

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

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

TIM BRASHEARS
RODNEY MALIN, CGFM
JAMES HODGES, CFE
STEPHEN ALRED
KELLEY McNEAL, CPA, CGFM
State Auditors

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

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Audit Highlights

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

Scope

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

Results

Our report on Putnam County's financial statements expresses an adverse opinion because the management of Putnam County has not provided reasonable estimates for the historical costs assigned to the county's roads.

Our audit resulted in six findings and recommendations, which we have reviewed with Putnam County management. Detailed findings, recommendations, and managements' responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

OFFICE OF ROAD SUPERVISOR

- ◆ Estimated historical costs for the county's roads were not reasonable.
- ◆ Supervisors at the Highway Department are not required to maintain time records to document hours worked. Also, leave records are not maintained for salaried employees. The road supervisor's wife was paid for 450 hours sick leave; however, as a salaried employee, there were no leave records on file documenting the number of sick leave hours available to her.

OFFICE OF COUNTY CLERK

- ◆ The office did not report and remit juvenile collections of \$47,395 to the county and various cities within the county.
 - ◆ Deficiencies in internal controls over collections were noted in the clerk's office.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Putnam County Officials
June 30, 2006

Officials

Kim Blaylock, County Executive
Billy Lamb, Road Supervisor
Gail Glover, Trustee
Rhonda Chaffin, Assessor of Property
Wayne Nabors, County Clerk
Marcia Borys, Circuit and General Sessions Courts Clerk
Linda Reeder, Clerk and Master
Opal Burris, Register
David Andrews, Sheriff

Board of County Commissioners

Jerry Maynard, Chairman	Marson McCormick
Ricky Adkins	Michael Medley
Anna Ruth Burroughs	Gene Mullins
Joel Cowan	David Randolph
Robert Duncan, Jr.	Anthony Robinson
Bill Dyer	Reginald Shanks
Larry Epps	Elton Stout
Jerry Ford	Tim Terry
Mark Herren	Joe Trobaugh
Andy Honeycutt	Bill Walker
Jim Martin	Johnnie Wheeler
Jere Mason	

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

December 11, 2006

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Putnam County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Putnam County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Putnam County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Putnam County Library, a special revenue fund, which represent 17 percent and 46 percent, respectively, of the assets and revenues of the aggregate remaining fund information, or the Putnam County Parks, Recreation, and Conservation Board, a special revenue fund, which represent seven percent and 17 percent, respectively, of the assets and revenues of the aggregate remaining fund information as of June 30, 2006. We also did not audit financial statements of the discretely presented Putnam County Emergency Communications District, which represent 94 percent and 68 percent, respectively of the assets and revenues of the aggregate discretely presented component units or the discretely presented Putnam County Agriculture and Industrial Fair, Inc., which represent six percent and 32 percent, respectively of the assets and revenues of the aggregate discretely presented component units as of June 30, 2006, and for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Putnam County Library, the Putnam County Parks, Recreation, and Conservation Board, the Putnam County Emergency Communications District, and the Putnam County Agriculture and Industrial Fair, Inc., is based solely on the reports of the other auditors.

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

As described in Note IV.B., the management of Putnam County, Tennessee, has not provided reasonable estimates for the historical costs assigned to the county's infrastructure assets. The effects on the governmental activities are not reasonable determinable.

Also, as described in Note I to the financial statements, the financial statements of the aggregate discretely presented component units referred to above did not include the financial statements of the Putnam County School Department. Accounting principles generally accepted in the United States of America require that the financial activities of the Putnam County School Department be presented in the basic financial statements of Putnam County as a discretely presented component unit. The amounts that would be reported in the government-wide financial statements for the aggregate discretely component units are not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding two 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 governmental activities and the aggregate discretely presented component units of Putnam County, Tennessee, as of June 30, 2006, or the changes in financial position and cash flows, where applicable, thereof for the year then ended.

In addition, in our opinion, based on our audit and the reports of other auditors, 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 Putnam County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2006, on our consideration of Putnam 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 I, Putnam County has implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements.

The management of Putnam County did not prepare a management’s discussion and analysis. The management’s discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 75 through 81 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 Putnam 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 by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our report and the reports of other auditors, 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 by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Primary Government</u>	<u>Component Units</u>	
		Putnam County Emergency Communications District	Putnam County Agricultural and Industrial Fair, Inc.
	<u>Governmental Activities</u>		
<u>ASSETS</u>			
Cash	\$ 337,782	\$ 948,657	\$ 80,289
Equity in Pooled Cash and Investments	26,842,981	0	0
Accounts Receivable	1,225,584	27,761	1,170
Allowance for Uncollectibles	(230,972)	0	0
Due from Other Governments	1,848,000	20,541	0
Property Taxes Receivable	17,884,581	0	0
Allowance for Uncollectible Property Taxes	(829,440)	0	0
Prepaid Items	20,690	9,070	0
Assets Not Depreciated:			
Land	9,965,081	0	0
Construction in Progress	49,964	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	12,136,376	28,860	0
Infrastructure	112,006,768	0	0
Other Capital Assets	5,969,836	160,704	0
Total Assets	\$ 187,227,231	\$ 1,195,593	\$ 81,459
<u>LIABILITIES</u>			
Accounts Payable	\$ 238,532	\$ 5,009	\$ 3,578
Accrued Payroll	11,992	0	0
Payroll Deductions Payable	1,765	0	0
Claims and Judgments Payable	1,242,072	0	0
Accrued Interest Payable	853,104	0	0
Due to State of Tennessee	205	0	0
Matured Bonds Payable	15,000	0	0
Other Current Liabilities	0	0	20,500
Deferred Revenue - Current Property Taxes	16,700,382	0	0
Noncurrent Liabilities:			
Due Within One Year	4,484,400	0	0
Due In More Than One Year	78,745,997	0	0
Total Liabilities	\$ 102,293,449	\$ 5,009	\$ 24,078

(Continued)

Exhibit A

Putnam County, Tennessee
Statement of Net Assets (Cont.)

	<u>Primary Government</u>	<u>Component Units</u>	
		Putnam County Emergency Communications District	Putnam County Agricultural and Industrial Fair, Inc.
	<u>Governmental Activities</u>		
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 140,128,025	\$ 0	\$ 0
Invested in Capital Assets	0	189,564	0
Restricted for:			
Public Library	252,744	0	0
Solid Waste/Sanitation	1,098,746	0	0
Industrial/Economic Development	771,139	0	0
Drug Control	94,989	0	0
Sports and Recreation	62,795	0	0
District Attorney General	2,323	0	0
Highway/Public Works	1,115,298	0	0
Debt Service	15,728,180	0	0
Self-Insurance	1,675,685	0	0
Other Purposes	178,541	0	0
Unrestricted	<u>(76,174,683)</u>	<u>1,001,020</u>	<u>57,381</u>
Total Net Assets	<u>\$ 84,933,782</u>	<u>\$ 1,190,584</u>	<u>\$ 57,381</u>

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

Exhibit B

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units	
						Putnam County Emergency Communications District	Putnam County Agricultural and Industrial Fair, Inc.
Primary Government:							
Governmental Activities:							
General Government	\$ 3,675,500	\$ 1,881,152	\$ 20,856	\$ 275,000	\$ (1,498,492)	\$ 0	\$ 0
Finance	1,695,689	1,792,702	20,881	0	117,894	0	0
Administration of Justice	1,926,506	2,105,394	15,872	0	194,760	0	0
Public Safety	9,680,312	1,555,258	399,472	0	(7,725,582)	0	0
Public Health and Welfare	6,965,696	3,866,807	845,144	1,697,111	(556,634)	0	0
Social, Cultural, and Recreational Services	1,730,717	239,521	522,478	50,000	(918,718)	0	0
Agriculture and Natural Resources	178,119	0	0	0	(178,119)	0	0
Other Operations	1,436,008	0	0	0	(1,436,008)	0	0
Highways/Public Works	4,331,540	3,436	3,323,923	225,646	(778,535)	0	0
Education (Self-Insurance)	312,565	0	0	0	(312,565)	0	0
Education (Payments to Component Unit)	204,836	0	0	0	(204,836)	0	0
Interest on Long-term Debt	3,868,539	0	0	0	(3,868,539)	0	0
Other Debt Service	142,640	0	0	0	(142,640)	0	0
Total Primary Government	\$ 36,148,667	\$ 11,444,270	\$ 5,148,626	\$ 2,247,757	\$ (17,308,014)	\$ 0	\$ 0
Component Units:							
Putnam County Emergency Communications District	\$ 547,301	\$ 492,794	\$ 39,704	\$ 0	\$ 0	\$ (14,803)	\$ 0
Putnam County Agriculture and Industrial Fair, Inc.	256,177	264,080	0	0	0	0	7,903
Total Component Units	\$ 803,478	\$ 756,874	\$ 39,704	\$ 0	\$ 0	\$ (14,803)	\$ 7,903

(Continued)

Exhibit B

Putnam County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units	
						Putnam County Emergency Communications District	Putnam County Agricultural and Industrial Fair, Inc.
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 11,980,423	\$ 0	\$ 0
Property Taxes Levied for Debt Service					5,329,524	0	0
Local Option Sales Tax					2,704,174	0	0
Other Local Taxes					2,518,915	0	0
Grants and Contributions Not Restricted for Specific Programs					1,047,491	5,250	0
Unrestricted Investment Earnings					1,045,718	27,216	2,096
Miscellaneous					97,092	10,015	0
Total General Revenues					<u>\$ 24,723,337</u>	<u>\$ 42,481</u>	<u>\$ 2,096</u>
Change in Net Assets					\$ 7,415,323	\$ 27,678	\$ 9,999
Prior Year Restatement					153,901	0	(9,950)
Prior Year Restatement - Public Library					231,295	0	0
Net Assets, July 1, 2005					<u>77,133,263</u>	<u>1,162,906</u>	<u>57,332</u>
Net Assets, June 30, 2006					<u>\$ 84,933,782</u>	<u>\$ 1,190,584</u>	<u>\$ 57,381</u>

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

Exhibit C-1

Putnam 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	\$ 100	\$ 0	\$ 0	\$ 0	\$ 289,248	\$ 289,348
Equity in Pooled Cash and Investments	5,176,453	1,168,859	832,239	15,965,292	829,624	23,972,467
Accounts Receivable	1,049,359	121,324	0	54,860	41	1,225,584
Allowance for Uncollectibles	(230,972)	0	0	0	0	(230,972)
Due from Other Governments	888,846	0	457,587	463,763	37,804	1,848,000
Due from Other Funds	3,098	1,191	0	3,212	75,000	82,501
Property Taxes Receivable	8,571,889	2,434,006	1,058,269	5,502,949	317,468	17,884,581
Allowance for Uncollectible Property Taxes	(397,543)	(112,882)	(49,079)	(255,213)	(14,723)	(829,440)
Prepaid Items	0	0	0	0	20,690	20,690
Total Assets	\$ 15,061,230	\$ 3,612,498	\$ 2,299,016	\$ 21,734,863	\$ 1,555,152	\$ 44,262,759
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 43,701	\$ 141,423	\$ 0	\$ 0	\$ 53,408	\$ 238,532
Accrued Payroll	0	0	0	0	11,992	11,992
Payroll Deductions Payable	0	0	1,069	0	696	1,765
Due to Other Funds	78,212	0	0	0	3,098	81,310
Due to State of Tennessee	0	0	0	0	205	205
Matured Bonds Payable	0	0	0	15,000	0	15,000
Deferred Revenue - Current Property Taxes	8,004,315	2,272,843	988,198	5,138,579	296,447	16,700,382
Deferred Revenue - Delinquent Property Taxes	143,516	40,752	17,718	92,135	5,316	299,437
Other Deferred Revenues	921,025	58,734	176,733	241,740	0	1,398,232
Total Liabilities	\$ 9,190,769	\$ 2,513,752	\$ 1,183,718	\$ 5,487,454	\$ 371,162	\$ 18,746,855
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 793,628	\$ 10,447	\$ 169,470	\$ 0	\$ 7,500	\$ 981,045
Reserved for Drug Court	8,639	0	0	0	0	8,639
Reserved for Sexual Offender Registration	3,225	0	0	0	0	3,225
Reserved for Computer System - Register	101,115	0	0	0	0	101,115
Reserved for Automation Purposes - Circuit Court	12,717	0	0	0	0	12,717
Reserved for Automation Purposes - General Sessions Court	32,855	0	0	0	0	32,855

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances (Cont.)						
Reserved for Automation Purposes - Juvenile Court	\$ 1,712	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,712
Reserved for Capital Outlay	18,278	0	0	0	0	18,278
Reserved for Other General Purposes	0	0	0	0	139,167	139,167
Unreserved, Reported In:						
General Fund	4,898,292	0	0	0	0	4,898,292
Special Revenue Funds	0	1,088,299	945,828	0	1,037,323	3,071,450
Debt Service Funds	0	0	0	16,247,409	0	16,247,409
Total Fund Balances	\$ 5,870,461	\$ 1,098,746	\$ 1,115,298	\$ 16,247,409	\$ 1,183,990	\$ 25,515,904
Total Liabilities and Fund Balances	\$ 15,061,230	\$ 3,612,498	\$ 2,299,016	\$ 21,734,863	\$ 1,555,152	\$ 44,262,759

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 25,515,904
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 9,965,081	
Add: buildings and improvements net of accumulated depreciation	12,107,551	
Add: infrastructure net of accumulated depreciation	112,006,768	
Add: other capital assets net of accumulated depreciation	5,421,650	
Putnam County Public Library:		
Add: construction in progress	49,964	
Add: building improvements net of accumulated depreciation	28,825	
Add: other capital assets net of accumulated depreciation	300,562	
Parks, Recreation, & Conservation Board:		
Add: other capital assets net of accumulated depreciation	<u>247,624</u>	140,128,025
(2) The internal service fund is used by management to charge the cost of liability and workers' compensation insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,675,685
(3) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		
Less: bonds payable	\$ (70,790,000)	
Less: other loans payable	(9,866,066)	
Less: landfill postclosure care costs	(2,419,600)	
Less: compensated absences payable	(129,962)	
Less: accrued interest on bonds	(853,104)	
Parks, Recreation, & Conservation Board:		
Less: compensated absences payable	<u>(24,769)</u>	(84,083,501)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>1,697,669</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 84,933,782</u>

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

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 10,037,599	\$ 2,369,013	\$ 1,267,489	\$ 8,558,076	\$ 343,050	\$ 22,575,227
Licenses and Permits	356,513	0	0	0	0	356,513
Fines, Forfeitures, and Penalties	541,642	0	0	0	126,644	668,286
Charges for Current Services	2,544,856	688,667	0	0	179,467	3,412,990
Other Local Revenues	643,565	271,723	7,266	924,428	60,323	1,907,305
Fees Received from County Officials	3,559,879	0	0	0	0	3,559,879
State of Tennessee	2,792,246	41,001	2,153,391	0	34,782	5,021,420
Federal Government	1,883,376	0	50,000	0	0	1,933,376
Other Governments and Citizens Groups	471,443	0	0	0	497,478	968,921
Total Revenues	\$ 22,831,119	\$ 3,370,404	\$ 3,478,146	\$ 9,482,504	\$ 1,241,744	\$ 40,403,917
<u>Expenditures</u>						
Current:						
General Government	\$ 3,026,455	\$ 0	\$ 0	\$ 0	\$ 21,917	\$ 3,048,372
Finance	1,692,511	0	0	0	0	1,692,511
Administration of Justice	1,759,626	0	0	0	0	1,759,626
Public Safety	9,772,222	0	0	0	71,369	9,843,591
Public Health and Welfare	3,938,090	3,116,607	0	0	0	7,054,697
Social, Cultural, and Recreational Services	203,959	0	0	0	1,638,835	1,842,794
Agricultural and Natural Resources	171,625	0	0	0	0	171,625
Other Operations	1,568,644	53,866	0	0	55,861	1,678,371
Highways	0	0	3,461,170	0	0	3,461,170
Debt Service:						
Principal on Debt	0	0	0	3,860,000	0	3,860,000
Interest on Debt	0	0	0	3,906,881	0	3,906,881
Other Debt Service	0	0	0	142,640	0	142,640
Capital Projects - Donated	0	0	0	0	204,836	204,836
Total Expenditures	\$ 22,133,132	\$ 3,170,473	\$ 3,461,170	\$ 7,909,521	\$ 1,992,818	\$ 38,667,114
Excess (Deficiency) of Revenues Over Expenditures	\$ 697,987	\$ 199,931	\$ 16,976	\$ 1,572,983	\$ (751,074)	\$ 1,736,803

Exhibit C-3

Putnam 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>						
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,836	\$ 204,836
Transfers In	195,000	0	0	0	997,350	1,192,350
Transfers Out	(997,350)	0	0	(195,000)	0	(1,192,350)
Total Other Financing Sources (Uses)	\$ (802,350)	\$ 0	\$ 0	\$ (195,000)	\$ 1,202,186	\$ 204,836
Net Change in Fund Balances	\$ (104,363)	\$ 199,931	\$ 16,976	\$ 1,377,983	\$ 451,112	\$ 1,941,639
Fund Balance, July 1, 2005	5,974,824	898,815	1,098,322	14,869,426	732,878	23,574,265
Fund Balance, June 30, 2006	\$ 5,870,461	\$ 1,098,746	\$ 1,115,298	\$ 16,247,409	\$ 1,183,990	\$ 25,515,904

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

Exhibit C-4

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

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 1,941,639
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 3,046,096	
Less: current year depreciation	(3,561,955)	
Putnam County Public Library:		
Add: capital assets purchased in the current period	157,218	
Less: current year depreciation	(119,368)	
Parks, Recreation, & Conservation Board:		
Add: capital assets purchased in the current period	91,653	
Less: current year depreciation	(19,266)	(405,622)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: assets donated and capitalized	\$ 1,339,179	
Less: loss on disposal of capital assets	(254,095)	
Parks, Recreation, & Conservation Board:		
Less: loss on disposal of capital assets	(862)	1,084,222
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$ 1,697,669	
Less: deferred delinquent property taxes/other deferred June 30, 2005	(847,266)	850,403
(4) The issuance of long-term debt (e.g., bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: other loan proceeds	\$ (204,836)	
Add: principal payment on bonds	3,860,000	3,655,164
(5) Some expenses reported in the statement of activities do not require the uses of current financial resources and therefore are not reported as expenditures in governmental funds.		
Add: change in accrued interest payable	\$ 38,342	
Add: change in landfill postclosure care costs	105,200	
Less: change in compensated absences	(14,332)	
Parks, Recreation, & Conservation Board:		
Less: change in compensated absences	(3,061)	126,149
(6) The internal service fund is used by management to charge the cost of liability and workers' compensation insurance to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		163,368
Change in net assets of governmental activities (Exhibit B)		<u>\$ 7,415,323</u>

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

Exhibit D-1

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

	<u>Governmental Activities - Internal Service Fund Self-Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 48,434
Equity in Pooled Cash and Investments	<u>2,870,514</u>
Total Assets	<u>\$ 2,918,948</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Claims and Judgments Payable	\$ 1,242,072
Due to Other Funds	<u>1,191</u>
Total Liabilities	<u>\$ 1,243,263</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 1,675,685</u>
Total Net Assets	<u>\$ 1,675,685</u>

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

Exhibit D-2

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

	Governmental Activities - Internal Service Fund
	<u>Self-Insurance Fund</u>
<u>Operating Revenues</u>	
Self-Insurance Premiums/Contributions	\$ 1,548,600
Refunds	115,720
Total Operating Revenues	<u>\$ 1,664,320</u>
<u>Operating Expenses</u>	
Other General Administration:	
Excess Risk Insurance	\$ 340,305
Workers' Compensation Insurance	423,307
Liability Claims	29,071
Sheriff's Department:	
Workers' Compensation Insurance	474
Liability Claims	71,153
Sanitation Management:	
Other Contracted Services	896
Liability Claims	115,000
Libraries:	
Workers' Compensation Insurance	237
Parks and Fair Boards:	
Workers' Compensation Insurance	2,013
Other Charges:	
Legal Services	79,209
Other Contracted Services	123
Boiler Insurance	1,695
Building and Contents Insurance	16,446
Excess Risk Insurance	1,598
Workers' Compensation Insurance	41,463
Liability Claims	92,185
Other Charges	12,862
Highways:	
Boiler Insurance	920
Building and Contents Insurance	9,674
Liability Claims	670

(Continued)

Exhibit D-2

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

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund <hr/>
<u>Operating Expenses (Cont.)</u>	
Central and Other:	
Legal Services	\$ 1,779
Boiler Insurance	2,414
Building and Contents Insurance	22,250
Workers' Compensation Insurance	273,533
Liability Claims	6,989
Other Charges	5,600
Total Operating Expenses	<hr/> \$ 1,551,866 <hr/>
Operating Income (Loss)	<hr/> \$ 112,454 <hr/>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 50,914
Total Nonoperating Revenue	<hr/> \$ 50,914 <hr/>
Change in Net Assets	\$ 163,368
Net Assets, July 1, 2005	1,358,416
Prior Period Adjustment	<hr/> 153,901 <hr/>
Net Assets, June 30, 2006	<hr/> <hr/> \$ 1,675,685 <hr/> <hr/>

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

Exhibit D-3

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

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund
<u>Cash Flows from Operating Activities</u>	
Receipts for self-insurance premiums	\$ 1,548,600
Receipts for refunds	116,846
Payments for administrative costs	(534,970)
Payments for claims	(445,761)
Payments for legal costs	(67,314)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 617,401</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	\$ 50,914
Net Cash Provided By (Used In) Investing Activities	<u>\$ 50,914</u>
Net Increase (Decrease) in Cash	\$ 668,315
Cash, July 1, 2005	<u>2,250,633</u>
Cash, June 30, 2006	<u><u>\$ 2,918,948</u></u>
<u>Reconciliation of Net Operating Income to Net Cash</u>	
<u>Provided by (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 112,454
Adjustments to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities:	
Change in Assets and Liabilities:	
Increase (Decrease) in Claims and Judgments Payable	503,756
Increase (Decrease) in Due to Other Funds	<u>1,191</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 617,401</u></u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Cash per Net Assets	\$ 48,434
Equity in Pooled Cash and Investments per Net Assets	<u>2,870,514</u>
Cash, June 30, 2006	<u><u>\$ 2,918,948</u></u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 42,068
Cash	1,944,322
Accounts Receivable	288
Due from Other Governments	<u>1,961,691</u>
Total Assets	<u>\$ 3,948,369</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,929,536
Due to Litigants, Heirs, and Others	1,944,610
Due to Joint Venture	<u>74,223</u>
Total Liabilities	<u>\$ 3,948,369</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Putnam County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, Putnam County's (the primary government) financial statements should include its component units; however, the Putnam County School Department did not prepare government-wide financial statements to include. The component units discussed below, with the exception of the School Department, are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Putnam County School Department operates the public school system in the county, and the voters of Putnam 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. As noted above, the School Department has not prepared government-wide financial statements to include in this report.

The Putnam County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Putnam County, and the Putnam 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 Putnam County Agricultural and Industrial Fair, Inc., was organized to conduct the annual Putnam County Fair and to supervise the fairground facilities, and the Putnam County Commission appoints its governing body. The organization is funded primarily from event fees and revenues from the annual fair. Before the issuance of any debt instruments, the fair must obtain the approval of the County Commission.

The Putnam County School Department, the Putnam County Emergency Communications District, and the Putnam County Agricultural and Industrial Fair, Inc., issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Putnam County Emergency Communications District's and the Putnam County Agricultural and Industrial Fair, Inc.'s, financial statements are published as separate reports. Complete financial statements of the Putnam County Emergency Communications District and the Putnam County Agricultural and Industrial Fair, Inc., can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Putnam County Emergency Communications District
270 Carlen Drive
Cookeville, TN 38501

Putnam County Agricultural and Industrial Fair, Inc.
P.O. Box 1001
Cookeville, TN 38503

B. Government-wide and Fund Financial Statements

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

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

Putnam County issues all debt for the discretely presented Putnam County School Department. Net debt issues (\$204,836) were contributed by the county to the School Department during the year ended June 30, 2006.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

statements. The internal service fund and the fiduciary funds in total are reported in single columns by fund type.

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. Putnam County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Putnam 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 relating to the disposal of solid waste.

Highway/Public Works Fund – This fund accounts for transactions of the 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, Putnam County reports the following fund types:

Capital Projects Fund – The Education Capital Projects Fund is used to account for other loan proceeds issued by Putnam County that are contributed to the School Department.

Internal Service Fund – The Self-Insurance Fund accounts for the self-insured general liability, automobile liability, property, casualty, and workers' compensation programs managed by the county for the primary government and the Putnam County School Department.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received from the state to be forwarded to the various cities in Putnam County and federal and state grants and other restricted revenues held for the benefit of the Sixth Congressional District and the Thirteenth Judicial District Drug Task Force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an internal service fund, to account for the operations of the county's self-insurance program. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's internal service fund are self-insurance premiums/contributions. Operating expenses for the internal service fund include insurance, legal fees, and claims.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash with boards, agencies, and commissions, and cash with the county trustee.

