

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
CARTER COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

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

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Click Here For Corrected Audit Highlights

Audit Highlights

Annual Financial Report
Carter County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Carter County, Tennessee, as of and for the year ended June 30, 2007.

Results

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

Our audit resulted in 14 findings and recommendations, which we have reviewed with Carter County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

CARTER COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Carter County has not met its work plan to implement Governmental Accounting Standard Board Statement No. 34.
- ◆ County officials failed to contract for audit procedures to be performed for the USDA Child Nutrition Cluster.

OFFICE OF FINANCE DIRECTOR

- ◆ Deficiencies were noted in the purchase of a Geographic Information System.
 - ◆ The finance director had not adequately reviewed certain accounting records.
 - ◆ Documentation was not maintained as evidence that audit logs were generated and reviewed.
 - ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission in several major categories (the legal level of control) in the General and Solid Waste/Sanitation funds.
-

OFFICES OF FINANCE DIRECTOR AND SHERIFF

- ◆ Requests for reimbursement of prisoner board bills were not filed with the state timely.
-

OFFICE OF TRUSTEE

- ◆ The trustee's depository deducted warrants from the office bank account before the bank presented the warrants to the trustee for payment.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Execution docket trial balances did not reconcile with general ledger accounts.
 - ◆ Procedures were not adequate to ensure that bank deposits were actually made.
 - ◆ Audit logs were not generated and reviewed.
-

OFFICE OF SHERIFF

- ◆ The office had deficiencies in the operations of the commissary.
-

OTHER FINDING

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Carter County Officials
June 30, 2007

Officials

Johnny Holder, County Mayor
Jack Perkins, Road Superintendent
Randal Lewis, Trustee
Gerald Holly, Assessor of Property
Mary Gouge, County Clerk
John Paul Mathes, Circuit and General Sessions Courts Clerk
Melissa Moreland, Clerk and Master
Edrie Bristol, Register
Chris Mathes, Sheriff
Jerome Kitchens, Interim Finance Director

Board of County Commissioners

Johnny Holder, Chairperson	
William Armstrong	Jeff McKinney
Kenneth Arney	Larry McKinney
Roscoe Bayless	R.L. Miller
Jo Ann Blankenship	Terry Montgomery
Thomas Bowers	Jerry Pearman
Nancy Brown	Richard Renfro
Jackson Buckles	Ernest Ritchie
Jack Campbell	Harry Sisk
Robert Davis	Louis Tester
Robert Gobble	Richard David Tester
Lawrence Hodge	Lynn Tipton
Steve Lawrence	Charles Whaley

Financial Management Committee

Jo Ann Blankenship, Chairperson	Johnny Holder
Jackson Buckles	Jack Perkins
Jack Campbell	Dallas Williams
Jerry Pearman	

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

February 28, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Carter County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 40, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Carter County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Carter County, Tennessee, as of June 30, 2007, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Carter County, Tennessee, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2008, on our consideration of Carter County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 43 through 49 are not required parts of the basic financial statements but they do provide 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 Carter County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Carter County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2007

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 109,039	\$ 0	\$ 0	\$ 0	\$ 15,842	\$ 124,881
Equity in Pooled Cash and Investments	2,588,928	1,399,515	3,461,537	7,475	141,129	7,598,584
Accounts Receivable	142,653	10,500	21,250	44,027	64,209	282,639
Due from Other Governments	557,840	465,824	0	0	31,556	1,055,220
Due from Other Funds	12,660	22,752	0	0	15,254	50,666
Due from Component Units	39,877	0	0	0	0	39,877
Property Taxes Receivable	5,831,776	672,897	2,018,692	0	0	8,523,365
Allowance for Uncollectible Property Taxes	(121,183)	(13,983)	(41,948)	0	0	(177,114)
Total Assets	\$ 9,161,590	\$ 2,557,505	\$ 5,459,531	\$ 51,502	\$ 267,990	\$ 17,498,118
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 112,714	\$ 38,432	\$ 0	\$ 7,475	\$ 25,613	\$ 184,234
Payroll Deductions Payable	45	578	0	0	0	623
Contracts Payable	0	0	0	44,027	0	44,027
Due to Other Funds	43,999	0	0	0	12,660	56,659
Due to Component Units	8,835	0	0	0	0	8,835
Due to State of Tennessee	7,181	0	0	0	0	7,181
Other Current Liabilities	61,433	9,658	0	0	6,084	77,175
Deferred Revenue - Current Property Taxes	5,517,661	636,653	1,909,960	0	0	8,064,274
Deferred Revenue - Delinquent Property Taxes	170,084	19,625	58,875	0	0	248,584
Other Deferred Revenues	415,031	185,250	0	0	0	600,281
Total Liabilities	\$ 6,336,983	\$ 890,196	\$ 1,968,835	\$ 51,502	\$ 44,357	\$ 9,291,873
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 103,639	\$ 0	\$ 0	\$ 22,014	\$ 0	\$ 125,653
Reserved for Alcohol and Drug Treatment	148,886	0	0	0	0	148,886
Reserved for Sexual Offender Registration	5,617	0	0	0	0	5,617
Reserved for Courtroom Security	7,947	0	0	0	0	7,947
Reserved for Computer System - Register	9,332	0	0	0	0	9,332
Reserved for Automation Purposes - Chancery Court	1,058	0	0	0	0	1,058

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
Reserved for Automation Purposes - Sheriff	\$ 9,568	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,568
Reserved for Other General Purposes	23,718	0	0	0	0	23,718
Unreserved, Reported In:						
General Fund	2,514,842	0	0	0	0	2,514,842
Special Revenue Funds	0	1,667,309	0	0	223,633	1,890,942
Debt Service Funds	0	0	3,490,696	0	0	3,490,696
Capital Projects Funds (Deficit)	0	0	0	(22,014)	0	(22,014)
Total Fund Balances	\$ 2,824,607	\$ 1,667,309	\$ 3,490,696	\$ 0	\$ 223,633	\$ 8,206,245
Total Liabilities and Fund Balances	\$ 9,161,590	\$ 2,557,505	\$ 5,459,531	\$ 51,502	\$ 267,990	\$ 17,498,118

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

Exhibit B

Carter County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds				Nonmajor	Total	
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds		Governmental Funds
Revenues							
Local Taxes	\$ 7,294,089	\$ 773,260	\$ 1,914,960	\$ 0	\$ 11,629	\$ 9,993,938	
Licenses and Permits	357,376	0	0	0	0	357,376	
Fines, Forfeitures, and Penalties	318,950	0	0	0	49,089	368,039	
Charges for Current Services	134,238	0	0	0	807,843	942,081	
Other Local Revenues	358,672	75,071	593,263	0	153,981	1,180,987	
Fees Received from County Officials	2,078,314	0	0	0	0	2,078,314	
State of Tennessee	910,920	2,127,961	76,133	0	257,067	3,372,081	
Federal Government	347,121	90,178	0	0	0	437,299	
Other Governments and Citizens Groups	224,757	14,097	0	0	0	238,854	
Total Revenues	\$ 12,024,437	\$ 3,080,567	\$ 2,584,356	\$ 0	\$ 1,279,609	\$ 18,968,969	
Expenditures							
Current:							
General Government	\$ 1,611,788	\$ 0	\$ 0	\$ 0	\$ 603	\$ 1,612,391	
Finance	1,017,819	0	0	0	114	1,017,933	
Administration of Justice	846,801	0	0	0	17,596	864,397	
Public Safety	4,096,541	0	0	0	54,296	4,150,837	
Public Health and Welfare	123,462	0	0	0	1,303,546	1,427,008	
Social, Cultural, and Recreational Services	97,104	0	0	0	0	97,104	
Agriculture and Natural Resources	110,924	0	0	0	0	110,924	
Other Operations	2,022,867	0	0	0	9,131	2,031,998	
Highways	27,641	3,368,599	0	0	0	3,396,240	
Debt Service:							
Principal on Debt	4,008	0	1,396,001	0	0	1,400,009	
Interest on Debt	0	0	406,429	0	0	406,429	
Other Debt Service	0	0	81,756	0	0	81,756	
Capital Projects	237,528	0	0	828,881	0	1,066,409	
Capital Projects - Donated	0	0	0	1,848,747	0	1,848,747	
Total Expenditures	\$ 10,196,483	\$ 3,368,599	\$ 1,884,186	\$ 2,677,628	\$ 1,385,286	\$ 19,512,182	
Excess (Deficiency) of Revenues	\$ 1,827,954	\$ (288,032)	\$ 700,170	\$ (2,677,628)	\$ (105,677)	\$ (543,213)	
Over Expenditures	\$ 1,827,954	\$ (288,032)	\$ 700,170	\$ (2,677,628)	\$ (105,677)	\$ (543,213)	
Other Financing Sources (Uses)							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 2,877,628	\$ 0	\$ 2,877,628	

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Insurance Recovery	\$ 5,557	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 25,557
Transfers In	200,000	0	0	0	160,550	360,550
Transfers Out	(160,550)	0	0	(200,000)	0	(360,550)
Total Other Financing Sources (Uses)	\$ 45,007	\$ 20,000	\$ 0	\$ 2,677,628	\$ 160,550	\$ 2,903,185
Net Change in Fund Balances	\$ 1,872,961	\$ (268,032)	\$ 700,170	\$ 0	\$ 54,873	\$ 2,359,972
Fund Balance, July 1, 2006	951,646	1,935,341	2,790,526	0	168,760	5,846,273
Fund Balance, June 30, 2007	\$ 2,824,607	\$ 1,667,309	\$ 3,490,696	\$ 0	\$ 223,633	\$ 8,206,245

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

Exhibit C

Carter County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,323,192
Equity in Pooled Cash and Investments	97,535
Accounts Receivable	8,055
Due from Other Governments	880,760
Due from Other Funds	5,993
Property Taxes Receivable	1,884,294
Allowance of Uncollectible Property Taxes	<u>(39,155)</u>
Total Assets	<u>\$ 4,160,674</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 2,823,434
Due to Litigants, Heirs, and Others	<u>1,337,240</u>
Total Liabilities	<u>\$ 4,160,674</u>

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

CARTER COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Carter County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. Carter County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Carter County's auditor to issue an adverse opinion on the county's financial statements.

Although Carter County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 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 Carter County:

A. Reporting Entity

Carter County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Carter County (the primary government).

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

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

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

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

Administrative Office:

Carter County Emergency Communications District
116 Holston Avenue
Elizabethton, TN 37644

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

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

report. An emphasis is placed on major funds within the governmental category.

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

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

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

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

Carter County reports the following major governmental funds:

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

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

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

General Capital Projects Fund – This fund accounts for expenditures related to jail construction and for debt issued by Carter County that is contributed to the discretely presented Carter County School Department and the city school system for building construction and renovations.

Additionally, Carter County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Carter County, and the city school system’s share of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Carter County and Carter County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Carter County has 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 1.11 percent of total taxes levied.

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

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

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

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

Most payables are disaggregated on the face of the financial statements. Other Current Liabilities reflected in the General Fund represent the remaining balance in the county's payroll tax account and contractor's deposits relating to the HOME Investment Partnerships Program Grant. Other Current Liabilities reflected in the Highway/Public Works Fund represent the remaining balance in the county's payroll tax account. These amounts were liquidated subsequent to June 30, 2007.

3. Capital Assets

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

4. Compensated Absences

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

5. Long-term Obligations

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

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

6. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted, and the General Capital Projects Fund, which adopts project length budgets. All 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. Fund Deficit

The General Capital Projects Fund had a deficit in unreserved fund balance of \$22,014 at June 30, 2007. This deficit resulted from the unperformed portions of construction contracts of \$22,014 being reserved as encumbrances. Funding for these future expenditures is being provided by the issuance of other loans.

C. **Expenditures and Encumbrances Exceeded Appropriations**

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

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
Drug Court	\$ 15,869
Tourism	9,621
Solid Waste/Sanitation:	
Landfill Operation and Maintenance	5,564
Miscellaneous	68

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

III. **DETAILED NOTES ON ALL FUNDS**

A. **Deposits and Investments**

Carter County and the Carter County School Department participate in an internal cash and investment pool through the Office of Trustee. The Carter County School Department meets the criteria for a discretely presented component unit of Carter County. Since Carter County is presenting fund financial statements only, the financial information for the Carter County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets 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, 2007, Carter 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 Carter County and the discretely presented Carter County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 10,289,985

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. Carter 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. Carter County has no investment policy that would further limit its investment choices. As of June 30, 2007, Carter County's investment in the State Treasurer's Investment Pool was unrated.

