
<u>Expenditures</u>						
<u>Principal on Debt</u>						
General Government	\$ 336,600	\$ 0	\$ 336,600	\$ 336,600	\$ 336,600	\$ 0
Education	323,000	0	323,000	323,000	323,000	0
<u>Interest on Debt</u>						
General Government	131,820	0	131,820	139,536	155,250	23,430
Education	190,194	0	190,194	321,890	271,890	81,696
<u>Other Debt Service</u>						
General Government	18,360	0	18,360	7,000	20,404	2,044
Education	24,784	0	24,784	0	25,521	737
<u>Capital Projects - Donated</u>						
Capital Projects Donated to School Department	0	66,734	66,734	0	0	(66,734)
Total Expenditures	\$ 1,024,758	\$ 66,734	\$ 1,091,492	\$ 1,128,026	\$ 1,132,665	\$ 41,173
Excess (Deficiency) of Revenues Over Expenditures	\$ (341,224)	\$ (66,734)	\$ (407,958)	\$ (643,156)	\$ (454,078)	\$ 46,120
<u>Other Financing Sources (Uses)</u>						
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 967,167	\$ 800,000	\$ (800,000)
Transfers Out	0	0	0	(800,000)	(800,000)	800,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 167,167	\$ 0	\$ 0
Net Change in Fund Balance	\$ (341,224)	\$ (66,734)	\$ (407,958)	\$ (475,989)	\$ (454,078)	\$ 46,120
Fund Balance, July 1, 2005	2,147,676	0	2,147,676	1,764,584	1,764,584	383,092
Fund Balance, June 30, 2006	\$ 1,806,452	\$ (66,734)	\$ 1,739,718	\$ 1,288,595	\$ 1,310,506	\$ 429,212

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

Exhibit G-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 83,530	\$ 83,530
Due from Other Governments	43,523	0	43,523
Total Assets	<u>\$ 43,523</u>	<u>\$ 83,530</u>	<u>\$ 127,053</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 43,523	\$ 0	\$ 43,523
Due to Litigants, Heirs, and Others	0	83,530	83,530
Total Liabilities	<u>\$ 43,523</u>	<u>\$ 83,530</u>	<u>\$ 127,053</u>

Exhibit G-2

Perry 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	\$ 209,990	\$ 209,990	\$ 0
Due from Other Governments	44,950	43,523	44,950	43,523
Total Assets	\$ 44,950	\$ 253,513	\$ 254,940	\$ 43,523
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 44,950	\$ 253,513	\$ 254,940	\$ 43,523
Total Liabilities	\$ 44,950	\$ 253,513	\$ 254,940	\$ 43,523
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 145,030	\$ 1,145,807	\$ 1,207,307	\$ 83,530
Total Assets	\$ 145,030	\$ 1,145,807	\$ 1,207,307	\$ 83,530
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 145,030	\$ 1,145,807	\$ 1,207,307	\$ 83,530
Total Liabilities	\$ 145,030	\$ 1,145,807	\$ 1,207,307	\$ 83,530
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 145,030	\$ 1,145,807	\$ 1,207,307	\$ 83,530
Equity in Pooled Cash and Investments	0	209,990	209,990	0
Due from Other Governments	44,950	43,523	44,950	43,523
Total Assets	\$ 189,980	\$ 1,399,320	\$ 1,462,247	\$ 127,053
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 145,030	\$ 1,145,807	\$ 1,207,307	\$ 83,530
Due to Other Taxing Units	44,950	253,513	254,940	43,523
Total Liabilities	\$ 189,980	\$ 1,399,320	\$ 1,462,247	\$ 127,053

MISCELLANEOUS SCHEDULES

Exhibit H-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Transfer Station and Landfill Closure	\$ 850,000	4.55 to 5.5 %	2-14-1997	2-14-07	\$ 170,000	\$ 0	\$ 85,000	\$ 85,000
Public Works Projects	410,000	4.95	6-15-1998	6-15-10	200,000	0	35,000	165,000
Courthouse Improvements	96,000	0	3-2-1999	3-2-09	35,200	0	9,600	25,600
Angelica Building	450,000	0	1-10-05	1-10-15	431,250	0	45,000	386,250
Nursing Home Improvements	120,000	3.75	1-20-06	7-6-06	0	120,000	0	120,000
Total Notes Payable					<u>\$ 836,450</u>	<u>\$ 120,000</u>	<u>\$ 174,600</u>	<u>\$ 781,850</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School	5,000,000	Variable	10-14-1998	5-25-18	\$ 3,928,000	\$ 0	\$ 215,000	\$ 3,713,000
School	2,500,000	Variable	5-24-00	5-25-19	2,117,000	0	108,000	2,009,000
Jail, Angelica Building, Solid Waste Equipment	(1)	Variable	10-28-03	5-25-23	3,619,294	0	162,000	3,457,294
Total Other Loans Payable					<u>\$ 9,664,294</u>	<u>\$ 0</u>	<u>\$ 485,000</u>	<u>\$ 9,179,294</u>

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$223,706 of an authorized \$4,000,000.

Exhibit H-2

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 52,052	\$ 25,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	49,002	100,000	Auto Owners Mutual Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	44,548	337,000	Western Surety Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	44,548	10,000	Auto Owners Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	44,548	25,000	Western Surety Company
Circuit Court Clerk:				
Robert O'Guin (7-1-05 through 3-16-06)	Section 8-24-102, <u>TCA</u>	33,411	25,000	"
Rosemary Burgess (4-17-06 through 6-30-06)	Section 8-24-102, <u>TCA</u>	9,109	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	44,548	35,000	Old Republic Surety Company
Register	Section 8-24-102, <u>TCA</u>	44,548	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	50,121 (1)	50,000	Auto Owners Mutual Insurance Company
<u>Other Bonds</u>				
Employee Blanket Bond			150,000	Local Government Property and Casualty Fund

(1) Includes \$600 for serving as Workhouse Superintendent and a law enforcement training supplement of \$519.

Exhibit H-3

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,385,773	\$ 0	\$ 309,219	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,694,992
Trustee's Collections - Prior Year	49,543	0	9,742	0	0	0	3,386	62,671
Circuit/Clerk & Master Collections - Prior Years	35,092	0	7,560	0	0	0	0	42,652
Interest and Penalty	9,195	0	1,858	0	0	0	519	11,572
Payments in-Lieu-of Taxes - T.V.A.	1,811	0	404	0	0	0	0	2,215
<u>County Local Option Taxes</u>								
Local Option Sales Tax	74,586	0	0	0	0	0	439,893	514,479
Hotel/Motel Tax	703	0	0	0	0	0	0	703
Litigation Tax - General	11,884	6,804	0	0	0	0	649	19,337
Litigation Tax - Special Purpose	0	621	0	2,677	0	0	128	3,426
Litigation Tax - Jail, Workhouse, or Courthouse	0	7,994	0	0	0	0	888	8,882
Business Tax	21,681	0	0	0	0	0	0	21,681
Mineral Severance Tax	0	0	0	0	0	31,609	0	31,609
<u>Statutory Local Taxes</u>								
Bank Excise Tax	37,840	0	8,444	0	0	0	0	46,284
Wholesale Beer Tax	36,357	0	0	0	0	0	0	36,357
Interstate Telecommunications Tax	970	0	0	0	0	0	0	970
Total Local Taxes	\$ 1,665,435	\$ 15,419	\$ 337,227	\$ 2,677	\$ 0	\$ 31,609	\$ 445,463	\$ 2,497,830
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 1,964	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,964
Officers Costs	877	0	0	0	0	0	0	877
Drug Court Fees	357	0	0	0	0	0	0	357
Data Entry Fee - Circuit Court	0	0	0	30	0	0	0	30
Courtroom Security Fee	2	0	0	0	0	0	0	2
<u>Criminal Court</u>								
Jail Fees	82	0	0	0	0	0	0	82
<u>General Sessions Court</u>								
Fines	7,074	0	0	0	0	0	0	7,074
Officers Costs	7,194	0	0	0	0	0	0	7,194
Game and Fish Fines	1,001	0	0	0	0	0	0	1,001

Exhibit H-3

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>General Sessions Court (Cont.)</u>								
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	1,746	\$ 0	\$ 0	1,746
Drug Court Fees	622	0	0	0	0	0	0	622
Jail Fees	310	266	0	1	0	0	0	577
DUI Treatment Fines	1,524	0	0	0	135	0	0	1,659
Courtroom Security Fee	32	0	0	0	0	0	0	32
<u>Juvenile Court</u>								
Fines	1,092	0	0	0	0	0	0	1,092
<u>Chancery Court</u>								
Officers Costs	3,882	0	0	0	0	0	0	3,882
Data Entry Fee - Chancery Court	2,174	0	0	335	0	0	0	2,509
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	0	0	935	0	0	935
Courtroom Security Fee	8	0	0	0	0	0	0	8
Total Fines, Forfeitures, and Penalties	\$ 28,195	\$ 266	\$ 0	\$ 366	\$ 2,816	\$ 0	\$ 0	\$ 31,643
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	2,584	\$ 0	\$ 0	\$ 0	\$ 0	2,584
Tipping Fees	0	0	62	0	0	0	0	62
Solid Waste Disposal Fees	0	0	32,489	0	0	0	0	32,489
<u>Fees</u>								
Airport Fees	1,500	0	0	0	0	0	0	1,500
Copy Fees	3,751	0	0	0	0	0	0	3,751
Library Fees	215	0	0	0	0	0	0	215
Telephone Commissions	58	0	0	0	0	0	0	58
Data Processing Fee - Register	3,880	0	0	0	0	0	0	3,880
Data Processing Fee - Sheriff	1,495	0	0	0	0	0	0	1,495
Sexual Offender Registration Fees - Sheriff	840	0	0	0	0	0	0	840
Total Charges for Current Services	\$ 11,739	\$ 0	\$ 35,135	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,874