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

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

2. Receivables and Payables

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

All ambulance service and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.42 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (infrastructure

\$35,000) or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Other Capital Assets	5 - 20
Infrastructure:	
Roads	40
Bridges	40

4. Compensated Absences

Generally, the policies of the various departments of Putnam County do not allow for the accumulation of vacation days beyond the year-end. Sick leave is granted at a rate of one day per month. Employees of the county (with the exception of the Highway Department) do not have a limit on the number of sick days that can be accumulated. Upon termination of employment for any purpose other than retirement, all unused sick leave will be forfeited. Upon retirement, an employee has the option of applying accumulated sick leave toward retirement in the Tennessee Consolidated Retirement System or receiving a lump sum payment of \$50 per day for all days accumulated up to the limits established by the County Commission, based upon years service. Since the payment of sick leave is at the option of employees as they retire, the amount cannot be reasonably estimated. Highway Department employees can accumulate sick leave up to 24 days; however, there is no guaranteed payment attached. Accrued leave included on the government-wide statements for the primary government includes accumulated compensatory time.

5. Long-term Obligations

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds, 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 closure/postclosure care cost, are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

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

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

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$178,541, with the primary restrictions being for: (1) computer systems for various offices (\$148,399); and (2) capital outlay (\$18,278).

As of June 30, 2006, Putnam County had \$80,656,066 in outstanding debt for capital purposes for the Putnam County School Department. This debt is a liability of Putnam County, but the capital assets

acquired should be reported in the financial statements of the Putnam County School Department. Therefore, Putnam County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

7. Prior-period Adjustment

A prior-period adjustment was recognized in the Self-Insurance Fund (\$153,901), to reduce claims and judgments payable as of July 1, 2005. The claims and judgments payable estimated by the insurance administrator based upon claims filed at June 30, 2005, were overestimated.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the District Attorney General Fund (special revenue fund) and the Constitutional Officers - Fees Fund (special revenue fund) which are 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 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 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 and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Juvenile Court major category (the legal level of control) of the General Fund by \$45,747. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Putnam County (excluding the Putnam County Library and the Putnam County Parks, Recreation, and Conservation Board special revenue funds) and the Putnam County School Department participate in an internal cash and investment pool through the Office of Trustee. The Putnam County School Department meets the criteria for a discretely presented component unit of Putnam County. However, since the Putnam County School Department has not prepared government-wide financial statements, the department's financial information is not included in the government-wide financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

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

<u>Investments</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 18,695,974
Total		<u>\$ 18,695,974</u>

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

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

B. Capital Assets

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

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 9,632,944	\$ 346,758	\$ (14,621)	\$ 9,965,081
Total Capital Assets Not Depreciated	<u>\$ 9,632,944</u>	<u>\$ 346,758</u>	<u>\$ (14,621)</u>	<u>\$ 9,965,081</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 16,120,284	\$ 0	\$ 0	\$ 16,120,284
Roads and Bridges	136,298,980	2,957,454	(382,071)	138,874,363
Other Capital Assets	10,771,885	1,081,064	(187,757)	11,665,192
Total Capital Assets Depreciated	<u>\$ 163,191,149</u>	<u>\$ 4,038,518</u>	<u>\$ (569,828)</u>	<u>\$ 166,659,839</u>

Governmental Activities: (Cont.)

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,775,057	\$ 237,676	\$ 0	\$ 4,012,733
Roads and Bridges	24,288,632	2,748,615	(169,652)	26,867,595
Other Capital Assets	5,828,579	575,665	(160,702)	6,243,542
Total Accumulated Depreciation	\$ 33,892,268	\$ 3,561,956	\$ (330,354)	\$ 37,123,870
Total Capital Assets Depreciated, Net	\$ 129,298,881	\$ 476,562	\$ (239,474)	\$ 129,535,969
Governmental Activities Capital Assets, Net	\$ 138,931,825	\$ 823,320	\$ (254,095)	\$ 139,501,050

As described in the Schedule of Findings and Questioned Costs, an adverse opinion was issued on the financial statements of Putnam County's governmental activities because management's estimates for the historical costs for roads were not reasonable.

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

Governmental Activities:

General Government	\$ 39,831
Administration of Justice	166,795
Public Safety	271,103
Public Health and Welfare	173,929
Social, Cultural, and Recreational Services	40,348
Agriculture and Natural Resources	5,618
Highways/Public Works	<u>2,864,332</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,561,956</u>

C. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste/Sanitation	Self-Insurance	\$ 1,191
General Debt Service	General	3,212
Nonmajor governmental	General	75,000
General	Nonmajor governmental	<u>3,098</u>
Total		<u>\$ 82,501</u>

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

Interfund Transfers:

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

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
General Debt Service Fund	\$ 195,000	\$ 0
General	<u>0</u>	<u>997,350</u>
Total	<u>\$ 195,000</u>	<u>\$ 997,350</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Long-term Debt

General Obligation Bonds and Other Loans

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

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and the other loans outstanding were issued for original terms of up to 20 years for bonds and up to 17 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest

requirements decrease over the term of the debt. The general obligation bonds and the other loan included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

General obligation bonds and the other loan outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4.85 to 5.5%	\$ 35,100,000	\$ 1,400,000
General Obligation Bonds - Refunding	2.125 to 5.5	80,140,000	69,390,000
Other Loan	variable	9,866,066	9,866,066

In prior years, Putnam County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make \$10,000,000 available for loan to Putnam County on an as-needed basis for acquisition, construction, renovation, improvement, and equipping of schools. As of June 30, 2006, Putnam County had borrowed \$9,866,066 of this loan. This loan is repayable at an interest rate that is a tax-exempt variable rate 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 amounted to approximately .08 percent (remarketing fee), .3 percent (letter of credit fee) of the outstanding loan principal, and a trustee fee of \$100 per month.

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

Year Ending June 30	Bonds	
	Principal	Interest
2007	\$ 4,140,000	\$ 3,412,416
2008	4,515,000	3,245,940
2009	4,920,000	3,045,032
2010	5,330,000	2,824,882
2011	5,780,000	2,564,572
2012-2016	24,255,000	9,041,674
2017-2020	21,850,000	2,772,278
Total	\$ 70,790,000	\$ 26,906,794

Year Ending June 30	Other Loan			Total
	Principal	Interest	Other Fees	
2007	\$ 150,000	\$ 369,538	\$ 39,153	\$ 558,691
2008	150,000	363,988	38,583	552,571
2009	150,000	358,438	38,013	546,451
2010	150,000	352,888	37,443	540,331
2011	150,000	347,338	36,873	534,211
2012-2016	5,750,000	1,373,472	147,060	7,270,532
2017-2019	3,366,066	196,405	22,468	3,584,939
Total	\$ 9,866,066	\$ 3,362,067	\$ 359,593	\$ 13,587,726

There is \$16,247,409 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,118, based on the 2000 federal census. Debt per capita, including bonds and the other loan totaled \$1,482, 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:

	Bonds	Other Loan
Balance, July 1, 2005	\$ 74,650,000	\$ 9,661,230
Additions	0	204,836
Deductions	(3,860,000)	0
Balance, June 30, 2006	<u>\$ 70,790,000</u>	<u>\$ 9,866,066</u>
Balance Due Within One Year	<u>\$ 4,140,000</u>	<u>\$ 150,000</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2005	\$ 115,630	\$ 2,524,800
Additions	84,139	0
Deductions	(69,808)	(105,200)
Balance, June 30, 2006	<u>\$ 129,961</u>	<u>\$ 2,419,600</u>
Balance Due Within One Year	<u>\$ 69,956</u>	<u>\$ 105,200</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities Due Within One Year	\$ 4,465,156
Add : Total Noncurrent Liabilities - Parks Department	<u>19,244</u>

Noncurrent Liabilities - Due Within One Year - Exhibit A	<u>\$ 4,484,400</u>
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Total Noncurrent Liabilities, June 30, 2006	\$ 83,205,627
Less: Due Within One Year	(4,465,156)
Add : Total Noncurrent Liabilities - Parks Department	<u>5,526</u>

Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 78,745,997</u>
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Compensated absences payable will be paid from the employing funds, primarily the General Fund. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Defeasance of Prior Debt

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

	<u>Amount</u>
2000 General Obligation School Bonds	\$ 33,700,000
1993 General Obligation School and Public Improvement Bonds	24,400,000
1999 General Obligation School Bonds	7,400,000

E. Internal Financing

In-lieu-of issuing debt with financial institutions, Putnam County often chooses to internally finance various projects with idle county funds. These debt issues that will be repaid from the same fund in which the loan was obtained are reflected as operating transfers (not notes receivable) in the financial statements of this report. Internally reported notes receivable from

idle funds loaned from the General Debt Service Fund that will subsequently be paid by the General Debt Service Fund are reflected below:

Internally Reported Interfund Notes Receivable/Payable
Through the General Debt Service Fund

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Fire Department Tanker Trucks and Pumper Trucks	\$ 599,200	0 %	6-16-03	6-16-06
Courthouse Renovations and Elevator	145,000	0	6-16-03	6-16-06
Fire Department Tanker Trucks and Pumper Trucks	225,153	0	6-25-05	6-29-08
Land	195,000	0	6-19-06	6-19-09
	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
Fire Department Tanker Trucks and Pumper Trucks	\$ 199,733	\$ 0	\$ (199,733)	\$ 0
Courthouse Renovations and Elevator	48,333	0	(48,333)	0
Fire Department Tanker Trucks and Pumper Trucks	225,153	0	(75,051)	150,102
Land	0	195,000	0	195,000
Total	\$ 473,219	\$ 195,000	\$ (323,117)	\$ 345,102

V. OTHER INFORMATION

A. Risk Management

Putnam County provides health insurance coverage to its employees through commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Putnam's risks of loss relating to general liability, automobile liability, property, casualty, and workers' compensation are covered through a self-insurance program and by the purchase of commercial insurance to cover losses exceeding certain limits. The county is self-insured for individual property losses up to \$85,000. The county carries excess commercial coverage on buildings and contents totaling \$248,942,799. The county is self-insured

up to the state tort liability limits of \$250,000 per person, \$600,000 per occurrence for bodily injury, and \$85,000 for property damage. The county carries commercial liability insurance coverage for losses up to \$1,000,000 with a \$100,000 deductible. Putnam County maintains the Self-Insurance Fund, an internal service fund, to account for transactions pertaining to the county's self-insured group liability and property plan. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Liability at Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2004-2005	\$ 1,260,472	\$ 245,231	\$ (613,486)	\$ 892,217
2005-2006	892,217	795,616	(445,761)	1,242,072

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 Putnam 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 Putnam 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. Putnam County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Putnam 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. Putnam County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Putnam County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

Opal Burris left the Office of Register on September 31, 2006, and was succeeded by Harold Burris.

On July 28, 2006, the county entered into an interlocal agreement with the City of Cookeville to purchase land for the development of a mixed use business park. According to the agreement, the county will provide financing for the land purchase not to exceed \$5 million. The city will pay the county

\$500,000 on the date of purchase and reimburse the county the remainder of its portion of the purchase at a minimum rate of \$200,000 per year with an interest rate of five percent.

On October 11, 2006, the county issued refunding bonds to refund the \$10,000,000 other loan from the Montgomery County Public Building Authority.

D. Contingent Liabilities

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

E. Landfill Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Putnam County closed its class 1 landfill in October 1996 and has contracted its waste management to a private vendor. Putnam County still operates a class 3 construction landfill, which accepts the kinds of waste not subject to state and federal regulations for closure and postclosure care costs. The Solid Waste/Sanitation Fund (special revenue fund) reports the operations of the class 3 construction landfill and the closure and postclosure care costs of the closed class 1 landfill as expenditures in each period in which they are incurred. The \$2,419,600 reported as landfill closure and postclosure care liability at June 30, 2006, represents the net amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Cookeville - Putnam County Emergency Management Agency was established in 1951 as a joint venture between the City of Cookeville and Putnam County. The purpose of the Cookeville - Putnam County Emergency Management Agency is to plan and prepare for emergency operations and to assist other emergency services during emergencies or disasters. Putnam County contributed \$98,000 to the Cookeville - Putnam County Emergency Management Agency for the year ended June 30, 2006.

The Upper Cumberland Regional Airport was established as a joint venture between Putnam County, White County, the City of Cookeville, and the City of Sparta. The airport operates the regional airport for the two-county area. The five-member board of the airport includes one member appointed by each

of the four participating governments with the fifth member of the board being the chief executive officer of one of the participating governments. This fifth board position will serve a one-year term and will rotate among the four participating governments in a prescribed order. Each participant retains a 25 percent ownership in the airport. Putnam County contributed \$100,000 to the Upper Cumberland Regional Airport for the year ended June 30, 2006.

The Thirteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Thirteenth Judicial District and participating municipalities in the district. 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 the Board of Directors, including the district attorney general, sheriff, and police chief of the participating law enforcement agencies within each judicial district. Putnam County did not make appropriations to the DTF for the year ended June 30, 2006.

The Putnam County Joint Economic and Community Development Board is a joint venture between Putnam County, the Putnam County Chamber of Commerce, and the various cities within the county. The board is comprised the county executive, mayors of the various cities within the county, chamber of commerce members, and several additional 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. The Chamber of Commerce will provide the funding for the board. Putnam County did not appropriate any funds to the board during the 2005-06 year.

Putnam County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Cookeville - Putnam County Emergency Management Agency, Upper Cumberland Regional Airport, Thirteenth Judicial District Drug Task Force, and Putnam County Joint Economic and Community Development Board can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Cookeville - Putnam County Emergency Management Agency
P.O. Box 844
Cookeville, Tennessee 38501

Upper Cumberland Regional Airport
Route 8, Box 485
Sparta, Tennessee 38583-8077

Office of District Attorney General
Judicial District Drug Task Force
1519A East Spring Street
Cookeville, Tennessee 38506

Putnam County Joint Economic and Community Development Board
Putnam County Chamber of Commerce
1 West 1st Street
Cookeville, Tennessee 38501

G. Jointly Governed Organization

The Nashville and Eastern Railroad Authority is governed by a board of directors representing Putnam, Davidson, Smith, and Wilson Counties. The board of directors comprises the mayor/county executive of each county and one member selected by the governing body of each county; however, the counties do not have any ongoing financial interest or responsibility for the entity.

H. Retirement Commitments

Plan Description

Employees of Putnam 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 Putnam 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

Putnam 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 8.55 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Putnam County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Putnam County's annual pension cost of \$1,695,019 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. Putnam County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 14 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$1,695,019	100%	\$0
6-30-05	1,582,241	100	0
6-30-04	1,111,396	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$35,018	\$37,998	\$2,980	92.16%	\$18,188	16.38%
6-30-03	29,895	33,105	3,210	90.30	16,447	19.52
6-30-01	25,559	29,123	3,564	87.76	14,350	24.84

I. Purchasing Laws

Office of County Executive

Purchasing procedures for the County Executive's Office are governed by provisions of Chapter 63, Private Acts of 1981. This statute provides for the county executive to serve as the purchasing agent and for all purchases exceeding \$5,000 to be made on the basis of competitive bids solicited through advertisement in a local newspaper.

Office of Road Supervisor

Purchasing procedures for the Highway Department are governed by provisions of Chapter 609, Private Acts of 1951, as amended, and the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated. These statutes require purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

VI. OTHER NOTES – PUTNAM COUNTY LIBRARY (SPECIAL REVENUE FUND)

A. Summary of Significant Accounting Policies

The Putnam County Library is a special revenue fund of the Putnam County Government. The financial statements of the Putnam County Library have been prepared on the modified accrual basis of accounting, which records expenditures when incurred and revenues when measurable and available to finance expenditures of the period. The library's records are maintained on the cash receipts and disbursements method and converted to the modified accrual basis at year-end. Under the modified accrual method, the measurement focus is on expenditures, which are measurable and are recorded when the related liability is incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

1. **Government-wide Financial Statements**

The Government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report the governmental activities of the Putnam County Library. The governmental activities are reported on the economic resources measurement focus on the accrual basis of accounting.

2. **Fund Financial Statements**

To ensure observance of limitations and restrictions placed on the use of resources available to the library, the accounts of the library are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the library's policy to use restricted resources first, then unrestricted resources as needed.

The assets, liabilities and fund balances of the library are reported in three self-balancing fund groups as follows:

Operating Fund (Board of Trustee's Fund), which includes unrestricted resources; represents the portion of expendable funds that are available for support of library operations.

Memorial Funds, which include restricted resources, represent the portion of expendable funds that are available for the purchase of items used as memorials for the library. The library, from time to time, transfers money between funds when necessary. These transfers are approved by the Board of Trustees.

Building Funds, which include restricted resources, represent the portion of expendable funds that are available for new construction and maintenance of the buildings of the library branches. The library, from time to time, transfers money between funds when necessary. These transfers are approved by the Board of Trustees.

3. Budgeting, Budgetary Control, and Budgetary Reporting

An annual budget using the cash basis of accounting is prepared and adopted each year. The budget for the year ended June 30, 2006, was approved by the board and the Putnam County Commission before the fiscal year began. Certain changes in expenditure allocations of the budget were addressed and approved by the Board of Trustees. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor or grantor, thus the Board of Trustees may reapply budgeted resources from one use to another without special approval for unrestricted funds.

4. Capital Assets and Depreciation

The Putnam County Library's property, plant, and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. The capital assets are also reported in the fund financial statements as expenditures in the current year. Donated assets are stated at fair value on the date donated. The Putnam County Library generally capitalizes assets with a cost of over \$300 and a useful life of more than one year.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. All capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Collections of Books and A/V Materials	5 - 20
Improvements	10 - 20
Furniture, Machinery, and Equipment	5 - 10

5. Contributed Facilities

The library occupies buildings owned by other governmental units without charge. The estimated fair rental value of the premises was not readily determinable. Omission of this support and related rent expense has no effect on the net assets as presented in the financial statements.

6. Collections and Books

The cost value of the library's book collections has been capitalized and accumulated depreciation adjusted accordingly based on the year the books were purchased using the group depreciation method. This method groups together similar assets within a collection with similar estimated useful lives for purposes of capitalization and recording of depreciation expense.

B. Pension Plans

The Putnam County Library, as a fund of Putnam County, participated in the Tennessee Consolidated Retirement System (TCRS). The TCRS provides retirement benefits as well as death and disability benefits. Aggregate actuarial information can be found in footnote V.H. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information. 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 by calling (615) 741-7063.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The organization's cash at June 30, 2006, was maintained as follows: The Board of Trustees' Fund was invested in an interest-bearing account. The memorial fund was maintained in an interest-bearing checking account and Monterey, Algood, and Baxter funds are held in a checking account.

D. Prepaid Expenses

Prepaid expenses record payments to vendors that benefit the future reporting periods and are reported on the consumption basis.

E. Concentration of Credit Risk

The library receives a substantial amount of its support from local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the library's programs and activities.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the library's deposits may not be returned or the library will not be able to recover collateral securities in the possession of an outside party. The library's policy is to have coverage by the Government Collateralization Pool for any amount over the FDIC insured limit of \$100,000.

F. Compensated Absences

Accrued expenses at June 30, 2006, included compensated absences for annual leave due to employees. Full-time employees earn sick and annual leave based on length of employment. However, the sick leave does not vest and therefore no liability had been recorded for sick leave. The liability shown in these statements represents the amount owed to employees as of June 30, 2006, and is also the leave expected to be taken within one year. Therefore, no long-term liability for compensated absences exists. Three days bereavement leave is given to each employee for immediate family members' death.

G. Risk Financing and Related Insurance Issues

The library, as a fund of Putnam County, provides health insurance coverage to their employees through Blue Cross/Blue Shield.

The library's risks of loss relating to property, general liability, and workers' compensation are covered by the county through a self-insurance program and by the purchase of commercial insurance to cover losses in excess of certain limits.

Additional information can be found in footnote V.A.

The library made no claims in any of the prior three fiscal years.

H. Capital Assets

The following table provides a summary of changes in capital assets:

<u>Assets</u>	<u>Balance</u> <u>7-1-05</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Additions</u>	<u>Balance</u> <u>6-30-06</u>
Library Collections	\$ 0	\$ 2,312,682	\$ 89,722	\$ 2,402,404
Building Improvements	33,394	0	0	33,394
Construction in Progress	0	0	49,964	49,964
Computer Equipment	126,129	0	2,741	128,870
Library Equipment	106,873	0	14,791	121,664
Furniture/Fixtures	15,506	0	0	15,506
Total	<u>\$ 281,902</u>	<u>\$ 2,312,682</u>	<u>\$ 157,218</u>	<u>\$ 2,751,802</u>

The following table provides a summary of changes to accumulated depreciation at June 30, 2006:

Assets	Balance 7-1-05	Prior Period Adjustment	Depreciation Expense	Balance 6-30-06
Library Collections	\$ 0	\$ 2,081,387	\$ 92,512	\$ 2,173,899
Building Improvements	3,574	0	996	4,570
Construction in Progress	0	0	0	0
Computer Equipment	93,923	0	11,319	105,242
Library Equipment	59,660	0	13,697	73,357
Furniture/Fixtures	14,538	0	844	15,382
Total	\$ 171,695	\$ 2,081,387	\$ 119,368	\$ 2,372,450

VII. OTHER NOTES – PUTNAM COUNTY PARKS, RECREATION, AND CONSERVATION BOARD (SPECIAL REVENUE FUND)

A. Organization

The Putnam County Parks, Recreation, and Conservation Board was created pursuant to the County Conservation Board Act, Public Acts, 1961, to “have custody, control and management of all real and personal property for public parks, preserves, parkways, playgrounds, recreation centers, county forest, county wildlife areas, and other county conservation and recreation purposes.” The Putnam County Parks, Recreation, and Conservation Board’s primary activities are the oversight and maintenance of parks and community centers as well as coordinating recreational activities within Putnam County. The Putnam County Parks, Recreation, and Conservation Board is managed by a director operating under a five-member Board of Directors appointed by the Putnam County Commission. The Putnam County Commission has the authority to approve or reject budgets presented by the Putnam County Parks, Recreation, and Conservation Board. Based on the Putnam County Parks, Recreation, and Conservation Board’s financial dependency and accountability to Putnam County, the Putnam County Parks, Recreation, and Conservation Board is a separately reported fund of Putnam County, Tennessee. There were no component units of the Putnam County Parks, Recreation, and Conservation Board to consider for inclusion in the financial statements.

B. Summary of Significant Accounting Policies

The Putnam County Parks, Recreation, and Conservation Board is a special revenue fund of the Putnam County Government. The financial statements of the Putnam County Parks, Recreation, and Conservation Board have been prepared on the modified accrual basis of accounting, which records expenditures when incurred, and revenues when measurable and available to finance expenditures of the period. The Parks, Recreation, and Conservation Board’s records are maintained on the cash receipts and disbursements method and converted to the modified accrual basis at year-end. Under the modified accrual method, the measurement focus is on expenditures, which

are measurable and are recorded when the related liability is incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

1. Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report the governmental activities of the Putnam County Parks, Recreation, and Conservation Board. The governmental activities are reported on the economic resources measurement focus on the accrual basis of accounting for inclusion into the financial statements of Putnam County Government.

2. Fund Financial Statements

To ensure observance of limitations and restrictions placed on the use of resources available to the Parks, Recreation, and Conservation Board, the accounts of the Putnam County Parks, Recreation, and Conservation Board are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. All of Putnam County Parks, Recreation, and Conservation Board financial activities and resources are accounted for in a single governmental account which is the Public Library Fund. The fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the Park, Recreation, and Conservation Board's policy to use restricted resources first, then unrestricted resources as needed.

3. Budgeting, Budgetary Control, and Budgetary Reporting

An annual budget using the same basis of accounting used for governmental fund financial statement presentation is prepared and adopted each year. The budget for the year ended June 30, 2006, was approved by the board and the Putnam County Commission before the fiscal year began. Additional expenditures which alter the total budgeted expenditures must be approved by the Board of Trustees and adopted through an amended budget. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor or grantor, thus the Board of Trustees may reapply budgeted resources from one use to another without special approval for unrestricted funds.

C. Pension Plans

The Putnam County Parks, Recreation and Conservation Board, as a fund of Putnam County, participated in the Tennessee Consolidated Retirement System (TCRS). The TCRS provides retirement benefits as well as death and disability benefits. Aggregate actuarial information can be found in footnote V.H. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information. 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 by calling (615) 741-7063.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The organization's cash at June 30, 2006, was maintained in three checking accounts: (1) operating, (2) payroll, and (3) soccer.

E. Prepaid Expenses

Prepaid expenses record payments to vendors that benefit the future reporting periods and are reported on the consumption basis.

F. Concentration of Credit Risk

The Putnam County Parks, Recreation, and Conservation Board receives a substantial amount of its support from Putnam County. A significant reduction in the level of this support, if this were to occur, may have an effect on the Putnam County Parks, Recreation, and Conservation Board's programs and activities.

G. Compensated Absences

Annual leave and retirement sick leave are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to service already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The amount shown as compensated absence payable in current liabilities in the Statement of Net Assets represents the amount owed to employees for annual leave as of June 30, 2006, and is also the leave expected to be taken within one year. Retirement sick leave accrued at June 30, 2006, is presented as a long-term liability since it will not be taken within one year.