B. Construction Commitments

At June 30, 2007, the General Fund had uncompleted construction contracts of approximately \$103,639 for the construction of two bridges. Funding for these future expenditures has been provided. Carter County also had uncompleted construction contracts of \$22,014 in the General Capital Projects Fund. Funding for these future expenditures is being provided by the issuance of other loans.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 12,660
Highway/Public Works	General	22,752
Nonmajor governmental	General	15,254
Agency	General	5,993

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

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government:	Component unit:	
General	School Department:	
General	General Purpose School	\$ 34,857
	School Federal Projects	5,020
Component unit:	Primary Government:	
Carter County -	General	
General Purpose School		8,835

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

Transfers Out	Transfers In	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 160,550
General Capital Projects Fund	200,000	0
Total	<u>\$ 200,000</u>	<u>\$ 160,550</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. Capital Lease

On September 24, 2003, Carter County entered into a six-year lease-purchase agreement for a van. The terms of the agreement require total lease payments of \$24,000 at zero percent interest. Title to the van transfers to Carter County at the end of the lease period. The lease payments are made by the General Fund.

Since Carter County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Carter County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30	Governmental Funds
2008	\$ 4,008
2009	4,008
2010	1,622
Total Minimum Lease Payments	<u>\$ 9,638</u>
Amount Representing Interest	<u>0</u>
Present Value of Minimum Lease Payments	<u>\$ 9,638</u>

E. Long-term Debt

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

Notes and Other Loans

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

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to three years for notes and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and the capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Notes	2.5 to 4.25 %	\$ 170,000	\$ 113,333
Other Loans	Variable	35,050,000	10,594,231
Capital Lease	0	24,000	9,638

Carter County entered into loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make a total of \$35,050,000 available to Carter County on an as-needed basis for various renovation and construction projects for the county and the Carter County School Department. At June 30, 2007, \$15,796,321 has been drawn. The balance (\$19,253,769) remains available for future draws under the loan agreements. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, administrator, and debt remarketing) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2007.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Type	Interest Rates as of 6-30-07	Other Fees 6-30-07
<u>Montgomery County Public Building Authority</u>					
Montgomery County PBA Loan Program	\$ 9,000,000	\$ 5,003,000	Variable	3.89 %	0.25 %
Montgomery County PBA Loan Program	3,500,000	2,403,000	Variable	3.89	0.27
Montgomery County PBA Loan Program	4,550,000	2,159,350	Variable	3.87	0.25
Montgomery County PBA Loan Program	18,000,000	<u>1,028,881</u>	Variable	3.87	0.24
Total		<u>\$ 10,594,231</u>			

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following tables. The amount included for the loans does not include the \$19,253,769 which has not yet been drawn by the county.

Year Ending June 30	Notes	
	Principal	Interest
2008	\$ 56,667	\$ 4,817
2009	56,666	2,408
Total	<u>\$ 113,333</u>	<u>\$ 7,225</u>

Year Ending June 30	Other Loan (\$9,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 619,000	\$ 194,617	\$ 12,527	\$ 826,144
2009	649,000	170,538	10,977	830,515
2010	679,000	145,291	9,352	833,643
2011	712,000	118,878	7,652	838,530
2012	745,000	91,182	5,869	842,051
2013-2014	1,599,000	94,021	6,052	1,699,073
Total	<u>\$ 5,003,000</u>	<u>\$ 814,527</u>	<u>\$ 52,429</u>	<u>\$ 5,869,956</u>

Year Ending June 30	Other Loan (\$3,500,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 218,000	\$ 93,477	\$ 6,547	\$ 318,024
2009	229,000	84,996	5,953	319,949
2010	240,000	76,088	5,329	321,417
2011	252,000	66,752	4,675	323,427
2012	265,000	56,950	3,989	325,939
2013-2016	1,199,000	119,462	8,367	1,326,829
Total	\$ 2,403,000	\$ 497,725	\$ 34,860	\$ 2,935,585

Year Ending June 30	Other Loan (\$4,550,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 112,000	\$ 83,567	\$ 5,410	\$ 200,977
2009	116,000	79,232	5,129	200,361
2010	119,000	74,743	4,838	198,581
2011	123,000	70,138	4,540	197,678
2012	127,000	65,378	4,232	196,610
2013-2017	699,000	249,954	16,180	965,134
2018-2022	818,000	105,796	6,849	930,645
2023	45,350	1,755	114	47,219
Total	\$ 2,159,350	\$ 730,563	\$ 47,292	\$ 2,937,205

Year Ending June 30	Other Loan (\$18,000,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 39,818	\$ 2,578	\$ 42,396
2009	355,000	39,818	2,578	397,396
2010	371,000	26,079	1,688	398,767
2011	302,881	11,721	759	315,361
Total	\$ 1,028,881	\$ 117,436	\$ 7,603	\$ 1,153,920

There is \$3,490,696 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes, the capital lease, and other loans, totaled \$189, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Notes	Other Loans	Capital Lease
Balance, July 1, 2006	\$ 603,334	\$ 8,622,603	\$ 13,646
Additions	0	2,877,628	0
Deductions	(490,001)	(906,000)	(4,008)
Balance, June 30, 2007	\$ 113,333	\$ 10,594,231	\$ 9,638
Balance Due Within One Year	\$ 56,667	\$ 949,000	\$ 4,008

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 527,546	\$ 2,745,137
Additions	450,481	45,321
Deductions	(367,945)	(110,938)
Balance, June 30, 2007	\$ 610,082	\$ 2,679,520
Balance Due Within One Year	\$ 152,521	\$ 110,938

The capital lease outstanding will be retired from the county's General Fund. Compensated absences will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

F. Short-term Debt

Carter County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating expenditures before current tax collections. Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 1,000,000	\$ (1,000,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

Carter County joined the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. Carter County pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The county continues to carry commercial insurance for employee health and accident. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Subsequent Events

Subsequent to June 30, 2007, Carter County drew other loans totaling \$190,983. Of this total, \$58,110 was contributed to the School Department.

Jerome Kitchens was appointed Finance Director effective July 2, 2007.

C. Contingent Liabilities

Carter County is named as a defendant in two lawsuits concerning overcrowding at the county jail. The county attorney is of the opinion that a reasonable estimate or range of potential loss to the county resulting from these lawsuits cannot be made. However, the county has taken steps to correct this problem. In the prior year, the county installed jail pods to relieve overcrowding at the jail. On December 11, 2007, the Carter County Commission approved proceeding with the construction of a 500-bed jail on the current site.

There are several other 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.

D. Changes in Administration

On August 31, 2006, Dale Fair left the Office of County Mayor and was succeeded by Johnny Holder, Charlotte McKeenan left the Office of Clerk and Master and was succeeded by Melissa Moreland, Johnny Holder left the Office of Register and was succeeded by Edrie Bristol, and John Henson left the Office of Sheriff and was succeeded by Chris Mathes.

Jason Cody resigned as finance director effective March 31, 2007. Jerome Kitchens was appointed interim finance director effective April 1, 2007.

E. Landfill Closure/Postclosure Care Costs

The Carter County-Elizabethton Solid Waste Disposal System was a joint venture through which Carter County and the City of Elizabethton jointly operated and maintained a landfill. Closure of the landfill was substantially completed during the 1999-2000 year. Carter County, along with the City of Elizabethton, had entered into a contract in-lieu-of a performance bond with the Tennessee Department of Environment and Conservation to ensure proper closure/postclosure care of the Carter County-Elizabethton Landfill. The amount of this contract in-lieu-of a performance bond is \$3,328,125, of which Carter County and the City of Elizabethton are jointly guaranteeing.

Operations of the joint venture were discontinued with the closure of the landfill. Since Carter County is presenting fund financial statements only, the liability for postclosure care costs for the next 23 years is not reported as a liability in the financial statements of the governmental funds. Carter County plans to pay the postclosure care costs as due and bill the City of Elizabethton for one-half of those costs. The amount of postclosure care costs reflected in Note III. E – Long-term Debt at June 30, 2007, was \$2,440,621. This amount is based on estimates of what it would cost to perform all postclosure care in 2007. Actual cost may vary due to inflation, changes in technology, or changes in regulations.

Carter County also operates a class IV landfill with a projected closure date of 2010 and projected postclosure care until 2012. The amount of the estimated closure/postclosure care costs reflected in Note III. E – Long-term Debt at June 30, 2007, for the class IV landfill was \$238,899.

F. Joint Venture

The First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the First Judicial District; Carter, Johnson, and Washington counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Carter County made no contributions to the DTF for the year ended June 30, 2007, and does not have any equity interest in this joint venture.

The Upper East Tennessee Juvenile Detention Center was formed through cooperative agreements between Carter County and the counties of Greene,

Hawkins, Johnson, Sullivan, Unicoi, and Washington for the operation of a program to divert youth from commitment to the Department of Correction's facilities. This program is governed by a Board of Directors designated by the counties. The Board of Directors has contracted with Universal Health Services, Inc., to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population. Carter County's participation is 12.3 percent. The county also pays a daily fee for each individual from the county using the facility.

Complete financial statements for the DTF and the Upper East Tennessee Juvenile Detention Center can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Office of District Attorney General
First Judicial District Drug Task Force
P.O. Box 38
Jonesborough, TN 37659

Upper East Tennessee Regional Juvenile Detention Center
307 Wesley Street
Johnson City, TN 37601

G. Jointly Governed Organization

Carter County is a participant in the Watauga River Regional Water Authority with the City of Elizabethton, North Elizabethton Utility District, First Utility District, Siam Utility District, Hampton Utility District, Roan Mountain Utility District, and the South Elizabethton Utility District. The authority was created by House Bill 1979 and Senate Bill 1940 of 2001 for the purpose of planning, operating, and maintaining a water and wastewater system in Carter County and the City of Elizabethton. The authority is governed by a seven-member board of directors consisting of the county mayor of Carter County or a named designee and one director to be selected by each of the governing bodies of the six individual utility districts.

H. Retirement Commitments

Employees

Plan Description

Employees of Carter 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 age 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 Carter 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 <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Carter County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 14.66 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Carter County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Carter County's annual pension cost of \$1,445,610 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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.

Carter County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$1,445,610	100%	\$0
6-30-06	1,221,116	100	0
6-30-05	1,162,696	100	0

I. Other Post-employment Benefits

In addition to the retirement commitments described above, Carter County provides post-employment health care benefits to all employees who retire from the county. To be eligible for benefits, the retired employee must be age 55 with at least 30 years of service, or have ten years of service and be over the age of 60. Benefits are paid until the retirees reach age 65, provided they are not covered under another health insurance plan. Carter County currently pays health care benefits for ten retirees. During the year, expenditures of \$32,848 were recognized in the General Fund, and expenditures of \$5,845 were recognized in the Highway/Public Works Fund for retirees' health care benefits.

J. Office of Central Accounting and Budgeting

Office of Director of Finance

Carter County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director.

K. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Carter County. Purchases exceeding \$10,000 for the general county government and the Highway Department are required to be competitively bid.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,294,089	\$ 0	\$ 0	\$ 7,294,089	\$ 6,773,441	\$ 6,816,861	\$ 477,228
Licenses and Permits	357,376	0	0	357,376	315,400	351,800	5,576
Fines, Forfeitures, and Penalties	318,950	0	0	318,950	229,600	233,300	85,650
Charges for Current Services	134,238	0	0	134,238	74,700	74,700	59,538
Other Local Revenues	358,672	0	0	358,672	126,500	302,601	56,071
Fees Received from County Officials	2,078,314	0	0	2,078,314	1,559,500	1,605,446	472,868
State of Tennessee	910,920	0	0	910,920	674,222	819,798	91,122
Federal Government	347,121	0	0	347,121	76,500	324,133	22,988
Other Governments and Citizens Groups	224,757	0	0	224,757	243,431	229,059	(4,302)
Total Revenues	\$ 12,024,437	\$ 0	\$ 0	\$ 12,024,437	\$ 10,073,294	\$ 10,757,698	\$ 1,266,739
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 93,926	\$ 0	\$ 0	\$ 93,926	\$ 68,000	\$ 94,600	\$ 674
Board of Equalization	6,031	0	0	6,031	2,800	6,123	92
County Mayor/Executive	127,397	0	0	127,397	123,408	127,506	109
County Attorney	36,490	0	0	36,490	22,600	37,600	1,110
Election Commission	405,578	0	0	405,578	237,033	412,701	7,123
Register of Deeds	184,965	0	0	184,965	178,670	186,770	1,805
Planning	157,797	0	0	157,797	179,629	179,629	21,832
County Buildings	599,604	0	0	599,604	559,588	610,580	10,976
Other General Administration	0	0	0	0	500	500	500
<u>Finance</u>							
Accounting and Budgeting	235,660	0	0	235,660	302,314	302,314	66,654
Property Assessor's Office	257,695	0	0	257,695	265,668	265,668	7,973
Reappraisal Program	64,342	0	0	64,342	81,155	78,132	13,790
County Trustee's Office	187,176	0	0	187,176	187,402	187,402	226

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 272,946	\$ 0	\$ 0	\$ 272,946	\$ 299,591	\$ 299,591	\$ 26,645
<u>Administration of Justice</u>							
Circuit Court	452,364	0	0	452,364	435,532	460,296	7,932
General Sessions Court	132,907	0	0	132,907	137,926	137,926	5,019
Drug Court	15,869	0	0	15,869	0	0	(15,869)
Chancery Court	203,954	0	0	203,954	204,182	204,182	228
Judicial Commissioners	26,174	0	0	26,174	26,530	26,530	356
Other Administration of Justice	15,533	0	0	15,533	14,900	16,993	1,460
<u>Public Safety</u>							
Sheriff's Department	1,958,010	0	0	1,958,010	1,892,744	2,028,069	70,059
Jail	1,409,310	0	0	1,409,310	1,317,088	1,446,088	36,778
Juvenile Services	115,821	0	0	115,821	105,198	121,498	5,677
Fire Prevention and Control	275,629	0	0	275,629	277,500	277,500	1,871
Rescue Squad	241,300	0	0	241,300	241,300	241,300	0
Other Emergency Management	86,319	0	0	86,319	75,217	94,040	7,721
Inspection and Regulation	3,250	0	0	3,250	6,500	6,500	3,250
County Coroner/Medical Examiner	5,152	0	0	5,152	5,800	5,800	648
Other Public Safety	1,750	0	0	1,750	950	1,950	200
<u>Public Health and Welfare</u>							
Rabies and Animal Control	27,899	0	0	27,899	35,000	35,000	7,101
Ambulance/Emergency Medical Services	76,713	0	0	76,713	76,712	76,712	(1)
Crippled Children Services	15,342	0	0	15,342	15,342	15,342	0
Aid to Dependent Children	1,354	0	0	1,354	1,354	1,354	0
Other Local Welfare Services	800	0	0	800	1,600	1,600	800
Other Public Health and Welfare	1,354	0	0	1,354	1,354	1,354	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	\$ 40,405	\$ 0	\$ 0	\$ 40,405	\$ 40,405	\$ 40,405	\$ 0
Libraries	31,588	0	0	31,588	31,588	31,588	0
Parks and Fair Boards	22,562	0	0	22,562	22,562	22,562	0
Other Social, Cultural, and Recreational	2,549	0	0	2,549	6,765	6,765	4,216
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	86,149	0	0	86,149	93,410	93,410	7,261
Flood Control	6,500	0	0	6,500	3,850	7,350	850
Other Agriculture and Natural Resources	18,275	0	0	18,275	19,854	19,854	1,579
<u>Other Operations</u>							
Tourism	90,730	0	0	90,730	81,109	81,109	(9,621)
Industrial Development	350	0	0	350	3,875	3,875	3,525
Housing and Urban Development	15,641	0	0	15,641	0	19,876	4,235
Other Economic and Community Development	58,687	0	0	58,687	33,854	61,931	3,244
Veterans' Services	27,294	0	0	27,294	23,756	33,756	6,462
Other Charges	0	0	0	0	2,000	2,000	2,000
Contributions to Other Agencies	39,504	0	0	39,504	42,275	42,275	2,771
Employee Benefits	1,602,785	0	0	1,602,785	1,767,150	1,783,131	180,346
Miscellaneous	187,876	0	0	187,876	150,000	188,500	624
<u>Highways</u>							
Litter and Trash Collection	27,641	0	0	27,641	37,368	37,368	9,727
<u>Principal on Debt</u>							
General Government	4,008	0	0	4,008	0	4,008	0
<u>Capital Projects</u>							
Other General Government Projects	237,528	(114,070)	103,639	227,097	15,000	255,654	28,557
Total Expenditures	\$ 10,196,483	\$ (114,070)	\$ 103,639	\$ 10,186,052	\$ 9,755,908	\$ 10,724,567	\$ 538,515

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,827,954	\$ 114,070	\$ (103,639)	\$ 1,838,385	\$ 317,386	\$ 33,131	\$ 1,805,254
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 5,557	\$ 0	\$ 0	\$ 5,557	\$ 3,500	\$ 9,057	\$ (3,500)
Transfers In	200,000	0	0	200,000	0	0	200,000
Transfers Out	(160,550)	0	0	(160,550)	(160,550)	(160,550)	0
Total Other Financing Sources (Uses)	\$ 45,007	\$ 0	\$ 0	\$ 45,007	\$ (157,050)	\$ (151,493)	\$ 196,500
Net Change in Fund Balance	\$ 1,872,961	\$ 114,070	\$ (103,639)	\$ 1,883,392	\$ 160,336	\$ (118,362)	\$ 2,001,754
Fund Balance, July 1, 2006	951,646	(114,070)	0	837,576	0	279,022	558,554
Fund Balance, June 30, 2007	\$ 2,824,607	\$ 0	\$ (103,639)	\$ 2,720,968	\$ 160,336	\$ 160,660	\$ 2,560,308

Exhibit D-2

Carter 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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 773,260	\$ 0	\$ 773,260	\$ 708,700	\$ 708,700	\$ 64,560
Other Local Revenues	75,071	0	75,071	75,000	65,344	9,727
State of Tennessee	2,127,961	0	2,127,961	1,875,963	1,875,963	251,998
Federal Government	90,178	0	90,178	12,500	92,156	(1,978)
Other Governments and Citizens Groups	14,097	0	14,097	13,000	13,000	1,097
Total Revenues	<u>\$ 3,080,567</u>	<u>\$ 0</u>	<u>\$ 3,080,567</u>	<u>\$ 2,685,163</u>	<u>\$ 2,755,163</u>	<u>\$ 325,404</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 204,214	\$ (210)	\$ 204,004	\$ 230,327	\$ 235,307	\$ 31,303
Highway and Bridge Maintenance	1,639,831	(29,915)	1,609,916	1,678,572	1,663,382	53,466
Operation and Maintenance of Equipment	466,382	(2,443)	463,939	404,184	469,394	5,455
Other Charges	92,015	(187)	91,828	132,050	101,050	9,222
Employee Benefits	453,540	0	453,540	504,400	480,400	26,860
Capital Outlay	512,617	0	512,617	443,000	513,000	383
Total Expenditures	<u>\$ 3,368,599</u>	<u>\$ (32,755)</u>	<u>\$ 3,335,844</u>	<u>\$ 3,392,533</u>	<u>\$ 3,462,533</u>	<u>\$ 126,689</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (288,032)</u>	<u>\$ 32,755</u>	<u>\$ (255,277)</u>	<u>\$ (707,370)</u>	<u>\$ (707,370)</u>	<u>\$ 452,093</u>
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 20,000	\$ 0	\$ 20,000	\$ 0	\$ 0	\$ 20,000
Total Other Financing Sources (Uses)	<u>\$ 20,000</u>	<u>\$ 0</u>	<u>\$ 20,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,000</u>
Net Change in Fund Balance	\$ (268,032)	\$ 32,755	\$ (235,277)	\$ (707,370)	\$ (707,370)	\$ 472,093
Fund Balance, July 1, 2006	1,935,341	(32,755)	1,902,586	707,370	707,370	1,195,216
Fund Balance, June 30, 2007	<u>\$ 1,667,309</u>	<u>\$ 0</u>	<u>\$ 1,667,309</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,667,309</u>

Exhibit D-3

Carter County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 23,110	\$ 24,187	1,077	95.55 %	\$ 9,110	11.82 %
6-30-03	20,586	21,799	1,213	94.44	8,092	14.99
6-30-01	18,530	20,187	1,657	91.79	7,869	21.06

CARTER COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

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 Carter 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 Carter 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 following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Drug Court	\$15,869
Tourism	9,621

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Carter County’s transfer station, convenience centers, and class IV landfill operations.

Health Department Fund – The Health Department Fund is used to account for transactions of the Carter County Health Department.

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

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

Exhibit E-1

Carter County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>						
Cash	\$ 0	\$ 5,645	\$ 0	\$ 0	\$ 10,197	\$ 15,842
Equity in Pooled Cash and Investments	9,884	66,031	10,877	54,337	0	141,129
Accounts Receivable	1,019	58,809	0	2,918	1,463	64,209
Due from Other Governments	0	0	31,556	0	0	31,556
Due from Other Funds	0	1,188	0	13,066	1,000	15,254
Total Assets	\$ 10,903	\$ 131,673	\$ 42,433	\$ 70,321	\$ 12,660	\$ 267,990
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 24,993	\$ 450	\$ 170	\$ 0	\$ 25,613
Due to Other Funds	0	0	0	0	12,660	12,660
Other Current Liabilities	0	0	0	6,084	0	6,084
Total Liabilities	\$ 0	\$ 24,993	\$ 450	\$ 6,254	\$ 12,660	\$ 44,357
<u>Fund Balances</u>						
Unreserved	\$ 10,903	\$ 106,680	\$ 41,983	\$ 64,067	\$ 0	\$ 223,633
Total Fund Balances	\$ 10,903	\$ 106,680	\$ 41,983	\$ 64,067	\$ 0	\$ 223,633
Total Liabilities and Fund Balances	\$ 10,903	\$ 131,673	\$ 42,433	\$ 70,321	\$ 12,660	\$ 267,990

Exhibit E-2

Carter County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>						
Local Taxes	\$ 11,629	\$ 0	\$ 0	\$ 0	\$ 0	11,629
Fines, Forfeitures, and Penalties	0	0	0	49,089	0	49,089
Charges for Current Services	0	793,287	0	0	14,556	807,843
Other Local Revenues	0	119,232	99	34,650	0	153,981
State of Tennessee	0	2,500	254,567	0	0	257,067
Total Revenues	<u>\$ 11,629</u>	<u>\$ 915,019</u>	<u>\$ 254,666</u>	<u>\$ 83,739</u>	<u>\$ 14,556</u>	<u>\$ 1,279,609</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 603	\$ 0	\$ 0	\$ 0	\$ 0	603
Finance	114	0	0	0	0	114
Administration of Justice	3,245	0	0	0	14,351	17,596
Public Safety	0	0	0	54,091	205	54,296
Public Health and Welfare	0	874,601	428,945	0	0	1,303,546
Other Operations	0	8,593	0	538	0	9,131
Total Expenditures	<u>\$ 3,962</u>	<u>\$ 883,194</u>	<u>\$ 428,945</u>	<u>\$ 54,629</u>	<u>\$ 14,556</u>	<u>\$ 1,385,286</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,667</u>	<u>\$ 31,825</u>	<u>\$ (174,279)</u>	<u>\$ 29,110</u>	<u>\$ 0</u>	<u>\$ (105,677)</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 160,550	\$ 0	\$ 0	160,550
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 160,550</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 160,550</u>
Net Change in Fund Balances	\$ 7,667	\$ 31,825	\$ (13,729)	\$ 29,110	\$ 0	54,873
Fund Balance, July 1, 2006	3,236	74,855	55,712	34,957	0	168,760
Fund Balance, June 30, 2007	<u>\$ 10,903</u>	<u>\$ 106,680</u>	<u>\$ 41,983</u>	<u>\$ 64,067</u>	<u>\$ 0</u>	<u>\$ 223,633</u>

Exhibit E-3

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse and Jail Maintenance Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 11,629	\$ 10,000	\$ 10,025	\$ 1,604
Total Revenues	\$ 11,629	\$ 10,000	\$ 10,025	\$ 1,604
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 603	\$ 5,900	\$ 5,900	\$ 5,297
<u>Finance</u>				
Other Finance	114	100	125	11
<u>Administration of Justice</u>				
Other Administration of Justice	3,245	4,000	4,000	755
Total Expenditures	\$ 3,962	\$ 10,000	\$ 10,025	\$ 6,063
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 7,667	\$ 0	\$ 0	\$ 7,667
Net Change in Fund Balance				
Fund Balance, July 1, 2006	\$ 3,236	0	0	3,236
Fund Balance, June 30, 2007	\$ 10,903	\$ 0	\$ 0	\$ 10,903