(Continued)

Exhibit H-3

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 111,314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,199	\$ 118,513
Lease/Rentals	150,284	0	0	0	0	0	63,705	213,989
Sale of Materials and Supplies	9,453	0	0	0	0	0	0	9,453
Miscellaneous Refunds	2,754	0	0	0	180	989	0	3,923
<u>Nonrecurring Items</u>								
Net Income from Joint Venture	3,851	0	0	0	0	0	0	3,851
Sale of Property	10,185	0	0	0	0	405	0	10,590
Damages Recovered from Individuals	3,118	0	0	0	0	0	0	3,118
Contributions & Gifts	2,873	0	0	0	0	0	0	2,873
Total Other Local Revenues	\$ 293,832	\$ 0	\$ 0	\$ 0	\$ 180	\$ 1,394	\$ 70,904	\$ 366,310
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 61,961	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 61,961
Circuit Court Clerk	7,696	0	0	0	0	0	0	7,696
General Sessions Court Clerk	27,859	0	0	0	0	0	0	27,859
Clerk and Master	46,246	0	0	0	0	0	0	46,246
Juvenile Court Clerk	368	0	0	0	0	0	0	368
Register	49,075	0	0	0	0	0	0	49,075
Sheriff	4,172	0	0	0	0	0	0	4,172
Trustee	115,931	0	0	0	0	0	0	115,931
Total Fees Received from County Officials	\$ 313,308	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 313,308
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Airport Maintenance Program	716	0	0	0	0	0	0	716
State Reappraisal Grant	4,560	0	0	0	0	0	0	4,560
Solid Waste Grants	0	0	2,374	0	0	0	0	2,374
<u>Health and Welfare Grants</u>								
Health Department Programs	20,098	0	0	0	0	0	0	20,098

(Continued)

Exhibit H-3

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Highway / Public Works		
<u>State of Tennessee (Cont.)</u>								
<u>Public Works Grants</u>								
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 76,582	\$ 0	\$ 76,582
Litter Program	24,221	0	0	0	0	0	0	24,221
<u>Other State Revenues</u>								
Income Tax	20,636	0	0	0	0	0	0	20,636
Beer Tax	17,212	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	21,528	0	0	0	0	0	0	21,528
State Revenue Sharing - T.V.A.	205,391	0	45,831	0	0	0	0	251,222
Contracted Prisoner Boarding	169,944	0	0	0	0	0	0	169,944
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,499,528	0	1,499,528
Petroleum Special Tax	0	0	0	0	0	6,139	0	6,139
Registrar's Salary Supplement	12,285	0	0	0	0	0	0	12,285
Other State Grants	2,990	0	0	0	0	0	0	2,990
Total State of Tennessee	\$ 508,581	\$ 0	\$ 48,205	\$ 0	\$ 0	\$ 1,582,249	\$ 0	\$ 2,139,035
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 258,536	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 258,536
Homeland Security Grants	74,715	0	0	0	0	0	0	74,715
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	15,878	0	0	0	0	80,321	0	96,199
Total Federal Government	\$ 349,129	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,321	\$ 0	\$ 429,450
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,577	\$ 0	\$ 1,577
Contributions	0	0	0	0	0	0	167,167	167,167
Contracted Services	108,048	0	0	0	0	0	0	108,048
<u>Other</u>								
Other	82	0	0	0	0	0	0	82
Total Other Governments and Citizens Groups	\$ 108,130	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,577	\$ 167,167	\$ 276,874
Total	\$ 3,278,349	\$ 15,685	\$ 420,567	\$ 3,043	\$ 2,996	\$ 1,697,150	\$ 683,534	\$ 6,101,324

Exhibit H-4

Perry 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	\$	22,500	
Social Security		1,395	
State Retirement		636	
Employer Medicare		326	
Audit Services		1,813	
Legal Notices, Recording, and Court Costs		200	
Total County Commission			\$ 26,870

County Mayor/Executive

County Official/Administrative Officer	\$	52,052	
Accountants/Bookkeepers		26,026	
Secretary(ies)		26,026	
Longevity Pay		1,900	
Other Salaries & Wages		3,000	
Social Security		5,978	
State Retirement		9,374	
Employer Medicare		1,398	
Communication		1,749	
Data Processing Services		5,388	
Operating Lease Payments		147	
Maintenance & Repair Services - Office Equipment		156	
Postal Charges		28	
Printing, Stationery, and Forms		335	
Travel		2,043	
Office Supplies		342	
Other Supplies and Materials		29	
Total County Mayor/Executive			135,971

County Attorney

Legal Services	\$	1,932	
Total County Attorney			1,932

Election Commission

County Official/Administrative Officer	\$	37,861
Deputy(ies)		18,933
Longevity Pay		400
Election Commission		5,950
Election Workers		5,965
Social Security		3,852
State Retirement		4,919

(Continued)

Exhibit H-4

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Employer Medicare	\$	901	
Communication		1,651	
Data Processing Services		300	
Dues and Memberships		175	
Operating Lease Payments		486	
Legal Notices, Recording, and Court Costs		1,180	
Postal Charges		201	
Printing, Stationery, and Forms		4,287	
Travel		477	
Other Contracted Services		2,290	
Data Processing Supplies		56	
Electricity		829	
Natural Gas		865	
Office Supplies		176	
Water and Sewer		112	
Other Supplies and Materials		338	
Data Processing Equipment		215	
Furniture and Fixtures		915	
Total Election Commission			\$ 93,334

Register of Deeds

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		22,274	
Longevity Pay		300	
Social Security		3,783	
State Retirement		5,772	
Employer Medicare		885	
Communication		1,635	
Dues and Memberships		278	
Operating Lease Payments		1,651	
Postal Charges		28	
Printing, Stationery, and Forms		1,197	
Data Processing Supplies		3,520	
Office Supplies		209	
Premiums on Corporate Surety Bonds		52	
Data Processing Equipment		530	
Total Register of Deeds			86,662

Geographical Information Systems

Road Signs	\$	566	
Total Geographical Information Systems			566

(Continued)

Exhibit H-4

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	11,787	
Communication		255	
Janitorial Services		2,748	
Maintenance & Repair Services - Buildings		3,339	
Maintenance & Repair Services - Equipment		380	
Maintenance & Repair Services - Vehicles		270	
Custodial Supplies		1,524	
Electricity		9,507	
Natural Gas		3,436	
Water and Sewer		565	
Other Supplies and Materials		18	
Liability Insurance		54,197	
Workers' Compensation Insurance		37,543	
Liability Claims		500	
Other Charges		2,896	
Building Improvements		4,403	
Total County Buildings			\$ 133,368

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		22,274	
Longevity Pay		1,000	
Social Security		4,132	
State Retirement		5,833	
Employer Medicare		966	
Communication		1,571	
Dues and Memberships		863	
Operating Lease Payments		1,651	
Postal Charges		125	
Printing, Stationery, and Forms		66	
Office Supplies		152	
Other Supplies and Materials		15	
Premiums on Corporate Surety Bonds		60	
Total Property Assessor's Office			83,256

Reappraisal Program

Assistant(s)	\$	22,274
Longevity Pay		200
Other Salaries & Wages		1,500

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Board and Committee Members Fees	\$	300	
Social Security		1,483	
State Retirement		2,062	
Employer Medicare		347	
Contracts with Government Agencies		5,217	
Contracts with Private Agencies		1,200	
Legal Services		1,147	
Maintenance & Repair Services - Vehicles		246	
Printing, Stationery, and Forms		430	
Travel		101	
Other Contracted Services		3,429	
Data Processing Supplies		67	
Gasoline		851	
Total Reappraisal Program			\$ 40,854

County Trustee's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		22,274	
Longevity Pay		700	
Social Security		3,495	
State Retirement		5,807	
Employer Medicare		817	
Communication		1,048	
Data Processing Services		4,214	
Dues and Memberships		278	
Postal Charges		1,606	
Printing, Stationery, and Forms		825	
Travel		189	
Office Supplies		672	
Premiums on Corporate Surety Bonds		1,935	
Total County Trustee's Office			88,408

County Clerk's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		22,274	
Longevity Pay		500	
Social Security		4,105	
State Retirement		5,790	
Employer Medicare		960	
Communication		1,774	

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Data Processing Services	\$	1,404	
Dues and Memberships		278	
Operating Lease Payments		1,485	
Legal Notices, Recording, and Court Costs		13	
Maintenance & Repair Services - Office Equipment		35	
Postal Charges		28	
Printing, Stationery, and Forms		506	
Office Supplies		1,441	
Premiums on Corporate Surety Bonds		200	
Office Equipment		146	
Total County Clerk's Office			\$ 85,487

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,520	
Deputy(ies)		19,282	
Secretary(ies)		20,102	
Longevity Pay		1,600	
Other Salaries & Wages		4,500	
Jury and Witness Fees		3,663	
Social Security		5,211	
State Retirement		7,136	
Employer Medicare		1,219	
Communication		1,937	
Data Processing Services		5,596	
Dues and Memberships		278	
Operating Lease Payments		1,717	
Postal Charges		28	
Printing, Stationery, and Forms		2,597	
Office Supplies		2,566	
Premiums on Corporate Surety Bonds		325	
Other Charges		185	
Furniture and Fixtures		495	
Total Circuit Court			120,957