H. Capital Assets

The following table provides a summary of changes in capital assets:

Assets	Balance 7-1-05	Additions	Disposals	Balance 6-30-06
Improvements	\$ 0	\$ 15,744	\$ 0	\$ 15,744
Equipment	141,763	13,500	0	155,263
Park Fixtures	0	62,409	0	62,409
Vehicles	109,988	0	(8,613)	101,375
Office Equipment	15,585	0	0	15,585
Total	\$ 267,336	\$ 91,653	\$ (8,613)	\$ 350,376

The following table provides a summary of changes to accumulated depreciation at June 30, 2006:

Assets	Balance 7-1-05	Depreciation Expense	Disposals	Balance 6-30-06
Improvements	\$ 0	\$ 1,020	\$ 0	\$ 1,020
Equipment	56,190	9,034	0	65,224
Park Fixtures	0	1,993	0	1,993
Vehicles	26,531	5,981	(7,751)	24,761
Office Equipment	8,517	1,238	0	9,755
Total	\$ 91,238	\$ 19,266	\$ (7,751)	\$ 102,753

I. Capital Assets and Depreciation

General capital assets are reported in the government-wide Statement of Net Assets but are not reported in the financial statements of the Public Library Fund. Land, buildings, and infrastructure type assets are not reflected on the financial statements of the Board as these assets are included in the financial statements of Putnam County. The valuation basis for general capital assets is at historical cost. The capitalization threshold is any individual item with a total cost exceeding \$3,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Assets</u>	<u>Years</u>
Improvements	10
Office Equipment	5
Fixtures	5-7
Vehicles	5-10
Other General Equipment	10

J. Risk Financing and Related Insurance Issues

The Putnam County Parks, Recreation, and Conservation Board, as a fund of Putnam County, provides health insurance coverage to their employees through Blue Cross/Blue Shield.

The Putnam County Parks, Recreation, and Conservation Board's risks of loss relating to property, general liability, and workers' compensation are covered by the county through a self-insurance program and by the purchase of commercial insurance to cover losses in excess of certain limits.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

L. Putnam County Contributions

Putnam County provides liability, building, and automobile coverage as well as employee dishonesty bond coverage for the Board. Office space is also provided by Putnam County, as well as lease revenues from county-owned property. The value of the insurance and office space provided are not reflected as revenues in the accompanying financial statements. Lease revenues are reflected as annual rentals revenues in the accompanying financial statements.

M. Commitments and Contingencies

Approximately 85 percent of the Board's support is received from Putnam County. A significant reduction in the level of this support, if this were to occur, may have an effect on the Board's programs and activities.

VIII. OTHER NOTES – DISCRETELY PRESENTED PUTNAM COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

The Putnam County Emergency Communication District was established on November 21, 1988, for the purpose of providing an enhanced level of 911 service to the Putnam County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Putnam County. The Putnam County Emergency Communications District is run by a board of directors, which is appointed by Putnam County. The district must file a budget with Putnam County each

year. Any bond issued by the district is subject to approval by Putnam County.

The district uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Board has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

The district follows GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, implemented July 1, 2002.

Depreciation – Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives using the straight-line method. All assets purchased under \$3,000 are expensed. Depreciation begins when the capital assets are placed in service. Depreciation is summarized as follows:

Assets	Method	Estimated Useful Life in Years	2006 Depreciation
Building/Improvements	S/L	5	\$ 12,657
Office Equipment	S/L	5	0
Communications Equipment	S/L	4-7	122,088
Vehicle	S/L	5	<u>10,512</u>
Total			<u>\$ 145,257</u>

Major Source of Revenue – The major source of operating revenue is emergency telephone and wireless surcharges. The district's non-operating revenue consists of a grant given by the State Emergency Communications Board to help the district employ a dispatcher, a contract with Upper Cumberland Electric Membership Corporation to answer after-hours telephone calls, rebates, reimbursements from the county, and interest.

B. Cash and Cash Investments

The following is a schedule of bank accounts at June 30, 2006:

Checking - Bank of Putnam County	\$ 20,000
Money Market - Bank of Putnam County	178,657
Certificates of Deposit - Bank of Putnam County	<u>750,000</u>

Total	<u><u>\$ 948,657</u></u>
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At June 30, 2006, the carrying amount of the Putnam County Emergency Communications District's cash deposits was \$948,657. The district's deposit accounts are covered up to \$100,000 by the Federal Deposit Insurance Corporation. Any amounts over \$100,000 are covered by collateralization held by SunTrust Bank in the district's name.

C. Bonding

Putnam County Emergency Communications District has a bond covering certain members of the board at June 30, 2006. Other risk areas include theft, property damage, and public liability. The district carries general liability insurance as well as insurance that covers all equipment, building, and vehicles. There have been no losses or settlements during the past three years.

D. Capital Assets

The following is a schedule of equipment at June 30, 2006:

Assets	Cost	Accumulated Depreciation	Net
Building/Improvements	\$ 77,659	\$ 48,799	\$ 28,860
Communications Equipment	682,512	550,007	132,505
Vehicle	52,560	24,361	28,199
Total	<u>\$ 812,731</u>	<u>\$ 623,167</u>	<u>\$ 189,564</u>

Assets	Balance 7-1-05	Additions	Retirements	Balance 6-30-06
Building/Improvements	\$ 73,715	\$ 3,944	\$ 0	\$ 77,659
Office Equipment	6,707	0	6,707	0
Communications Equipment	798,334	18,706	134,528	682,512
Vehicle	52,560	0	0	52,560
Total	<u>\$ 931,316</u>	<u>\$ 22,650</u>	<u>\$ 141,235</u>	<u>\$ 812,731</u>

Putnam County Emergency Communications District purchased radios for each county agency that assists them in answering 911 calls. The district feels that since the 911 call does not end with them, that the county agencies need a faster way for the 911 office to communicate with them when needed. The district paid \$42,911 for the radios, which comprises 92 percent of small equipment purchases expense. Ownership of the equipment is retained by the county agencies. The agencies are responsible for operating and maintaining all equipment.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

F. Accounts Receivable/Due from State Emergency Communications Board

The amounts due to the district from subscriber services and wireless charges include the following:

Citizens Communications	\$ 26,884
Miscellaneous Wireless Charges	<u>877</u>
Subtotal	\$ 27,761
State Emergency Communications Board	<u>20,541</u>
 Total	 <u><u>\$ 48,302</u></u>

G. Compensated Absences

There were no employees at June 30, 2006.

H. Salaries and Wages

The district has a contract with Putnam County for the county to provide the assistant director and dispatcher labor to the E-911 District. These costs are disclosed under “Salaries & Wages” in the Statement of Revenues, Expenses, and Changes in Net Assets.

I. Calculation of Invested in Capital Assets

Net Book Value	\$ 189,564
Current and Non-Current Debt	<u>0</u>
 Invested in Capital Assets	 <u><u>\$ 189,564</u></u>

J. Upper Cumberland Electric Membership Corporation Contract

The district provides after-hours call answering services for Upper Cumberland Electric Membership Corporation. The amount is calculated by the number of meters energized multiplied by \$0.50 or \$5,000, whichever is greater. This amount is included in Non-Operating Revenue and Expenses on the Statement of Revenues, Expenses, and Changes in Net Assets.

IX. OTHER NOTES – DISCRETELY PRESENTED PUTNAM COUNTY AGRICULTURAL AND INDUSTRIAL FAIR, INC.

A. Summary of Significant Accounting Policies

1. Organization

Putnam County Agricultural and Industrial Fair, Inc., was organized to promote agriculture, to conduct an annual fair in Putnam County, Tennessee, and to utilize the physical facilities of the fairground. All property and related facilities are owned by Putnam County and administered by the Putnam County Agricultural and Industrial Fair, Inc. Putnam County Agricultural and Industrial Fair, Inc., is a component unit of Putnam County, Tennessee. The Putnam County Commission approves all nominations to the board of directors of the Putnam County Agricultural and Industrial Fair, Inc. The legislative body has the authority to reject all nominations and to make nominations from the floor. Three members of the Putnam County Commission will be on the board of directors at all times. The by-laws do not give the board of directors' permission to borrow money. In addition, all changes to the by-laws are subject to approval by the Putnam County Commission. The organization's major source of revenue comes from the annual fair. As of and for the year ended June 30, 2006, the annual fair represented 98 percent of revenue.

2. Basis of Accounting

The financial statements of the Putnam County Agricultural and Industrial Fair, Inc., have been prepared on the accrual basis and according to Governmental Accounting Standards Board (GASB) Statement No. 20 follows pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989. After November 30, 1989, the Putnam County Fair Board follows GASB guidelines only and does not follow any FASB guidelines issued after that date.

The Putnam County Agricultural and Industrial Fair, Inc., follows GASB No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, implemented July 1, 2002.

3. Capital Assets

All physical facilities of the fairground are owned by Putnam County and are not included in the financial statements of this component unit.

4. Statement of Cash Flows

For the purpose of the statement of cash flows, cash is comprised of cash on hand, time and demand deposits in banks, and investments with original maturities of less than 90 days.

5. Unearned Revenue

The amount recorded as unearned revenue represents payments from advertisers and food vendors for space in the fair not yet held. The amount will be recognized as revenue when the fair has been completed.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Cash and Investments

Deposits (cash and certificates of deposit) are carried at cost which approximated market value. At June 30, 2006, deposits of Putnam County Agricultural and Industrial Fair, Inc., consisted of the following:

Checking - operating	\$ 3,626
Checking - premiums	1,800
Checking - debit card account	2,936
Certificate of deposit	10,687
Certificate of deposit	10,425
Certificate of deposit	10,507
Certificate of deposit	20,000
Certificate of deposit	10,180
Certificate of deposit	<u>10,128</u>
Total	<u><u>\$ 80,289</u></u>

C. Commitments

The Putnam County Agricultural and Industrial Fair, Inc., entered into a contract with GEREN RIDES to provide carnival services for the annual Putnam County Fair. This contract expired in August 2005.

D. Risk Management

The Putnam County Agricultural and Industrial Fair, Inc., is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Putnam County Agricultural and Industrial Fair, Inc., maintains an insurance contract with a local insurance carrier in order to cover all such claims. All insurance expenses for the past three years are related to the premiums paid to the carrier for the respective years.

E. In-Kind Contributions and Donated Personal Services

No in-kind contributions or donated services for the annual Putnam County Fair are recorded in the financial statements because the amounts are deemed to be immaterial.

F. Compensated Absences

There was no compensated absence balance at June 30, 2006.

G. Prior-Period Adjustment

A prior-period adjustment totaling \$9,950 was made to accounts receivable to correct an overstatement in this account and in revenue in prior years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 10,037,599	\$ 0	\$ 0	\$ 10,037,599	\$ 9,721,360	\$ 9,731,360	\$ 306,239
Licenses and Permits	356,513	0	0	356,513	272,500	272,500	84,013
Fines, Forfeitures, and Penalties	541,642	0	0	541,642	545,500	545,500	(3,858)
Charges for Current Services	2,544,856	0	0	2,544,856	1,916,300	2,073,223	471,633
Other Local Revenues	643,565	0	0	643,565	1,211,900	1,241,488	(597,923)
Fees Received from County Officials	3,559,879	0	0	3,559,879	3,095,000	3,095,500	464,379
State of Tennessee	2,792,246	0	0	2,792,246	2,448,268	2,682,261	109,985
Federal Government	1,883,376	0	0	1,883,376	1,926,070	2,231,132	(347,756)
Other Governments and Citizens Groups	471,443	0	0	471,443	525,000	554,139	(82,696)
Total Revenues	\$ 22,831,119	\$ 0	\$ 0	\$ 22,831,119	\$ 21,661,898	\$ 22,427,103	\$ 404,016
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 77,847	\$ 0	\$ 4,244	\$ 82,091	\$ 76,650	\$ 87,525	\$ 5,434
Beer Board	1,679	0	0	1,679	1,400	2,100	421
County Mayor/Executive	274,778	(1,164)	179	273,793	237,429	284,063	10,270
County Attorney	96,515	0	0	96,515	106,000	103,300	6,785
Election Commission	253,741	(1,255)	320,290	572,776	239,268	577,460	4,684
Register of Deeds	267,989	(132)	540	268,397	227,374	276,119	7,722
Development	19,721	0	0	19,721	25,800	26,143	6,422
Codes Compliance	128,233	(804)	502	127,931	106,500	133,771	5,840
Geographical Information Systems	65,903	(40,153)	147	25,897	27,532	27,532	1,635
County Buildings	1,840,049	(52,349)	33,780	1,821,480	1,579,131	1,981,934	160,454
<u>Finance</u>							
Property Assessor's Office	454,061	(1,643)	0	452,418	374,384	457,740	5,322
County Trustee's Office	312,832	0	0	312,832	258,158	313,676	844
County Clerk's Office	797,426	(2,425)	2,416	797,417	668,610	822,457	25,040

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Other Finance	\$ 128,192	\$ 0	\$ 180	\$ 128,372	\$ 112,168	\$ 129,880	\$ 1,508
<u>Administration of Justice</u>							
Circuit Court	770,949	(2,055)	15,186	784,080	641,256	807,318	23,238
General Sessions Court	332,607	(399)	738	332,946	283,371	357,723	24,777
Chancery Court	273,169	0	0	273,169	221,548	276,572	3,403
Juvenile Court	256,134	(2,467)	1,708	255,375	171,910	209,628	(45,747)
District Attorney General	1,950	0	0	1,950	70,000	120,540	118,590
Judicial Commissioners	52,822	0	0	52,822	45,300	53,925	1,103
Other Administration of Justice	71,995	0	543	72,538	62,265	74,378	1,840
<u>Public Safety</u>							
Sheriff's Department	3,509,833	(18,817)	47,382	3,538,398	2,628,598	3,566,223	27,825
Special Patrols	50,186	(115)	1,949	52,020	43,600	54,776	2,756
Drug Enforcement	13,667	(206)	1,553	15,014	9,970	16,615	1,601
Jail	2,217,292	(23,826)	16,433	2,209,899	1,824,643	2,228,291	18,392
Workhouse	54,904	(280)	1,063	55,687	46,620	58,529	2,842
Juvenile Services	494,406	(935)	491	493,962	405,785	511,454	17,492
Commissary	114,170	(11,876)	1,846	104,140	100,000	105,000	860
Fire Prevention and Control	323,971	(146,687)	10,654	187,938	487,641	790,085	602,147
Civil Defense	149,831	0	0	149,831	133,600	149,831	0
Other Emergency Management	2,796,294	(411,535)	263,893	2,648,652	2,665,260	2,705,627	56,975
County Coroner/Medical Examiner	47,668	(12,903)	15,484	50,249	64,100	51,100	851
<u>Public Health and Welfare</u>							
Local Health Center	229,838	(232)	563	230,169	276,273	240,989	10,820
Ambulance/Emergency Medical Services	2,747,309	(21,914)	38,686	2,764,081	2,415,052	2,990,966	226,885
Other Local Health Services	29,100	(5,333)	2,801	26,568	33,814	27,013	445
Regional Mental Health Center	15,000	0	0	15,000	15,000	15,000	0

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
General Welfare Assistance	\$ 11,000	\$ 0	\$ 0	\$ 11,000	\$ 11,000	\$ 11,000	\$ 0
Aid to Dependent Children	8,000	0	0	8,000	8,000	8,000	0
Sanitation Management	0	0	0	0	568,533	747,017	747,017
Other Public Health and Welfare	897,843	0	6,627	904,470	785,299	1,035,742	131,272
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	56,917	0	0	56,917	56,917	56,917	0
Libraries	0	0	0	0	415,000	0	0
Parks and Fair Boards	147,042	0	0	147,042	737,300	148,550	1,508
Other Social, Cultural, and Recreational	0	0	0	0	5,000	5,000	5,000
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	142,460	0	0	142,460	139,252	144,996	2,536
Forest Service	1,500	0	0	1,500	1,500	1,500	0
Soil Conservation	27,665	0	0	27,665	23,200	28,308	643
<u>Other Operations</u>							
Tourism	128,087	0	0	128,087	125,000	135,000	6,913
Industrial Development	25,000	0	0	25,000	25,000	25,000	0
Airport	128,000	0	0	128,000	128,000	128,000	0
Veterans' Services	28,250	0	0	28,250	32,200	29,480	1,230
Contributions to Other Agencies	206,397	0	0	206,397	206,072	207,372	975
Employee Benefits	297,590	0	0	297,590	3,263,061	368,228	70,638
Miscellaneous	755,320	(3,167)	3,750	755,903	1,189,158	758,588	2,685
Total Expenditures	\$ 22,133,132	\$ (762,672)	\$ 793,628	\$ 22,164,088	\$ 24,405,502	\$ 24,473,981	\$ 2,309,893
Excess (Deficiency) of Revenues Over Expenditures	\$ 697,987	\$ 762,672	\$ (793,628)	\$ 667,031	\$ (2,743,604)	\$ (2,046,878)	\$ 2,713,909

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	291,000	\$ 487,000	\$ (487,000)
Transfers In	195,000	0	0	195,000	323,118	323,118	(128,118)
Transfers Out	(997,350)	0	0	(997,350)	0	(997,350)	0
Total Other Financing Sources (Uses)	\$ (802,350)	\$ 0	\$ 0	\$ (802,350)	\$ 614,118	\$ (187,232)	\$ (615,118)
Net Change in Fund Balance	\$ (104,363)	\$ 762,672	\$ (793,628)	\$ (135,319)	\$ (2,129,486)	\$ (2,234,110)	\$ 2,098,791
Fund Balance, July 1, 2005	5,974,824	(762,672)	0	5,212,152	5,879,597	5,879,597	(667,445)
Fund Balance, June 30, 2006	\$ 5,870,461	\$ 0	\$ (793,628)	\$ 5,076,833	\$ 3,750,111	\$ 3,645,487	\$ 1,431,346

Exhibit F-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,369,013	\$ 0	\$ 0	\$ 2,369,013	\$ 2,344,730	\$ 2,344,730	\$ 24,283
Charges for Current Services	688,667	0	0	688,667	650,000	650,000	38,667
Other Local Revenues	271,723	0	0	271,723	240,000	240,000	31,723
State of Tennessee	41,001	0	0	41,001	20,000	20,000	21,001
Total Revenues	\$ 3,370,404	\$ 0	\$ 0	\$ 3,370,404	\$ 3,254,730	\$ 3,254,730	\$ 115,674
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 2,625,927	\$ (29,413)	\$ 10,447	\$ 2,606,961	\$ 2,882,343	\$ 2,882,343	\$ 275,382
Landfill Operation and Maintenance	55,967	0	0	55,967	80,000	80,000	24,033
Other Waste Disposal	339,098	0	0	339,098	366,917	366,917	27,819
Postclosure Care Costs	95,615	0	0	95,615	110,200	110,200	14,585
<u>Other Operations</u>							
Miscellaneous	53,866	0	0	53,866	55,000	55,000	1,134
Total Expenditures	\$ 3,170,473	\$ (29,413)	\$ 10,447	\$ 3,151,507	\$ 3,494,460	\$ 3,494,460	\$ 342,953
Excess (Deficiency) of Revenues Over Expenditures	\$ 199,931	\$ 29,413	\$ (10,447)	\$ 218,897	\$ (239,730)	\$ (239,730)	\$ 458,627
Net Change in Fund Balance	\$ 199,931	\$ 29,413	\$ (10,447)	\$ 218,897	\$ (239,730)	\$ (239,730)	\$ 458,627
Fund Balance, July 1, 2005	898,815	(29,413)	0	869,402	1,089,539	1,089,539	(220,137)
Fund Balance, June 30, 2006	\$ 1,098,746	\$ 0	\$ (10,447)	\$ 1,088,299	\$ 849,809	\$ 849,809	\$ 238,490

Exhibit F-3

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,267,489	\$ 0	\$ 0	\$ 1,267,489	\$ 1,257,250	\$ 1,257,250	\$ 10,239
Other Local Revenues	7,266	0	0	7,266	500	500	6,766
State of Tennessee	2,153,391	0	0	2,153,391	2,565,190	2,565,190	(411,799)
Federal Government	50,000	0	0	50,000	0	0	50,000
Total Revenues	\$ 3,478,146	\$ 0	\$ 0	\$ 3,478,146	\$ 3,822,940	\$ 3,822,940	\$ (344,794)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 240,691	\$ 0	\$ 0	\$ 240,691	\$ 269,113	\$ 269,113	\$ 28,422
Highway and Bridge Maintenance	2,331,632	0	0	2,331,632	2,401,071	2,501,071	169,439
Operation and Maintenance of Equipment	289,119	0	0	289,119	311,531	311,531	22,412
Other Charges	178,722	0	0	178,722	182,210	182,210	3,488
Capital Outlay	421,006	(144,999)	169,470	445,477	802,620	702,620	257,143
Total Expenditures	\$ 3,461,170	\$ (144,999)	\$ 169,470	\$ 3,485,641	\$ 3,966,545	\$ 3,966,545	\$ 480,904
Excess (Deficiency) of Revenues Over Expenditures	\$ 16,976	\$ 144,999	\$ (169,470)	\$ (7,495)	\$ (143,605)	\$ (143,605)	\$ 136,110
Net Change in Fund Balance	\$ 16,976	\$ 144,999	\$ (169,470)	\$ (7,495)	\$ (143,605)	\$ (143,605)	\$ 136,110
Fund Balance, July 1, 2005	1,098,322	(144,999)	0	953,323	953,323	953,323	0
Fund Balance, June 30, 2006	\$ 1,115,298	\$ 0	\$ (169,470)	\$ 945,828	\$ 809,718	\$ 809,718	\$ 136,110

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

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Juvenile Court major category (the legal level of control) of the General Fund by \$45,747. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Public Library Fund – The Public Library Fund is used to account for transactions of the Putnam County Library.

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to accumulate funds for future industrial development projects.

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

Sports and Recreation Fund – The Sports and Recreation Fund is used to account for the transactions of the Parks, Recreation, and Conservation Board related to the oversight and maintenance of public parks and community centers, as well as, coordinating recreational activities within Putnam County.

District Attorney General Fund – The District Attorney General Fund is used to account for restricted revenue held in trust for the benefit of the Office of District Attorney General.

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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for other loans issued by Putnam County that are contributed to the Putnam County School Department.