Exhibit E-4

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 793,287	\$ 614,800	\$ 711,590	\$ 81,697
Other Local Revenues	119,232	49,200	95,781	23,451
State of Tennessee	2,500	0	2,500	0
Total Revenues	<u>\$ 915,019</u>	<u>\$ 664,000</u>	<u>\$ 809,871</u>	<u>\$ 105,148</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 48,538	\$ 60,000	\$ 60,000	\$ 11,462
Recycling Center	51,457	39,826	51,826	369
Landfill Operation and Maintenance	774,606	549,897	769,042	(5,564)
<u>Other Operations</u>				
Miscellaneous	8,593	5,800	8,525	(68)
Total Expenditures	<u>\$ 883,194</u>	<u>\$ 655,523</u>	<u>\$ 889,393</u>	<u>\$ 6,199</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 31,825</u>	<u>\$ 8,477</u>	<u>\$ (79,522)</u>	<u>\$ 111,347</u>
Net Change in Fund Balance	\$ 31,825	\$ 8,477	\$ (79,522)	\$ 111,347
Fund Balance, July 1, 2006	<u>74,855</u>	<u>88,000</u>	<u>88,000</u>	<u>(13,145)</u>
Fund Balance, June 30, 2007	<u>\$ 106,680</u>	<u>\$ 96,477</u>	<u>\$ 8,478</u>	<u>\$ 98,202</u>

Exhibit E-5

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Health Department Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 99	\$ 1,500	\$ 1,500	\$ (1,401)
State of Tennessee	254,567	0	243,775	10,792
Total Revenues	\$ 254,666	\$ 1,500	\$ 245,275	\$ 9,391
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 428,945	\$ 160,550	\$ 429,640	\$ 695
Total Expenditures	\$ 428,945	\$ 160,550	\$ 429,640	\$ 695
Excess (Deficiency) of Revenues Over Expenditures	\$ (174,279)	\$ (159,050)	\$ (184,365)	\$ 10,086
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 160,550	\$ 160,550	\$ 160,550	\$ 0
Total Other Financing Sources (Uses)	\$ 160,550	\$ 160,550	\$ 160,550	\$ 0
Net Change in Fund Balance	\$ (13,729)	\$ 1,500	\$ (23,815)	\$ 10,086
Fund Balance, July 1, 2006	55,712	25,315	25,315	30,397
Fund Balance, June 30, 2007	\$ 41,983	\$ 26,815	\$ 1,500	\$ 40,483

Exhibit E-6

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 49,089	\$ 13,000	\$ 29,222	\$ 19,867
Other Local Revenues	34,650	9,000	33,650	1,000
State of Tennessee	0	5,000	5,000	(5,000)
Total Revenues	<u>\$ 83,739</u>	<u>\$ 27,000</u>	<u>\$ 67,872</u>	<u>\$ 15,867</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 54,091	\$ 26,000	\$ 66,497	\$ 12,406
<u>Other Operations</u>				
Miscellaneous	538	200	575	37
Total Expenditures	<u>\$ 54,629</u>	<u>\$ 26,200</u>	<u>\$ 67,072</u>	<u>\$ 12,443</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 29,110</u>	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ 28,310</u>
Net Change in Fund Balance	\$ 29,110	\$ 800	\$ 800	\$ 28,310
Fund Balance, July 1, 2006	<u>34,957</u>	<u>0</u>	<u>0</u>	<u>34,957</u>
Fund Balance, June 30, 2007	<u><u>\$ 64,067</u></u>	<u><u>\$ 800</u></u>	<u><u>\$ 800</u></u>	<u><u>\$ 63,267</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,914,960	\$ 1,847,000	\$ 1,847,000	\$ 67,960
Other Local Revenues	593,263	250,000	250,000	343,263
State of Tennessee	76,133	50,000	50,000	26,133
Total Revenues	<u>\$ 2,584,356</u>	<u>\$ 2,147,000</u>	<u>\$ 2,147,000</u>	<u>\$ 437,356</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 490,001	\$ 490,001	\$ 490,001	\$ 0
Education	906,000	906,000	906,000	0
<u>Interest on Debt</u>				
General Government	26,093	17,947	27,447	1,354
Education	380,336	578,215	578,215	197,879
<u>Other Debt Service</u>				
General Government	42,501	45,000	49,400	6,899
Education	39,255	70,000	70,000	30,745
Total Expenditures	<u>\$ 1,884,186</u>	<u>\$ 2,107,163</u>	<u>\$ 2,121,063</u>	<u>\$ 236,877</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 700,170</u>	<u>\$ 39,837</u>	<u>\$ 25,937</u>	<u>\$ 674,233</u>
Net Change in Fund Balance	\$ 700,170	\$ 39,837	\$ 25,937	\$ 674,233
Fund Balance, July 1, 2006	2,790,526	0	0	2,790,526
Fund Balance, June 30, 2007	<u>\$ 3,490,696</u>	<u>\$ 39,837</u>	<u>\$ 25,937</u>	<u>\$ 3,464,759</u>

Fiduciary Funds

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

City School ADA - Elizabethton Fund – The City School ADA - Elizabethton Fund is used to account for the city school system's share of education revenues collected by the county which must be apportioned to the system on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

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

Exhibit G-1

Carter County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>			
	Cities - Sales Tax	City School ADA - Elizabethton	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,323,192	\$ 1,323,192
Equity in Pooled Cash and Investments	0	97,535	0	97,535
Accounts Receivable	0	0	8,055	8,055
Due from Other Governments	673,180	207,580	0	880,760
Due from Other Funds	0	0	5,993	5,993
Property Taxes Receivable	0	1,884,294	0	1,884,294
Allowance for Uncollectible Property Taxes	0	(39,155)	0	(39,155)
Total Assets	<u>\$ 673,180</u>	<u>\$ 2,150,254</u>	<u>\$ 1,337,240</u>	<u>\$ 4,160,674</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 673,180	\$ 2,150,254	\$ 0	\$ 2,823,434
Due to Litigants, Heirs, and Others	0	0	1,337,240	1,337,240
Total Liabilities	<u>\$ 673,180</u>	<u>\$ 2,150,254</u>	<u>\$ 1,337,240</u>	<u>\$ 4,160,674</u>

Exhibit G-2

Carter County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,574,073	\$ 3,574,073	\$ 0
Due from Other Governments	597,380	673,180	597,380	673,180
Total Assets	\$ 597,380	\$ 4,247,253	\$ 4,171,453	\$ 673,180
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 597,380	\$ 4,247,253	\$ 4,171,453	\$ 673,180
Total Liabilities	\$ 597,380	\$ 4,247,253	\$ 4,171,453	\$ 673,180
<u>City School ADA - Elizabethton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 129,346	\$ 3,452,463	\$ 3,484,274	\$ 97,535
Accounts Receivable	101,716	0	101,716	0
Due from Other Governments	195,086	207,580	195,086	207,580
Property Taxes Receivable	1,786,158	1,884,294	1,786,158	1,884,294
Allowance for Uncollectible Property Taxes	(41,257)	(39,155)	(41,257)	(39,155)
Total Assets	\$ 2,171,049	\$ 5,505,182	\$ 5,525,977	\$ 2,150,254
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 2,171,049	\$ 5,505,182	\$ 5,525,977	\$ 2,150,254
Total Liabilities	\$ 2,171,049	\$ 5,505,182	\$ 5,525,977	\$ 2,150,254
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,713,782	\$ 10,165,007	\$ 10,555,597	\$ 1,323,192
Accounts Receivable	7,382	8,055	7,382	8,055
Due from Other Funds	0	5,993	0	5,993
Total Assets	\$ 1,721,164	\$ 10,179,055	\$ 10,562,979	\$ 1,337,240
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,721,164	\$ 10,179,055	\$ 10,562,979	\$ 1,337,240
Total Liabilities	\$ 1,721,164	\$ 10,179,055	\$ 10,562,979	\$ 1,337,240
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,713,782	\$ 10,165,007	\$ 10,555,597	\$ 1,323,192
Equity in Pooled Cash and Investments	129,346	7,026,536	7,058,347	97,535
Accounts Receivable	109,098	8,055	109,098	8,055
Due from Other Governments	792,466	880,760	792,466	880,760
Due from Other Funds	0	5,993	0	5,993
Property Taxes Receivable	1,786,158	1,884,294	1,786,158	1,884,294
Allowance for Uncollectible Property Taxes	(41,257)	(39,155)	(41,257)	(39,155)
Total Assets	\$ 4,489,593	\$ 19,931,490	\$ 20,260,409	\$ 4,160,674
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 2,768,429	\$ 9,752,435	\$ 9,697,430	\$ 2,823,434
Due to Litigants, Heirs, and Others	1,721,164	10,179,055	10,562,979	1,337,240
Total Liabilities	\$ 4,489,593	\$ 19,931,490	\$ 20,260,409	\$ 4,160,674

MISCELLANEOUS SCHEDULES

Exhibit H-1

Carter County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Capital Lease
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jail Project	\$ 1,000,000	2.5 %	6-1-04	3-1-07	\$ 333,334	\$ 0	\$ 333,334	\$ 0
Jail Improvements	300,000	2.97	10-28-04	3-1-07	100,000	0	100,000	0
Patrol Cars	170,000	4.25	3-31-06	3-1-09	170,000	0	56,667	113,333
Total Payable through General Debt Service Fund					<u>\$ 603,334</u>	<u>\$ 0</u>	<u>\$ 490,001</u>	<u>\$ 113,333</u>
Total Notes Payable					<u>\$ 603,334</u>	<u>\$ 0</u>	<u>\$ 490,001</u>	<u>\$ 113,333</u>
OTHER LOANS PAYABLE								
<u>Public Building Authority Loan Agreements:</u>								
<u>Payable through General Debt Service Fund</u>								
County and School Renovation and Construction	9,000,000	Variable	7-20-1999	5-25-14	\$ 5,594,000	\$ 0	\$ 591,000	\$ 5,003,000
County and School Renovation and Construction	3,500,000	Variable	6-14-01	5-25-16	2,610,000	0	207,000	2,403,000
County and School Renovation and Construction	(1)	Variable	11-21-05	5-25-33	418,603	1,848,747	108,000	2,159,350
Jail Project	(2)	Variable	4-9-07	5-25-35	0	1,028,881	0	1,028,881
Total Payable through General Debt Service Fund					<u>\$ 8,622,603</u>	<u>\$ 2,877,628</u>	<u>\$ 906,000</u>	<u>\$ 10,594,231</u>
Total Other Loans Payable					<u>\$ 8,622,603</u>	<u>\$ 2,877,628</u>	<u>\$ 906,000</u>	<u>\$ 10,594,231</u>
CAPITAL LEASE PAYABLE								
<u>Payable through General Fund</u>								
County Van	24,000	0	9-24-03	12-31-09	\$ 13,646	\$ 0	\$ 4,008	\$ 9,638
Total Payable through General Fund					<u>\$ 13,646</u>	<u>\$ 0</u>	<u>\$ 4,008</u>	<u>\$ 9,638</u>
Total Capital Lease Payable					<u>\$ 13,646</u>	<u>\$ 0</u>	<u>\$ 4,008</u>	<u>\$ 9,638</u>

(1) The total amount approved was \$4,550,000, of which \$2,282,650 remains available for draws as of June 30, 2007.

(2) The total amount approved was \$18,000,000, of which \$16,971,119 remains available for draws as of June 30, 2007.

Exhibit H-2

Carter County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Health Department	Funds for operations	\$ 160,550
General Capital Projects	General	Reimburse for prior-year expenditures	<u>200,000</u>
Total Transfers			<u>\$ 360,550</u>

Exhibit H-3

Carter County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Dale Fair (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	\$ 13,529	\$ 50,000	Western Surety Company
Johnny Holder (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	67,646	50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	69,376	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	63,069	1,207,774	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	63,069	10,000	Western Surety Company
Finance Director: (5)				
Jason Cody (7-1-06 through 3-31-07)	County Commission	40,360	50,000	Continental Casualty Company
County Clerk	Section 8-24-102, <u>TCA</u>	63,069	50,000	RLI Insurance Company
Circuit and General Sessions Court Clerk	Section 8-24-102, <u>TCA</u>	63,069	50,000	"
Clerk and Master:				
Charlotte McKeehan (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	12,743 (1)	70,000	American Casualty Company
Melissa Moreland (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	61,919 (2)	70,000	RLI Insurance Company
Register:				
Johnny Holder (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,512	25,000	Western Surety Company
Edrie Bristol (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	52,557	25,000	RLI Insurance Company
Sheriff:				
John Henson (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u> , and County Commission	12,563 (3)	25,000	Western Surety Company
Chris Mathes (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u> , and County Commission	62,813 (4)	25,000	RLI Insurance Company
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Tennessee Risk Management Trust

- (1) Includes special commissioner fees of \$2,231.
- (2) Includes special commissioner fees of \$9,362.
- (3) Includes county workhouse supplement of \$1,000.
- (4) Includes county workhouse supplement of \$5,000.
- (5) Jerome Kitchens served as interim finance director April 1, 2007 through June 30, 2007.