General Sessions Court

Judge(s)	\$	44,243
Secretary(ies)		16,100
Social Security		3,725
State Retirement		4,480

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Employer Medicare	\$	871	
Communication		1,062	
Operating Lease Payments		1,717	
Printing, Stationery, and Forms		366	
Travel		1,799	
Office Supplies		59	
Total General Sessions Court			\$ 74,422

Chancery Court

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		16,000	
Social Security		3,754	
State Retirement		1,032	
Employer Medicare		878	
Communication		2,514	
Data Processing Services		5,680	
Dues and Memberships		278	
Operating Lease Payments		1,717	
Postal Charges		336	
Printing, Stationery, and Forms		1,592	
Travel		152	
Data Processing Supplies		1,166	
Office Supplies		512	
Other Supplies and Materials		8	
Premiums on Corporate Surety Bonds		200	
Other Charges		45	
Total Chancery Court			80,412

Juvenile Court

Assistant(s)	\$	8,581	
Social Security		532	
Employer Medicare		124	
Communication		723	
Travel		1,520	
Data Processing Supplies		48	
Office Supplies		87	
Other Supplies and Materials		344	
Other Charges		150	
Furniture and Fixtures		579	
Total Juvenile Court			12,688

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Administration of Justice (Cont.)

Courtroom Security

Guards	\$	14,168	
Social Security		687	
Employer Medicare		161	
Other Charges		83	
Total Courtroom Security			\$ 15,099

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	49,602	
Deputy(ies)		274,839	
Secretary(ies)		18,500	
Part-time Personnel		40,881	
Longevity Pay		5,900	
In-Service Training		7,801	
Social Security		24,082	
State Retirement		24,898	
Employer Medicare		5,632	
Communication		7,551	
Data Processing Services		3,157	
Dues and Memberships		1,075	
Operating Lease Payments		1,785	
Maintenance & Repair Services - Buildings		155	
Maintenance & Repair Services - Equipment		2,162	
Maintenance & Repair Services - Vehicles		22,419	
Medical and Dental Services		205	
Postal Charges		1,139	
Travel		1,036	
Veterinary Services		148	
Animal Food and Supplies		175	
Custodial Supplies		72	
Food Supplies		37	
Gasoline		42,669	
Office Supplies		1,824	
Uniforms		2,811	
Other Supplies and Materials		3,038	
Premiums on Corporate Surety Bonds		193	
Motor Vehicles		917	
Office Equipment		150	
Total Sheriff's Department			544,853

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Deputy(ies)	\$	3,549	
Medical Personnel		2,620	
Guards		265,698	
Part-time Personnel		31,287	
Longevity Pay		100	
In-Service Training		474	
Social Security		18,594	
State Retirement		11,795	
Employer Medicare		4,349	
Maintenance & Repair Services - Buildings		2,073	
Maintenance & Repair Services - Equipment		844	
Medical and Dental Services		185,394	
Pest Control		195	
Postal Charges		501	
Travel		202	
Custodial Supplies		5,496	
Electricity		38,338	
Food Supplies		78,641	
Natural Gas		17,061	
Office Supplies		636	
Prisoners Clothing		618	
Water and Sewer		6,155	
Other Supplies and Materials		4,042	
Other Charges		1,798	
Data Processing Equipment		2,460	
Total Jail			\$ 682,920

Civil Defense

Other Supplies and Materials	\$	74,720	
Total Civil Defense			74,720

Rescue Squad

Communication	\$	256	
Maintenance & Repair Services - Vehicles		1,402	
Electricity		459	
Gasoline		1,592	
Natural Gas		155	
Water and Sewer		205	
Vehicle and Equipment Insurance		2,690	
Other Equipment		3,231	
Total Rescue Squad			9,990

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Supervisor/Director	\$	9,609	
Dispatchers/Radio Operators		34,920	
Part-time Personnel		11,877	
Longevity Pay		600	
Social Security		5,664	
State Retirement		7,321	
Employer Medicare		1,325	
Communication		177	
Total Other Emergency Management			\$ 71,493

County Coroner/Medical Examiner

Pauper Burials	\$	600	
Other Contracted Services		8,590	
Total County Coroner/Medical Examiner			9,190

Other Public Safety

Guards	\$	10,695	
Other Salaries & Wages		1,000	
Social Security		725	
State Retirement		86	
Employer Medicare		169	
Total Other Public Safety			12,675

Public Health and Welfare

Local Health Center

Communication	\$	145	
Contracts with Government Agencies		17,958	
Janitorial Services		1,920	
Maintenance & Repair Services - Buildings		650	
Maintenance & Repair Services - Office Equipment		100	
Other Contracted Services		745	
Custodial Supplies		5	
Electricity		6,332	
Office Supplies		1,227	
Water and Sewer		340	
Other Supplies and Materials		22	
Other Charges		313	
Total Local Health Center			29,757

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$ 185,303	
Total Ambulance/Emergency Medical Services		\$ 185,303

Nursing Home

Maintenance & Repair Services - Buildings	\$ 58,148	
Asphalt	20,735	
Food Preparation Supplies	7,714	
Heating and Air Conditioning Equipment	10,080	
Total Nursing Home		96,677

Other Local Health Services

Medical Personnel	\$ 15,296	
Social Security	948	
State Retirement	1,022	
Employer Medicare	222	
Travel	291	
Total Other Local Health Services		17,779

Regional Mental Health Center

Contracts with Government Agencies	\$ 2,750	
Total Regional Mental Health Center		2,750

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 9,000	
Total Senior Citizens Assistance		9,000

Libraries

Supervisor/Director	\$ 37,730	
Part-time Personnel	15,282	
Longevity Pay	1,800	
Social Security	3,382	
State Retirement	3,400	
Employer Medicare	791	
Communication	1,848	
Data Processing Services	990	
Janitorial Services	780	
Operating Lease Payments	1,241	
Maintenance & Repair Services - Buildings	51	
Maintenance & Repair Services - Equipment	97	

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Postal Charges	\$	28	
Printing, Stationery, and Forms		474	
Travel		523	
Custodial Supplies		97	
Data Processing Supplies		246	
Electricity		4,804	
Library Books/Media		515	
Natural Gas		2,669	
Office Supplies		468	
Water and Sewer		422	
Other Supplies and Materials		26	
Other Charges		228	
Total Libraries			\$ 77,892

Other Social, Cultural, and Recreational

Contracts with Private Agencies	\$	5,000	
Contributions		15,650	
Electricity		2,479	
Water and Sewer		517	
Total Other Social, Cultural, and Recreational			23,646

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	20,022	
Secretary(ies)		6,492	
Board and Committee Members Fees		200	
Social Security		497	
State Retirement		2,074	
Employer Medicare		290	
Communication		2,412	
Operating Lease Payments		486	
Maintenance & Repair Services - Buildings		23	
Electricity		829	
Natural Gas		865	
Water and Sewer		112	
Total Agriculture Extension Service			34,302

Soil Conservation

Contracts with Government Agencies	\$	23,375	
Total Soil Conservation			23,375

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Other Operations

Tourism

Communication	\$	1,186	
Contributions		20,000	
Instructional Supplies and Materials		4,814	
Total Tourism			\$ 26,000

Industrial Development

Site Development	\$	15,878	
Total Industrial Development			15,878

Airport

Maintenance & Repair Services - Equipment	\$	32	
Utilities		2,337	
Other Supplies and Materials		883	
Airport Improvement		300	
Total Airport			3,552

Veterans' Services

Other Salaries & Wages	\$	2,400	
In-Service Training		355	
Social Security		149	
Employer Medicare		35	
Communication		610	
Total Veterans' Services			3,549

Other Charges

Trustee's Commission	\$	45,015	
Total Other Charges			45,015

Employee Benefits

Unemployment Compensation	\$	7,392	
Total Employee Benefits			7,392

Miscellaneous

Communication	\$	2,802	
Dues and Memberships		2,931	
Operating Lease Payments		1,388	
Postal Charges		9,382	
Printing, Stationery, and Forms		1,452	
Other Contracted Services		715	
Office Supplies		488	

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Other Supplies and Materials	\$	1,293	
Refunds		101	
Other Charges		<u>782</u>	
Total Miscellaneous	\$		21,334

Highways

Litter and Trash Collection

Part-time Personnel	\$	23,245	
In-Service Training		1,282	
Social Security		1,277	
State Retirement		1,999	
Employer Medicare		299	
Other Supplies and Materials		<u>20</u>	
Total Litter and Trash Collection			28,122

Capital Projects

Public Health and Welfare Projects

Other Capital Outlay	\$	<u>258,536</u>	
Total Public Health and Welfare Projects			<u>258,536</u>

Total General Fund \$ 3,395,986

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$	785	
Electricity		14,961	
Natural Gas		8,222	
Water and Sewer		826	
Other Charges		<u>108</u>	
Total County Buildings	\$		24,902

Other Operations

Other Charges

Trustee's Commission	\$	<u>151</u>	
Total Other Charges			<u>151</u>

Total Courthouse & Jail Maintenance Fund 25,053

(Continued)

Exhibit H-4

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Trustee's Commission	\$ 7,477	
Total Sanitation Education/Information		\$ 7,477