Exhibit G-1

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

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Public Library	Industrial / Economic Development	Drug Control	Sports and Recreation	District Attorney General	Constitu- tional Officers - Fees	
<u>ASSETS</u>							
Cash	\$ 176,822	\$ 0	\$ 0	\$ 109,328	\$ 0	\$ 3,098	\$ 289,248
Equity in Pooled Cash and Investments	0	770,116	58,037	0	1,471	0	829,624
Accounts Receivable	0	41	0	0	0	0	41
Due from Other Governments	0	0	36,952	0	852	0	37,804
Due from Other Funds	75,000	0	0	0	0	0	75,000
Property Taxes Receivable	0	317,468	0	0	0	0	317,468
Allowance for Uncollectible Property Taxes	0	(14,723)	0	0	0	0	(14,723)
Prepaid Items	15,783	0	0	4,907	0	0	20,690
Total Assets	<u>\$ 267,605</u>	<u>\$ 1,072,902</u>	<u>\$ 94,989</u>	<u>\$ 114,235</u>	<u>\$ 2,323</u>	<u>\$ 3,098</u>	<u>\$ 1,555,152</u>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 4,887	\$ 0	\$ 0	\$ 48,521	\$ 0	\$ 0	\$ 53,408
Accrued Payroll	9,073	0	0	2,919	0	0	11,992
Payroll Deductions Payable	696	0	0	0	0	0	696
Due to Other Funds	0	0	0	0	0	3,098	3,098
Due to State of Tennessee	205	0	0	0	0	0	205
Deferred Revenue - Current Property Taxes	0	296,447	0	0	0	0	296,447
Deferred Revenue - Delinquent Property Taxes	0	5,316	0	0	0	0	5,316
Total Liabilities	<u>\$ 14,861</u>	<u>\$ 301,763</u>	<u>\$ 0</u>	<u>\$ 51,440</u>	<u>\$ 0</u>	<u>\$ 3,098</u>	<u>\$ 371,162</u>
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 7,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,500
Reserved for Other General Purposes	139,167	0	0	0	0	0	139,167
Unreserved	113,577	763,639	94,989	62,795	2,323	0	1,037,323
Total Fund Balances	<u>\$ 252,744</u>	<u>\$ 771,139</u>	<u>\$ 94,989</u>	<u>\$ 62,795</u>	<u>\$ 2,323</u>	<u>\$ 0</u>	<u>\$ 1,183,990</u>
Total Liabilities and Fund Balances	<u>\$ 267,605</u>	<u>\$ 1,072,902</u>	<u>\$ 94,989</u>	<u>\$ 114,235</u>	<u>\$ 2,323</u>	<u>\$ 3,098</u>	<u>\$ 1,555,152</u>

Exhibit G-2

Putnam 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
	Public Library	Industrial / Economic Development	Drug Control	Sports and Recreation	District Attorney General	Constitu- tional Officers - Fees	Total	Education Capital Projects	
<u>Revenues</u>									
Local Taxes	\$ 0	\$ 295,000	\$ 0	\$ 48,050	\$ 0	\$ 0	\$ 343,050	\$ 0	\$ 343,050
Fines, Forfeitures, and Penalties	0	0	104,963	0	21,681	0	126,644	0	126,644
Charges for Current Services	58,599	0	0	98,951	0	21,917	179,467	0	179,467
Other Local Revenues	5,601	0	8,880	43,145	2,697	0	60,323	0	60,323
State of Tennessee	25,000	0	9,782	0	0	0	34,782	0	34,782
Other Governments and Citizens Groups	478,158	0	0	19,320	0	0	497,478	0	497,478
Total Revenues	\$ 567,358	\$ 295,000	\$ 123,625	\$ 209,466	\$ 24,378	\$ 21,917	\$ 1,241,744	\$ 0	\$ 1,241,744
<u>Expenditures</u>									
Current:									
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,917	\$ 21,917	\$ 0	\$ 21,917
Public Safety	0	0	47,500	0	23,869	0	71,369	0	71,369
Social, Cultural, and Recreational Services	762,767	0	0	876,068	0	0	1,638,835	0	1,638,835
Other Operations	0	55,861	0	0	0	0	55,861	0	55,861
Capital Projects - Donated	0	0	0	0	0	0	0	204,836	204,836
Total Expenditures	\$ 762,767	\$ 55,861	\$ 47,500	\$ 876,068	\$ 23,869	\$ 21,917	\$ 1,787,982	\$ 204,836	\$ 1,992,818
Excess (Deficiency) of Revenues Over Expenditures	\$ (195,409)	\$ 239,139	\$ 76,125	\$ (666,602)	\$ 509	\$ 0	\$ (546,238)	\$ (204,836)	\$ (751,074)
<u>Other Financing Sources (Uses)</u>									
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,836	\$ 204,836
Transfers In	315,000	0	0	682,350	0	0	997,350	0	997,350
Total Other Financing Sources (Uses)	\$ 315,000	\$ 0	\$ 0	\$ 682,350	\$ 0	\$ 0	\$ 997,350	\$ 204,836	\$ 1,202,186
Net Change in Fund Balances	\$ 119,591	\$ 239,139	\$ 76,125	\$ 15,748	\$ 509	\$ 0	\$ 451,112	\$ 0	\$ 451,112
Fund Balance, July 1, 2005	133,153	532,000	18,864	47,047	1,814	0	732,878	0	732,878
Fund Balance, June 30, 2006	\$ 252,744	\$ 771,139	\$ 94,989	\$ 62,795	\$ 2,323	\$ 0	\$ 1,183,990	\$ 0	\$ 1,183,990

Exhibit G-3

Putnam County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Public Library 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	\$ 58,599	\$ 46,376	\$ 46,376	\$ 12,223
Other Local Revenues	5,601	4,716	4,716	885
State of Tennessee	25,000	0	0	25,000
Other Governments and Citizens Groups	478,158	420,415	420,415	57,743
Total Revenues	<u>\$ 567,358</u>	<u>\$ 471,507</u>	<u>\$ 471,507</u>	<u>\$ 95,851</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 762,767	\$ 787,780	\$ 787,780	\$ 25,013
Total Expenditures	<u>\$ 762,767</u>	<u>\$ 787,780</u>	<u>\$ 787,780</u>	<u>\$ 25,013</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (195,409)</u>	<u>\$ (316,273)</u>	<u>\$ (316,273)</u>	<u>\$ 120,864</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 315,000	\$ 315,000	\$ 315,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 315,000</u>	<u>\$ 315,000</u>	<u>\$ 315,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 119,591	\$ (1,273)	\$ (1,273)	\$ 120,864
Fund Balance, July 1, 2005	<u>133,153</u>	<u>133,153</u>	<u>133,153</u>	<u>0</u>
Fund Balance, June 30, 2006	<u><u>\$ 252,744</u></u>	<u><u>\$ 131,880</u></u>	<u><u>\$ 131,880</u></u>	<u><u>\$ 120,864</u></u>

Exhibit G-4

Putnam County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Industrial/Economic Development 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	\$ 295,000	\$ 0	\$ 295,000	\$ 288,930	\$ 288,930	\$ 6,070
Total Revenues	\$ 295,000	\$ 0	\$ 295,000	\$ 288,930	\$ 288,930	\$ 6,070
<u>Expenditures</u>						
<u>Other Operations</u>						
Industrial Development	\$ 50,000	\$ 7,500	\$ 57,500	\$ 97,750	\$ 97,750	\$ 40,250
Miscellaneous	5,861	0	5,861	0	8,000	2,139
Total Expenditures	\$ 55,861	\$ 7,500	\$ 63,361	\$ 97,750	\$ 105,750	\$ 42,389
Excess (Deficiency) of Revenues Over Expenditures	\$ 239,139	\$ (7,500)	\$ 231,639	\$ 191,180	\$ 183,180	\$ 48,459
Net Change in Fund Balance	\$ 239,139	\$ (7,500)	\$ 231,639	\$ 191,180	\$ 183,180	\$ 48,459
Fund Balance, July 1, 2005	532,000	0	532,000	532,000	532,000	0
Fund Balance, June 30, 2006	\$ 771,139	\$ (7,500)	\$ 763,639	\$ 723,180	\$ 715,180	\$ 48,459

Exhibit G-5

Putnam 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	\$ 104,963	\$ 26,000	\$ 58,100	\$ 46,863
Other Local Revenues	8,880	0	3,000	5,880
State of Tennessee	9,782	0	2,400	7,382
Total Revenues	<u>\$ 123,625</u>	<u>\$ 26,000</u>	<u>\$ 63,500</u>	<u>\$ 60,125</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 47,500	\$ 22,000	\$ 59,500	\$ 12,000
Total Expenditures	<u>\$ 47,500</u>	<u>\$ 22,000</u>	<u>\$ 59,500</u>	<u>\$ 12,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 76,125</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 72,125</u>
Net Change in Fund Balance	\$ 76,125	\$ 4,000	\$ 4,000	\$ 72,125
Fund Balance, July 1, 2005	<u>18,864</u>	<u>25,997</u>	<u>25,997</u>	<u>(7,133)</u>
Fund Balance, June 30, 2006	<u>\$ 94,989</u>	<u>\$ 29,997</u>	<u>\$ 29,997</u>	<u>\$ 64,992</u>

Exhibit G-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 48,050	\$ 49,950	\$ 49,950	\$ (1,900)
Charges for Current Services	98,951	93,000	93,000	5,951
Other Local Revenues	43,145	45,350	45,350	(2,205)
Other Governments and Citizens Groups	19,320	20,600	20,600	(1,280)
Total Revenues	<u>\$ 209,466</u>	<u>\$ 208,900</u>	<u>\$ 208,900</u>	<u>\$ 566</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Parks and Fair Boards	\$ 876,068	\$ 891,250	\$ 891,250	\$ 15,182
Total Expenditures	<u>\$ 876,068</u>	<u>\$ 891,250</u>	<u>\$ 891,250</u>	<u>\$ 15,182</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (666,602)</u>	<u>\$ (682,350)</u>	<u>\$ (682,350)</u>	<u>\$ 15,748</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 682,350	\$ 682,350	\$ 682,350	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 682,350</u>	<u>\$ 682,350</u>	<u>\$ 682,350</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 15,748	\$ 0	\$ 0	\$ 15,748
Fund Balance, July 1, 2005	<u>47,047</u>	<u>47,047</u>	<u>47,047</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 62,795</u>	<u>\$ 47,047</u>	<u>\$ 47,047</u>	<u>\$ 15,748</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 H

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 8,558,076	\$ 7,961,120	\$ 7,961,120	\$ 596,956
Other Local Revenues	924,428	523,118	523,118	401,310
Total Revenues	<u>\$ 9,482,504</u>	<u>\$ 8,484,238</u>	<u>\$ 8,484,238</u>	<u>\$ 998,266</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 3,860,000	\$ 3,805,000	\$ 3,860,000	\$ 0
<u>Interest on Debt</u>				
Education	3,906,881	4,075,755	4,020,755	113,874
<u>Other Debt Service</u>				
Education	142,640	141,000	151,000	8,360
Total Expenditures	<u>\$ 7,909,521</u>	<u>\$ 8,021,755</u>	<u>\$ 8,031,755</u>	<u>\$ 122,234</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,572,983</u>	<u>\$ 462,483</u>	<u>\$ 452,483</u>	<u>\$ 1,120,500</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (195,000)	\$ (614,118)	\$ (810,118)	\$ 615,118
Total Other Financing Sources (Uses)	<u>\$ (195,000)</u>	<u>\$ (614,118)</u>	<u>\$ (810,118)</u>	<u>\$ 615,118</u>
Net Change in Fund Balance	\$ 1,377,983	\$ (151,635)	\$ (357,635)	\$ 1,735,618
Fund Balance, July 1, 2005	14,869,426	15,240,522	15,240,522	(371,096)
Fund Balance, June 30, 2006	<u>\$ 16,247,409</u>	<u>\$ 15,088,887</u>	<u>\$ 14,882,887</u>	<u>\$ 1,364,522</u>

Fiduciary Funds

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

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

Constitutional Officers - Agency 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.

Other Agency Fund – The Other Agency Fund is used to account for transactions of the Methamphetamine Initiative Grant which are held in trust for the benefit of the Sixth Congressional District.

Judicial District Drug Fund – The Judicial District Drug Fund is used to account for state grants and other restricted revenues which are held in trust for the benefit of the Judicial District Drug Task Force.

Exhibit I-1

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

	Agency Funds					Total
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	Judicial District Drug		
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 0	\$ 0	\$ 10,308	\$ 31,760	\$ 42,068	
Cash	0	1,944,322	0	0	1,944,322	
Accounts Receivable	0	288	0	0	288	
Due from Other Governments	1,929,536	0	12,935	19,220	1,961,691	
Total Assets	<u>\$ 1,929,536</u>	<u>\$ 1,944,610</u>	<u>\$ 23,243</u>	<u>\$ 50,980</u>	<u>\$ 3,948,369</u>	
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 1,929,536	\$ 0	\$ 0	\$ 0	\$ 1,929,536	
Due to Litigants, Heirs, and Others	0	1,944,610	0	0	1,944,610	
Due to Joint Venture	0	0	23,243	50,980	74,223	
Total Liabilities	<u>\$ 1,929,536</u>	<u>\$ 1,944,610</u>	<u>\$ 23,243</u>	<u>\$ 50,980</u>	<u>\$ 3,948,369</u>	

Exhibit I-2

Putnam 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	\$ 10,967,390	\$ 10,967,390	\$ 0
Due From Other Governments	1,751,642	1,929,536	1,751,642	1,929,536
Total Assets	\$ 1,751,642	\$ 12,896,926	\$ 12,719,032	\$ 1,929,536
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,751,642	\$ 12,896,926	\$ 12,719,032	\$ 1,929,536
Total Liabilities	\$ 1,751,642	\$ 12,896,926	\$ 12,719,032	\$ 1,929,536
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,097,966	\$ 23,604,142	\$ 23,757,786	\$ 1,944,322
Investments	103,220	0	103,220	0
Accounts Receivable	1,940	288	1,940	288
Total Assets	\$ 2,203,126	\$ 23,604,430	\$ 23,862,946	\$ 1,944,610
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,203,126	\$ 23,604,430	\$ 23,862,946	\$ 1,944,610
Total Liabilities	\$ 2,203,126	\$ 23,604,430	\$ 23,862,946	\$ 1,944,610
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 350,630	\$ 340,322	\$ 10,308
Due From Other Governments	0	12,935	0	12,935
Total Assets	\$ 0	\$ 363,565	\$ 340,322	\$ 23,243
<u>Liabilities</u>				
Due to Joint Ventures	\$ 0	\$ 363,565	\$ 340,322	\$ 23,243
Total Liabilities	\$ 0	\$ 363,565	\$ 340,322	\$ 23,243
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 15,457	\$ 238,679	\$ 222,376	\$ 31,760
Due From Other Governments	0	19,220	0	19,220
Total Assets	\$ 15,457	\$ 257,899	\$ 222,376	\$ 50,980
<u>Liabilities</u>				
Due to Joint Ventures	\$ 15,457	\$ 257,899	\$ 222,376	\$ 50,980
Total Liabilities	\$ 15,457	\$ 257,899	\$ 222,376	\$ 50,980

(Continued)

Exhibit I-2

Putnam County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 15,457	\$ 11,556,699	\$ 11,530,088	\$ 42,068
Cash	2,097,966	23,604,142	23,757,786	1,944,322
Investments	103,220	0	103,220	0
Accounts Receivable	1,940	288	1,940	288
Due From Other Governments	1,751,642	1,961,691	1,751,642	1,961,691
Total Assets	<u>\$ 3,970,225</u>	<u>\$ 37,122,820</u>	<u>\$ 37,144,676</u>	<u>\$ 3,948,369</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,751,642	\$ 12,896,926	\$ 12,719,032	\$ 1,929,536
Due to Litigants, Heirs, and Others	2,203,126	23,604,430	23,862,946	1,944,610
Due to Joint Ventures	15,457	621,464	562,698	74,223
Total Liabilities	<u>\$ 3,970,225</u>	<u>\$ 37,122,820</u>	<u>\$ 37,144,676</u>	<u>\$ 3,948,369</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>OTHER LOANS PAYABLE</u>								
<u>Public Building Authority Loan Agreement</u>								
<u>Payable through General Debt Service Fund</u>								
School Series 2002	(1)	variable	8-19-02	5-25-19	\$ 9,661,230	\$ 204,836	\$ 0	\$ 9,866,066
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Refunding	\$ 6,785,000	4 to 4.3	% 12-1-1998	4-1-13	\$ 4,325,000	\$ 0	\$ 470,000	\$ 3,855,000
School	35,100,000	4.85 to 5.5	5-18-00	8-1-10	1,400,000	0	0	1,400,000
School Refunding	35,280,000	4.85 to 5.5	8-1-01	4-1-20	34,190,000	0	60,000	34,130,000
School Refunding	30,105,000	3 to 5	12-1-02	6-30-12	26,765,000	0	3,275,000	23,490,000
School Refunding	7,970,000	2.125 to 4	8-13-04	4-1-19	7,970,000	0	55,000	7,915,000
Total Bonds Payable					\$ 74,650,000	\$ 0	\$ 3,860,000	\$ 70,790,000

(1) The county has drawn loan proceeds of \$9,866,066. Total amount available from a loan agreement with the Public Building Authority is \$10,000,000.

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 4,140,000	\$ 3,412,416	\$ 7,552,416
2008	4,515,000	3,245,940	7,760,940
2009	4,920,000	3,045,032	7,965,032
2010	5,330,000	2,824,882	8,154,882
2011	5,780,000	2,564,572	8,344,572
2012	6,200,000	2,289,120	8,489,120
2013	4,150,000	1,996,560	6,146,560
2014	4,300,000	1,800,213	6,100,213
2015	4,570,000	1,590,738	6,160,738
2016	5,035,000	1,365,043	6,400,043
2017	5,500,000	1,113,456	6,613,456
2018	5,460,000	837,331	6,297,331
2019	5,945,000	561,875	6,506,875
2020	4,945,000	259,616	5,204,616
Total	<u>\$ 70,790,000</u>	<u>\$ 26,906,794</u>	<u>\$ 97,696,794</u>

Exhibit J-3

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Debt Service	General	To purchase land	\$ 195,000
General	Public Library	To provide funds for operations	315,000
General	Sports and Recreation	To provide funds for operations	<u>682,350</u>
Total Transfers			<u>\$ 1,192,350</u>

Exhibit J-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 71,770	\$ 50,000	Western Surety Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	67,152	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	61,048	1,660,600	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,048	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u> , and Juvenile Court Judge	61,798 (1)	50,000	Cincinnati Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	61,048	60,000	Western Surety Company
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	61,392 (2)	85,000	"
Register	Section 8-24-102, <u>TCA</u>	61,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	68,870 (3)	25,000	"
Employee Blanket Bond Coverage: All County Departments			500,000	Cincinnati Insurance Company

(1) Includes special commissioners fees of \$750.

(2) Includes special commissioners fees of \$344.

(3) Includes payment of \$1,200 for serving as superintendent of the workhouse and a law enforcement training supplement of \$518.

Exhibit J-5

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

	Special Revenue Funds				
	General	Public Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 7,858,424	\$ 0	\$ 2,231,417	\$ 291,036	\$ 0
Trustee's Collections - Prior Year	204,899	0	54,362	982	0
Circuit/Clerk & Master Collections - Prior Years	187,627	0	53,277	0	0
Interest and Penalty	35,040	0	10,472	441	0
Payments in-Lieu-of Taxes - T.V.A.	1,070	0	0	0	0
Payments in-Lieu-of Taxes - Other	790	0	224	29	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	0
Hotel/Motel Tax	259,149	0	0	0	0
Litigation Tax - General	311,421	0	0	0	0
Litigation Tax - Special Purpose	72,635	0	0	0	0
Business Tax	814,080	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
Other County Local Option Taxes	8,964	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	67,831	0	19,261	2,512	0
Wholesale Beer Tax	215,669	0	0	0	0
Total Local Taxes	\$ 10,037,599	\$ 0	\$ 2,369,013	\$ 295,000	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 101,420	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Building Permits	216,646	0	0	0	0
Electrical Permits	11,082	0	0	0	0
Plumbing Permits	19,615	0	0	0	0
Other Permits	7,750	0	0	0	0
Total Licenses and Permits	\$ 356,513	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 59,031	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Public Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Officers Costs	\$ 24,488	\$ 0	\$ 0	\$ 0	\$ 0
Drug Control Fines	0	0	0	0	2,907
Drug Court Fees	1,257	0	0	0	0
Jail Fees	38,907	0	0	0	0
District Attorney General Fees	0	0	0	0	0
Judicial Commissioner Fees	1,298	0	0	0	0
Data Entry Fee - Circuit Court	1,974	0	0	0	0
Courtroom Security Fee	324	0	0	0	0
<u>General Sessions Court</u>					
Fines	84,648	0	0	0	0
Officers Costs	102,699	0	0	0	0
Drug Control Fines	0	0	0	0	3,139
Drug Court Fees	4,938	0	0	0	0
Jail Fees	139,761	0	0	0	0
Interpreter Fees	4,190	0	0	0	0
District Attorney General Fees	767	0	0	0	0
Judicial Commissioner Fees	4,522	0	0	0	0
Data Entry Fee - General Sessions Court	25,012	0	0	0	0
Courtroom Security Fee	1,003	0	0	0	0
<u>Juvenile Court</u>					
Fines	2,451	0	0	0	0
Officers Costs	15,265	0	0	0	0
Jail Fees	13,148	0	0	0	0
Interpreter Fees	220	0	0	0	0
Data Entry Fee - Juvenile Court	1,712	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	9,911	0	0	0	0
Data Entry Fee - Chancery Court	1,108	0	0	0	0
<u>Courts in Other District Counties</u>					
District Attorney General Fees	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	3,008	0	0	0	98,917
Total Fines, Forfeitures, and Penalties	\$ 541,642	\$ 0	\$ 0	\$ 0	\$ 104,963

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Public Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 0	\$ 648,667	\$ 0	\$ 0
Solid Waste Disposal Fees	0	0	40,000	0	0
Patient Charges	2,349,445	0	0	0	0
Other General Service Charges	31,843	0	0	0	0
<u>Fees</u>					
Subdivision Lot Fees	1,078	0	0	0	0
Recreation Fees	39,475	0	0	0	0
Library Fees	0	58,599	0	0	0
Telephone Commissions	77,720	0	0	0	0
Vending Machine Collections	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	31,318	0	0	0	0
Data Processing Fee - Sheriff	11,292	0	0	0	0
Sexual Offender Registration Fees - Sheriff	2,685	0	0	0	0
Total Charges for Current Services	\$ 2,544,856	\$ 58,599	\$ 688,667	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 120,000	\$ 641	\$ 0	\$ 0	\$ 0
Lease/Rentals	34,967	0	0	0	0
Sale of Materials and Supplies	20,567	0	0	0	0
Commissary Sales	235,387	0	0	0	0
Sale of Gasoline	18,090	0	0	0	0
Sale of Recycled Materials	0	0	257,142	0	0
Miscellaneous Refunds	63,179	4,960	14,581	0	5,755
<u>Nonrecurring Items</u>					
Sale of Equipment	3,688	0	0	0	0
Damages Recovered from Individuals	41,752	0	0	0	0
Contributions & Gifts	5,300	0	0	0	3,050
Performance Bond Forfeitures	88,895	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Public Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control
<u>Other Local Revenues (Cont.)</u>					
<u>Other Local Revenues</u>					
Other Local Revenues	\$ 11,740	\$ 0	\$ 0	\$ 0	\$ 75
Total Other Local Revenues	\$ 643,565	\$ 5,601	\$ 271,723	\$ 0	\$ 8,880
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 769,211	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	275,166	0	0	0	0
General Sessions Court Clerk	849,343	0	0	0	0
Clerk and Master	201,787	0	0	0	0
Register	416,285	0	0	0	0
Sheriff	24,596	0	0	0	0
Trustee	1,023,491	0	0	0	0
Total Fees Received from County Officials	\$ 3,559,879	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 120,517	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	20,881	0	0	0	0
Solid Waste Grants	0	0	34,063	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	36,952	0	0	0	0
Drug Control Grants	12,822	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	854,809	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	45,906	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	164,197	0	0	0	0
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	50,025	0	0	0	0
State Revenue Sharing - T.V.A.	495,279	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Public Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Board of Jurors	\$ 1,143	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Prisoner Boarding	901,647	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	20,475	0	0	0	0
Other State Grants	50,000	25,000	6,938	0	0
Other State Revenues	381	0	0	0	9,782
Total State of Tennessee	\$ 2,792,246	\$ 25,000	\$ 41,001	\$ 0	\$ 9,782
<u>Federal Government</u>					
<u>Federal Through State</u>					
Civil Defense Reimbursement	\$ 38,631	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	1,633,573	0	0	0	0
Other Federal through State	203,877	0	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	7,295	0	0	0	0
Total Federal Government	\$ 1,883,376	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board Contributions	\$ 340,116	\$ 0	\$ 0	\$ 0	\$ 0
	0	309,557	0	0	0
<u>Citizens Groups</u>					
Donations	0	168,601	0	0	0
<u>Other</u>					
Other	131,327	0	0	0	0
Total Other Governments and Citizens Groups	\$ 471,443	\$ 478,158	\$ 0	\$ 0	\$ 0
Total	\$ 22,831,119	\$ 567,358	\$ 3,370,404	\$ 295,000	\$ 123,625

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Total
	Sports and Recreation	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 0	\$ 970,189	\$ 5,044,931	\$ 16,395,997
Trustee's Collections - Prior Year	0	0	0	25,297	129,013	414,553
Circuit/Clerk & Master Collections - Prior Years	0	0	0	24,855	127,401	393,160
Interest and Penalty	0	0	0	4,530	24,596	75,079
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	0	1,070
Payments in-Lieu-of Taxes - Other	0	0	0	98	507	1,648
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	2,685,029	2,685,029
Hotel/Motel Tax	48,050	0	0	0	503,053	810,252
Litigation Tax - General	0	0	0	0	0	311,421
Litigation Tax - Special Purpose	0	0	0	0	0	72,635
Business Tax	0	0	0	0	0	814,080
Mineral Severance Tax	0	0	0	234,146	0	234,146
Other County Local Option Taxes	0	0	0	0	0	8,964
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	8,374	43,546	141,524
Wholesale Beer Tax	0	0	0	0	0	215,669
Total Local Taxes	\$ 48,050	\$ 0	\$ 0	\$ 1,267,489	\$ 8,558,076	\$ 22,575,227
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 101,420
<u>Permits</u>						
Building Permits	0	0	0	0	0	216,646
Electrical Permits	0	0	0	0	0	11,082
Plumbing Permits	0	0	0	0	0	19,615
Other Permits	0	0	0	0	0	7,750
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 356,513
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,031

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Total
	Sports and Recreation	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Officers Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	24,488
Drug Control Fines	0	0	0	0	0	2,907
Drug Court Fees	0	0	0	0	0	1,257
Jail Fees	0	0	0	0	0	38,907
District Attorney General Fees	0	167	0	0	0	167
Judicial Commissioner Fees	0	0	0	0	0	1,298
Data Entry Fee - Circuit Court	0	0	0	0	0	1,974
Courtroom Security Fee	0	0	0	0	0	324
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	84,648
Officers Costs	0	0	0	0	0	102,699
Drug Control Fines	0	0	0	0	0	3,139
Drug Court Fees	0	0	0	0	0	4,938
Jail Fees	0	0	0	0	0	139,761
Interpreter Fees	0	0	0	0	0	4,190
District Attorney General Fees	0	8,819	0	0	0	9,586
Judicial Commissioner Fees	0	0	0	0	0	4,522
Data Entry Fee - General Sessions Court	0	0	0	0	0	25,012
Courtroom Security Fee	0	0	0	0	0	1,003
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	2,451
Officers Costs	0	0	0	0	0	15,265
Jail Fees	0	0	0	0	0	13,148
Interpreter Fees	0	0	0	0	0	220
Data Entry Fee - Juvenile Court	0	0	0	0	0	1,712
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	9,911
Data Entry Fee - Chancery Court	0	0	0	0	0	1,108
<u>Courts in Other District Counties</u>						
District Attorney General Fees	0	12,695	0	0	0	12,695
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	101,925
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 21,681	\$ 0	\$ 0	\$ 0	668,286