Exhibit H-4

Carter County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2007

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 5,128,574	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 591,738	\$ 1,775,213	\$ 7,495,525
Trustee's Collections - Prior Year	156,782	0	0	0	0	0	18,449	66,346	241,577
Circuit/Clerk & Master Collections - Prior Year	38,615	0	0	0	0	0	3,761	15,789	58,165
Interest and Penalty	44,151	0	0	0	0	0	4,946	17,801	66,898
Payments in-Lieu-of Taxes - T.V.A.	11,139	0	0	0	0	0	1,231	4,114	16,484
Payments in-Lieu-of Taxes - Local Utilities	37,384	0	0	0	0	0	4,314	12,941	54,639
Payments in-Lieu-of Taxes - Other	5,323	0	0	0	0	0	532	1,597	7,452
<u>County Local Option Taxes</u>									
Local Option Sales Tax	896,191	0	0	0	0	0	0	0	896,191
Hotel/Motel Tax	86,492	0	0	0	0	0	0	0	86,492
Litigation Tax - General	243,682	0	0	0	0	0	0	0	243,682
Litigation Tax - Special Purpose	0	11,629	0	0	0	0	0	0	11,629
Litigation Tax - Jail, Workhouse, or Courthouse	39,993	0	0	0	0	0	0	0	39,993
Business Tax	298,126	0	0	0	0	0	0	0	298,126
Mineral Severance Tax	0	0	0	0	0	0	141,236	0	141,236
<u>Statutory Local Taxes</u>									
Bank Excise Tax	61,125	0	0	0	0	0	7,053	21,159	89,337
Wholesale Beer Tax	239,115	0	0	0	0	0	0	0	239,115
Interstate Telecommunications Tax	7,397	0	0	0	0	0	0	0	7,397
Total Local Taxes	\$ 7,294,089	\$ 11,629	\$ 0	\$ 0	\$ 0	\$ 0	\$ 773,260	\$ 1,914,960	\$ 9,993,938
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 2,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,344
Cable TV Franchise	272,740	0	0	0	0	0	0	0	272,740
<u>Permits</u>									
Beer Permits	500	0	0	0	0	0	0	0	500
Building Permits	2,750	0	0	0	0	0	0	0	2,750
Electrical Permits	54,970	0	0	0	0	0	0	0	54,970
Other Permits	24,072	0	0	0	0	0	0	0	24,072
Total Licenses and Permits	\$ 357,376	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 357,376

(Continued)

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties</u>										
<u>Circuit Court</u>										
Fines	\$ 10,549	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,549
Drug Control Fines	0	0	0	0	2,933	0	0	0	0	2,933
Drug Court Fees	1,464	0	0	0	0	0	0	0	0	1,464
Jail Fees	3,721	0	0	0	0	0	0	0	0	3,721
Judicial Commissioner Fees	6,211	0	0	0	0	0	0	0	0	6,211
DUI Treatment Fines	2,515	0	0	0	0	0	0	0	0	2,515
Data Entry Fee - Circuit Court	524	0	0	0	0	0	0	0	0	524
Courtroom Security Fee	897	0	0	0	0	0	0	0	0	897
<u>Criminal Court</u>										
Fines	40,464	0	0	0	0	0	0	0	0	40,464
<u>General Sessions Court</u>										
Fines	73,039	0	0	0	0	0	0	0	0	73,039
Officers Costs	68,115	0	0	0	0	0	0	0	0	68,115
Game and Fish Fines	1,524	0	0	0	0	0	0	0	0	1,524
Drug Control Fines	0	0	0	0	30,564	0	0	0	0	30,564
Drug Court Fees	5,611	0	0	0	0	0	0	0	0	5,611
Jail Fees	25,072	0	0	0	0	0	0	0	0	25,072
Judicial Commissioner Fees	5,798	0	0	0	0	0	0	0	0	5,798
DUI Treatment Fines	16,396	0	0	0	0	0	0	0	0	16,396
Data Entry Fee - General Sessions Court	380	0	0	0	0	0	0	0	0	380
Courtroom Security Fee	6,145	0	0	0	0	0	0	0	0	6,145
<u>Juvenile Court</u>										
Fines	29,112	0	0	0	0	0	0	0	0	29,112
Officers Costs	3,671	0	0	0	0	0	0	0	0	3,671
Game and Fish Fines	45	0	0	0	0	0	0	0	0	45
Drug Court Fees	2,921	0	0	0	0	0	0	0	0	2,921
Jail Fees	7,914	0	0	0	0	0	0	0	0	7,914
Data Entry Fee - Juvenile Court	1,516	0	0	0	0	0	0	0	0	1,516
Courtroom Security Fee	284	0	0	0	0	0	0	0	0	284
<u>Chancery Court</u>										
Officers Costs	3,383	0	0	0	0	0	0	0	0	3,383
Data Entry Fee - Chancery Court	1,058	0	0	0	0	0	0	0	0	1,058

(Continued)

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Judicial District Drug Program</u>									
Courtroom Security Fee	\$ 621	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	621
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	0	0	15,592	0	0	0	15,592
Total Fines, Forfeitures, and Penalties	\$ 318,950	\$ 0	\$ 0	\$ 0	\$ 49,089	\$ 0	\$ 0	\$ 0	368,039
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Transfer Waste Stations Collection Charge	\$ 0	\$ 0	\$ 724,968	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	724,968
Tipping Fees	0	0	68,319	0	0	0	0	0	68,319
Work Release Charges for Board	68,992	0	0	0	0	0	0	0	68,992
Other General Service Charges	2,488	0	0	0	0	0	0	0	2,488
<u>Fees</u>									
Copy Fees	13,627	0	0	0	0	0	0	0	13,627
Telephone Commissions	14,782	0	0	0	0	0	0	0	14,782
Constitutional Officers' Fees and Commissions	0	0	0	0	0	2,963	0	0	2,963
Special Commissioner Fees/Special Master Fee	0	0	0	0	0	11,593	0	0	11,593
Data Processing Fee - Register	22,104	0	0	0	0	0	0	0	22,104
Data Processing Fee - Sheriff	9,568	0	0	0	0	0	0	0	9,568
Sexual Offender Registration Fees - Sheriff	2,677	0	0	0	0	0	0	0	2,677
Total Charges for Current Services	\$ 134,238	\$ 0	\$ 793,287	\$ 0	\$ 0	\$ 14,556	\$ 0	\$ 0	942,081
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 991	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 593,263	\$ 594,254
Lease/Rentals	30,350	0	2,500	0	0	0	0	0	32,850
Commissary Sales	13,855	0	0	0	0	0	0	0	13,855
Sale of Gasoline	0	0	0	0	0	0	68,397	0	68,397
Sale of Recycled Materials	0	0	59,627	0	0	0	0	0	59,627
Retirees' Insurance Payments	26,103	0	0	0	0	0	344	0	26,447
Miscellaneous Refunds	152,861	0	47,055	99	0	0	1,330	0	201,345
<u>Nonrecurring Items</u>									
Sale of Equipment	26,445	0	10,050	0	8,650	0	5,000	0	50,145

(Continued)

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues (Cont.)</u>									
<u>Nonrecurring Items (Cont.)</u>									
Sale of Property	\$ 98,567	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,567
Contributions and Gifts	9,500	0	0	0	26,000	0	0	0	35,500
Total Other Local Revenues	\$ 358,672	\$ 0	\$ 119,232	\$ 99	\$ 34,650	\$ 0	\$ 75,071	\$ 593,263	\$ 1,180,987
<u>Fees Received from County Officials</u>									
<u>Fees-In-Lieu of Salary</u>									
County Clerk	\$ 470,111	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 470,111
Circuit Court Clerk	187,619	0	0	0	0	0	0	0	187,619
General Sessions Court Clerk	447,628	0	0	0	0	0	0	0	447,628
Clerk and Master	154,327	0	0	0	0	0	0	0	154,327
Register	278,200	0	0	0	0	0	0	0	278,200
Sheriff	11,314	0	0	0	0	0	0	0	11,314
Trustee	529,115	0	0	0	0	0	0	0	529,115
Total Fees Received from County Officials	\$ 2,078,314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,078,314
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 12,960	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,960
State Reappraisal Grant	19,427	0	0	0	0	0	0	0	19,427
Other General Government Grants	0	0	2,500	0	0	0	0	0	2,500
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	19,711	0	0	0	0	0	0	0	19,711
Other Public Safety Grants	15,000	0	0	0	0	0	0	0	15,000
<u>Health and Welfare Grants</u>									
Health Department Programs	0	0	0	254,567	0	0	0	0	254,567
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	0	218,254	0	218,254
Litter Program	24,769	0	0	0	0	0	0	0	24,769
Tennessee Industrial Infrastructure Program	135,576	0	0	0	0	0	0	0	135,576
<u>Other State Revenues</u>									
Income Tax	87,952	0	0	0	0	0	0	0	87,952
Beer Tax	18,753	0	0	0	0	0	0	0	18,753

(Continued)

Exhibit H-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Alcoholic Beverage Tax	\$ 63,978	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	63,978
Mixed Drink Tax	7,223	0	0	0	0	0	0	0	7,223
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	25,378	76,133	101,511
Contracted Prisoner Boarding	487,666	0	0	0	0	0	0	0	487,666
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,838,684	0	1,838,684
Petroleum Special Tax	0	0	0	0	0	0	45,645	0	45,645
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Revenues	1,525	0	0	0	0	0	0	0	1,525
Total State of Tennessee	\$ 910,920	\$ 0	\$ 2,500	\$ 254,567	\$ 0	\$ 0	\$ 2,127,961	\$ 76,133	\$ 3,372,081
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 28,077	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	28,077
Civil Defense Reimbursement	14,372	0	0	0	0	0	0	0	14,372
Disaster Relief	0	0	0	0	0	0	61,497	0	61,497
Homeland Security Grants	18,823	0	0	0	0	0	0	0	18,823
Law Enforcement Grants	6,953	0	0	0	0	0	0	0	6,953
Other Federal through State	170,720	0	0	0	0	0	9,656	0	180,376
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	11,858	0	0	0	0	0	0	0	11,858
FHA Grant	15,641	0	0	0	0	0	0	0	15,641
Forest Service	75,277	0	0	0	0	0	19,025	0	94,302
Other Direct Federal Revenue	5,400	0	0	0	0	0	0	0	5,400
Total Federal Government	\$ 347,121	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,178	\$ 0	\$ 437,299
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 18,189	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	18,189
Contracted Services	206,468	0	0	0	0	0	14,097	0	220,565
<u>Citizens Groups</u>									
Donations	100	0	0	0	0	0	0	0	100
Total Other Governments and Citizens Groups	\$ 224,757	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,097	\$ 0	\$ 238,854
Total	\$ 12,024,437	\$ 11,629	\$ 915,019	\$ 254,666	\$ 83,739	\$ 14,556	\$ 3,080,567	\$ 2,584,356	\$ 18,968,969

Exhibit H-5

Carter County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	61,982	
Audit Services		12,927	
Dues and Memberships		6,172	
Legal Notices, Recording, and Court Costs		2,988	
Postal Charges		500	
Travel		6,221	
Other Supplies and Materials		320	
Other Charges		2,816	
Total County Commission			\$ 93,926

Board of Equalization

Board and Committee Members Fees	\$	4,710	
Travel		1,109	
Other Supplies and Materials		212	
Total Board of Equalization			6,031

County Mayor/Executive

County Official/Administrative Officer	\$	81,175	
Secretary(ies)		29,615	
Dues and Memberships		2,000	
Postal Charges		400	
Rentals		3,338	
Travel		2,657	
Library Books/Media		413	
Office Supplies		1,048	
Other Supplies and Materials		64	
Premiums on Corporate Surety Bonds		115	
Other Charges		6,340	
Office Equipment		232	
Total County Mayor/Executive			127,397

County Attorney

Other Salaries and Wages	\$	600	
Legal Services		35,890	
Total County Attorney			36,490