Convenience Centers

Laborers	\$ 26,919	
Longevity Pay	900	
Social Security	1,654	
State Retirement	2,393	
Employer Medicare	387	
Communication	575	
Maintenance & Repair Services - Buildings	175	
Electricity	375	
Other Supplies and Materials	538	
Other Charges	527	
Total Convenience Centers		34,443

Transfer Stations

Equipment Operators	\$ 51,615	
Other Salaries & Wages	350	
Social Security	3,203	
State Retirement	2,924	
Employer Medicare	749	
Communication	1,673	
Contracts with Private Agencies	176,474	
Maintenance Agreements	2,000	
Maintenance & Repair Services - Buildings	307	
Maintenance & Repair Services - Equipment	4,356	
Maintenance & Repair Services - Vehicles	5,472	
Other Contracted Services	13,998	
Diesel Fuel	16,109	
Electricity	2,459	
Gasoline	6,577	
Lubricants	279	
Tires and Tubes	3,261	
Uniforms	4,550	
Water and Sewer	371	
Other Supplies and Materials	154	
Other Charges	8,977	
Solid Waste Equipment	10,270	
Total Transfer Stations		316,128

(Continued)

Exhibit H-4

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance

Supervisor/Director	\$	24,669	
Equipment Operators		18,200	
Longevity Pay		1,300	
Social Security		2,734	
State Retirement		3,799	
Employer Medicare		639	
Evaluation and Testing		4,800	
Maintenance Agreements		2,000	
Maintenance & Repair Services - Equipment		3,292	
Other Contracted Services		400	
Diesel Fuel		992	
Lubricants		54	
Other Supplies and Materials		800	
Other Charges		400	
Total Landfill Operation and Maintenance			\$ 64,079

Other Operations

Employee Benefits

Unemployment Compensation	\$	790	
Total Employee Benefits			790

Total Solid Waste/Sanitation Fund \$ 422,917

Local Purpose Tax Fund

Administration of Justice

Circuit Court

Trustee's Commission	\$	37	
Total Circuit Court			\$ 37

Total Local Purpose Tax Fund 37

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$	500	
Trustee's Commission		28	
Law Enforcement Equipment		2,299	
Total Drug Enforcement			\$ 2,827

Total Drug Control Fund 2,827

(Continued)

Exhibit H-4

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	49,002	
Accountants/Bookkeepers		25,500	
Data Processing Services		4,363	
Dues and Memberships		2,000	
Postal Charges		152	
Electricity		2,128	
Natural Gas		2,515	
Office Supplies		1,264	
Water and Sewer		223	
Other Charges		709	
Total Administration			\$ 87,856

Highway and Bridge Maintenance

Foremen	\$	26,000	
Equipment Operators		140,672	
Truck Drivers		131,072	
Other Contracted Services		10,800	
Asphalt - Hot Mix		137,734	
Crushed Stone		77,041	
Fertilizer, Lime, and Seed		1,114	
General Construction Materials		187	
Other Road Supplies		3,465	
Pipe		14,145	
Road Signs		215	
Small Tools		371	
Wood Products		1,175	
Total Highway and Bridge Maintenance			543,991

Operation and Maintenance of Equipment

Foremen	\$	26,000	
Diesel Fuel		48,880	
Equipment and Machinery Parts		29,915	
Garage Supplies		8,326	
Gasoline		21,561	
Lubricants		2,632	
Tires and Tubes		7,850	
Total Operation and Maintenance of Equipment			145,164

Other Charges

Communication	\$	3,251	
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(Continued)

Exhibit H-4

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Building and Contents Insurance	\$	500	
Liability Insurance		5,707	
Premiums on Corporate Surety Bonds		270	
Trustee's Commission		17,059	
Vehicle and Equipment Insurance		10,000	
Workers' Compensation Insurance		26,894	
Total Other Charges			\$ 63,681

Employee Benefits

Social Security	\$	28,055	
State Retirement		34,249	
Medical Insurance		33,138	
Unemployment Compensation		689	
Total Employee Benefits			96,131

Capital Outlay

Bridge Construction	\$	58,735	
Highway Equipment		158,414	
Motor Vehicles		47,985	
Total Capital Outlay			265,134

Total Highway/Public Works Fund \$ 1,201,957

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	174,600	
Principal on Other Loans		162,000	
Total General Government			\$ 336,600

Education

Principal on Other Loans	\$	323,000	
Total Education			323,000

Interest on Debt

General Government

Interest on Notes	\$	19,250	
Interest on Other Loans		112,570	
Total General Government			131,820

(Continued)

Exhibit H-4

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education

Interest on Other Loans	\$ 190,194	
Total Education		\$ 190,194

Other Debt Service

General Government

Trustee's Commission	\$ 4,956	
Other Debt Service	13,404	
Total General Government		18,360

Education

Other Debt Service	\$ 24,784	
Total Education		24,784

Total General Debt Service Fund		\$ 1,024,758
---------------------------------	--	--------------

General Capital Projects Fund

Capital Projects

Public Safety Projects

Architects	\$ 2,797	
Communication	8,949	
Engineering Services	1,473	
Electricity	2,705	
Natural Gas	255	
Office Supplies	319	
Water and Sewer	70	
Other Supplies and Materials	200	
Building Construction	31,542	
Total Public Safety Projects		\$ 48,310

Public Health and Welfare Projects

Maintenance & Repair Services - Vehicles	\$ 5,950	
Solid Waste Equipment	15,940	
Total Public Health and Welfare Projects		21,890

Total General Capital Projects Fund		70,200
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Total Governmental Funds - Primary Government		\$ 6,143,735
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Perry County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 209,990
Total Cash Receipts	<u>\$ 209,990</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 207,890
Trustee's Commission	<u>2,100</u>
Total Cash Disbursements	<u>\$ 209,990</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u>\$ 0</u>

ANNUAL FINANCIAL REPORT
PERRY COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF PERRY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

HORACE WISEMAN, CGFM
KENT WHITE, CPA, CGFM, CFE
JERRY DURHAM, CPA, CGFM, CFE
Auditor 4s

MARVIN BOND, CGFM
LEE ANN WEST, CGFM
RHONDA DAVIS, CFE
PATTY VARGO, CFE
ROBIN BATES, CFE
DONYA WADE
AMANDA JACKSON
WENDY HEATH, CFE
State Auditors

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

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

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

PERRY COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The office paid several invoices without proper supporting documentation.
- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.

INTRODUCTORY SECTION

Perry County School Officials
June 30, 2006

Official

Gil Webb, Director of Schools

Board of Education

Martha Sharp, Chairman
Joe Burns
Jorene Choate

Jackie Duncan
Janet Carroll
Don Barnett

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841
FAX (615) 741-6216**

INDEPENDENT AUDITOR'S REPORT

March 27, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Perry County School Department, a component unit of Perry County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 29, which collectively comprise a portion of the Perry County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Perry County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

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

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

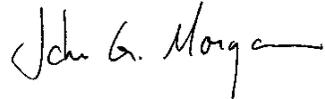
In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2007, on our consideration of the Perry County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant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

The budgetary comparison information on pages 33 through 35 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan" followed by a horizontal flourish.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 53,435	\$ 12,605	\$ 66,040
Equity in Pooled Cash and Investments	295,020	70,133	365,153
Accounts Receivable	4,746	20	4,766
Due from Other Governments	54,932	1,376	56,308
Property Taxes Receivable	1,121,481	0	1,121,481
Allowance for Uncollectible Property Taxes	(28,645)	0	(28,645)
Total Assets	\$ 1,500,969	\$ 84,134	\$ 1,585,103
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 4,610	\$ 0	\$ 4,610
Payroll Deductions Payable	52,935	12,605	65,540
Deferred Revenue - Current Property Taxes	1,028,001	0	1,028,001
Deferred Revenue - Delinquent Property Taxes	59,683	0	59,683
Other Deferred Revenues	16,684	0	16,684
Total Liabilities	\$ 1,161,913	\$ 12,605	\$ 1,174,518
<u>Fund Balances</u>			
Reserved for Driver Education	\$ 7,985	\$ 0	\$ 7,985
Reserved for Career Ladder - Extended Contract	34,998	0	34,998
Reserved for Career Ladder Program	10	0	10
Reserved for Basic Education Program	6,499	0	6,499
Reserved for Title I Grants to Local Education Agencies	0	12,725	12,725
Other Federal Reserves	0	1,694	1,694
Unreserved, Reported In:			
General Fund	289,564	0	289,564
Special Revenue Funds	0	57,110	57,110
Total Fund Balances	\$ 339,056	\$ 71,529	\$ 410,585
Total Liabilities and Fund Balances	\$ 1,500,969	\$ 84,134	\$ 1,585,103

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,312,894	\$ 0	\$ 1,312,894
Licenses and Permits	628	0	628
Charges for Current Services	12,573	227,499	240,072
Other Local Revenues	57,183	2,917	60,100
State of Tennessee	5,374,741	6,310	5,381,051
Federal Government	61,042	1,007,633	1,068,675
Total Revenues	<u>\$ 6,819,061</u>	<u>\$ 1,244,359</u>	<u>\$ 8,063,420</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,936,594	\$ 544,775	\$ 4,481,369
Support Services	2,420,558	164,250	2,584,808
Operation of Non-Instructional Services	181,680	493,035	674,715
Debt Service:			
Principal on Debt	168,255	0	168,255
Total Expenditures	<u>\$ 6,707,087</u>	<u>\$ 1,202,060</u>	<u>\$ 7,909,147</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 111,974</u>	<u>\$ 42,299</u>	<u>\$ 154,273</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 19,602	\$ 0	\$ 19,602
Transfers Out	0	(19,602)	(19,602)
Total Other Financing Sources (Uses)	<u>\$ 19,602</u>	<u>\$ (19,602)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 131,576	\$ 22,697	\$ 154,273
Fund Balance, July 1, 2005	207,480	48,832	256,312
Fund Balance, June 30, 2006	<u>\$ 339,056</u>	<u>\$ 71,529</u>	<u>\$ 410,585</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

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

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

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

The School Department reports the following major governmental fund:

General Purpose School Fund – This 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 type:

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

C. Assets, Liabilities, and 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 Perry County trustee maintains a cash and internal investment pool that is used by all Perry County and Perry County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the county's General and General Debt Service Funds, and the School Department's General Purpose School Fund. Perry County and the Perry 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

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to one percent of total taxes levied.