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Total
	Sports and Recreation	District Attorney General	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	648,667
Solid Waste Disposal Fees	0	0	0	0	0	40,000
Patient Charges	0	0	0	0	0	2,349,445
Other General Service Charges	0	0	0	0	0	31,843
<u>Fees</u>						
Subdivision Lot Fees	0	0	0	0	0	1,078
Recreation Fees	97,851	0	0	0	0	137,326
Library Fees	0	0	0	0	0	58,599
Telephone Commissions	0	0	0	0	0	77,720
Vending Machine Collections	1,100	0	0	0	0	1,100
Constitutional Officers' Fees and Commissions	0	0	21,917	0	0	21,917
Data Processing Fee - Register	0	0	0	0	0	31,318
Data Processing Fee - Sheriff	0	0	0	0	0	11,292
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	2,685
Total Charges for Current Services	\$ 98,951	\$ 0	\$ 21,917	\$ 0	\$ 0	\$ 3,412,990
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 649	\$ 0	\$ 0	\$ 0	\$ 924,428	\$ 1,045,718
Lease/Rentals	41,265	0	0	0	0	76,232
Sale of Materials and Supplies	0	0	0	3,436	0	24,003
Commissary Sales	0	0	0	0	0	235,387
Sale of Gasoline	0	0	0	0	0	18,090
Sale of Recycled Materials	0	0	0	0	0	257,142
Miscellaneous Refunds	0	2,697	0	2,822	0	93,994
<u>Nonrecurring Items</u>						
Insurance Recovery	0	0	0	1,008	0	1,008
Sale of Equipment	0	0	0	0	0	3,688
Damages Recovered from Individuals	0	0	0	0	0	41,752
Contributions & Gifts	0	0	0	0	0	8,350
Performance Bond Forfeitures	0	0	0	0	0	88,895

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Total
	Sports and Recreation	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues (Cont.)</u>						
<u>Other Local Revenues</u>						
Other Local Revenues	\$ 1,231	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,046
Total Other Local Revenues	\$ 43,145	\$ 2,697	\$ 0	\$ 7,266	\$ 924,428	\$ 1,907,305
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 769,211
Circuit Court Clerk	0	0	0	0	0	275,166
General Sessions Court Clerk	0	0	0	0	0	849,343
Clerk and Master	0	0	0	0	0	201,787
Register	0	0	0	0	0	416,285
Sheriff	0	0	0	0	0	24,596
Trustee	0	0	0	0	0	1,023,491
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,559,879
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,517
State Reappraisal Grant	0	0	0	0	0	20,881
Solid Waste Grants	0	0	0	0	0	34,063
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	36,952
Drug Control Grants	0	0	0	0	0	12,822
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	854,809
<u>Public Works Grants</u>						
State Aid Program	0	0	0	175,646	0	175,646
Litter Program	0	0	0	0	0	45,906
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	164,197
Beer Tax	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	50,025
State Revenue Sharing - T.V.A.	0	0	0	0	0	495,279

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Total
	Sports and Recreation	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Board of Jurors	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,143
Contracted Prisoner Boarding	0	0	0	0	0	901,647
Gasoline and Motor Fuel Tax	0	0	0	1,927,617	0	1,927,617
Petroleum Special Tax	0	0	0	50,128	0	50,128
Registrar's Salary Supplement	0	0	0	0	0	20,475
Other State Grants	0	0	0	0	0	81,938
Other State Revenues	0	0	0	0	0	10,163
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 2,153,391	\$ 0	\$ 5,021,420
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	38,631
Homeland Security Grants	0	0	0	0	0	1,633,573
Other Federal through State	0	0	0	50,000	0	253,877
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	0	0	0	0	7,295
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 1,933,376
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	340,116
Contributions	19,320	0	0	0	0	328,877
<u>Citizens Groups</u>						
Donations	0	0	0	0	0	168,601
<u>Other</u>						
Other	0	0	0	0	0	131,327
Total Other Governments and Citizens Groups	\$ 19,320	\$ 0	\$ 0	\$ 0	\$ 0	\$ 968,921
Total	\$ 209,466	\$ 24,378	\$ 21,917	\$ 3,478,146	\$ 9,482,504	\$ 40,403,917

Exhibit J-6

Putnam 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	\$	49,450	
Social Security		3,783	
Audit Services		14,221	
Dues and Memberships		1,650	
Printing, Stationery, and Forms		261	
Travel		750	
Other Charges		1,976	
Office Equipment		5,756	
Total County Commission			\$ 77,847

Beer Board

Board and Committee Members Fees	\$	1,679	
Total Beer Board			1,679

County Mayor/Executive

County Official/Administrative Officer	\$	71,770	
Temporary Personnel		4,903	
Longevity Pay		900	
Other Salaries & Wages		121,450	
Social Security		14,599	
State Retirement		16,597	
Employee and Dependent Insurance		1,997	
Medical Insurance		13,969	
Dental Insurance		657	
Unemployment Compensation		263	
Communication		5,262	
Data Processing Services		5,028	
Dues and Memberships		1,650	
Maintenance & Repair Services - Equipment		135	
Travel		892	
Office Supplies		8,810	
Premiums on Corporate Surety Bonds		175	
Other Charges		711	
Data Processing Equipment		2,624	
Office Equipment		2,386	
Total County Mayor/Executive			274,778

County Attorney

County Official/Administrative Officer	\$	96,340	
Other Charges		175	
Total County Attorney			96,515

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	54,943	
Part-time Personnel		6,384	
Longevity Pay		1,900	
Overtime Pay		2,101	
Other Salaries & Wages		80,316	
Election Commission		3,031	
Election Workers		34,849	
Social Security		11,871	
State Retirement		11,727	
Medical Insurance		10,877	
Dental Insurance		641	
Unemployment Compensation		397	
Communication		4,647	
Data Processing Services		5,910	
Dues and Memberships		300	
Freight Expenses		770	
Legal Notices, Recording, and Court Costs		4,050	
Maintenance & Repair Services - Equipment		749	
Printing, Stationery, and Forms		5,189	
Travel		2,736	
Other Contracted Services		3,580	
Office Supplies		6,773	
Total Election Commission			\$ 253,741

Register of Deeds

County Official/Administrative Officer	\$	61,048
Longevity Pay		2,300
Other Salaries & Wages		112,008
Social Security		12,717
State Retirement		14,993
Medical Insurance		18,192
Dental Insurance		158
Unemployment Compensation		224
Communication		2,052
Dues and Memberships		567
Maintenance Agreements		33,575
Maintenance & Repair Services - Equipment		169
Travel		457
Data Processing Supplies		540
Office Supplies		4,289

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Office Equipment	\$ 4,700	
Total Register of Deeds		\$ 267,989

Development

Other Salaries & Wages	\$ 10,500	
Dental Insurance	343	
Engineering Services	1,078	
Other Contracted Services	7,800	
Total Development		19,721

Codes Compliance

Assistant(s)	\$ 25,000	
Supervisor/Director	35,500	
Other Salaries & Wages	27,375	
In-Service Training	1,099	
Social Security	6,345	
State Retirement	7,513	
Medical Insurance	10,321	
Unemployment Compensation	192	
Communication	4,587	
Printing, Stationery, and Forms	1,516	
Gasoline	3,750	
Office Supplies	2,223	
Periodicals	413	
Utilities	1,535	
Office Equipment	864	
Total Codes Compliance		128,233

Geographical Information Systems

In-Service Training	\$ 2,070	
Maintenance Agreements	13,242	
Travel	998	
Other Contracted Services	44,987	
Office Supplies	3,971	
Other Equipment	635	
Total Geographical Information Systems		65,903

County Buildings

Supervisor/Director	\$ 47,500
Computer Programmer(s)	57,800

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Secretary(ies)	\$	33,400	
Custodial Personnel		93,999	
Part-time Personnel		17,396	
Longevity Pay		9,900	
Overtime Pay		26,200	
Other Salaries & Wages		424,655	
In-Service Training		2,381	
Social Security		50,424	
State Retirement		57,050	
Medical Insurance		92,574	
Dental Insurance		2,084	
Unemployment Compensation		1,542	
Communication		10,269	
Maintenance & Repair Services - Buildings		280,680	
Maintenance & Repair Services - Equipment		6,758	
Maintenance & Repair Services - Office Equipment		32,192	
Maintenance & Repair Services - Vehicles		172,307	
Rentals		3,600	
Custodial Supplies		19,232	
Gasoline		23,250	
Office Supplies		2,476	
Small Tools		2,362	
Uniforms		13,086	
Utilities		348,209	
Other Charges		2,812	
Data Processing Equipment		3,862	
Other Equipment		2,049	
Total County Buildings			\$ 1,840,049

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	61,048
Part-time Personnel		12,183
Longevity Pay		900
Other Salaries & Wages		208,399
Board and Committee Members Fees		5,240
In-Service Training		820
Social Security		20,472
State Retirement		24,282
Medical Insurance		34,728

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Dental Insurance	\$	373	
Unemployment Compensation		536	
Audit Services		55,511	
Communication		4,871	
Data Processing Services		9,528	
Dues and Memberships		1,383	
Maintenance & Repair Services - Equipment		90	
Travel		1,472	
Gasoline		1,900	
Office Supplies		8,775	
Premiums on Corporate Surety Bonds		100	
Office Equipment		1,450	
Total Property Assessor's Office			\$ 454,061

County Trustee's Office

County Official/Administrative Officer	\$	61,048	
Longevity Pay		3,100	
Other Salaries & Wages		154,610	
Social Security		15,852	
State Retirement		15,857	
Medical Insurance		19,620	
Dental Insurance		247	
Unemployment Compensation		336	
Communication		2,839	
Data Processing Services		15,419	
Dues and Memberships		592	
Legal Notices, Recording, and Court Costs		163	
Travel		1,012	
Office Supplies		17,718	
Premiums on Corporate Surety Bonds		3,488	
Office Equipment		931	
Total County Trustee's Office			312,832

County Clerk's Office

County Official/Administrative Officer	\$	61,048
Part-time Personnel		5,231
Longevity Pay		5,000
Overtime Pay		458
Other Salaries & Wages		486,195
Other Per Diem & Fees		1,760

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Social Security	\$	40,388	
State Retirement		47,217	
Medical Insurance		52,778	
Dental Insurance		837	
Unemployment Compensation		1,450	
Communication		5,027	
Data Processing Services		10,075	
Dues and Memberships		632	
Maintenance Agreements		9,901	
Maintenance & Repair Services - Equipment		9,659	
Travel		706	
Office Supplies		35,311	
Utilities		7,440	
Premiums on Corporate Surety Bonds		150	
Other Charges		43	
Office Equipment		16,120	
Total County Clerk's Office			\$ 797,426

Other Finance

Part-time Personnel	\$	11,828	
Overtime Pay		14,534	
Other Salaries & Wages		47,000	
In-Service Training		371	
Social Security		4,622	
State Retirement		4,525	
Medical Insurance		8,187	
Dental Insurance		235	
Unemployment Compensation		192	
Communication		878	
Data Processing Services		7,300	
Travel		822	
Office Supplies		17,725	
Other Charges		76	
Motor Vehicles		2,717	
Office Equipment		7,180	
Total Other Finance			128,192

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,048	
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(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Part-time Personnel	\$	5,691	
Longevity Pay		5,850	
Other Salaries & Wages		441,480	
Jury and Witness Fees		24,942	
Other Per Diem & Fees		24,450	
Social Security		38,181	
State Retirement		38,247	
Medical Insurance		55,638	
Dental Insurance		476	
Unemployment Compensation		1,218	
Communication		7,138	
Data Processing Services		7,604	
Dues and Memberships		552	
Maintenance Agreements		5,576	
Maintenance & Repair Services - Equipment		139	
Travel		1,059	
Other Contracted Services		11,457	
Data Processing Supplies		2,559	
Office Supplies		31,694	
Premiums on Corporate Surety Bonds		350	
Office Equipment		5,600	
Total Circuit Court			\$ 770,949

General Sessions Court

Judge(s)	\$	205,726	
Longevity Pay		540	
Other Salaries & Wages		45,004	
Social Security		19,553	
State Retirement		23,919	
Medical Insurance		15,042	
Unemployment Compensation		218	
Data Processing Services		2,416	
Dues and Memberships		330	
Travel		1,607	
Other Contracted Services		15,000	
Office Supplies		1,823	
Office Equipment		1,429	
Total General Sessions Court			332,607

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	61,048	
Longevity Pay		850	
Other Salaries & Wages		128,999	
Other Per Diem & Fees		8,720	
Social Security		14,025	
State Retirement		16,321	
Medical Insurance		23,069	
Dental Insurance		430	
Unemployment Compensation		384	
Communication		2,586	
Dues and Memberships		552	
Legal Notices, Recording, and Court Costs		498	
Maintenance & Repair Services - Equipment		495	
Travel		248	
Office Supplies		9,477	
Premiums on Corporate Surety Bonds		350	
Office Equipment		5,117	
Total Chancery Court			\$ 273,169

Juvenile Court

Youth Service Officer(s)	\$	76,412	
Computer Programmer(s)		37,300	
Longevity Pay		60	
Other Salaries & Wages		67,474	
In-Service Training		2,813	
Social Security		9,518	
State Retirement		11,094	
Medical Insurance		13,694	
Dental Insurance		571	
Unemployment Compensation		240	
Communication		6,726	
Data Processing Services		736	
Dues and Memberships		310	
Maintenance & Repair Services - Equipment		1,835	
Travel		4,179	
Other Contracted Services		19,137	
Office Supplies		3,055	
Office Equipment		980	
Total Juvenile Court			256,134

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

District Attorney General

Gasoline	\$ 1,950	
Total District Attorney General		\$ 1,950

Judicial Commissioners

Longevity Pay	\$ 250	
Other Salaries & Wages	44,100	
Social Security	3,329	
State Retirement	2,005	
Medical Insurance	2,925	
Unemployment Compensation	112	
Other Charges	101	
Total Judicial Commissioners		52,822

Other Administration of Justice

Probation Officer(s)	\$ 58,452	
Social Security	4,215	
State Retirement	2,999	
Medical Insurance	4,622	
Unemployment Compensation	224	
Travel	1,178	
Office Supplies	305	
Total Other Administration of Justice		71,995

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 67,152
Deputy(ies)	1,377,933
Investigator(s)	207,824
Salary Supplements	24,897
Dispatchers/Radio Operators	195,185
Secretary(ies)	116,701
Longevity Pay	24,600
Overtime Pay	185,258
Other Salaries & Wages	65,285
In-Service Training	43,109
Social Security	164,511
State Retirement	177,660
Employee and Dependent Insurance	1,144
Medical Insurance	213,666
Dental Insurance	2,882

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Unemployment Compensation	\$	4,301	
Communication		31,565	
Contributions		16,578	
Data Processing Services		14,054	
Maintenance & Repair Services - Equipment		6,286	
Transportation - Other than Students		1,631	
Travel		831	
Animal Food and Supplies		5,852	
Gasoline		188,950	
Instructional Supplies and Materials		1,360	
Uniforms		28,315	
Other Supplies and Materials		9,569	
Premiums on Corporate Surety Bonds		5,700	
Communication Equipment		37,026	
Motor Vehicles		274,648	
Traffic Control Equipment		5,735	
Other Equipment		9,625	
Total Sheriff's Department			\$ 3,509,833

Special Patrols

Deputy(ies)	\$	24,700	
In-Service Training		3,512	
Social Security		1,726	
State Retirement		2,112	
Medical Insurance		4,137	
Unemployment Compensation		56	
Communication		573	
Travel		4,792	
Office Supplies		6,918	
Other Supplies and Materials		1,660	
Total Special Patrols			50,186

Drug Enforcement

In-Service Training	\$	2,987	
Communication		2,106	
Travel		3,859	
Office Supplies		2,092	
Other Supplies and Materials		2,423	
Motor Vehicles		200	
Total Drug Enforcement			13,667

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Medical Personnel	\$	18,275	
Guards		915,353	
Cafeteria Personnel		52,939	
Part-time Personnel		23,880	
Longevity Pay		5,000	
Social Security		72,850	
State Retirement		83,151	
Medical Insurance		108,715	
Dental Insurance		816	
Unemployment Compensation		3,087	
Maintenance & Repair Services - Equipment		471	
Medical and Dental Services		489,772	
Custodial Supplies		43,001	
Food Supplies		292,261	
Office Supplies		22,350	
Other Supplies and Materials		10,736	
Other Charges		23,848	
Data Processing Equipment		17,887	
Office Equipment		18,705	
Other Equipment		14,195	
Total Jail			\$ 2,217,292

Workhouse

Supervisor/Director	\$	1,200	
Guards		32,500	
Part-time Personnel		8,881	
Longevity Pay		1,000	
Social Security		3,275	
State Retirement		2,967	
Medical Insurance		3,013	
Unemployment Compensation		121	
Uniforms		324	
Other Charges		1,623	
Total Workhouse			54,904

Juvenile Services

Supervisor/Director	\$	41,500
Guards		294,548
Secretary(ies)		13,217
Longevity Pay		3,250

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Overtime Pay	\$	8,996	
In-Service Training		290	
Social Security		25,812	
State Retirement		30,140	
Medical Insurance		37,772	
Dental Insurance		706	
Unemployment Compensation		785	
Communication		6,833	
Laundry Service		1,198	
Medical and Dental Services		299	
Travel		149	
Food Supplies		2,915	
Office Supplies		4,910	
Uniforms		2,703	
Utilities		8,962	
Other Charges		8,423	
Office Equipment		998	
Total Juvenile Services			\$ 494,406

Commissary

Food Supplies	\$	82,361	
Other Supplies and Materials		31,809	
Total Commissary			114,170

Fire Prevention and Control

Supervisor/Director	\$	36,090	
Other Salaries & Wages		34,985	
In-Service Training		4,841	
Social Security		2,761	
State Retirement		3,086	
Unemployment Compensation		204	
Communication		3,745	
Maintenance & Repair Services - Equipment		1,444	
Gasoline		20,100	
Office Supplies		675	
Uniforms		4,986	
Utilities		12,175	
Other Charges		528	
Communication Equipment		1,440	
Motor Vehicles		121,917	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Equipment	\$ 74,994	
Total Fire Prevention and Control		\$ 323,971

Civil Defense

Contributions	\$ 98,000	
Other Contracted Services	38,631	
Gasoline	13,200	
Total Civil Defense		149,831

Other Emergency Management

Other Supplies and Materials	\$ 34,901	
Communication Equipment	1,059,107	
Health Equipment	733,581	
Other Equipment	968,705	
Total Other Emergency Management		2,796,294

County Coroner/Medical Examiner

Other Per Diem & Fees	\$ 5,300	
Other Contracted Services	39,157	
Premiums on Corporate Surety Bonds	50	
Other Charges	3,161	
Total County Coroner/Medical Examiner		47,668

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$ 17,771	
Social Security	1,142	
State Retirement	1,519	
Medical Insurance	5,279	
Dental Insurance	2,351	
Unemployment Compensation	56	
Communication	6,488	
Contracts with Government Agencies	147,675	
Contributions	2,973	
Custodial Supplies	2,751	
Drugs and Medical Supplies	7,388	
Office Supplies	11,805	
Periodicals	56	
Utilities	20,433	
Other Charges	1,784	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Equipment	\$ 367	
Total Local Health Center		\$ 229,838

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 48,100	
Deputy(ies)	43,500	
Accountants/Bookkeepers	34,000	
Paraprofessionals	1,273,586	
Secretary(ies)	25,600	
Part-time Personnel	218,627	
Longevity Pay	17,500	
Overtime Pay	93,585	
In-Service Training	6,734	
Social Security	126,957	
State Retirement	131,111	
Medical Insurance	144,961	
Unemployment Compensation	2,436	
Communication	15,771	
Data Processing Services	5,223	
Maintenance & Repair Services - Equipment	3,438	
Medical and Dental Services	7,111	
Travel	1,372	
Permits	1,484	
Drugs and Medical Supplies	101,700	
Gasoline	88,900	
Office Supplies	11,176	
Uniforms	26,252	
Utilities	52,158	
Other Supplies and Materials	4,878	
Other Charges	1,252	
Building Improvements	4,000	
Communication Equipment	4,373	
Motor Vehicles	176,805	
Office Equipment	6,032	
Other Equipment	68,687	
Total Ambulance/Emergency Medical Services		2,747,309

Other Local Health Services

Supervisor/Director	\$ 600
In-Service Training	225

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Social Security	\$	42	
State Retirement		51	
Medical Insurance		78	
Unemployment Compensation		1	
Drugs and Medical Supplies		12,665	
Other Supplies and Materials		12,688	
Building Improvements		2,750	
Total Other Local Health Services			\$ 29,100

Regional Mental Health Center

Contributions	\$	15,000	
Total Regional Mental Health Center			15,000

General Welfare Assistance

Contributions	\$	11,000	
Total General Welfare Assistance			11,000

Aid to Dependent Children

Contributions	\$	8,000	
Total Aid to Dependent Children			8,000

Other Public Health and Welfare

Custodial Personnel	\$	2,780	
Longevity Pay		500	
Other Salaries & Wages		670,494	
Social Security		50,088	
State Retirement		49,042	
Medical Insurance		43,967	
Unemployment Compensation		1,838	
Communication		1,319	
Rentals		8,000	
Travel		20,146	
Other Contracted Services		994	
Custodial Supplies		1,285	
Drugs and Medical Supplies		2,413	
Office Supplies		2,500	
Utilities		2,288	
Other Charges		7,188	
Other Construction		33,001	
Total Other Public Health and Welfare			897,843

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 56,917	
Total Senior Citizens Assistance		\$ 56,917

Parks and Fair Boards

Contracts with Government Agencies	\$ 78,050	
Gasoline	11,100	
Utilities	7,817	
Refunds	50,075	
Total Parks and Fair Boards		147,042

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 87,668	
Other Salaries & Wages	17,479	
Social Security	1,304	
State Retirement	1,495	
Employee and Dependent Insurance	94	
Dental Insurance	597	
Unemployment Compensation	56	
Other Fringe Benefits	14,516	
Communication	5,198	
Maintenance & Repair Services - Equipment	343	
Matching Share	1,101	
Utilities	10,609	
Other Charges	1,000	
Office Equipment	1,000	
Total Agriculture Extension Service		142,460

Forest Service

Contributions	\$ 1,500	
Total Forest Service		1,500

Soil Conservation

Secretary(ies)	\$ 22,600	
Social Security	1,729	
State Retirement	1,932	
Employee and Dependent Insurance	1,348	
Unemployment Compensation	56	
Total Soil Conservation		27,665

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$ 128,087	
Total Tourism		\$ 128,087

Industrial Development

Contributions	\$ 25,000	
Total Industrial Development		25,000

Airport

Contributions	\$ 100,000	
Matching Share	28,000	
Total Airport		128,000

Veterans' Services

Supervisor/Director	\$ 21,900	
Longevity Pay	750	
Social Security	1,733	
State Retirement	1,936	
Dental Insurance	97	
Unemployment Compensation	56	
Communication	1,235	
Other Charges	543	
Total Veterans' Services		28,250

Contributions to Other Agencies

Contributions	\$ 154,921	
Other Contracted Services	51,476	
Total Contributions to Other Agencies		206,397

Employee Benefits

Life Insurance	\$ 11,036	
Dental Insurance	1,654	
Payments to Retirees	550	
Workers' Compensation Insurance	284,350	
Total Employee Benefits		297,590

Miscellaneous

Dues and Memberships	\$ 7,602
Legal Notices, Recording, and Court Costs	1,305
Maintenance & Repair Services - Equipment	8,225
Other Contracted Services	6,525

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Library Books/Media	\$	11,575	
Building and Contents Insurance		27,370	
Excess Risk Insurance		49,319	
Liability Insurance		78,750	
Refunds		11,486	
Trustee's Commission		248,211	
Tax Relief Program		55,781	
Other Charges		53,971	
Land		195,200	
Total Miscellaneous			\$ 755,320

Total General Fund \$ 22,133,132

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

Other Salaries & Wages	\$	472,406	
Contributions		362	
Legal Services		2,050	
Maintenance & Repair Services - Equipment		23,309	
Travel		3,948	
Library Books/Media		89,722	
Utilities		57,193	
Other Supplies and Materials		49,845	
Liability Insurance		2,080	
Other Charges		5,800	
Building Construction		49,964	
Other Equipment		6,088	
Total Libraries			\$ 762,767

Total Public Library Fund 762,767

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	41,500	
Attendants		116,702	
Part-time Personnel		16,175	
Overtime Pay		28,338	
Other Salaries & Wages		350,773	

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Other Fringe Benefits	\$	122,580	
Communication		12,259	
Engineering Services		5,000	
Legal Services		8,006	
Maintenance & Repair Services - Buildings		13,116	
Maintenance & Repair Services - Equipment		80,734	
Maintenance & Repair Services - Vehicles		69,953	
Travel		1,254	
Disposal Fees		1,571,989	
Other Contracted Services		12,369	
Crushed Stone		17,023	
Gasoline		68,892	
Office Supplies		4,086	
Uniforms		7,606	
Utilities		36,210	
Other Charges		16,091	
Office Equipment		411	
Solid Waste Equipment		23,710	
Other Construction		1,150	
Total Sanitation Management			\$ 2,625,927