Election Commission

Supervisor/Director	\$	56,762	
Deputy(ies)		25,710	
Data Processing Personnel		19,593	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Other Salaries and Wages	\$	10,059	
Board and Committee Members Fees		9,157	
Election Workers		50,656	
Legal Notices, Recording, and Court Costs		12,378	
Maintenance Agreements		6,514	
Postal Charges		5,500	
Rentals		1,247	
Travel		8,705	
Office Supplies		3,153	
Other Supplies and Materials		23,318	
Office Equipment		326	
Voting Machines		172,500	
Total Election Commission			\$ 405,578

Register of Deeds

County Official/Administrative Officer	\$	63,069	
Deputy(ies)		50,501	
Clerical Personnel		300	
Other Salaries and Wages		425	
Data Processing Services		3,095	
Dues and Memberships		588	
Postal Charges		2,700	
Rentals		9,430	
Travel		1,747	
Data Processing Supplies		15,976	
Office Supplies		6,864	
Other Supplies and Materials		29,603	
Premiums on Corporate Surety Bonds		67	
Office Equipment		600	
Total Register of Deeds			184,965

Planning

Supervisor/Director	\$	31,634	
Data Processing Personnel		16,802	
Foremen		17,158	
Clerical Personnel		2,882	
Other Salaries and Wages		12,930	
Board and Committee Members Fees		4,150	
Communication		1,819	
Contracts with Government Agencies		11,500	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Maintenance and Repair Services - Vehicles	\$	679	
Postal Charges		250	
Travel		278	
Gasoline		1,981	
Office Supplies		732	
Premiums on Corporate Surety Bonds		200	
Other Charges		42,145	
Office Equipment		12,657	
Total Planning			\$ 157,797

County Buildings

Custodial Personnel	\$	24,769	
Maintenance Personnel		10,700	
Other Salaries and Wages		57,175	
Communication		70,626	
Maintenance and Repair Services - Buildings		194,027	
Maintenance and Repair Services - Equipment		4,082	
Maintenance and Repair Services - Vehicles		27	
Pest Control		1,200	
Travel		441	
Custodial Supplies		1,400	
Electricity		131,966	
Gasoline		1,815	
Uniforms		1,044	
Utilities		16,793	
Water and Sewer		40,094	
Building and Contents Insurance		10,178	
Workers' Compensation Insurance		23,059	
Other Charges		10,208	
Total County Buildings			599,604

Finance

Accounting and Budgeting

Supervisor/Director	\$	40,360
Deputy(ies)		49,162
Accountants/Bookkeepers		120,227
Dues and Memberships		575
Legal Notices, Recording, and Court Costs		2,074
Maintenance Agreements		7,855
Postal Charges		128

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Travel	\$	350	
Data Processing Supplies		2,583	
Office Supplies		4,745	
Premiums on Corporate Surety Bonds		675	
Other Charges		996	
Office Equipment		5,930	
Total Accounting and Budgeting			\$ 235,660

Property Assessor's Office

County Official/Administrative Officer	\$	63,069	
Deputy(ies)		54,862	
Data Processing Personnel		22,180	
Assessment Personnel		22,307	
Secretary(ies)		27,481	
Other Salaries and Wages		17,173	
Communication		1,987	
Contracts with Government Agencies		8,231	
Dues and Memberships		1,479	
Maintenance and Repair Services - Vehicles		946	
Postal Charges		5,200	
Rentals		1,516	
Travel		3,495	
Office Supplies		2,164	
Premiums on Corporate Surety Bonds		100	
Other Charges		24,556	
Office Equipment		949	
Total Property Assessor's Office			257,695

Reappraisal Program

Supervisor/Director	\$	25,609	
Data Processing Personnel		24,319	
In-Service Training		15	
Communication		576	
Data Processing Services		10,013	
Postal Charges		500	
Travel		2,426	
Office Supplies		634	
Other Supplies and Materials		250	
Total Reappraisal Program			64,342

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	63,069	
Deputy(ies)		71,579	
Clerical Personnel		18,361	
Contracts with Government Agencies		8,231	
Dues and Memberships		913	
Maintenance and Repair Services - Office Equipment		6,076	
Postal Charges		8,414	
Rentals		1,944	
Travel		384	
Office Supplies		2,423	
Premiums on Corporate Surety Bonds		3,555	
Other Charges		445	
Office Equipment		1,782	
Total County Trustee's Office			\$ 187,176

County Clerk's Office

County Official/Administrative Officer	\$	63,069	
Deputy(ies)		169,464	
Accountants/Bookkeepers		7,809	
Dues and Memberships		653	
Maintenance Agreements		19,639	
Postal Charges		2,500	
Rentals		2,907	
Travel		785	
Office Supplies		2,522	
Other Supplies and Materials		24	
Premiums on Corporate Surety Bonds		115	
Data Processing Equipment		3,024	
Office Equipment		435	
Total County Clerk's Office			272,946

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	63,069	
Clerical Personnel		338,837	
Dues and Memberships		638	
Legal Notices, Recording, and Court Costs		198	
Maintenance Agreements		8,505	
Postal Charges		1,005	
Rentals		9,662	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Travel	\$	430	
Other Contracted Services		4,000	
Office Supplies		17,056	
Premiums on Corporate Surety Bonds		276	
Office Equipment		8,688	
Total Circuit Court			\$ 452,364

General Sessions Court

Judge(s)	\$	129,215	
Dues and Memberships		241	
Postal Charges		150	
Travel		1,843	
Library Books/Media		787	
Office Supplies		671	
Total General Sessions Court			132,907

Drug Court

Remittance of Revenue Collected	\$	15,869	
Total Drug Court			15,869

Chancery Court

County Official/Administrative Officer	\$	63,069	
Clerical Personnel		114,168	
Dues and Memberships		573	
Maintenance Agreements		5,127	
Postal Charges		1,000	
Rentals		2,349	
Travel		912	
Office Supplies		5,084	
Premiums on Corporate Surety Bonds		923	
Office Equipment		10,749	
Total Chancery Court			203,954

Judicial Commissioners

Other Salaries and Wages	\$	26,174	
Total Judicial Commissioners			26,174

Other Administration of Justice

Board and Committee Members Fees	\$	400	
Jury and Witness Fees		11,223	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice (Cont.)

Postal Charges	\$	1,000	
Other Charges		<u>2,910</u>	
Total Other Administration of Justice	\$		15,533

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	75,376	
Deputy(ies)		831,479	
Investigator(s)		120,759	
Accountants/Bookkeepers		25,240	
Mechanic(s)		7,700	
Dispatchers/Radio Operators		99,433	
Clerical Personnel		51,166	
Part-time Personnel		43,190	
School Resource Officer		168,495	
Other Salaries and Wages		3,456	
In-Service Training		28,708	
Communication		30,344	
Dues and Memberships		1,705	
Maintenance and Repair Services - Buildings		2,897	
Maintenance and Repair Services - Equipment		23,119	
Maintenance and Repair Services - Vehicles		51,322	
Medical and Dental Services		7,191	
Postal Charges		500	
Rentals		4,969	
Transportation - Other than Students		22	
Travel		19,919	
Custodial Supplies		3,505	
Gasoline		83,970	
Office Supplies		11,243	
Tires and Tubes		10,664	
Uniforms		19,223	
Other Supplies and Materials		1,365	
Premiums on Corporate Surety Bonds		169	
Vehicle and Equipment Insurance		122,011	
Workers' Compensation Insurance		26,939	
Other Charges		26,126	
Law Enforcement Equipment		47,831	
Motor Vehicles		2,768	
Office Equipment		<u>5,206</u>	
Total Sheriff's Department			1,958,010

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Guards	\$	683,396	
Cafeteria Personnel		34,214	
Maintenance and Repair Services - Equipment		705	
Medical and Dental Services		382,742	
Transportation - Other than Students		4,806	
Custodial Supplies		35,820	
Food Preparation Supplies		6,253	
Food Supplies		230,841	
Workers' Compensation Insurance		29,510	
Other Charges		1,023	
Total Jail			\$ 1,409,310

Juvenile Services

Youth Service Officer(s)	\$	48,819	
Contracts with Government Agencies		65,419	
Dues and Memberships		50	
Travel		1,533	
Total Juvenile Services			115,821

Fire Prevention and Control

Contributions	\$	260,629	
Other Charges		15,000	
Total Fire Prevention and Control			275,629

Rescue Squad

Other Charges	\$	241,300	
Total Rescue Squad			241,300

Other Emergency Management

Supervisor/Director	\$	29,498	
Secretary(ies)		20,951	
State Retirement		3,000	
Employee and Dependent Insurance		10,894	
Communication		1,832	
Dues and Memberships		35	
Maintenance and Repair Services - Vehicles		29	
Postal Charges		225	
Printing, Stationery, and Forms		612	
Travel		1,010	
Gasoline		515	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Instructional Supplies and Materials	\$	318	
Office Supplies		837	
Uniforms		200	
Other Supplies and Materials		15,980	
Office Equipment		<u>383</u>	
Total Other Emergency Management			\$ 86,319

Inspection and Regulation

Supervisor/Director	\$	3,000	
Office Equipment		<u>250</u>	
Total Inspection and Regulation			3,250

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	4,448	
Travel		404	
Premiums on Corporate Surety Bonds		<u>300</u>	
Total County Coroner/Medical Examiner			5,152

Other Public Safety

Board and Committee Members Fees	\$	<u>1,750</u>	
Total Other Public Safety			1,750

Public Health and Welfare

Rabies and Animal Control

Other Salaries and Wages	\$	16,182	
Other Contracted Services		<u>11,717</u>	
Total Rabies and Animal Control			27,899

Ambulance/Emergency Medical Services

Contributions	\$	<u>76,713</u>	
Total Ambulance/Emergency Medical Services			76,713

Crippled Children Services

Contributions	\$	<u>15,342</u>	
Total Crippled Children Services			15,342

Aid to Dependent Children

Contributions	\$	<u>1,354</u>	
Total Aid to Dependent Children			1,354

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services

Pauper Burials	\$ 800	
Total Other Local Welfare Services		\$ 800

Other Public Health and Welfare

Contributions	\$ 1,354	
Total Other Public Health and Welfare		1,354

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 40,405	
Total Senior Citizens Assistance		40,405

Libraries

Contributions	\$ 31,588	
Total Libraries		31,588

Parks and Fair Boards

Contributions	\$ 22,562	
Total Parks and Fair Boards		22,562

Other Social, Cultural, and Recreational

Contributions	\$ 2,549	
Total Other Social, Cultural, and Recreational		2,549

Agriculture and Natural Resources

Agriculture Extension Service

Other Salaries and Wages	\$ 66,645	
Other Fringe Benefits	7,711	
Communication	1,211	
Contributions	2,387	
Travel	894	
Electricity	2,279	
Office Supplies	82	
Utilities	1,029	
Water and Sewer	585	
Other Supplies and Materials	15	
Office Equipment	3,311	
Total Agriculture Extension Service		86,149

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Flood Control

Other Supplies and Materials	\$ 6,500	
Total Flood Control		\$ 6,500

Other Agriculture and Natural Resources

Contracts with Government Agencies	\$ 17,373	
Contributions	902	
Total Other Agriculture and Natural Resources		18,275

Other Operations

Tourism

Contributions	\$ 90,730	
Total Tourism		90,730

Industrial Development

Engineering Services	\$ 350	
Total Industrial Development		350

Housing and Urban Development

Engineering Services	\$ 696	
Other Charges	14,945	
Total Housing and Urban Development		15,641

Other Economic and Community Development

Contributions	\$ 30,610	
Engineering Services	23,077	
Other Charges	5,000	
Total Other Economic and Community Development		58,687

Veterans' Services

Supervisor/Director	\$ 15,050	
Contributions	10,000	
Dues and Memberships	25	
Postal Charges	300	
Travel	826	
Office Supplies	1,004	
Office Equipment	89	
Total Veterans' Services		27,294

Contributions to Other Agencies

Contributions	\$ 39,504	
Total Contributions to Other Agencies		39,504

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	269,667	
State Retirement		589,725	
Employee and Dependent Insurance		665,821	
Unemployment Compensation		18,194	
Employer Medicare		59,378	
Total Employee Benefits			\$ 1,602,785

Miscellaneous

Postal Charges	\$	31,524	
Trustee's Commission		156,352	
Total Miscellaneous			187,876

Highways

Litter and Trash Collection

Guards	\$	23,595	
Maintenance and Repair Services - Equipment		82	
Instructional Supplies and Materials		3,964	
Total Litter and Trash Collection			27,641

Principal on Debt

General Government

Principal on Capital Leases	\$	4,008	
Total General Government			4,008

Capital Projects

Other General Government Projects

Engineering Services	\$	2,350	
Disposal Fees		10,512	
Other Supplies and Materials		10,292	
Other Charges		83,712	
Bridge Construction		11,322	
Other Construction		119,340	
Total Other General Government Projects			237,528

Total General Fund \$ 10,196,483

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$	603	
Total County Buildings			\$ 603

(Continued)

Exhibit H-5

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

Courthouse and Jail Maintenance Fund (Cont.)