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

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

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

Most payables are disaggregated on the face of the financial statements.

3. Capital Assets

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

4. Compensated Absences

It is the Perry County School Department's policy to permit Central Office employees to accumulate a limited amount of earned but unused vacation benefits which will be paid to employees upon

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

The School Department permits professional personnel (teachers) to accumulate an unlimited amount of unused sick leave days. However, the granting of sick leave has no guaranteed payment attached and, therefore, is not required to be accrued or recorded.

5. Long-term Obligations

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

6. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Instruction-Regular Instruction Program, Support Services-Attendance, Operation of Non-Instructional Services-Food Service, etc.). Management may make revisions within major categories, but only the Perry County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Expenditures Exceeded Appropriations

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

Fund	Major Category	Amount Overspent
General Purpose School	Attendance	\$ 9,609
General Purpose School	Regular Instruction	1,051
General Purpose School	Early Childhood Education	1,159
General Purpose School	Principal on Debt - Education	85

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

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

Perry County had no pooled and nonpooled investments as of June 30, 2006.

B. Interfund Transfers

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

	Transfers In General Purpose School Fund
Transfers Out	
Nonmajor governmental fund	\$ 19,602
Total	\$ 19,602

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

C. Long-term Debt

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

Capital Outlay Notes

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. The School Department has one capital outlay note which was issued as part of an EPA grant/loan to fund asbestos abatement. The \$16,088 note was issued for an original term of 16 years. Repayment was structured at \$1,000 per year with zero interest. This note was retired from the General Purpose School Fund during the 2005-06 fiscal year.

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Note</u>	<u>Compensated Absences</u>
Balance, July 1, 2005	\$ 1,088	\$ 16,113
Additions	0	8,813
Deductions	<u>(1,088)</u>	<u>(12,672)</u>
Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 12,254</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 12,000</u>

Compensated absences payable will be paid primarily from the General Purpose School and School Federal Projects Funds.

IV. OTHER INFORMATION

A. Risk Management

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

B. Accounting Changes

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

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

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

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

C. Contingent Liabilities

Under the terms of an agreement between the Perry County Commission and the Perry County Board of Education, beginning in 2000-01, the Perry County Board of Education began paying \$150,000 per year to the General Debt Service Fund to retire any indebtedness incurred as a result of the 1996-99 school building program until such indebtedness is paid in full or for 20 years, whichever comes first. In addition, beginning in the 2001-02 year, the Perry County Board of Education began paying the General Debt Service Fund \$171,666 over the next ten years, in installments of \$17,167 per year, to help retire the principal indebtedness on the building program loans.

The School Department is involved in several pending lawsuits. School Department officials estimate that the potential claims against the School Department not covered by insurance resulting from such litigation would not materially affect the financial statements of the School Department.

D. Changes in Administration

David Rhodes, Director of Schools, died on November 10, 2005. On November 14, 2005, Ricky Marshall was appointed interim director of schools, and on December 12, 2005, Gil Webb was appointed director of schools.

E. Retirement Commitments

SCHOOL TEACHERS

Plan Description

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

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

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

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Perry 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 Perry 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 \$233,041, \$232,428, and \$128,732, respectively, equal to the required contributions for each year.

F. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Perry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Perry 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	\$ 1,312,894	\$ 1,285,128	\$ 1,297,128	\$ 15,766
Licenses and Permits	628	675	675	(47)
Charges for Current Services	12,573	12,720	12,720	(147)
Other Local Revenues	57,183	19,225	37,543	19,640
State of Tennessee	5,374,741	5,358,438	5,411,131	(36,390)
Federal Government	61,042	75,692	43,709	17,333
Total Revenues	<u>\$ 6,819,061</u>	<u>\$ 6,751,878</u>	<u>\$ 6,802,906</u>	<u>\$ 16,155</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,852,253	\$ 2,931,301	\$ 2,869,980	\$ 17,727
Alternative Instruction Program	66,573	66,937	66,937	364
Special Education Program	682,466	656,973	686,893	4,427
Vocational Education Program	319,522	342,875	320,775	1,253
Adult Education Program	15,780	29,555	15,777	(3)
<u>Support Services</u>				
Attendance	83,134	73,525	73,525	(9,609)
Health Services	1,073	1,200	1,200	127
Other Student Support	147,625	136,850	147,840	215
Regular Instruction Program	193,526	186,650	192,475	(1,051)
Special Education Program	68,931	67,695	69,320	389
Vocational Education Program	3,028	3,260	3,260	232
Adult Programs	26,661	54,350	26,690	29
Board of Education	109,374	105,660	110,605	1,231
Director of Schools	100,644	119,080	101,485	841
Office of the Principal	454,649	459,470	459,470	4,821
Fiscal Services	47,246	48,167	48,167	921
Operation of Plant	531,132	508,945	532,620	1,488
Maintenance of Plant	142,197	153,672	143,872	1,675
Transportation	507,225	487,130	507,890	665
Central and Other	4,113	4,100	4,100	(13)
<u>Operation of Non-Instructional Services</u>				
Food Service	14,400	14,400	14,400	0
Community Services	15,121	16,120	16,120	999
Early Childhood Education	152,159	151,000	151,000	(1,159)
<u>Principal on Debt</u>				
Education	168,255	1,000	168,170	(85)
Total Expenditures	<u>\$ 6,707,087</u>	<u>\$ 6,619,915</u>	<u>\$ 6,732,571</u>	<u>\$ 25,484</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 111,974</u>	<u>\$ 131,963</u>	<u>\$ 70,335</u>	<u>\$ 41,639</u>

(Continued)

Exhibit C

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 19,602	\$ 35,307	\$ 35,307	\$ (15,705)
Transfers Out	0	(167,170)	0	0
Total Other Financing Sources (Uses)	<u>\$ 19,602</u>	<u>\$ (131,863)</u>	<u>\$ 35,307</u>	<u>\$ (15,705)</u>
Net Change in Fund Balance	\$ 131,576	\$ 100	\$ 105,642	\$ 25,934
Fund Balance, July 1, 2005	207,480	41,869	41,869	165,611
Fund Balance, June 30, 2006	<u>\$ 339,056</u>	<u>\$ 41,969</u>	<u>\$ 147,511</u>	<u>\$ 191,545</u>

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

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Instruction-Regular Instruction Program, Support Services-Attendance, Operation of Non-Instructional Services-Food Service, etc.). Management may make revisions within major categories, but only the Perry County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Fund</u>	<u>Major Category</u>	<u>Amount Overspent</u>
General Purpose School	Attendance	\$ 9,609
General Purpose School	Regular Instruction	1,051
General Purpose School	Early Childhood Education	1,159
General Purpose School	Principal on Debt - Education	85

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Exhibit D-1

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

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 8,240	\$ 4,365	\$ 12,605
Equity in Pooled Cash and Investments	13,043	57,090	70,133
Accounts Receivable	0	20	20
Due from Other Governments	1,376	0	1,376
Total Assets	<u>\$ 22,659</u>	<u>\$ 61,475</u>	<u>\$ 84,134</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 8,240	\$ 4,365	\$ 12,605
Total Liabilities	<u>\$ 8,240</u>	<u>\$ 4,365</u>	<u>\$ 12,605</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 12,725	\$ 0	\$ 12,725
Other Federal Reserves	1,694	0	1,694
Unreserved	0	57,110	57,110
Total Fund Balances	<u>\$ 14,419</u>	<u>\$ 57,110</u>	<u>\$ 71,529</u>
Total Liabilities and Fund Balances	<u>\$ 22,659</u>	<u>\$ 61,475</u>	<u>\$ 84,134</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 227,499	\$ 227,499
Other Local Revenues	0	2,917	2,917
State of Tennessee	0	6,310	6,310
Federal Government	726,028	281,605	1,007,633
Total Revenues	<u>\$ 726,028</u>	<u>\$ 518,331</u>	<u>\$ 1,244,359</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 544,775	\$ 0	\$ 544,775
Support Services	164,250	0	164,250
Operation of Non-Instructional Services	0	493,035	493,035
Total Expenditures	<u>\$ 709,025</u>	<u>\$ 493,035</u>	<u>\$ 1,202,060</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,003</u>	<u>\$ 25,296</u>	<u>\$ 42,299</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (19,602)	\$ 0	\$ (19,602)
Total Other Financing Sources (Uses)	<u>\$ (19,602)</u>	<u>\$ 0</u>	<u>\$ (19,602)</u>
Net Change in Fund Balances	\$ (2,599)	\$ 25,296	\$ 22,697
Fund Balance, July 1, 2005	17,018	31,814	48,832
Fund Balance, June 30, 2006	<u>\$ 14,419</u>	<u>\$ 57,110</u>	<u>\$ 71,529</u>