Landfill Operation and Maintenance

Engineering Services	\$	15,010	
Other Charges		5,457	
Other Construction		35,500	
Total Landfill Operation and Maintenance			55,967

Other Waste Disposal

Engineering Services	\$	19,181	
Contracts for Landfill Facilities		30,500	
Other Contracted Services		204,417	
Other Construction		85,000	
Total Other Waste Disposal			339,098

Postclosure Care Costs

Engineering Services	\$	14,215	
Other Contracted Services		25,000	
Other Supplies and Materials		13,400	
Other Construction		43,000	
Total Postclosure Care Costs			95,615

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Miscellaneous

Trustee's Commission	\$ 53,866	
Total Miscellaneous		\$ 53,866

Total Solid Waste/Sanitation Fund		\$ 3,170,473
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Industrial/Economic Development Fund

Other Operations

Industrial Development

Contributions	\$ 50,000	
Total Industrial Development		\$ 50,000

Miscellaneous

Trustee's Commission	\$ 5,861	
Total Miscellaneous		5,861

Total Industrial/Economic Development Fund		55,861
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Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$ 750	
Confidential Drug Enforcement Payments	30,000	
Animal Food and Supplies	4,750	
Motor Vehicles	12,000	
Total Drug Enforcement		\$ 47,500

Total Drug Control Fund		47,500
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Sports and Recreation Fund

Social, Cultural, and Recreational Services

Parks and Fair Boards

Temporary Personnel	\$ 32,213
Other Salaries & Wages	402,902
Social Security	30,093
State Retirement	32,033
Medical Insurance	33,588
Unemployment Compensation	1,259
Audit Services	3,150
Communication	9,590
Maintenance & Repair Services - Buildings	57,941

(Continued)

Exhibit J-6

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

Sports and Recreation Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Maintenance & Repair Services - Vehicles	\$	2,775	
Gasoline		10,471	
Office Supplies		2,013	
Small Tools		4,183	
Utilities		116,999	
Other Supplies and Materials		40,642	
Workers' Compensation Insurance		14,498	
Other Charges		12,764	
Building Improvements		39,888	
Other Equipment		4,950	
Other Capital Outlay		24,116	
Total Parks and Fair Boards			\$ 876,068

Total Sports and Recreation Fund \$ 876,068

District Attorney General Fund

Public Safety

Other Public Safety

Salary Supplements	\$	3,061	
Jury and Witness Fees		840	
Communication		5,955	
Dues and Memberships		600	
Maintenance & Repair Services - Office Equipment		550	
Rentals		2,400	
Travel		4,821	
Other Contracted Services		2,670	
Instructional Supplies and Materials		375	
Utilities		299	
Other Supplies and Materials		18	
Other Charges		595	
Office Equipment		1,685	
Total Other Public Safety			\$ 23,869

Total District Attorney General Fund 23,869

Constitutional Officers - Fees Fund

General Government

Other General Administration

Constitutional Officers' Operating Expenses	\$	21,917	
Total Other General Administration			\$ 21,917

Total Constitutional Officers - Fees Fund 21,917

(Continued)

Exhibit J-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,152	
Assistant(s)		38,300	
Accountants/Bookkeepers		32,000	
Longevity Pay		1,400	
Other Salaries & Wages		23,800	
Social Security		9,791	
Employee and Dependent Insurance		10,438	
Life Insurance		118	
Dental Insurance		773	
Unemployment Compensation		168	
Local Retirement		13,907	
Employer Medicare		2,290	
Data Processing Services		4,182	
Dues and Memberships		3,023	
Legal Services		7,708	
Legal Notices, Recording, and Court Costs		260	
Maintenance & Repair Services - Office Equipment		1,957	
Postal Charges		600	
Printing, Stationery, and Forms		589	
Data Processing Supplies		1,472	
Drugs and Medical Supplies		500	
Office Supplies		488	
Workers' Compensation Insurance		15,832	
Other Charges		994	
Communication Equipment		2,811	
Data Processing Equipment		138	
Total Administration			\$ 240,691

Highway and Bridge Maintenance

Foremen	\$	34,277
Equipment Operators		343,408
Truck Drivers		220,250
Laborers		100,589
Longevity Pay		14,050
Overtime Pay		4,247
Other Salaries & Wages		23,935
Social Security		44,176
Employee and Dependent Insurance		71,234
Life Insurance		924
Medical Insurance		1,028

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Dental Insurance	\$	2,748	
Unemployment Compensation		1,538	
Local Retirement		60,329	
Employer Medicare		10,331	
Other Contracted Services		1,097,501	
Asphalt - Hot Mix		3,915	
Asphalt - Liquid		71,733	
Concrete		532	
Crushed Stone		64,374	
Electricity		940	
Pipe - Metal		11,997	
Road Signs		9,844	
Salt		9,725	
Small Tools		2,313	
Other Supplies and Materials		4,987	
Workers' Compensation Insurance		118,721	
Other Charges		1,986	
Total Highway and Bridge Maintenance			\$ 2,331,632

Operation and Maintenance of Equipment

Mechanic(s)	\$	61,910
Custodial Personnel		23,800
Longevity Pay		1,850
Overtime Pay		210
Social Security		5,096
Employee and Dependent Insurance		7,296
Life Insurance		98
Medical Insurance		188
Dental Insurance		906
Unemployment Compensation		163
Local Retirement		7,486
Employer Medicare		1,192
Laundry Service		2,639
Licenses		119
Maintenance & Repair Services - Equipment		5,634
Diesel Fuel		54,783
Equipment and Machinery Parts		44,559
Garage Supplies		5,985
Gasoline		27,914
Lubricants		4,715

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Small Tools	\$	1,970	
Tires and Tubes		14,310	
Other Supplies and Materials		1,991	
Workers' Compensation Insurance		11,874	
Other Charges		2,431	
Total Operation and Maintenance of Equipment			\$ 289,119

Other Charges

Communication	\$	4,334	
Contributions		8,000	
Evaluation and Testing		1,120	
Electricity		6,491	
Natural Gas		6,786	
Water and Sewer		219	
Building and Contents Insurance		718	
Excess Risk Insurance		21,392	
Liability Insurance		78,750	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		40,899	
Other Charges		9,663	
Total Other Charges			178,722

Capital Outlay

Engineering Services	\$	25,477	
Bridge Construction		67,628	
Highway Equipment		212,516	
State Aid Projects		115,385	
Total Capital Outlay			421,006

Total Highway/Public Works Fund \$ 3,461,170

General Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	3,860,000	
Total Education			\$ 3,860,000

Interest on Debt

Education

Interest on Bonds	\$	3,565,784	
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(Continued)

Exhibit J-6

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education (Cont.)</u>		
Interest on Other Loans	<u>\$ 341,097</u>	
Total Education		\$ 3,906,881
 <u>Other Debt Service</u>		
<u>Education</u>		
Trustee's Commission	\$ 138,981	
Other Debt Service	<u>3,659</u>	
Total Education		<u>142,640</u>
Total General Debt Service Fund		\$ 7,909,521
 <u>Education Capital Projects Fund</u>		
<u>Capital Projects - Donated</u>		
<u>Capital Projects Donated to School Department</u>		
Contributions	<u>\$ 204,836</u>	
Total Capital Projects Donated to School Department		<u>\$ 204,836</u>
Total Education Capital Projects Fund		<u>204,836</u>
Total Governmental Funds - Primary Government		<u>\$ 38,667,114</u>

Exhibit J-7

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

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 10,967,390</u>
Total Cash Receipts	<u>\$ 10,967,390</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 10,857,716
Trustee's Commission	<u>109,674</u>
Total Cash Disbursements	<u>\$ 10,967,390</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u><u>\$ 0</u></u>

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

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY RAMSEY, CPA
KELLEY McNEAL, CPA, CGFM
State Auditors

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

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

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

Results

Our report on the Putnam 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 Putnam County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

PUTNAM COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

Putnam County School Officials
June 30, 2006

Official

Dr. Michael Martin, Director of Schools

Board of Education

Jan Tate, Chairman
Adam Bernhardt
Dr. Walter Derryberry
David McCormick
Daren Shanks
Roger Williams

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

December 11, 2006

Putnam County Director of Schools and
Board of Education
Putnam 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 Putnam County School Department, a component unit of Putnam County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 28, which collectively comprise a portion of the Putnam 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 Putnam County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

As described in Note I, the Putnam 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 Putnam 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 Putnam 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.

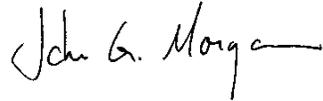
In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2006, on our consideration of the Putnam County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 31 through 33 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 Putnam County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,057,214	\$ 955,280	\$ 2,012,494
Due from Other Governments	2,785,835	917,129	3,702,964
Due from Other Funds	37,667	2,056	39,723
Property Taxes Receivable	9,656,598	0	9,656,598
Allowance for Uncollectible Property Taxes	(447,848)	0	(447,848)
Total Assets	\$ 13,089,466	\$ 1,874,465	\$ 14,963,931
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accrued Payroll	\$ 530,350	\$ 0	\$ 530,350
Payroll Deductions Payable	543,448	76,935	620,383
Due to Other Funds	2,056	0	2,056
Due to State of Tennessee	1,482	552	2,034
Deferred Revenue - Current Property Taxes	9,017,202	0	9,017,202
Deferred Revenue - Delinquent Property Taxes	161,678	0	161,678
Other Deferred Revenues	1,277,528	0	1,277,528
Total Liabilities	\$ 11,533,744	\$ 77,487	\$ 11,611,231
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 212,865	\$ 359,703	\$ 572,568
Reserved for Driver Education	55,477	0	55,477
Reserved for Career Ladder - Extended Contract	257,543	0	257,543
Reserved for Career Ladder Program	4,715	0	4,715
Reserved for Basic Education Program	39,992	0	39,992
Reserved for Title I Grants to Local Education Agencies	0	83,277	83,277
Reserved for Innovative Education Program Strategies	0	141,373	141,373
Reserved for Special Education - Grants to States	0	238,903	238,903
Other Federal Reserves	0	1,674	1,674
Unreserved, Reported In:			
General Fund	985,130	0	985,130
Special Revenue Funds	0	859,809	859,809
Capital Projects Funds	0	112,239	112,239
Total Fund Balances	\$ 1,555,722	\$ 1,796,978	\$ 3,352,700
Total Liabilities and Fund Balances	\$ 13,089,466	\$ 1,874,465	\$ 14,963,931

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

Exhibit B

Putnam County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Putnam 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	\$ 23,547,061	\$ 0	\$ 23,547,061
Licenses and Permits	5,196	0	5,196
Charges for Current Services	235,571	2,609,853	2,845,424
Other Local Revenues	110,962	26,217	137,179
State of Tennessee	31,306,724	53,542	31,360,266
Federal Government	649,482	7,169,910	7,819,392
Other Governments and Citizens Groups	5,200	204,836	210,036
Total Revenues	<u>\$ 55,860,196</u>	<u>\$ 10,064,358</u>	<u>\$ 65,924,554</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 35,213,394	\$ 3,243,205	\$ 38,456,599
Support Services	19,600,582	2,024,961	21,625,543
Operation of Non-Instructional Services	1,709,131	4,445,751	6,154,882
Capital Projects	0	179,580	179,580
Total Expenditures	<u>\$ 56,523,107</u>	<u>\$ 9,893,497</u>	<u>\$ 66,416,604</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (662,911)</u>	<u>\$ 170,861</u>	<u>\$ (492,050)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 449,930	\$ 0	\$ 449,930
Transfers Out	0	(449,930)	(449,930)
Total Other Financing Sources (Uses)	<u>\$ 449,930</u>	<u>\$ (449,930)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (212,981)	\$ (279,069)	\$ (492,050)
Fund Balance, July 1, 2005	1,768,703	2,076,047	3,844,750
Fund Balance, June 30, 2006	<u>\$ 1,555,722</u>	<u>\$ 1,796,978</u>	<u>\$ 3,352,700</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Putnam 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 Putnam County elect its six-member board. The School Department is a component unit of Putnam County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the Putnam County Commission's approval. The School

Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

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

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

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 types:

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

Capital Projects Funds – These funds are used to account for the purchase of property and equipment, along with construction and renovation of buildings and facilities.

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

1. **Deposits and Investments**

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

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.42 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

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

5. 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 specified purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except capital projects funds, which adopt project length budgets. 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 Putnam County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Putnam 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.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

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

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 18,695,974</u>

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

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

B. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 37,667
Nonmajor governmental	General Purpose School	2,056

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.

The receivable in the General Purpose School Fund (\$37,667) was in transit from the Central Cafeteria Fund at June 30, 2006.

Interfund Transfers:

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

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental fund	\$ 449,930
Total	<u>\$ 449,930</u>

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

C. Short-term Debt

Putnam County issued tax anticipation notes for the School Department in advance of property tax collections and deposited the proceeds in the General Purpose School Fund. These notes were necessary because funds were not available to meet current obligations 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
Tax Anticipation Notes	\$ 0	\$ 500,000	\$ (500,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

Putnam County and the School Department have established a self-insurance program for risks associated with general liability, property, casualty losses, and workers' compensation. The self-insurance program is accounted for as an internal service fund in the financial statements of the primary government.

The School Department provides health insurance coverage to their employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on

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

B. Accounting Changes

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

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

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances

surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

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

C. Subsequent Events

The Putnam County Board of Education reassigned Dr. Michael Martin from director of schools to the alternative school on September 7, 2006, and Mike Goolsby was appointed interim director of schools.

On July 18, 2006, the county's General Debt Service Fund issued a \$250,000 tax anticipation note to the General Purpose School Fund for temporary operating funds.

D. Contingent Liabilities

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

E. Retirement Commitments

Plan Description

Employees of Putnam 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 Putnam 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 Putnam County School Department participates in Putnam County's plan, retirement information for the Putnam 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 V.H. of the Annual Financial Report of Putnam County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Putnam 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 Putnam 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 Putnam 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 \$1,670,033, \$1,651,331, and \$980,493, 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 the schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and 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

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 23,547,061	\$ 0	\$ 0	\$ 23,547,061	\$ 22,835,074	\$ 23,545,581	\$ 1,480
Licenses and Permits	5,196	0	0	5,196	6,500	6,500	(1,304)
Charges for Current Services	235,571	0	0	235,571	281,450	335,451	(99,880)
Other Local Revenues	110,962	0	0	110,962	42,050	52,450	58,512
State of Tennessee	31,306,724	0	0	31,306,724	30,281,100	31,650,562	(343,838)
Federal Government	649,482	0	0	649,482	671,275	858,177	(208,695)
Other Governments and Citizens Groups	5,200	0	0	5,200	0	5,200	0
Total Revenues	\$ 55,860,196	\$ 0	\$ 0	\$ 55,860,196	\$ 54,117,449	\$ 56,453,921	\$ (593,725)
Expenditures							
Instruction							
Regular Instruction Program	\$ 28,650,036	\$ (138)	\$ 21,480	\$ 28,671,378	\$ 28,158,683	\$ 28,681,094	\$ 9,716
Alternative Instruction Program	349,309	(382)	127	349,054	375,742	354,652	5,598
Special Education Program	5,131,843	0	21,280	5,153,123	5,135,497	5,199,444	46,321
Vocational Education Program	960,302	0	0	960,302	873,858	961,386	1,084
Adult Education Program	121,904	0	0	121,904	179,815	140,910	19,006
Support Services							
Attendance	86,075	0	0	86,075	87,895	86,695	620
Health Services	484,117	0	0	484,117	455,395	484,395	278
Other Student Support	1,701,242	(1,266)	258	1,700,234	1,681,190	1,709,162	8,928
Regular Instruction Program	1,547,576	0	4,037	1,551,613	1,542,966	1,555,069	3,456
Alternative Instruction Program	96,620	0	0	96,620	95,823	96,623	3
Special Education Program	562,847	0	187	563,034	403,520	563,382	348
Vocational Education Program	96,842	0	0	96,842	100,085	98,358	1,516
Adult Programs	117,412	(537)	782	117,657	114,164	122,180	4,523
Board of Education	1,366,831	0	1,589	1,368,420	1,373,879	1,410,879	42,459

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Director of Schools	\$ 475,653	\$ (576)	\$ 0	\$ 475,077	\$ 474,239	\$ 475,238	\$ 161
Office of the Principal	3,420,164	0	0	3,420,164	3,504,774	3,436,974	16,810
Fiscal Services	399,114	0	10,665	409,779	392,651	410,751	972
Operation of Plant	5,294,267	0	89,422	5,383,689	5,144,728	5,388,017	4,328
Maintenance of Plant	1,390,595	(13,258)	30,345	1,407,682	1,349,285	1,410,285	2,603
Transportation	1,964,775	(422)	142	1,964,495	1,920,747	1,969,969	5,474
Central and Other	596,452	(4,700)	1,165	592,917	549,046	607,410	14,493
<u>Operation of Non-Instructional Services</u>							
Food Service	165,123	0	0	165,123	165,118	165,128	5
Community Services	763,144	(30,127)	3,882	736,899	503,319	819,038	82,139
Early Childhood Education	780,864	0	27,504	808,368	0	822,783	14,415
Total Expenditures	\$ 56,523,107	\$ (51,406)	\$ 212,865	\$ 56,684,566	\$ 54,582,419	\$ 56,969,822	\$ 285,256
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (662,911)	\$ 51,406	\$ (212,865)	\$ (824,370)	\$ (464,970)	\$ (515,901)	\$ (308,469)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 449,930	\$ 0	\$ 0	\$ 449,930	\$ 465,000	\$ 465,000	\$ (15,070)
Transfers Out	0	0	0	0	0	(66)	66
Total Other Financing Sources (Uses)	\$ 449,930	\$ 0	\$ 0	\$ 449,930	\$ 465,000	\$ 464,934	\$ (15,004)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ (212,981)	\$ 51,406	\$ (212,865)	\$ (374,440)	\$ 30	\$ (50,967)	\$ (323,473)
Fund Balance, June 30, 2006	1,768,703	(51,406)	0	1,717,297	1,542,903	1,542,903	174,394
Fund Balance, June 30, 2006	\$ 1,555,722	\$ 0	\$ (212,865)	\$ 1,342,857	\$ 1,542,933	\$ 1,491,936	\$ (149,079)

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

BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Putnam 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.

**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.

Extended School Program Fund – The Extended School Program Fund is used to account for the operations of the child-care programs operated within the schools.

Capital Projects Funds

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for the purchase of property and equipment, along with construction and renovation of buildings and facilities.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for construction and improvements to the Cookeville High School. The majority of funds were expended in prior years.

Exhibit D-1

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

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	Total	Education Capital Projects	Other Capital Projects	Total	
<u>ASSETS</u>								
Equity in Pooled Cash and Investments	\$ 67,058	\$ 609,379	\$ 124,097	\$ 800,534	\$ 120,703	\$ 34,043	\$ 154,746	\$ 955,280
Due from Other Governments	640,974	276,155	0	917,129	0	0	0	917,129
Due from Other Funds	2,056	0	0	2,056	0	0	0	2,056
Total Assets	\$ 710,088	\$ 885,534	\$ 124,097	\$ 1,719,719	\$ 120,703	\$ 34,043	\$ 154,746	\$ 1,874,465
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Payroll Deductions Payable	\$ 48,744	\$ 19,751	\$ 8,440	\$ 76,935	\$ 0	\$ 0	\$ 0	\$ 76,935
Due to State of Tennessee	274	0	278	552	0	0	0	552
Total Liabilities	\$ 49,018	\$ 19,751	\$ 8,718	\$ 77,487	\$ 0	\$ 0	\$ 0	\$ 77,487
<u>Fund Balances</u>								
Reserved for Encumbrances	\$ 195,843	\$ 113,643	\$ 7,710	\$ 317,196	\$ 42,107	\$ 400	\$ 42,507	\$ 359,703
Reserved for Title I Grants to Local Education Agencies	83,277	0	0	83,277	0	0	0	83,277
Reserved for Innovative Education Program Strategies	141,373	0	0	141,373	0	0	0	141,373
Reserved for Special Education - Grants to States	238,903	0	0	238,903	0	0	0	238,903
Other Federal Reserves	1,674	0	0	1,674	0	0	0	1,674
Unreserved	0	752,140	107,669	859,809	78,596	33,643	112,239	972,048
Total Fund Balances	\$ 661,070	\$ 865,783	\$ 115,379	\$ 1,642,232	\$ 120,703	\$ 34,043	\$ 154,746	\$ 1,796,978
Total Liabilities and Fund Balances	\$ 710,088	\$ 885,534	\$ 124,097	\$ 1,719,719	\$ 120,703	\$ 34,043	\$ 154,746	\$ 1,874,465

Exhibit D-2

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

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	Total	Education Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>								
Charges for Current Services	\$ 0	\$ 1,885,008	\$ 724,845	\$ 2,609,853	\$ 0	\$ 0	\$ 0	\$ 2,609,853
Other Local Revenues	0	25,847	7	25,854	363	0	363	26,217
State of Tennessee	0	53,542	0	53,542	0	0	0	53,542
Federal Government	5,014,531	2,155,379	0	7,169,910	0	0	0	7,169,910
Other Governments and Citizens Groups	0	0	0	0	204,836	0	204,836	204,836
Total Revenues	\$ 5,014,531	\$ 4,119,776	\$ 724,852	\$ 9,859,159	\$ 205,199	\$ 0	\$ 205,199	\$ 10,064,358
<u>Expenditures</u>								
Current:								
Instruction	\$ 3,243,205	\$ 0	\$ 0	\$ 3,243,205	\$ 0	\$ 0	\$ 0	\$ 3,243,205
Support Services	2,024,961	0	0	2,024,961	0	0	0	2,024,961
Operation of Non-Instructional Services	0	3,693,667	752,084	4,445,751	0	0	0	4,445,751
Capital Projects	0	0	0	0	165,159	14,421	179,580	179,580
Total Expenditures	\$ 5,268,166	\$ 3,693,667	\$ 752,084	\$ 9,713,917	\$ 165,159	\$ 14,421	\$ 179,580	\$ 9,893,497
Excess (Deficiency) of Revenues Over Expenditures	\$ (253,635)	\$ 426,109	\$ (27,232)	\$ 145,242	\$ 40,040	\$ (14,421)	\$ 25,619	\$ 170,861
<u>Other Financing Sources (Uses)</u>								
Transfers Out	\$ (85,852)	\$ (364,078)	\$ 0	\$ (449,930)	\$ 0	\$ 0	\$ 0	\$ (449,930)
Total Other Financing Sources (Uses)	\$ (85,852)	\$ (364,078)	\$ 0	\$ (449,930)	\$ 0	\$ 0	\$ 0	\$ (449,930)
Net Change in Fund Balances	\$ (339,487)	\$ 62,031	\$ (27,232)	\$ (304,688)	\$ 40,040	\$ (14,421)	\$ 25,619	\$ (279,069)
Fund Balance, July 1, 2005	1,000,557	803,752	142,611	1,946,920	80,663	48,464	129,127	2,076,047
Fund Balance, June 30, 2006	\$ 661,070	\$ 865,783	\$ 115,379	\$ 1,642,232	\$ 120,703	\$ 34,043	\$ 154,746	\$ 1,796,978

Exhibit D-3

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,359	\$ 5,359	\$ (5,359)
Federal Government	5,014,531	0	0	5,014,531	7,188,545	7,426,206	(2,411,675)
Total Revenues	\$ 5,014,531	\$ 0	\$ 0	\$ 5,014,531	\$ 7,193,904	\$ 7,431,565	\$ (2,417,034)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,757,165	\$ (15,759)	\$ 28,512	\$ 1,769,918	\$ 2,847,101	\$ 2,894,718	\$ 1,124,800
Special Education Program	1,315,562	(5,208)	1,342	1,311,696	1,445,876	1,504,300	192,604
Vocational Education Program	170,478	(6,683)	12,384	176,179	180,985	177,375	1,196
<u>Support Services</u>							
Health Services	83,472	0	0	83,472	144,603	105,656	22,184
Other Student Support	142,471	0	0	142,471	161,102	169,154	26,683
Regular Instruction Program	1,154,574	(68,660)	136,404	1,222,318	1,461,272	1,635,233	412,915
Special Education Program	628,579	0	17,201	645,780	777,040	765,810	120,030
Vocational Education Program	6,315	(280)	0	6,035	9,847	6,650	615
Transportation	9,550	0	0	9,550	17,203	17,250	7,700
Total Expenditures	\$ 5,268,166	\$ (96,590)	\$ 195,843	\$ 5,367,419	\$ 7,045,029	\$ 7,276,146	\$ 1,908,727
Excess (Deficiency) of Revenues Over Expenditures	\$ (253,635)	\$ 96,590	\$ (195,843)	\$ (352,888)	\$ 148,875	\$ 155,419	\$ (508,307)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,860	\$ (125,860)
Transfers Out	(85,852)	0	0	(85,852)	(148,875)	(281,279)	195,427
Total Other Financing Sources (Uses)	\$ (85,852)	\$ 0	\$ 0	\$ (85,852)	\$ (148,875)	\$ (155,419)	\$ 69,567
Net Change in Fund Balance	\$ (339,487)	\$ 96,590	\$ (195,843)	\$ (438,740)	\$ 0	\$ 0	\$ (438,740)
Fund Balance, July 1, 2005	1,000,557	(96,590)	0	903,967	0	0	903,967
Fund Balance, June 30, 2006	\$ 661,070	\$ 0	\$ (195,843)	\$ 465,227	\$ 0	\$ 0	\$ 465,227