Finance

Other Finance

Trustee's Commission	\$ 114	
Total Other Finance		\$ 114

Administration of Justice

Other Administration of Justice

Data Processing Equipment	\$ 3,245	
Total Other Administration of Justice		3,245

Total Courthouse and Jail Maintenance Fund		\$ 3,962
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Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Attendants	\$ 41,397	
Social Security	2,587	
Employer Medicare	600	
Communication	618	
Other Contracted Services	1,874	
Electricity	1,282	
Water and Sewer	180	
Total Convenience Centers		\$ 48,538

Recycling Center

Supervisor/Director	\$ 7,692	
Laborers	15,025	
Part-time Personnel	3,709	
Other Fringe Benefits	5,350	
Communication	747	
Maintenance and Repair Services - Buildings	17	
Maintenance and Repair Services - Equipment	12,515	
Gasoline	505	
Utilities	3,295	
Other Charges	2,602	
Total Recycling Center		51,457

Landfill Operation and Maintenance

Supervisor/Director	\$ 34,202
Laborers	115,147
Social Security	4,873
State Retirement	25,626

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Employee and Dependent Insurance	\$	34,076	
Unemployment Compensation		663	
Employer Medicare		2,391	
Communication		1,573	
Evaluation and Testing		34,888	
Maintenance and Repair Services - Buildings		2,237	
Maintenance and Repair Services - Equipment		64,011	
Rentals		1,136	
Travel		674	
Disposal Fees		341,988	
Crushed Stone		13,507	
Diesel Fuel		31,720	
Fuel Oil		491	
Gasoline		13,984	
Lubricants		3,412	
Office Supplies		4,289	
Uniforms		3,004	
Utilities		3,578	
Other Supplies and Materials		497	
Other Charges		36,639	
Total Landfill Operation and Maintenance			\$ 774,606

Other Operations

Miscellaneous

Trustee's Commission	\$	8,593	
Total Miscellaneous			8,593

Total Solid Waste/Sanitation Fund \$ 883,194

Health Department Fund

Public Health and Welfare

Local Health Center

Supervisor/Director	\$	5,729
Medical Personnel		19,200
Secretary(ies)		2,160
Other Salaries and Wages		190,386
Social Security		79,154
Communication		9,874
Contracts with Government Agencies		53,800
Maintenance and Repair Services - Buildings		14,193

(Continued)

Exhibit H-5

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

Health Department Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Pest Control	\$	60	
Postal Charges		2,431	
Travel		1,279	
Drugs and Medical Supplies		2,481	
Utilities		29,979	
Other Supplies and Materials		10,635	
Other Charges		<u>7,584</u>	
Total Local Health Center			\$ <u>428,945</u>

Total Health Department Fund \$ 428,945

Drug Control Fund

Public Safety

Sheriff's Department

Contributions	\$	5,000	
Travel		321	
Animal Food and Supplies		3,459	
Other Charges		24	
Law Enforcement Equipment		5,787	
Motor Vehicles		19,500	
Other Capital Outlay		<u>20,000</u>	
Total Sheriff's Department			\$ 54,091

Other Operations

Miscellaneous

Trustee's Commission	\$	<u>538</u>	
Total Miscellaneous			<u>538</u>

Total Drug Control Fund 54,629

Constitutional Officers - Fees Fund

Administration of Justice

Circuit Court Clerk

Bank Charges	\$	<u>297</u>	
Total Circuit Court Clerk			\$ 297

General Sessions Court Clerk

Bank Charges	\$	<u>2,410</u>	
Total General Sessions Court Clerk			2,410

(Continued)

Exhibit H-5

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	11,593	
Bank Charges		<u>51</u>	
Total Chancery Court			\$ 11,644

Public Safety

Sheriff's Department

Bank Charges	\$	<u>205</u>	
Total Sheriff's Department			<u>205</u>

Total Constitutional Officers - Fees Fund \$ 14,556

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	69,376	
Assistant(s)		37,813	
Supervisor/Director		28,335	
Secretary(ies)		31,598	
Dues and Memberships		3,897	
Postal Charges		80	
Rentals		26	
Travel		1,019	
Other Contracted Services		27,222	
Office Supplies		1,950	
Other Charges		115	
Building Improvements		1,983	
Communication Equipment		<u>800</u>	
Total Administration			\$ 204,214

Highway and Bridge Maintenance

Foremen	\$	66,692
Equipment Operators		142,480
Truck Drivers		263,621
Laborers		297,160
Explosive and Drilling Services		4,481
Rentals		4,842
Other Contracted Services		1,360
Asphalt - Hot Mix		729,751
Asphalt - Liquid		7,480
Concrete		5,341

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Crushed Stone	\$	71,605	
Pipe		7,186	
Road Signs		15,778	
Sand		2,314	
Uniforms		18,592	
Wood Products		575	
Other Supplies and Materials		573	
Total Highway and Bridge Maintenance			\$ 1,639,831

Operation and Maintenance of Equipment

Mechanic(s)	\$	82,808	
Freight Expenses		5,753	
Maintenance and Repair Services - Equipment		17,783	
Other Contracted Services		2,779	
Diesel Fuel		86,287	
Equipment and Machinery Parts		105,792	
Garage Supplies		7,864	
Gasoline		121,652	
Lubricants		4,204	
Small Tools		297	
Tires and Tubes		18,716	
Other Supplies and Materials		12,447	
Total Operation and Maintenance of Equipment			466,382

Other Charges

Communication	\$	8,124	
Electricity		8,761	
Natural Gas		4,471	
Water and Sewer		2,621	
Judgments		15,812	
Premiums on Corporate Surety Bonds		214	
Trustee's Commission		33,489	
Vehicle and Equipment Insurance		16,838	
Other Charges		1,685	
Total Other Charges			92,015

Employee Benefits

Social Security	\$	61,530	
State Retirement		135,061	
Employee and Dependent Insurance		173,998	

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$	4,527	
Employer Medicare		14,390	
Other Fringe Benefits		3,570	
Workers' Compensation Insurance		60,464	
Total Employee Benefits			\$ 453,540

Capital Outlay

Highway Equipment	\$	145,814	
Motor Vehicles		28,763	
Other Capital Outlay		338,040	
Total Capital Outlay			512,617

Total Highway/Public Works Fund \$ 3,368,599

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	490,001	
Total General Government			\$ 490,001

Education

Principal on Other Loans	\$	906,000	
Total Education			906,000

Interest on Debt

General Government

Interest on Notes	\$	17,927	
Interest on Other Loans		8,166	
Total General Government			26,093

Education

Interest on Other Loans	\$	380,336	
Total Education			380,336

Other Debt Service

General Government

Trustee's Commission	\$	38,129	
Other Debt Service		4,372	
Total General Government			42,501

(Continued)

Exhibit H-5

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

General Debt Service Fund (Cont.)

Other Debt Service (Cont.)

Education

Other Debt Service	\$ 39,255	
Total Education		\$ 39,255

Total General Debt Service Fund \$ 1,884,186

General Capital Projects Fund

Capital Projects

Public Safety Projects

Engineering Services	\$ 689,406	
Evaluation and Testing	13,475	
Other Debt Issuance Charges	126,000	
Total Public Safety Projects		\$ 828,881

Capital Projects - Donated

Capital Projects Donated to Other Entities

Contributions	\$ 1,848,747	
Total Capital Projects Donated to Other Entities		1,848,747

Total General Capital Projects Fund 2,677,628

Total Governmental Funds - Primary Government \$ 19,512,182

Exhibit H-6

Carter County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balances - City Agency Funds
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund	City School ADA - Elizabethton Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 1,649,488	\$ 1,649,488
Trustee's Collections - Prior Years	0	69,578	69,578
Circuit/Clerk and Master Collections - Prior Years	0	13,825	13,825
Interest and Penalty	0	16,199	16,199
Payments in-Lieu-of Taxes - Local Utilities	0	12,079	12,079
Payments in-Lieu-of Taxes - Other	0	1,491	1,491
Local Option Sales Tax	3,574,073	1,178,871	4,752,944
Bank Excise Tax	0	19,748	19,748
Interstate Telecommunications Tax	0	2,509	2,509
Marriage Licenses	0	617	617
Mixed Drink Tax	0	1,732	1,732
Contributions	0	486,220	486,220
Donations	0	106	106
Total Cash Receipts	\$ 3,574,073	\$ 3,452,463	\$ 7,026,536
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,538,332	\$ 3,437,623	\$ 6,975,955
Trustee's Commission	35,741	46,651	82,392
Total Cash Disbursements	\$ 3,574,073	\$ 3,484,274	\$ 7,058,347
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0	 \$ (31,811)	 \$ (31,811)
Cash Balance, July 1, 2006	0	129,346	129,346
 Cash Balance, June 30, 2007	 \$ 0	 \$ 97,535	 \$ 97,535

ANNUAL FINANCIAL REPORT
CARTER COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

MARK TREECE, CPA, CGFM
Auditor 4

MARIE ELLIOTT, CPA
GREG BRUSH
DOUG SANDIDGE, CISA, CFE
State Auditors

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

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

Annual Financial Report
Carter County School Department
For the Year Ended June 30, 2007

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Carter County School Department as of and for the year ended June 30, 2007.

Results

Our report on the Carter 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 Carter County School Department management. The detailed findings and recommendations are included in the Single Audit Report.

Findings

The following is a summary of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The Carter County School Department has not met its work plan to implement Governmental Accounting Standard Board Statement No. 34
- ◆ County officials failed to contract for audit procedures to be performed for the USDA Child Nutrition Cluster.

INTRODUCTORY SECTION

Carter County School Officials
June 30, 2007

Official

Dallas Williams, Director of Schools

Board of Education

Bobby McClain, Chairperson
Bobby Blevins
Dale Colbaugh
Daniel Holder

Chuck Madgett
Lee Morrow
Jack Pearman
Richard Winters

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

February 28, 2008

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Carter County School Department, a component unit of Carter County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 31, which collectively comprise a portion of the Carter 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 Carter County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

As described in Note I, the Carter 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 Carter County School Department as of June 30, 2007, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Carter County School Department as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2008, on our consideration of the Carter County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 35 through 39 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 Carter 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 miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Carter County, Tennessee
Balance Sheet - Governmental Funds
Carter County School Department
June 30, 2007

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Central</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Cafeteria</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>		<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 1,122,217	\$ 67,109	\$ 174,609	\$ 1,363,935
Equity in Pooled Cash and Investments	3,306,515	1,350,709	87,349	4,744,573
Accounts Receivable	50,500	0	0	50,500
Due from Other Governments	1,157,841	0	11,639	1,169,480
Due from Other Funds	0	0	30,514	30,514
Due from Primary Government	8,835	0	0	8,835
Property Taxes Receivable	5,293,277	0	0	5,293,277
Allowance for Uncollectible Property Taxes	(109,993)	0	0	(109,993)
Total Assets	\$ 10,829,192	\$ 1,417,818	\$ 304,111	\$ 12,551,121
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 381,504	\$ 62,886	\$ 1,880	\$ 446,270
Accrued Payroll	5,080	0	0	5,080
Retainage Payable	0	0	5,000	5,000
Due to Other Funds	30,514	0	0	30,514
Due to Primary Government	34,857	5,020	0	39,877
Other Current Liabilities	1,122,217	63,446	174,609	1,360,272
Deferred Revenue - Current Property Taxes	5,008,167	0	0	5,008,167
Deferred Revenue - Delinquent Property Taxes	154,379	0	0	154,379
Other Deferred Revenues	727,470	0	0	727,470
Total Liabilities	\$ 7,464,188	\$ 131,352	\$ 181,489	\$ 7,777,029
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 201,957	\$ 0	\$ 0	\$ 201,957
Reserved for Career Ladder - Extended Contract	115,100	0	0	115,100
Reserved for Career Ladder Program	20,144	0	0	20,144
Reserved for Title I Grants to Local Education Agencies	0	0	17,464	17,464
Reserved for Special Education - Grants to States	0	0	889	889
Other Federal Reserves	0	0	41,149	41,149
Unreserved, Reported In:				
General Fund	3,027,803	0	0	3,027,803
Special Revenue Funds	0	1,286,466	11,430	1,297,896
Capital Projects Funds	0	0	51,690	51,690
Total Fund Balances	\$ 3,365,004	\$ 1,286,466	\$ 122,622	\$ 4,774,092
Total Liabilities and Fund Balances	\$ 10,829,192	\$ 1,417,818	\$ 304,111	\$ 12,551,121