Exhibit D-3

Perry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Perry 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	\$ 726,028	\$ 730,411	\$ 730,411	\$ (4,383)
Total Revenues	\$ 726,028	\$ 730,411	\$ 730,411	\$ (4,383)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 333,579	\$ 335,728	\$ 333,086	\$ (493)
Special Education Program	176,298	176,281	176,291	(7)
Vocational Education Program	34,898	34,361	34,895	(3)
<u>Support Services</u>				
Health Services	21,974	21,995	21,974	0
Other Student Support	0	850	0	0
Regular Instruction Program	46,077	62,640	64,823	18,746
Special Education Program	94,313	94,267	94,278	(35)
Vocational Education Program	786	1,000	786	0
Operation of Plant	1,100	0	1,100	0
Total Expenditures	\$ 709,025	\$ 727,122	\$ 727,233	\$ 18,208
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,003	\$ 3,289	\$ 3,178	\$ 13,825
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (19,602)	\$ (20,307)	\$ (20,196)	\$ 594
Total Other Financing Sources (Uses)	\$ (19,602)	\$ (20,307)	\$ (20,196)	\$ 594
Net Change in Fund Balance	\$ (2,599)	\$ (17,018)	\$ (17,018)	\$ 14,419
Fund Balance, July 1, 2005	17,018	17,018	17,018	0
Fund Balance, June 30, 2006	\$ 14,419	\$ 0	\$ 0	\$ 14,419

Exhibit D-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 227,499	\$ 219,000	\$ 221,000	\$ 6,499
Other Local Revenues	2,917	2,000	2,040	877
State of Tennessee	6,310	7,000	6,300	10
Federal Government	281,605	268,000	271,000	10,605
Total Revenues	<u>\$ 518,331</u>	<u>\$ 496,000</u>	<u>\$ 500,340</u>	<u>\$ 17,991</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 493,035	\$ 517,580	\$ 520,480	\$ 27,445
Total Expenditures	<u>\$ 493,035</u>	<u>\$ 517,580</u>	<u>\$ 520,480</u>	<u>\$ 27,445</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,296</u>	<u>\$ (21,580)</u>	<u>\$ (20,140)</u>	<u>\$ 45,436</u>
Net Change in Fund Balance	\$ 25,296	\$ (21,580)	\$ (20,140)	\$ 45,436
Fund Balance, July 1, 2005	<u>31,814</u>	<u>30,000</u>	<u>30,000</u>	<u>1,814</u>
Fund Balance, June 30, 2006	<u>\$ 57,110</u>	<u>\$ 8,420</u>	<u>\$ 9,860</u>	<u>\$ 47,250</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate		Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Asbestos Abatement	\$ 16,088	0 %		6-30-1990	6-30-06	\$ 1,088	\$ 1,088	\$ 0
Total Notes Payable						\$ 1,088	\$ 1,088	\$ 0

Exhibit E-2

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 19,602</u>
Total Transfers			<u><u>\$ 19,602</u></u>

Exhibit E-3

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools:				
Gil Webb (12-12-05 through 6-30-06)	State Board of Education and Perry County Board of Education	\$ 40,000 (2)	(1)	(1)
Ricky Marshall (11-14-05 through 12-12-05)	State Board of Education and Perry County Board of Education	2,000	(1)	(1)
David Rhodes (7-1-05 through 11-10-05)	State Board of Education and Perry County Board of Education	<u>30,746</u>	(1)	(1)
	Total	\$ <u>72,746</u>		
<u>Other Bonds</u>				
	Perry County Board of Education Employees		\$ 150,000	Tennessee School Boards Risk Management Trust

- (1) Covered under board's employee blanket bond.
(2) Includes \$1,000 chief executive officer training supplement.

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,025,594	\$ 0	\$ 0	\$ 1,025,594
Trustee's Collections - Prior Year	43,273	0	0	43,273
Circuit/Clerk & Master Collections - Prior Years	23,141	0	0	23,141
Interest and Penalty	7,423	0	0	7,423
Payments in-Lieu-of Taxes - T.V.A.	1,347	0	0	1,347
<u>County Local Option Taxes</u>				
Local Option Sales Tax	182,653	0	0	182,653
<u>Statutory Local Taxes</u>				
Bank Excise Tax	28,145	0	0	28,145
Interstate Telecommunications Tax	1,318	0	0	1,318
Total Local Taxes	\$ 1,312,894	\$ 0	\$ 0	\$ 1,312,894
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 628	\$ 0	\$ 0	\$ 628
Total Licenses and Permits	\$ 628	\$ 0	\$ 0	\$ 628
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 192,502	\$ 192,502
Lunch Payments - Adults	0	0	21,932	21,932
Income from Breakfast	0	0	13,065	13,065
Receipts from Individual Schools	11,949	0	0	11,949
TBI Criminal Background Fees	624	0	0	624
Total Charges for Current Services	\$ 12,573	\$ 0	\$ 227,499	\$ 240,072
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 17,719	\$ 0	\$ 2,858	\$ 20,577
Lease/Rentals	15,000	0	0	15,000
Sale of Materials and Supplies	2,353	0	0	2,353
Miscellaneous Refunds	12,874	0	59	12,933
<u>Nonrecurring Items</u>				
Sale of Property	50	0	0	50
Damages Recovered from Individuals	43	0	0	43
Contributions & Gifts	1,700	0	0	1,700
<u>Other Local Revenues</u>				
Other Local Revenues	7,444	0	0	7,444
Total Other Local Revenues	\$ 57,183	\$ 0	\$ 2,917	\$ 60,100
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 4,892,671	\$ 0	\$ 0	\$ 4,892,671
School Food Service	0	0	6,310	6,310
Other State Education Funds	194,637	0	0	194,637
Career Ladder Program	72,622	0	0	72,622
Career Ladder - Extended Contract	37,040	0	0	37,040
Other Vocational	25,000	0	0	25,000

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	\$ 152,771	\$ 0	\$ 0	\$ 152,771
Total State of Tennessee	\$ 5,374,741	\$ 0	\$ 6,310	\$ 5,381,051
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 212,720	\$ 212,720
Breakfast	0	0	68,885	68,885
Adult Education State Grant Program	22,726	0	0	22,726
Vocational Education - Basic Grants to States	0	36,531	0	36,531
Title I Grants to Local Education Agencies	0	294,569	0	294,569
Innovative Education Program Strategies	0	3,979	0	3,979
Special Education - Grants to States	8,600	273,906	0	282,506
Special Education Preschool Grants	0	26,886	0	26,886
Eisenhower Professional Development State Grants	0	82,497	0	82,497
Other Federal through State	29,716	7,660	0	37,376
Total Federal Government	\$ 61,042	\$ 726,028	\$ 281,605	\$ 1,068,675
Total	\$ 6,819,061	\$ 726,028	\$ 518,331	\$ 8,063,420

Exhibit E-5

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,160,704	
Career Ladder Program	37,056	
Career Ladder Extended Contracts	23,600	
Homebound Teachers	2,793	
Educational Assistants	51,260	
Certified Substitute Teachers	6,374	
Non-certified Substitute Teachers	16,115	
Social Security	130,967	
State Retirement	126,767	
Medical Insurance	169,139	
Unemployment Compensation	1,944	
Employer Medicare	30,629	
Other Contracted Services	2,760	
Instructional Supplies and Materials	22,720	
Textbooks	60,343	
Fee Waivers	9,082	
Total Regular Instruction Program		\$ 2,852,253

Alternative Instruction Program

Teachers	\$ 40,450	
Career Ladder Program	1,000	
Educational Assistants	12,357	
Non-certified Substitute Teachers	440	
Social Security	3,000	
State Retirement	3,342	
Medical Insurance	5,226	
Unemployment Compensation	56	
Employer Medicare	702	
Total Alternative Instruction Program		66,573

Special Education Program

Teachers	\$ 462,682
Career Ladder Program	8,000
Homebound Teachers	7,346
Educational Assistants	50,375
Certified Substitute Teachers	1,800
Non-certified Substitute Teachers	4,700
Social Security	30,703
State Retirement	30,605

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	36,424	
Unemployment Compensation		474	
Employer Medicare		7,181	
Contracts with Private Agencies		28,277	
Maintenance & Repair Services - Equipment		209	
Other Contracted Services		2,975	
Instructional Supplies and Materials		9,900	
Other Supplies and Materials		815	
Total Special Education Program			\$ 682,466

Vocational Education Program

Teachers	\$	251,246	
Career Ladder Program		3,000	
Educational Assistants		1,686	
Certified Substitute Teachers		219	
Non-certified Substitute Teachers		3,965	
Social Security		15,053	
State Retirement		14,128	
Medical Insurance		16,381	
Unemployment Compensation		243	
Employer Medicare		3,520	
Tuition		3,258	
Instructional Supplies and Materials		6,823	
Total Vocational Education Program			319,522

Adult Education Program

Teachers	\$	10,710	
Other Salaries & Wages		1,305	
Social Security		740	
State Retirement		206	
Unemployment Compensation		11	
Employer Medicare		173	
Instructional Supplies and Materials		2,635	
Total Adult Education Program			15,780