Exhibit D-4

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 1,885,008	\$ 0	\$ 0	\$ 1,885,008	\$ 2,051,000	\$ 2,051,000	\$ (165,992)
Other Local Revenues	25,847	0	0	25,847	15,700	15,700	10,147
State of Tennessee	53,542	0	0	53,542	52,000	52,000	1,542
Federal Government	2,155,379	0	0	2,155,379	1,977,800	1,977,800	177,579
Total Revenues	\$ 4,119,776	\$ 0	\$ 0	\$ 4,119,776	\$ 4,096,500	\$ 4,096,500	\$ 23,276
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 3,693,667	\$ (131,361)	\$ 113,643	\$ 3,675,949	\$ 3,731,392	\$ 3,731,392	\$ 55,443
Total Expenditures	\$ 3,693,667	\$ (131,361)	\$ 113,643	\$ 3,675,949	\$ 3,731,392	\$ 3,731,392	\$ 55,443
Excess (Deficiency) of Revenues Over Expenditures	\$ 426,109	\$ 131,361	\$ (113,643)	\$ 443,827	\$ 365,108	\$ 365,108	\$ 78,719
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (364,078)	\$ 0	\$ 0	\$ (364,078)	\$ (365,108)	\$ (365,108)	\$ 1,030
Total Other Financing Sources (Uses)	\$ (364,078)	\$ 0	\$ 0	\$ (364,078)	\$ (365,108)	\$ (365,108)	\$ 1,030
Net Change in Fund Balance	\$ 62,031	\$ 131,361	\$ (113,643)	\$ 79,749	\$ 0	\$ 0	\$ 79,749
Fund Balance, July 1, 2005	803,752	(131,361)	0	672,391	0	0	672,391
Fund Balance, June 30, 2006	\$ 865,783	\$ 0	\$ (113,643)	\$ 752,140	\$ 0	\$ 0	\$ 752,140

Exhibit D-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 724,845	\$ 0	\$ 0	\$ 724,845	\$ 795,487	\$ 795,487	\$ (70,642)
Other Local Revenues	7	0	0	7	1,880	1,880	(1,873)
Total Revenues	\$ 724,852	\$ 0	\$ 0	\$ 724,852	\$ 797,367	\$ 797,367	\$ (72,515)
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Community Services	\$ 752,084	\$ (5,837)	\$ 7,710	\$ 753,957	\$ 826,138	\$ 846,138	\$ 92,181
Total Expenditures	\$ 752,084	\$ (5,837)	\$ 7,710	\$ 753,957	\$ 826,138	\$ 846,138	\$ 92,181
Excess (Deficiency) of Revenues Over Expenditures	\$ (27,232)	\$ 5,837	\$ (7,710)	\$ (29,105)	\$ (28,771)	\$ (48,771)	\$ 19,666
Net Change in Fund Balance	\$ (27,232)	\$ 5,837	\$ (7,710)	\$ (29,105)	\$ (28,771)	\$ (48,771)	\$ 19,666
Fund Balance, July 1, 2005	142,611	(5,837)	0	136,774	128,604	128,604	8,170
Fund Balance, June 30, 2006	\$ 115,379	\$ 0	\$ (7,710)	\$ 107,669	\$ 99,833	\$ 79,833	\$ 27,836

MISCELLANEOUS SCHEDULES

Exhibit E-1

Putnam County, Tennessee
Schedule of Transfers
Putnam 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	\$ 85,852
Central Cafeteria	General Purpose School	Indirect costs and salary reimbursements	<u>364,078</u>
Total Transfers			<u>\$ 449,930</u>

Exhibit E-2

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Putnam County Board of Education	\$ 103,000 (1)	(2)	
Employee Blanket Bond Coverage: All County Departments			\$ 500,000	Cincinnati Insurance Company

(1) Includes chief executive officer training supplement of \$2,000.

(2) The director of schools is covered by the \$500,000 employee blanket bond.

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 8,882,717	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,882,717
Trustee's Collections - Prior Year	200,956	0	0	0	0	200,956
Circuit/Clerk & Master Collections - Prior Years	211,370	0	0	0	0	211,370
Interest and Penalty	39,344	0	0	0	0	39,344
Payments in-Lieu-of Taxes - Other	890	0	0	0	0	890
<u>County Local Option Taxes</u>						
Local Option Sales Tax	14,130,324	0	0	0	0	14,130,324
Other County Local Option Taxes	5,046	0	0	0	0	5,046
<u>Statutory Local Taxes</u>						
Bank Excise Tax	76,414	0	0	0	0	76,414
Total Local Taxes	\$ 23,547,061	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,547,061
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 5,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,196
Total Licenses and Permits	\$ 5,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,196
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Other Employee Benefit Charges/Contributions	\$ 3,391	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,391
<u>Education Charges</u>						
Tuition - Summer School	1,225	0	0	0	0	1,225
Tuition - Other	6,250	0	0	0	0	6,250
Lunch Payments - Children	0	0	1,040,479	0	0	1,040,479
Lunch Payments - Adults	0	0	89,214	0	0	89,214
Income from Breakfast	0	0	463,102	0	0	463,102
A la carte Sales	0	0	292,213	0	0	292,213
Transportation - Other State Systems	6,000	0	0	0	0	6,000
Transportation from Individuals	673	0	0	0	0	673
Contract for Instructional Services with Other LEAs	33,621	0	0	0	0	33,621
Contract for Instructional Staff Support with Other LEAs	26,087	0	0	0	0	26,087
Contract for Non-Instructional Services with Other LEAs	1,159	0	0	0	0	1,159
Receipts from Individual Schools	139,639	0	0	0	0	139,639
Community Service Fees - Children	12	0	0	724,845	0	724,857
TBI Criminal Background Fees	15,744	0	0	0	0	15,744

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Education Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>						
<u>Other Charges for Services</u>						
Other Charges for Services	\$ 1,770	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,770
Total Charges for Current Services	\$ 235,571	\$ 0	\$ 1,885,008	\$ 724,845	\$ 0	\$ 2,845,424
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 3,457	\$ 0	\$ 0	\$ 3,457
Sale of Materials and Supplies	777	0	0	0	0	777
Miscellaneous Refunds	96,414	0	22,390	7	0	118,811
Expenditure Credits	4,275	0	0	0	363	4,638
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	488	0	0	0	0	488
Contributions & Gifts	9,008	0	0	0	0	9,008
Total Other Local Revenues	\$ 110,962	\$ 0	\$ 25,847	\$ 7	\$ 363	\$ 137,179
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 28,921,277	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,921,277
School Food Service	0	0	53,542	0	0	53,542
Other State Education Funds	558,490	0	0	0	0	558,490
Career Ladder Program	572,843	0	0	0	0	572,843
Career Ladder - Extended Contract	251,292	0	0	0	0	251,292
<u>Other State Revenues</u>						
Mixed Drink Tax	123,360	0	0	0	0	123,360
Other State Grants	875,920	0	0	0	0	875,920
Other State Revenues	3,542	0	0	0	0	3,542
Total State of Tennessee	\$ 31,306,724	\$ 0	\$ 53,542	\$ 0	\$ 0	\$ 31,360,266
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,616,710	\$ 0	\$ 0	\$ 1,616,710
Breakfast	0	0	523,084	0	0	523,084
USDA - Other	0	0	15,585	0	0	15,585
Adult Education State Grant Program	132,367	0	0	0	0	132,367
Vocational Education - Basic Grants to States	0	251,712	0	0	0	251,712
Other Vocational	5,156	0	0	0	0	5,156

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Title I Grants to Local Education Agencies	\$ 0	\$ 1,678,997	\$ 0	\$ 0	\$ 0	\$ 1,678,997
Innovative Education Program Strategies	0	32,482	0	0	0	32,482
Special Education - Grants to States	73,294	1,870,601	0	0	0	1,943,895
Special Education Preschool Grants	0	33,279	0	0	0	33,279
Eisenhower Professional Development State Grants	0	915,704	0	0	0	915,704
Job Training Partnership Act	0	20,050	0	0	0	20,050
Other Federal through State	389,798	211,706	0	0	0	601,504
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	48,867	0	0	0	0	48,867
Total Federal Government	<u>\$ 649,482</u>	<u>\$ 5,014,531</u>	<u>\$ 2,155,379</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,819,392</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,836	\$ 204,836
<u>Citizens Groups</u>						
Donations	5,200	0	0	0	0	5,200
Total Other Governments and Citizens Groups	<u>\$ 5,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 204,836</u>	<u>\$ 210,036</u>
Total	<u>\$ 55,860,196</u>	<u>\$ 5,014,531</u>	<u>\$ 4,119,776</u>	<u>\$ 724,852</u>	<u>\$ 205,199</u>	<u>\$ 65,924,554</u>

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 19,075,861	
Career Ladder Program	344,130	
Career Ladder Extended Contracts	174,086	
Salary Supplements	666	
Educational Assistants	849,421	
Other Salaries & Wages	2,091	
Certified Substitute Teachers	130,530	
Non-certified Substitute Teachers	147,796	
Social Security	1,242,566	
State Retirement	1,144,080	
Life Insurance	12,144	
Medical Insurance	3,816,851	
Dental Insurance	53,564	
Unemployment Compensation	23,451	
Employer Medicare	291,798	
Travel	245	
Other Contracted Services	15,962	
Instructional Supplies and Materials	252,911	
Textbooks	858,419	
Other Supplies and Materials	3,658	
Fee Waivers	6,574	
Other Charges	553	
Regular Instruction Equipment	202,679	
Total Regular Instruction Program		\$ 28,650,036

Alternative Instruction Program

Teachers	\$ 236,740
Career Ladder Program	4,000
Educational Assistants	22,655
Social Security	15,730
State Retirement	15,150
Life Insurance	160
Medical Insurance	47,416
Dental Insurance	340
Unemployment Compensation	276
Employer Medicare	3,704
Instructional Supplies and Materials	72
Other Supplies and Materials	802
Other Charges	883

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Alternative Instruction Program (Cont.)

Other Equipment	\$ 1,381	
Total Alternative Instruction Program		\$ 349,309

Special Education Program

Teachers	\$ 2,961,284	
Career Ladder Program	46,082	
Career Ladder Extended Contracts	16,525	
Educational Assistants	602,931	
Other Salaries & Wages	119,058	
Certified Substitute Teachers	2,083	
Non-certified Substitute Teachers	9,825	
Social Security	220,911	
State Retirement	228,281	
Life Insurance	3,477	
Medical Insurance	728,218	
Dental Insurance	12,483	
Unemployment Compensation	4,757	
Employer Medicare	52,463	
Contracts with Private Agencies	7,449	
Other Contracted Services	1,200	
Instructional Supplies and Materials	87,177	
Other Supplies and Materials	5,511	
Other Charges	4,433	
Special Education Equipment	17,695	
Total Special Education Program		5,131,843

Vocational Education Program

Teachers	\$ 700,370
Career Ladder Program	13,976
Career Ladder Extended Contracts	1,000
Other Salaries & Wages	768
Certified Substitute Teachers	330
Non-certified Substitute Teachers	1,461
Social Security	43,340
State Retirement	38,231
Life Insurance	341
Medical Insurance	126,146
Dental Insurance	1,862
Unemployment Compensation	705

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Employer Medicare	\$	10,138	
Maintenance & Repair Services - Equipment		2,545	
Instructional Supplies and Materials		17,790	
Vocational Instruction Equipment		1,299	
Total Vocational Education Program			\$ 960,302

Adult Education Program

Teachers	\$	67,981	
Other Salaries & Wages		22,280	
Social Security		5,593	
State Retirement		4,430	
Life Insurance		17	
Medical Insurance		11,886	
Dental Insurance		716	
Unemployment Compensation		306	
Employer Medicare		1,308	
Instructional Supplies and Materials		5,659	
Other Charges		526	
Other Equipment		1,202	
Total Adult Education Program			121,904

Support Services

Attendance

Supervisor/Director	\$	61,571	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Social Security		4,106	
State Retirement		3,606	
Life Insurance		20	
Medical Insurance		10,733	
Dental Insurance		76	
Unemployment Compensation		38	
Employer Medicare		960	
Other Supplies and Materials		368	
Attendance Equipment		597	
Total Attendance			86,075

Health Services

Medical Personnel	\$	277,892	
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(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Other Salaries & Wages	\$	84,922	
Social Security		21,780	
State Retirement		32,902	
Life Insurance		139	
Medical Insurance		55,122	
Dental Insurance		569	
Unemployment Compensation		793	
Employer Medicare		5,062	
Travel		1,063	
Other Contracted Services		408	
Drugs and Medical Supplies		3,010	
Other Supplies and Materials		225	
Other Charges		230	
Total Health Services			\$ 484,117

Other Student Support

Career Ladder Program	\$	25,000	
Guidance Personnel		944,942	
Psychological Personnel		28,686	
Career Ladder Extended Contracts		15,675	
Attendants		122,973	
Other Salaries & Wages		18,528	
Social Security		69,359	
State Retirement		67,003	
Life Insurance		559	
Medical Insurance		195,292	
Dental Insurance		2,413	
Unemployment Compensation		1,241	
Employer Medicare		16,221	
Contracts with Government Agencies		169,710	
Evaluation and Testing		16,981	
Travel		4,134	
Other Supplies and Materials		2,281	
In Service/Staff Development		244	
Total Other Student Support			1,701,242

Regular Instruction Program

Supervisor/Director	\$	94,254
Career Ladder Program		21,963

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Career Ladder Extended Contracts	\$	22,500	
Librarians		688,722	
Materials Supervisor		28,129	
Secretary(ies)		67,009	
Clerical Personnel		35,224	
Other Salaries & Wages		102,241	
Social Security		63,996	
State Retirement		58,724	
Life Insurance		743	
Medical Insurance		183,669	
Dental Insurance		3,552	
Unemployment Compensation		1,368	
Employer Medicare		14,967	
Travel		5,069	
Other Contracted Services		19,211	
Library Books/Media		52,204	
Periodicals		7,048	
Other Supplies and Materials		1,895	
In Service/Staff Development		20,970	
Other Charges		17,725	
Other Equipment		36,393	
Total Regular Instruction Program			\$ 1,547,576

Alternative Instruction Program

Supervisor/Director	\$	55,753	
Career Ladder Program		1,000	
Secretary(ies)		26,476	
Social Security		5,145	
State Retirement		5,460	
Life Insurance		20	
Medical Insurance		1,393	
Dental Insurance		106	
Unemployment Compensation		64	
Employer Medicare		1,203	
Total Alternative Instruction Program			96,620

Special Education Program

Supervisor/Director	\$	56,788
Career Ladder Program		12,000

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Salary Supplements	\$	1,500	
Secretary(ies)		16,458	
Clerical Personnel		4,364	
Other Salaries & Wages		131,694	
Social Security		13,634	
State Retirement		14,031	
Life Insurance		286	
Medical Insurance		20,248	
Dental Insurance		1,396	
Unemployment Compensation		208	
Employer Medicare		3,188	
Travel		26,192	
Other Contracted Services		131,693	
Other Supplies and Materials		48,960	
In Service/Staff Development		23,789	
Other Charges		43,141	
Other Equipment		13,277	
Total Special Education Program			\$ 562,847

Vocational Education Program

Supervisor/Director	\$	59,811	
Career Ladder Program		3,000	
Secretary(ies)		11,416	
Social Security		4,277	
State Retirement		4,431	
Life Insurance		46	
Medical Insurance		10,587	
Dental Insurance		497	
Unemployment Compensation		56	
Employer Medicare		1,000	
Travel		1,333	
Other Supplies and Materials		388	
Total Vocational Education Program			96,842

Adult Programs

Supervisor/Director	\$	50,455
Career Ladder Program		1,000
Clerical Personnel		23,231
In-Service Training		960

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Social Security	\$	4,583	
State Retirement		4,869	
Life Insurance		46	
Medical Insurance		10,587	
Dental Insurance		112	
Unemployment Compensation		80	
Employer Medicare		1,072	
Travel		2,056	
Other Supplies and Materials		8,353	
Other Charges		6,496	
Other Equipment		3,512	
Total Adult Programs			\$ 117,412

Board of Education

Secretary to Board	\$	43,196	
Other Salaries & Wages		3,400	
Board and Committee Members Fees		8,700	
Social Security		3,243	
State Retirement		3,880	
Life Insurance		38	
Medical Insurance		9,307	
Dental Insurance		491	
Unemployment Compensation		40	
Employer Medicare		759	
Audit Services		11,000	
Dues and Memberships		23,225	
Legal Services		60,522	
Travel		4,498	
Other Contracted Services		76,510	
Office Supplies		136	
Other Supplies and Materials		1,495	
Liability Insurance		157,500	
Trustee's Commission		425,855	
Workers' Compensation Insurance		366,714	
In Service/Staff Development		2,008	
Criminal Investigation of Applicants - TBI		15,600	
Refund to Applicant for Criminal Investigation		6,384	
Other Charges		142,330	
Total Board of Education			1,366,831

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	101,000	
Assistant(s)		218,165	
Career Ladder Program		5,000	
Secretary(ies)		21,368	
Social Security		19,766	
State Retirement		21,551	
Life Insurance		97	
Medical Insurance		40,819	
Dental Insurance		420	
Unemployment Compensation		185	
Employer Medicare		4,768	
Communication		28,428	
Travel		2,021	
Other Contracted Services		3,711	
Office Supplies		4,315	
Other Charges		340	
Administration Equipment		3,699	
Total Director of Schools			\$ 475,653

Office of the Principal

Principals	\$	1,017,076
Career Ladder Program		38,499
Accountants/Bookkeepers		117,533
Career Ladder Extended Contracts		28,773
Assistant Principals		642,683
Secretary(ies)		797,127
Social Security		152,345
State Retirement		167,829
Life Insurance		1,366
Medical Insurance		328,657
Dental Insurance		5,949
Unemployment Compensation		2,708
Employer Medicare		35,882
Communication		54,964
Dues and Memberships		7,359
Postal Charges		8,500
Other Contracted Services		248
Office Supplies		3,398
Other Supplies and Materials		309

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

In Service/Staff Development	\$ 459	
Other Charges	8,500	
Total Office of the Principal		\$ 3,420,164

Fiscal Services

Accountants/Bookkeepers	\$ 126,733	
Purchasing Personnel	27,700	
Clerical Personnel	43,766	
Social Security	11,615	
State Retirement	16,946	
Life Insurance	143	
Medical Insurance	31,579	
Dental Insurance	612	
Unemployment Compensation	312	
Employer Medicare	2,716	
Travel	1,724	
Other Contracted Services	68,705	
Office Supplies	13,398	
In Service/Staff Development	7,197	
Other Charges	38,596	
Administration Equipment	7,372	
Total Fiscal Services		399,114

Operation of Plant

Custodial Personnel	\$ 636,201
Social Security	36,974
State Retirement	50,706
Life Insurance	668
Medical Insurance	140,497
Dental Insurance	1,625
Unemployment Compensation	1,450
Employer Medicare	8,647
Janitorial Services	876,455
Other Contracted Services	40,480
Custodial Supplies	50,915
Electricity	1,943,200
Natural Gas	1,060,443
Water and Sewer	259,786
Other Supplies and Materials	41,861

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Boiler Insurance	\$	4,037	
Building and Contents Insurance		140,322	
Total Operation of Plant			\$ 5,294,267

Maintenance of Plant

Supervisor/Director	\$	52,016	
Secretary(ies)		24,555	
Maintenance Personnel		524,588	
Social Security		35,746	
State Retirement		51,285	
Life Insurance		418	
Medical Insurance		98,112	
Dental Insurance		1,211	
Unemployment Compensation		773	
Employer Medicare		8,364	
Laundry Service		10,356	
Other Contracted Services		221,271	
Other Supplies and Materials		356,950	
Other Charges		4,950	
Total Maintenance of Plant			1,390,595

Transportation

Supervisor/Director	\$	13,095	
Mechanic(s)		125,906	
Bus Drivers		791,599	
Clerical Personnel		21,811	
Other Salaries & Wages		11,070	
In-Service Training		69	
Social Security		56,896	
State Retirement		84,872	
Life Insurance		1,087	
Medical Insurance		161,990	
Dental Insurance		5,301	
Unemployment Compensation		2,196	
Employer Medicare		13,487	
Contracts with Parents		2,863	
Laundry Service		3,445	
Rentals		21,610	
Other Contracted Services		44,104	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Diesel Fuel	\$	215,794	
Gasoline		31,604	
Lubricants		5,826	
Tires and Tubes		21,039	
Vehicle Parts		65,011	
Other Supplies and Materials		2,652	
Other Charges		2,312	
Transportation Equipment		259,136	
Total Transportation			\$ 1,964,775

Central and Other

Supervisor/Director	\$	58,261	
Career Ladder Program		3,907	
Computer Programmer(s)		241,501	
Clerical Personnel		22,606	
Other Salaries & Wages		61,237	
Social Security		23,318	
State Retirement		24,929	
Life Insurance		190	
Medical Insurance		62,279	
Dental Insurance		341	
Unemployment Compensation		366	
Employer Medicare		5,453	
Maintenance & Repair Services - Equipment		7,185	
Travel		1,620	
Other Contracted Services		1,939	
Office Supplies		470	
Other Supplies and Materials		45,655	
Data Processing Equipment		35,195	
Total Central and Other			596,452

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	61,471	
Career Ladder Program		1,000	
Accountants/Bookkeepers		24,882	
Clerical Personnel		54,913	
Social Security		8,673	
State Retirement		10,370	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Life Insurance	\$	1,470	
Dental Insurance		162	
Unemployment Compensation		154	
Employer Medicare		2,028	
Total Food Service			\$ 165,123

Community Services

Supervisor/Director	\$	2,336	
Teachers		213,046	
Bus Drivers		470	
Other Salaries & Wages		282,033	
Certified Substitute Teachers		280	
Social Security		28,665	
State Retirement		29,150	
Life Insurance		163	
Medical Insurance		59,252	
Dental Insurance		738	
Unemployment Compensation		652	
Employer Medicare		6,785	
Travel		3,316	
Other Contracted Services		2,658	
Other Supplies and Materials		64,551	
Other Charges		1,828	
Other Equipment		67,221	
Total Community Services			763,144

Early Childhood Education

Supervisor/Director	\$	14,129	
Teachers		319,875	
Clerical Personnel		4,828	
Other Salaries & Wages		123,792	
Social Security		27,540	
State Retirement		28,373	
Life Insurance		497	
Medical Insurance		101,623	
Dental Insurance		645	
Unemployment Compensation		862	
Employer Medicare		6,432	
Other Contracted Services		5,396	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Food Supplies	\$	3,767	
Other Supplies and Materials		69,709	
Other Charges		11,501	
Other Equipment		61,895	
Total Early Childhood Education			\$ 780,864

Total General Purpose School Fund \$ 56,523,107

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	924,606	
Educational Assistants		116,541	
Certified Substitute Teachers		8,975	
Non-certified Substitute Teachers		13,625	
Social Security		63,550	
State Retirement		59,206	
Life Insurance		207	
Medical Insurance		206,106	
Dental Insurance		1,474	
Unemployment Compensation		1,519	
Employer Medicare		14,891	
Instructional Supplies and Materials		140,437	
Regular Instruction Equipment		206,028	
Total Regular Instruction Program			\$ 1,757,165

Special Education Program

Teachers	\$	47,689	
Educational Assistants		815,251	
Other Salaries & Wages		367	
Certified Substitute Teachers		40	
Non-certified Substitute Teachers		40	
Social Security		50,067	
State Retirement		70,363	
Life Insurance		143	
Medical Insurance		205,412	
Dental Insurance		2,919	
Unemployment Compensation		2,390	
Employer Medicare		11,709	

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Contracts with Private Agencies	\$	22,493	
Maintenance & Repair Services - Equipment		560	
Other Contracted Services		32,803	
Instructional Supplies and Materials		43,833	
Other Supplies and Materials		3,488	
Special Education Equipment		5,995	
Total Special Education Program			\$ 1,315,562

Vocational Education Program

Other Salaries & Wages	\$	1,450	
Social Security		75	
State Retirement		69	
Unemployment Compensation		4	
Employer Medicare		17	
Instructional Supplies and Materials		36,186	
Other Supplies and Materials		5,642	
Vocational Instruction Equipment		127,035	
Total Vocational Education Program			170,478

Support Services

Health Services

Medical Personnel	\$	27,415	
Other Salaries & Wages		11,446	
Social Security		2,337	
State Retirement		3,196	
Life Insurance		36	
Medical Insurance		3,440	
Dental Insurance		4	
Unemployment Compensation		41	
Employer Medicare		547	
Dues and Memberships		295	
Other Contracted Services		25,283	
Drugs and Medical Supplies		1,147	
Other Supplies and Materials		4,775	
Other Equipment		3,510	
Total Health Services			83,472

Other Student Support

Guidance Personnel	\$	46,294	
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(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Workers	\$	52,199	
Social Security		5,808	
State Retirement		7,009	
Life Insurance		157	
Medical Insurance		10,700	
Dental Insurance		158	
Unemployment Compensation		82	
Employer Medicare		1,358	
In Service/Staff Development		18,706	
Total Other Student Support			\$ 142,471

Regular Instruction Program

Supervisor/Director	\$	70,256	
Salary Supplements		27,500	
Secretary(ies)		42,462	
Clerical Personnel		2,016	
Other Salaries & Wages		219,560	
Social Security		21,336	
State Retirement		21,488	
Life Insurance		79	
Medical Insurance		28,858	
Dental Insurance		851	
Unemployment Compensation		464	
Employer Medicare		4,990	
Travel		9,741	
Other Contracted Services		114,739	
Other Supplies and Materials		137,654	
In Service/Staff Development		357,072	
Other Charges		70,470	
Regular Instruction Equipment		1,689	
Other Equipment		23,349	
Total Regular Instruction Program			1,154,574

Special Education Program

Psychological Personnel	\$	257,452
Assessment Personnel		79,200
Secretary(ies)		8,634
Clerical Personnel		30,635
Other Salaries & Wages		72,277

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

In-Service Training	\$	3,525	
Social Security		27,514	
State Retirement		26,042	
Life Insurance		364	
Medical Insurance		55,616	
Dental Insurance		2,326	
Unemployment Compensation		425	
Employer Medicare		6,435	
Travel		184	
Other Contracted Services		39,167	
Other Supplies and Materials		6,416	
In Service/Staff Development		12,367	
Total Special Education Program			\$ 628,579

Vocational Education Program

Other Contracted Services	\$	2,064	
In Service/Staff Development		1,884	
Other Charges		401	
Other Equipment		1,966	
Total Vocational Education Program			6,315

Transportation

Rentals	\$	2,400	
Vehicle Parts		7,150	
Total Transportation			9,550

Total School Federal Projects Fund \$ 5,268,166

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	1,241,564
Social Security		73,243
State Retirement		77,572
Medical Insurance		211,200
Dental Insurance		3,090
Unemployment Compensation		5,177
Employer Medicare		17,129
Communication		10,258

(Continued)

Exhibit E-4

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Maintenance & Repair Services - Equipment	\$	42,645	
Travel		4,137	
Other Contracted Services		39,138	
Food Preparation Supplies		102,920	
Food Supplies		1,596,055	
Office Supplies		11,293	
Other Supplies and Materials		11,134	
In Service/Staff Development		10,046	
Other Charges		57,134	
Food Service Equipment		179,932	
Total Food Service			\$ 3,693,667

Total Central Cafeteria Fund \$ 3,693,667

Extended School Program Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	1,154	
Bus Drivers		210	
Other Salaries & Wages		564,624	
Social Security		34,324	
State Retirement		28,744	
Life Insurance		412	
Medical Insurance		48,599	
Dental Insurance		367	
Unemployment Compensation		1,798	
Employer Medicare		8,028	
Travel		2,370	
Other Contracted Services		203	
Food Supplies		30,162	
Other Supplies and Materials		1,850	
Refunds		1,150	
Trustee's Commission		3	
Other Charges		23,781	
Other Equipment		4,305	
Total Community Services			\$ 752,084

Total Extended School Program Fund 752,084

(Continued)

Exhibit E-4

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

<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Consultants	\$	18,196	
Contracts with Government Agencies		23,095	
Legal Services		<u>123,868</u>	
Total Education Capital Projects			\$ <u>165,159</u>
Total Education Capital Projects Fund			\$ 165,159
<u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Other Contracted Services	\$	<u>14,421</u>	
Total Education Capital Projects			\$ <u>14,421</u>
Total Other Capital Projects Fund			<u>14,421</u>
Total Governmental Funds - Putnam County School Department			<u>\$ 66,416,604</u>

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

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY RAMSEY, CPA
TIM BRASHEARS
RODNEY MALIN, CGFM
JAMES HODGES, CFE
STEPHEN ALRED
KELLEY McNEAL, CPA, CGFM
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

December 11, 2006

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam County, Tennessee, and each major fund and the aggregate remaining fund information of the Putnam County School Department as of and for the year ended June 30, 2006, which collectively comprise Putnam County's and a portion of the Putnam County School Department's basic financial statements and have issued our reports thereon dated December 11, 2006. Our report on the financial statements of Putnam County, Tennessee, expresses an adverse opinion because management has not provided reasonable estimates for the historical costs assigned to the county's infrastructure assets and because the financial statements of the aggregate discretely presented component units did not include the financial statements of the Putnam County School Department, as required by accounting principles generally accepted in the United States of America. Our report on the financial statements of the Putnam County School Department expresses an adverse opinion because management did not present government-wide financial statements, as required by accounting principles generally accepted in the United States of America. 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 Putnam County's and the Putnam 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 Putnam County's and the Putnam 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, 06.05, 06.06, and 06.07.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Putnam County's and the Putnam County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.03, and 06.04.

We have also noted certain matters that we reported to the management of Putnam County and the Putnam 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 agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



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

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

December 11, 2006

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

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

Compliance

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

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

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Putnam County and the Putnam County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.06 and 06.08.

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

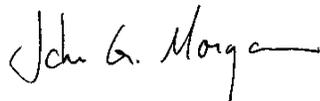
Schedule of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam County, Tennessee, and the major fund and the aggregate remaining fund information of the Putnam County School Department, as of and for the year ended June 30, 2006, and have issued our reports thereon dated December 11, 2006. Our report on the financial statements of Putnam County expresses an adverse opinion because management has not provided reasonable

estimates for the historical costs assigned to the county's infrastructure assets and because the financial statements of the aggregate discretely presented component units did not include the financial statements of the Putnam County School Department, as required by accounting principles generally accepted in the United States of America. Our report on the financial statements of the Putnam County School Department expresses an adverse opinion because management did not present government-wide financial statements, as required by accounting principles generally accepted in the United States of America. 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 agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

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

For the Putnam County Emergency Communications District

To the Board of Directors of the
Putnam County Emergency Communications District
Cookeville, Tennessee

I have audited the financial statements of the Putnam County Emergency Communications District, a component unit of Putnam County, as of and for the year ended June 30, 2006, and have issued my report thereon. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Putnam County Emergency Communications District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Putnam County Emergency Communications District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of Putnam County Emergency Communications District and the Comptroller of the Treasury, State of Tennessee, and is not intended to be used and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

For the Putnam County Agricultural and Industrial Fair, Inc.

To the Board of Directors of the
Putnam County Agricultural and Industrial Fair, Inc.
Cookeville, Tennessee

I have audited the accompanying financial statements of Putnam County Agricultural and Industrial Fair, Inc., a component unit of Putnam County, as of and for the year ended June 30, 2006, and have issued my report thereon. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Putnam County Agricultural and Industrial Fair, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Putnam County Agricultural and Industrial Fair, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of Putnam County Agricultural and Industrial Fair, Inc., and the Comptroller of the Treasurer, State of Tennessee, and is not intended to be used and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 235,341
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	523,084
National School Lunch Program	10.555	N/A	1,632,295
Total U.S. Department of Agriculture			<u>\$ 2,390,720</u>
U.S. Department of Justice:			
Direct Program:			
Appalachia HIDTA	16.XXX	N/A	\$ 7,295
Passed-through the State Commission on Children and Youth:			
Juvenile Accountability Incentive Block Grants	16.523	GG-05-11314-00	3,792
Passed-through Upper Cumberland Development District:			
Byrne Formula Grant Program	16.579	Z-99-088399-00	52,025
Passed-through the State Office of Criminal Justice Programs:			
Edward Byrne Memorial State and Local Law Enforcement Assistance			
Discretionary Grants Program	16.580	Z-99-088389-00	39,316
Violence Against Women Formula Grant	16.588	Z-00-001438-01	52,144
Total U.S. Department of Justice			<u>\$ 154,572</u>
U.S. Department of Labor:			
Passed through Upper Cumberland Human Resource Agency:			
WIA Adult Program	17.258	(2)	\$ 21,644
Total U.S. Department of Labor			<u>\$ 21,644</u>
U.S. Department of Transportation:			
Passed-through the State Department of Transportation:			
Highway Planning and Construction	20.205	STP-H-7100(47)	\$ 50,000
Total U.S. Department of Transportation			<u>\$ 50,000</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program			
Adult Education - State Grant Program	84.002	GG-05-11176-01	\$ 5,482 (3)
Title I Grants to Local Educational Agencies	84.010	N/A	1,512,346
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	2,216,919
Special Education - Preschool Grants	84.173	N/A	44,089
Vocational Education - Basic Grants to States	84.048	N/A	245,120
Safe and Drug Free Schools and Communities - State Grant	84.186	(2)	60,282
Twenty-First Century Community Learning Centers	84.287	(2)	225,551
State Grants for Innovative Programs	84.298	(2)	106,193
Education Technology State Grants	84.318	(2)	129,979
Comprehensive School Reform Demonstration	84.332	(2)	82,828
Reading Excellence	84.338	Z-03-011066-00	24,994
Reading First State Grants	84.357	GG-04-11032-00	212,305
English Language Acquisition Grants	84.365	(2)	163,291
Mathematics and Science Partnerships	84.366	GG-04-11060-00	296,472
Improving Teacher Quality State Grants	84.367	N/A	373,292
Hurricane Education Recovery	84.938c	(2)	85,643
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027809-00	119,558 (3)
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-04-10247-01	5,156
Passed-through Volunteer State Community College:			
Tech-Prep Education	84.243	(2)	9,728
Total U.S. Department of Education			<u>\$ 5,919,228</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-06-027213-00	\$ 12,809
Passed-through State Department of Health:			
National Bioterrorism Preparedness Program	93.889	GG-06-12050-00	<u>56,600</u>
Total U.S. Department of Health and Human Services			<u>\$ 69,409</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022485-01	\$ 978,692
Homeland Security Grant Program	97.067	Z-05-025200-00	<u>654,881</u>
Total U.S. Department of Homeland Security			<u>\$ 1,633,573</u>
Total Expenditures of Federal Awards			<u>\$ 10,239,146</u>

<u>State Grants</u>		Contract Number	
Early Childhood Education - State Department of Education	N/A	(2)	\$ 195,000
Adult Education - State Department of Education	N/A	(2)	31,781
Coordinated School Health - State Department of Education	N/A	(2)	92,248
Touching Lives of Children - State Department of Education	N/A	(2)	6,980
High Schools That Work - State Department of Education	N/A	(2)	954
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	20,881
Juvenile Services Program - State Department of Children and Youth	N/A	(2)	9,000
Family Based Service - State Children's Services Commission	N/A	(2)	83,940
Parenting Plan - State Administrative Office of the Courts	N/A	(2)	27,577
Drug Court Treatment Resources Fund - State Department of Finance and Administration	N/A	(2)	12,822
Local Parks and Recreation Fund Grant - State Department of Environment and Conservation	N/A	(2)	50,000
Health Access Community Initiative Grant - State Department of Health	N/A	(2)	79,927
Rural Local Health Services - State Department of Health	N/A	(2)	774,882
Litter Program - State Department of Transportation	N/A	(2)	45,906
Law Enforcement Training Program - State Department of Safety	N/A	(2)	36,952
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	6,938
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	34,063
Safe Schools Act - State Department of Education	N/A	(2)	52,455
Model Dropout Prevention - State Department of Education	N/A	(2)	9,500
Voluntary PreK for Tennessee - State Department of Education	N/A	(2)	822,782
Lottery for Education - PreK - State Department of Education	N/A	(2)	183,467
Family Resource - State Department of Education	N/A	(2)	33,300
Families First - State Department of Labor and Workforce Development	N/A	(2)	<u>6,897</u>
Total State Grants			<u>\$ 2,618,252</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) - Total Adult Education - State Grant Program (CFDA No. 84.002) from the U.S. Department of Education was \$125,040.

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

PUTNAM COUNTY SCHOOL DEPARTMENT

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

OFFICE OF COUNTY CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.08	18	The office did not report and remit juvenile fines in accordance with state statutes

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.09	18	Duties were not segregated adequately in the Offices of County Executive, Road Supervisor, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
05.10	19	A central system of accounting, budgeting, and purchasing had not been adopted

**PUTNAM COUNTY, TENNESSEE, AND THE
PUTNAM 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 Putnam County and the Putnam County School Department.
2. The audit of the financial statements of Putnam County and the Putnam 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 was material to the financial statements of Putnam County and one instance of noncompliance that was material to the financial statements of the Putnam County School Department.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Homeland Security Cluster: State Domestic Preparedness Equipment Support Program and the Homeland Security Grant Program (CFDA Nos. 97.004 and 97.067) 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. Putnam County and the Putnam County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the road supervisor, director of schools, current interim director of schools, county clerk, circuit and general sessions courts clerk, and clerk and master are quoted in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF ROAD SUPERVISOR

FINDING 06.01 **ESTIMATED HISTORICAL COSTS FOR ROADS WERE NOT REASONABLE (Material Noncompliance Under Government Auditing Standards)**

An adverse opinion was issued on the financial statements of Putnam County's governmental activities because estimates of historical costs assigned to the county's roads were not reasonable. The Highway Department's capital assets records reflected that 90 percent of the county's roads were constructed after 1988. Construction dates were estimated by the bookkeeper, and in many cases, appeared to be road re-surfacing dates, thereby, inflating the estimated historical costs of these roads. The Highway Department is required to capitalize and report major general infrastructure assets that were acquired (purchased, constructed, or donated) after July 1, 1980, as required by Governmental Accounting Standards Board Statement No. 34 based on historical costs or estimated historical costs.

RECOMMENDATION

The Highway Department should determine the value of its roads using actual historical costs or estimated historical costs. Potential sources of estimated historical costs include bond documents, capital outlays and capital projects fund expenditures in prior financial reports, engineering documents, capital budgets, and minutes of the governing body.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR (DIRECT QUOTE)

I agree with the finding. The department will work with County Technical Advisory Services to re-evaluate the road value and capitalize each road on a more realistic basis. The capitalization policy will be amended when it is decided exactly how we will value the roads and bridges. If all else fails, we will contract with a firm familiar with GASB 34 to achieve a satisfactory report.

FINDING 06.02

THE OFFICE HAD PAYROLL DEFICIENCIES

(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following payroll deficiencies:

- A. Supervisors at the Highway Department were not required to prepare time records or utilize the time clock to document hours worked. The Highway Department's Personnel Policy states "A time clock is used to record the employee's starting and ending time for each day. Each employee must sign their time card each pay period. A supervisor or department head must sign each employee's time card."
- B. The Highway Department's personnel policy includes policies for granting various types of leave; however, leave records were not maintained for salaried employees.
- C. The Highway Department paid the Road Supervisor's wife for 450 hours sick leave from June 16, 2006, through September 12, 2006; however, as a salaried employee, there were no leave records on file documenting the number of sick leave hours available to her. The Highway Department's personnel policy states that sick leave is granted at a rate of eight hours per month with a maximum accumulation of 192 hours.

RECOMMENDATION

The road supervisor should maintain time and attendance records on all employees. These time and attendance records should include, at a minimum, the dates, hours worked, and signatures of employees and supervisors. Furthermore, the office should maintain leave records that document employees' vacation, sick, and compensatory leave earned, used, and beginning and ending balances. The Highway Department should compensate employees for accumulated leave in accordance with the department's personnel policies.

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR (DIRECT QUOTE)

- A. Supervisory staff are not required to use the time clock, as they are not paid for overtime hours. Records were kept on work sheets showing scheduled work days from 1990 until 2004, when the payroll clerk understood county audit to say that supervisory staff did not need to keep time sheets. The time clock policy will be changed to state that only hourly employees use the time clock.
- B. Leave records have been kept since 1990 until the present on a work sheet for all hourly and salaried employees, except for supervisory staff for 2005 and 2006. Time worked and leave records will be kept on a work schedule sheet for all salaried employees, including supervisory staff. The sheet will be signed by the supervisor or the assistant supervisor.

- C. The Road Supervisor expects salaried employees to work every day possible. They do not take a day off each month after accumulating 192 hours as hourly employees do. We do allow salaried employees a reasonable amount of paid time off, when it is necessary. Mrs. Lamb has been an employee of the department for 16 years. She has been paid for a total of 666 hours of leave time during those years. Any hourly employee who had worked for 16 years would have been paid for 1,536 leave hours. Leave time will be given to persons as they earn it in keeping with department policy.

REBUTTAL

Time and attendance records should be maintained on all employees, including supervisors, to document leave earned and used. The Highway Department could not provide us with documentation of the sick leave earned or used by the Road Supervisor's wife.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.03 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

The 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 its capital assets. These records should document the historical costs of the School Department's capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

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

I concur with this recommendation. The board of education has made significant strides in addressing this finding. Its use of a computerized inventory which is monitored and reconciled annually is a significant step in addressing this finding. In addition the board of education's use of computerized timekeeping has provided the necessary tool required to account for personnel costs and accrued leave liability.

The final step which must be taken is the compilation and maintenance of capital asset records. This should be a priority of the board of education for the 2006-2007 school year.

OFFICE OF COUNTY CLERK

FINDING 06.04 **THE OFFICE DID NOT REPORT AND REMIT JUVENILE FINES IN ACCORDANCE WITH STATE STATUTES**
(Noncompliance Under Government Auditing Standards)

At June 30, 2006, the office had not reported and remitted juvenile fines of \$47,395 to the county trustee and various cities within the county. The clerk collected partial payments on juvenile fines and held the collections until the entire fine was paid. We noted fines held for collections dated as far back as July 1998. Sections 9-2-108 through 9-2-114, Tennessee Code Annotated (TCA), require all county and city revenues to be reported and paid quarterly.

RECOMMENDATION

The office should remit all collections in compliance with state statutes.

MANAGEMENT'S RESPONSE – COUNTY CLERK (DIRECT QUOTE)

As to the finding of remitting juvenile fines, my response would be the same as always. The juvenile judge allows payments to be made each month toward the court costs due on numerous cases. Those monies remain in hold until paid in full for disbursement. However, all monies received that month for restitution are disbursed that month.

REBUTTAL

Sections 9-2-108 through 9-2-114, TCA, require all county revenues to be reported and paid to the county trustee quarterly. These statutes do not make any exceptions for partial payments.

FINDING 06.05 **THE OFFICE HAD INTERNAL CONTROL DEFICIENCIES RELATED TO COLLECTIONS** (Internal Control – Reportable Condition under Government Auditing Standards)

Our audit revealed the following deficiencies in controls over collections:

- A. The county clerk maintains satellite offices in the cities of Baxter and Monterey. The Monterey office is open Monday through Friday for one and one-half hours each day. The Baxter office is open for a half-hour on Mondays, Wednesdays, and Fridays. The employee on duty at these locations takes the collections and paperwork home, and on the following business day takes them to the central office for deposit and posting.
- B. Motor vehicle title applications and renewals completed at the satellite offices are prepared manually and entered into the central office computer system the next business day. Once the information from the manual documents is entered into the computer system, one signed copy is mailed to the state with the motor vehicle report while the remaining copies of the manually prepared documents are destroyed. Therefore, the County Clerk's Office does not retain a signed copy of these title applications and renewals.
- C. The computer system allows the clerk's office to print an unofficial copy of a title application for review prior to processing. The data in the title application can then be altered before it is saved to the accounting system. The computer generates an audit report of the unofficial applications printed; however, the clerk's office is not accounting for all of these unofficial copies. Therefore, a customer could be given the printed unofficial copy of the title application that would not agree with the official application posted to the accounting records.
- D. The clerk's office utilizes prenumbered title applications; however, no procedures are performed to ensure that all applications have been accounted for.

RECOMMENDATION

Employees should not take office collections and paperwork home overnight. Collections and paperwork should be transported to the central office daily. Manually prepared title applications and renewals containing original signatures should be retained for audit inspection. The clerk should review the audit log and account for all printed unofficial title applications. Furthermore, the clerk should account for the prenumbered title applications.

MANAGEMENT'S RESPONSE – COUNTY CLERK (DIRECT QUOTE)

It has been a practice of this office for greater than 40 years to maintain satellite offices in Monterey and Baxter. Whoever has had the responsibility of maintaining that branch and performing the transactions, has always taken the collections and paperwork home with them and brought those collections and documents to the main office the next morning. At the time that the main office became computerized, it was necessary to input that work from the branches into the computer system the next morning for the proper required computer reporting to the state Title and Registration Division. However, all hand-written applications from the branches are maintained and used as the signature copy for the computer generated title application the following morning. All plates and decals issued to the deputy clerk maintaining that branch are accounted for the following morning as well as appropriate collected fees accordingly.

The forms that are furnished by the state Title and Registration Division and required for us to use have batch control numbers pre-printed on them. I now have in place a system of issuing those forms by batch control numbers to the deputy clerks who maintain the Monterey and Baxter branches. The following morning, those used and un-used forms are checked back in to my assistant as well as all corresponding work, plates, and decals and appropriate money collections. Therefore, every article of paper, product, and money is accounted for.

REBUTTAL

Sound internal control procedures and personal security issues dictate that collections and paperwork should not be retained overnight by employees. The procedures described in the management's response were not instituted until November 2006. According to the clerk, during the period under examination, title applications processed at the satellite offices in the cities of Baxter and Monterey were not retained by the office. The original title application with the customer's signature was attached to the state report, and all remaining copies were destroyed. The title application retained by the clerk's office was the application printed from the computer the day after the collection was received at the satellite office.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.06 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, ROAD SUPERVISOR, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

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

MANAGEMENT'S RESPONSE – ROAD SUPERVISOR (DIRECT QUOTE)

I agree with the finding.

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

I concur with this recommendation and would recommend the board of education hire another central office person assigned to food service to allow for properly segregated duties and to safeguard public funds.

MANAGEMENT'S RESPONSE – INTERIM DIRECTOR OF SCHOOLS - MIKE GOOLSBY (DIRECT QUOTE)

Concur. Within our existing resources and personnel, we have implemented additional controls wherein the food service supervisor will review and be more cognizant of food service program transactions.

MANAGEMENT'S RESPONSE – COUNTY CLERK (DIRECT QUOTE)

I would contend that I have my duties adequately segregated.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK (DIRECT QUOTE)

We are taking every precaution to adequately ensure duties are segregated and monies are secured.

MANAGEMENT’S RESPONSE – CLERK AND MASTER (DIRECT QUOTE)

I concur with the finding regarding segregation of duties in my office. I feel that our office is maintained as efficiently as possible due to the limited number of deputy clerks that I am allowed and the budget that we work with.

REBUTTAL TO COUNTY CLERK

Subsequent to June 30, 2006, the clerk instituted additional internal controls over collections; however, even with the additional controls, duties were not segregated adequately among the official and employees.

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

County officials had not adopted a central system of accounting, budgeting, and purchasing covering all county departments. 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 that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

MANAGEMENT’S RESPONSE – ROAD SUPERVISOR (DIRECT QUOTE)

I do not concur.

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

I concur with this recommendation and recommend the board of education centralize its accounting, budgeting, and purchasing with the county.

The realization of this annually occurring finding is much less a measure of effective-efficient management and more a dilemma of political governance. The director of schools must effectively manage public funds and approved programs regardless of whether the system is centralized as stipulated in this finding or if the current practice of separation of these duties continues to exist. This issue can only be resolved by the two political bodies that deal with general school funds, the county commission and board of education.

Audit findings often reflect the fiscal management skills of the fund director. This finding however reflects a philosophical difference in who ultimately controls the schools between the two political entities responsible for education at the local level.

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

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education:	06.08		Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.06 - Duties were not adequately segregated in the Office of Director of Schools and the Office of County Executive	\$ 0
Child Nutrition Cluster:					
School Breakfast Program		10.553			
National School Lunch Program		10.555			
U.S. Department of Homeland Security: Passed-through State Department of the Military:					
Homeland Security Cluster:					
State Domestic Preparedness Equipment Support Program		97.036			
Homeland Security Grant Program		97.067			

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

There were two findings relative to federal awards presented in the current year audit's Schedule of Findings and Questioned Costs and one audit finding relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs.

County Executive – Corrective Action Plan for Current-year Findings

FINDINGS 06.06 and 06.08

Contact Person: Kim Blaylock

Corrective action planned: The county executive did not provide us with a corrective action plan for the segregation of duties finding.

Anticipated completion date: None

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

FINDINGS 06.06 and 06.08

Contact Person: Dr. Michael Martin

Corrective action planned: I would recommend the board of education hire another central office person assigned to food service to allow for properly segregated duties and to safeguard public funds.

Anticipated completion date: None

Current Interim Director of Schools – Corrective Action Plan for Current-year Findings

FINDINGS 06.06 and 06.08

Contact Person: Mike Goolsby

Corrective action planned: Within our existing resources and personnel, we have implemented additional controls wherein the food service supervisor will review and be more cognizant of food service program transactions.

Anticipated completion date: 2006-07

County Executive – Summary Schedule of Prior Year Audit Finding

Assets purchased with the State Domestic Preparedness Equipment Grant have been included on the county's inventory of assets.