Support Services

Attendance

Supervisor/Director	\$	67,378	
Career Ladder Program		1,489	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	3,991	
State Retirement		3,788	
Medical Insurance		3,605	
Unemployment Compensation		28	
Employer Medicare		933	
Travel		834	
Other Supplies and Materials		886	
In Service/Staff Development		185	
Other Charges		17	
Total Attendance			\$ 83,134

Health Services

Drugs and Medical Supplies	\$	1,033	
Other Charges		40	
Total Health Services			1,073

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		87,776	
Attendants		13,911	
Other Salaries & Wages		15,566	
Social Security		7,177	
State Retirement		6,129	
Medical Insurance		3,714	
Unemployment Compensation		115	
Employer Medicare		1,679	
Evaluation and Testing		6,573	
Travel		30	
Other Supplies and Materials		2,805	
Other Charges		150	
Total Other Student Support			147,625

Regular Instruction Program

Supervisor/Director	\$	68,225	
Career Ladder Program		3,279	
Career Ladder Extended Contracts		2,000	
Librarians		33,631	
Instructional Computer Personnel		53,561	
Other Salaries & Wages		3,000	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Non-certified Substitute Teachers	\$	80	
Social Security		9,764	
State Retirement		9,039	
Medical Insurance		5,633	
Unemployment Compensation		160	
Employer Medicare		2,283	
Travel		1,296	
Other Supplies and Materials		884	
In Service/Staff Development		631	
Other Charges		60	
Total Regular Instruction Program			\$ 193,526

Special Education Program

Supervisor/Director	\$	49,556	
Career Ladder Program		1,000	
Clerical Personnel		1,286	
Social Security		2,813	
State Retirement		2,891	
Medical Insurance		5,731	
Unemployment Compensation		27	
Employer Medicare		658	
Travel		1,111	
Other Contracted Services		182	
Other Supplies and Materials		1,200	
In Service/Staff Development		2,446	
Other Charges		30	
Total Special Education Program			68,931

Vocational Education Program

Clerical Personnel	\$	1,080	
Social Security		67	
State Retirement		93	
Unemployment Compensation		1	
Employer Medicare		16	
Travel		1,156	
Other Supplies and Materials		615	
Total Vocational Education Program			3,028

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	20,534	
Career Ladder Program		500	
Clerical Personnel		1,915	
Social Security		1,423	
State Retirement		1,322	
Medical Insurance		100	
Unemployment Compensation		29	
Employer Medicare		333	
Travel		395	
In Service/Staff Development		110	
Total Adult Programs			\$ 26,661

Board of Education

Board and Committee Members Fees	\$	13,600	
Social Security		843	
State Retirement		826	
Employer Medicare		197	
Audit Services		5,000	
Dues and Memberships		2,206	
Other Contracted Services		1,300	
Other Supplies and Materials		137	
Liability Insurance		7,415	
Premiums on Corporate Surety Bonds		800	
Trustee's Commission		39,109	
Workers' Compensation Insurance		30,577	
Criminal Investigation of Applicants - TBI		624	
Refund to Applicant for Criminal Investigation		384	
Other Charges		6,356	
Total Board of Education			109,374

Director of Schools

County Official/Administrative Officer	\$	72,746
Social Security		4,510
State Retirement		4,001
Life Insurance		1,511
Medical Insurance		707
Unemployment Compensation		7
Employer Medicare		1,055

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Communication	\$	7,965	
Dues and Memberships		757	
Postal Charges		1,947	
Travel		689	
Other Contracted Services		1,337	
Office Supplies		1,199	
In Service/Staff Development		150	
Other Charges		2,063	
Total Director of Schools			\$ 100,644

Office of the Principal

Principals	\$	217,300	
Career Ladder Program		6,000	
Accountants/Bookkeepers		62,371	
Career Ladder Extended Contracts		4,000	
Assistant Principals		41,674	
Secretary(ies)		34,032	
Social Security		21,464	
State Retirement		23,084	
Medical Insurance		13,731	
Unemployment Compensation		327	
Employer Medicare		5,020	
Communication		15,418	
Travel		628	
Other Contracted Services		9,600	
Total Office of the Principal			454,649

Fiscal Services

Supervisor/Director	\$	34,518	
Other Salaries & Wages		6,504	
Social Security		2,543	
State Retirement		2,969	
Unemployment Compensation		25	
Employer Medicare		595	
Travel		92	
Total Fiscal Services			47,246

Operation of Plant

Custodial Personnel	\$	150,498	
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(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Social Security	\$	8,832	
State Retirement		11,822	
Medical Insurance		5,400	
Unemployment Compensation		286	
Employer Medicare		2,066	
Other Contracted Services		8,510	
Custodial Supplies		23,292	
Electricity		188,606	
Natural Gas		92,572	
Water and Sewer		11,298	
Other Supplies and Materials		300	
Boiler Insurance		1,440	
Building and Contents Insurance		26,210	
Total Operation of Plant			\$ 531,132

Maintenance of Plant

Supervisor/Director	\$	24,327	
Maintenance Personnel		60,932	
Social Security		4,718	
State Retirement		6,500	
Medical Insurance		5,109	
Unemployment Compensation		82	
Employer Medicare		1,103	
Communication		175	
Maintenance & Repair Services - Buildings		115	
Maintenance & Repair Services - Equipment		1,432	
Other Contracted Services		14,480	
Equipment and Machinery Parts		21,005	
Other Charges		15	
Maintenance Equipment		2,204	
Total Maintenance of Plant			142,197

Transportation

Supervisor/Director	\$	24,327
Mechanic(s)		28,823
Bus Drivers		226,190
Other Salaries & Wages		10,067
In-Service Training		511
Social Security		17,322

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

State Retirement	\$	22,769	
Medical Insurance		5,960	
Unemployment Compensation		505	
Employer Medicare		4,051	
Communication		279	
Maintenance & Repair Services - Vehicles		1,546	
Medical and Dental Services		2,490	
Other Contracted Services		250	
Diesel Fuel		59,314	
Garage Supplies		751	
Gasoline		3,842	
Lubricants		1,731	
Tires and Tubes		11,831	
Vehicle Parts		13,920	
Other Supplies and Materials		241	
Vehicle and Equipment Insurance		8,090	
Other Charges		15	
Transportation Equipment		62,400	
Total Transportation			\$ 507,225

Central and Other

Other Contracted Services	\$	2,380	
Data Processing Supplies		1,733	
Total Central and Other			4,113

Operation of Non-Instructional Services

Food Service

Medical Insurance	\$	14,400	
Total Food Service			14,400

Community Services

Supervisor/Director	\$	7,590	
Part-time Personnel		5,503	
Other Salaries & Wages		30	
Social Security		814	
State Retirement		419	
Unemployment Compensation		4	
Employer Medicare		190	
Travel		95	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Charges	\$ 476	
Total Community Services		\$ 15,121

Early Childhood Education

Teachers	\$ 72,720	
Career Ladder Program	2,000	
Educational Assistants	26,204	
Other Salaries & Wages	7,136	
Certified Substitute Teachers	180	
Non-certified Substitute Teachers	1,220	
Social Security	5,865	
State Retirement	6,977	
Medical Insurance	10,035	
Unemployment Compensation	132	
Employer Medicare	1,372	
Travel	294	
Instructional Supplies and Materials	15,105	
Other Supplies and Materials	35	
In Service/Staff Development	90	
Other Equipment	2,794	
Total Early Childhood Education		152,159

Principal on Debt

Education

Principal on Notes	\$ 1,088	
Debt Service Contribution to Primary Government	167,167	
Total Education		168,255

Total General Purpose School Fund \$ 6,707,087

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 247,831
Educational Assistants	12,815
Certified Substitute Teachers	1,215
Non-certified Substitute Teachers	1,345
Social Security	15,030
State Retirement	14,733

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	19,439	
Unemployment Compensation		213	
Employer Medicare		3,515	
Other Contracted Services		1,232	
Instructional Supplies and Materials		16,211	
Total Regular Instruction Program			\$ 333,579

Special Education Program

Teachers	\$	41,118	
Educational Assistants		89,543	
Social Security		6,924	
State Retirement		9,962	
Medical Insurance		12,020	
Unemployment Compensation		246	
Employer Medicare		1,619	
Contracts with Other Public Agencies		2,300	
Contracts with Private Agencies		7,160	
Instructional Supplies and Materials		5,406	
Total Special Education Program			176,298

Vocational Education Program

Educational Assistants	\$	9,613	
Social Security		430	
State Retirement		827	
Medical Insurance		1,800	
Unemployment Compensation		15	
Employer Medicare		101	
Travel		1,248	
Instructional Supplies and Materials		15,345	
Vocational Instruction Equipment		5,519	
Total Vocational Education Program			34,898

Support Services

Health Services

Medical Personnel	\$	18,896	
Social Security		1,155	
State Retirement		1,625	
Unemployment Compensation		28	
Employer Medicare		270	
Total Health Services			21,974

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	25,473	
Clerical Personnel		2,000	
Social Security		1,661	
State Retirement		1,573	
Medical Insurance		61	
Unemployment Compensation		7	
Employer Medicare		388	
Travel		3,793	
Other Supplies and Materials		751	
In Service/Staff Development		10,370	
Total Regular Instruction Program			\$ 46,077

Special Education Program

Supervisor/Director	\$	5,482	
Psychological Personnel		46,178	
Clerical Personnel		19,990	
Social Security		3,616	
State Retirement		4,561	
Medical Insurance		9,330	
Unemployment Compensation		49	
Employer Medicare		846	
Travel		1,668	
Other Supplies and Materials		80	
In Service/Staff Development		2,513	
Total Special Education Program			94,313

Vocational Education Program

Travel	\$	291	
In Service/Staff Development		495	
Total Vocational Education Program			786

Operation of Plant

Plant Operation Equipment	\$	1,100	
Total Operation of Plant			1,100

Total School Federal Projects Fund \$ 709,025

(Continued)

Exhibit E-5

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	43,332	
Clerical Personnel		6,663	
Cafeteria Personnel		202,571	
Social Security		13,854	
State Retirement		18,469	
Medical Insurance		180	
Unemployment Compensation		527	
Employer Medicare		3,240	
Communication		300	
Maintenance & Repair Services - Equipment		6,185	
Transportation - Other than Students		3,701	
Travel		2,902	
Other Contracted Services		6,587	
Food Preparation Supplies		11,664	
Food Supplies		170,503	
Office Supplies		193	
Other Supplies and Materials		993	
Other Charges		1,171	
Total Food Service			\$ 493,035

Total Central Cafeteria Fund \$ 493,035

Total Governmental Funds - Perry County School Department \$ 7,909,147

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

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

HORACE WISEMAN, CGFM
KENT WHITE, CPA, CGFM, CFE
JERRY DURHAM, CPA, CGFM, CFE
Auditor 4s

MARVIN BOND, CGFM
LEE ANN WEST, CGFM
RHONDA DAVIS, CFE
PATTY VARGO, CFE
ROBIN BATES, CFE
DONYA WADE
AMANDA JACKSON
WENDY HEATH, CFE
State Auditors

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

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

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

March 27, 2007

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Perry County, Tennessee, and the Perry County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Perry County's and the Perry County School Department's basic financial statements and have issued our reports thereon dated March 27, 2007. Our reports on the financial statements of Perry County, Tennessee, and the Perry County School Department express adverse opinions because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Perry County's and the Perry County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.04, 06.05, 06.06, 06.07, 06.08, 06.09, 06.11, 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 none of the reportable conditions described above is a material weakness.

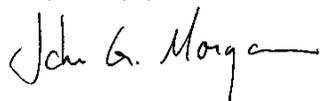
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County's and the Perry County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.03, and 06.10.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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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

March 27, 2007

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

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

Compliance

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

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

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

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

Internal Control Over Compliance

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

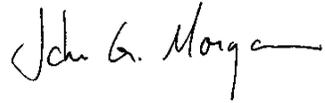
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce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

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Perry County, Tennessee, and the Perry County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated March 27, 2007. Our reports on the financial statements of Perry County and the Perry County School Department express adverse opinions because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Rural Business Enterprise Grants	10.769	N/A	\$ 15,878
Watershed Surveys and Planning	10.906	N/A	80,321
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	N/A	32,321
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	68,885
National School Lunch Program	10.555	N/A	212,720
Total U.S. Department of Agriculture			<u>\$ 410,125</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic & Community Development:			
Community Development Block Grants/State's Program	14.228	GG-04-11430-00	\$ 258,536
Total U.S. Department of Housing and Urban Development			<u>\$ 258,536</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Youth Activities	17.259	03-10-999-106-98-82	\$ 15,227
Total U.S. Department of Labor			<u>\$ 15,227</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027806-00	\$ 22,726
Passed-through State Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	N/A	291,656
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	282,506
Special Education - Preschool Grants	84.173	N/A	26,886
Vocational Education - Basic Grants to States	84.048	N/A	36,531
Safe and Drug-Free Schools and Communities - State Grant	84.186	(2)	10,146
State Grants for Innovative Programs	84.298	N/A	3,979
Education Technology State Grants	84.318	(2)	6,376
Improving Teacher Quality State Grants	84.367	N/A	79,147
Hurricane Education Recovery Act	84.938	N/A	6,504
Total U.S. Department of Education			<u>\$ 766,457</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	(2)	\$ 7,985
Total U.S. Department of Health and Human Services:			<u>\$ 7,985</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.004	Z-04-022482-00	\$ 74,715
Total U.S. Department of Homeland Security			<u>\$ 74,715</u>
Total Expenditures of Federal Awards			<u>\$ 1,533,045</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 4,560
Litter Program - State Department of Transportation	N/A	(3)	24,221
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011324-00	2,374
Adult Education - State Department of Labor and Workforce Development	N/A	Z-06-027806-00	6,041
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-06-002634-00	9,000
Health Department Program - State Department of Health	N/A	(4)	20,098
Airport Maintenance Program - State Department of Transportation	N/A	(5)	716
Family Resource Center - State Department of Education	N/A	06-120-46	19,188
Temporary Assistance for Needy Families - State Department of Education	N/A	Z-06-207212-00	3,757
Touching the Lives of Children - State Department of Education	N/A	(2)	7,119
Early Childhood Education - State Department of Education	N/A	(2)	65,000
Safe Schools Act of 1998 - State Department of Education	N/A	(2)	6,718
Jobs for TN Graduates - State Department of Education	N/A	GG-06-10998-00	25,000
Total State Grants			<u>\$ 193,792</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-05-021537-00: \$2,085; Z-06-027998-00: \$22,136.
- (4) - Z-05-020513-00: \$2,320; Z-06-025962-00: \$17,778.
- (5) - Z-04-018100-00: \$549; Z-06-028729-00: \$167.

Perry County, Tennessee, and the Perry County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Perry County, Tennessee, and the Perry County School Department for the year ended June 30, 2005, which have not been corrected.

PERRY COUNTY AND PERRY COUNTY SCHOOL DEPARTMENT

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

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.02 A, B	13	The office had deficiencies in purchasing procedures
05.03 A	13-14	The office had deficiencies in budget operations

OFFICE OF HIGHWAY SUPERINTENDENT

Finding Number	Page Number	Subject
05.04	14	The office did not issue purchase orders for some applicable purchases
05.05	15	Time cards were not signed by supervisors
05.07	15	The Highway Department did not reconcile fuel usage with fuel purchases

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
05.09 A	16	The office had deficiencies in receipting and depositing collections

OTHER FINDINGS

Finding Number	Page Number	Subject
05.21	24	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register
05.22	24	A central system of accounting, budgeting, and purchasing had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Perry County and the Perry County School Department.
2. The audit of the financial statements of Perry County and the Perry County School Department 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 is material to the financial statements of Perry County and one instance of noncompliance that is material to the financial statements of the Perry County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title 1 Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education Grants to States and Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Community Development Block Grant (CFDA No. 14.228) 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. Perry County and the Perry County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

PERRY COUNTY AND PERRY COUNTY SCHOOL DEPARTMENT

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

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

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

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 06.02 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit disclosed the following deficiencies in purchasing procedures:

- A. In numerous instances, purchase orders were not issued for applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In numerous instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. Documentation should be obtained indicating that goods have been received or services have been rendered before invoices are paid.

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

Our audit disclosed the following expenditures exceeding appropriations:

- A. Expenditures exceeded appropriations approved by the County Commission at the major appropriation category level of control (the legal level of control) in the following funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Sheriff's Department	\$ 27,627
Jail	223,920
Libraries	1,597
Solid Waste/Sanitation:	
Transfer Stations	3,877
General Debt Service:	
Capital Projects Donated to School Department	66,734

- B. Expenditures exceeded total appropriations in the Courthouse/Jail Maintenance Fund by \$2,628.

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

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission as required by state statute.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 06.04 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit disclosed the following deficiencies in purchasing procedures:

- A. In numerous instances, purchase orders were not issued for applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In numerous instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. Documentation should be obtained indicating that goods have been received or services have been rendered before invoices are paid.

FINDING 06.05 **TIME CARDS WERE NOT SIGNED BY SUPERVISORS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Highway Department supervisors did not sign the time cards of their employees as evidence of supervisory review and approval. If the supervisors do not review and approve time cards, improper payments could result.

RECOMMENDATION

Time cards should be signed by supervisors as evidence of supervisory review and approval.

FINDING 06.06 **THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF ROAD MATERIALS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of materials, such as bridge lumber, culverts, and rock for state-aid road projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for materials used on all types of road projects.

FINDING 06.07 **THE HIGHWAY DEPARTMENT DID NOT RECONCILE FUEL USAGE WITH FUEL PURCHASES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department dispensed fuel from pumps located at the highway garage; however, the department did not reconcile amounts used with amounts purchased and on hand.

RECOMMENDATION

The Highway Department should reconcile fuel usage with fuel purchased and on hand, as well as with gallons pumped as indicated on the fuel pump meter.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.08 **THE OFFICE PAID SEVERAL INVOICES WITHOUT PROPER SUPPORTING DOCUMENTATION**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Several invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were received.

RECOMMENDATION

The office should maintain documentation that goods have been received or services have been rendered before invoices are paid.

OFFICE OF COUNTY CLERK

FINDING 06.09 **THE OFFICE DID NOT HAVE FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not have written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing functions. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

RECOMMENDATION

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 06.10 **THE CIRCUIT COURT OFFICE DID NOT DEPOSIT COLLECTIONS PROPERLY
(Noncompliance Under Government Auditing Standards)**

The circuit court office did not deposit collections within three days of receipt. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days after receipt.

RECOMMENDATION

Collections should be deposited within three business days as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

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

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

FINDING 06.12 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

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

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