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

Exhibit B

Carter County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Carter County School Department
For the Year Ended June 30, 2007

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Funds Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 8,350,437	\$ 0	\$ 0	\$ 8,350,437
Licenses and Permits	1,926	0	0	1,926
Charges for Current Services	361,878	936,617	0	1,298,495
Other Local Revenues	327,337	50,900	0	378,237
State of Tennessee	27,160,766	32,269	0	27,193,035
Federal Government	868,567	1,643,423	4,175,013	6,687,003
Other Governments and Citizens Groups	343	0	1,362,527	1,362,870
Total Revenues	<u>\$ 37,071,254</u>	<u>\$ 2,663,209</u>	<u>\$ 5,537,540</u>	<u>\$ 45,272,003</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 22,384,311	\$ 0	\$ 2,822,631	\$ 25,206,942
Support Services	11,813,476	0	592,576	12,406,052
Operation of Non-Instructional Services	1,422,553	2,484,389	964,618	4,871,560
Capital Outlay	337,712	0	79,879	417,591
Debt Service:				
Principal on Debt	191,890	0	0	191,890
Interest on Debt	153,506	0	0	153,506
Capital Projects	0	0	1,182,401	1,182,401
Total Expenditures	<u>\$ 36,303,448</u>	<u>\$ 2,484,389</u>	<u>\$ 5,642,105</u>	<u>\$ 44,429,942</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 767,806</u>	<u>\$ 178,820</u>	<u>\$ (104,565)</u>	<u>\$ 842,061</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 84,637	\$ 0	\$ 0	\$ 84,637
Transfers In	0	0	41,717	41,717
Transfers Out	(41,717)	0	0	(41,717)
Total Other Financing Sources (Uses)	<u>\$ 42,920</u>	<u>\$ 0</u>	<u>\$ 41,717</u>	<u>\$ 84,637</u>
Net Change in Fund Balances	\$ 810,726	\$ 178,820	\$ (62,848)	\$ 926,698
Fund Balance, July 1, 2006	<u>2,554,278</u>	<u>1,107,646</u>	<u>185,470</u>	<u>3,847,394</u>
Fund Balance, June 30, 2007	<u>\$ 3,365,004</u>	<u>\$ 1,286,466</u>	<u>\$ 122,622</u>	<u>\$ 4,774,092</u>

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

**CARTER COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Carter 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 No. 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 No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 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 Carter County elect its board. The School Department is a component unit of Carter County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are

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

The School Department issues 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.

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

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department does not have any 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 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. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due.

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.

The School Department reports the following major governmental funds:

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.

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

Additionally, the School Department reports the following fund type:

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

State statutes authorize Carter 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 Carter County trustee maintains a cash and internal investment pool that is used by all Carter County and School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Carter 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 1.11 percent of total taxes levied.

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

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

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

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

Most payables are disaggregated on the face of the financial statements. The Other Current Liabilities reflected in the General Purpose School, School Federal Projects, Central Cafeteria, and Other

Education Special Revenue Funds represent the remaining balances in the teachers' insurance clearing account.

Retainage payable in the School Department's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the School Department's nonmajor governmental funds.

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 School Department has various policies related to vacation and sick leave benefits. Certain employees of the School Department are allowed to accumulate unused vacation benefits, but are only paid for 40 days of their unused vacation leave upon termination. The School Department, in accordance with contract provisions, allows all certified personnel to accumulate an unlimited amount of earned but unused sick leave benefits, which will be paid to employees at a rate of \$10 per day upon retirement. A liability for these benefits is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Non-certified employees are allowed to accumulate earned but unused sick leave benefits. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts to these employees when they separate from service with the government.

5. Long-term Obligations

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

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The School Department has designated \$41,003 of the General Purpose School Fund's unreserved fund balance for use by the extended school program as of June 30, 2007.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all the School Department's governmental funds except for the capital projects fund, which adopts 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 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 the General Purpose School Fund major categories: Regular Instruction Program, Alternative Instruction Program, Special Education Program, Vocational Education Program, 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 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

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

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

Investment Balances. As of June 30, 2007, Carter 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 Carter 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	\$ 10,289,985

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. Carter 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. Carter County has no investment policy that would further limit its investment choices. As of June 30, 2007, Carter 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, 2007, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General Purpose School	\$ 30,514

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

Due to/from Primary Government:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit: School Department: General Purpose School	Primary Government: General	\$ 8,835

Due to/from Primary Government (Cont.):

Receivable Fund	Payable Fund	Amount
	Component Unit:	
Primary Government:	School Department:	
General	General Purpose School	\$ 34,857
General	Central Cafeteria	5,020

The balance of \$8,835 due to the General Purpose School Fund from the General Fund resulted from revenues incorrectly posted to the wrong fund.

The balances due to the General Fund resulted from the time lag between 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, 2007, consisted of the following amount:

Transfer Out	Transfer In Nonmajor Governmental Funds
General Purpose School Fund	\$ 41,717

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. Capital Lease

In a prior year, the School Department entered into a 15-year capital lease agreement to upgrade heating and electrical systems. The terms of the agreement require total lease payments of \$3,200,000 plus interest of 5.8 percent. Title to the equipment transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Since the School Department is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but the School Department is not presenting government-wide financial

statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30	Governmental Funds
2008	\$ 334,331
2009	334,331
2010	334,331
2011	334,331
2012	334,331
2013-2017	1,671,653
2018	24,776
Total Minimum Lease Payments	\$ 3,368,084
Amount Representing Interest	(823,166)
 Present Value of Minimum Lease Payments	 \$ 2,544,918

D. Long-term Debt

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

Note

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

The capital outlay note is a direct obligation and pledges the full faith and credit of the government. The capital outlay note outstanding was issued for an original term of 18 years. The note included in long-term debt as of June 30, 2007, will be retired from the General Purpose School Fund.

The capital outlay note and capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Note	0 %	\$ 199,164	\$ 17,040
Capital Lease	5.8	3,200,000	2,544,918

The annual requirements to amortize the note outstanding as of June 30, 2007, are presented in the following table:

Year Ending June 30	Note
2008	\$ 11,065
2009	<u>5,975</u>
Total	<u>\$ 17,040</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Note	Capital Lease	Compensated Absences
Balance, July 1, 2006	\$ 28,105	\$ 2,725,743	\$ 640,530
Additions	0	0	282,182
Deductions	<u>(11,065)</u>	<u>(180,825)</u>	<u>(252,247)</u>
Balance, June 30, 2007	<u>\$ 17,040</u>	<u>\$ 2,544,918</u>	<u>\$ 670,465</u>
Balance Due Within One Year	<u>\$ 11,065</u>	<u>\$ 191,599</u>	<u>\$ 264,859</u>

Compensated absences will be paid from the employing fund, primarily the General Purpose School Fund.

IV. OTHER INFORMATION

A. Risk Management

During the year, the School Department decided it was more economically feasible to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, casualty, and workers' compensation losses. Prior to this, the School Department had been a member of a public entity risk pool, the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool.

The School Department continues to provide health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local government and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in

the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Contingent Liabilities

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

C. Jointly Governed Organizations

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Carter County, Bristol City, Cocke County, Elizabethton City, Greeneville City, Greene County, Hamblen County, Hancock County, Hawkins County, Johnson City, Johnson County, Kingsport City, Newport City, Rogersville City, Sullivan County, Unicoi County, and Washington County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated. The cooperative was established to provide the First Tennessee Virginia Development District with educational programs and services of higher quality, greater scope, and greater accessibility. The cooperative is governed by a Board of Control, consisting of one board member and the director of schools from each of the systems. The executive committee consists of the chairman and vice chairman of the Board of Control and the member director of schools. Funding for the cooperative is provided through state grants and member schools' contributions.

The Upper East Tennessee Educational Cooperative has entered into an agreement to establish and operate the Northeast Tennessee Cooperative. The Northeast Tennessee Cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each of the members' school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to operate this service. All members of the Upper East Tennessee Cooperative are members of the Northeast Tennessee Cooperative, except Elizabethton City, Hancock County, Kingsport City, Unicoi County, and Washington County systems. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts, and an Executive Council, consisting of the chair, vice-chair, secretary, treasurer, and a member-at-large from the Representative Committee.

D. Retirement Commitments

Employees

Plan Description

Employees of Carter 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 Carter 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 <http://www.treasury.state.tn.us/tcrs/Schools/>.

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

School Teachers

Plan Description

The Carter 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 <http://www.treasury.state.tn.us>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the 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, 2007, 2006, and 2005, were \$1,255,638 \$1,088,526, and \$1,082,672, respectively, equal to the required contributions for each year.

E. Other Post-employment Benefits

In addition to the retirement commitments described above, the School Department provides post-retirement medical, dental, and life insurance benefits, in accordance with contract provisions, to all certified teachers who upon retirement are (a) at least 55 years of age or have at least 25 years of service and (b) have been employed with the Carter County School System for at least 15 years total with the last five years preceding retirement having been in the Carter County School System. Post-retirement health care and

life insurance benefits are also provided to paraprofessionals who retire from the School Department. To be eligible for benefits, the employee must meet one of the following criteria. The employee may be of any age but have at least 30 years of service, or age 60 with at least 15 years of service, or age 55 with at least 17 years of service. Benefits are paid until the retirees reach age 65. Currently, 104 school retirees meet those eligibility requirements. During the year, expenditures totaling \$368,363 were recognized for post-employment health care.

F. Termination Benefits

The Carter County School Department has entered into a retirement incentive bonus payment plan, in accordance with contract provisions. This plan is available to all certified teachers who are (a) at least 55 years of age or have at least 25 years of service and (b) have been employed with the Carter County School System for at least 15 years total with the last five years preceding retirement having been in the Carter County School System. The plan gives teachers who have met the above requirements and are between the ages of 62 to 65 a one-time bonus, of between \$2,000 to \$5,000 when the employee retires. Thirteen employees participated in the program during the 2006-07 fiscal year receiving bonuses totaling \$83,031. These bonuses were paid from the General Purpose School Fund.

G. Office of Central Accounting and Budgeting

Office of Director of Finance

Carter County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments, including the School Department. The act provides for the creation of a Finance Department operated under the direction of the finance director.

H. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Carter County. Purchases exceeding \$10,000 for the School Department are required to be competitively bid.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C-1

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Carter County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 8,350,437	\$ 0	\$ 0	\$ 8,350,437	\$ 8,387,166	\$ 8,387,166	\$ (36,729)
Licenses and Permits	1,926	0	0	1,926	1,500	1,500	426
Charges for Current Services	361,878	0	0	361,878	266,000	291,860	70,018
Other Local Revenues	327,337	0	0	327,337	43,600	180,151	147,186
State of Tennessee	27,160,766	0	0	27,160,766	26,566,951	27,628,358	(467,592)
Federal Government	868,567	0	0	868,567	166,400	935,931	(67,364)
Other Governments and Citizens Groups	343	0	0	343	0	0	343
Total Revenues	\$ 37,071,254	\$ 0	\$ 0	\$ 37,071,254	\$ 35,431,617	\$ 37,424,966	\$ (353,712)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 18,009,704	\$ 0	\$ 0	\$ 18,009,704	\$ 18,055,578	\$ 18,305,703	\$ 295,999
Alternative Instruction Program	97,702	0	0	97,702	105,935	106,521	8,819
Special Education Program	2,739,183	0	0	2,739,183	2,734,325	2,799,076	59,893
Vocational Education Program	1,447,207	0	0	1,447,207	1,467,510	1,525,682	78,475
Adult Education Program	90,515	0	0	90,515	109,077	109,077	18,562
<u>Support Services</u>							
Health Services	237,847	0	0	237,847	147,861	246,280	8,433
Other Student Support	797,944	0	0	797,944	804,335	809,582	11,638
Regular Instruction Program	1,374,395	0	0	1,374,395	1,378,852	1,385,001	10,606
Alternative Instruction Program	101,200	0	0	101,200	91,537	117,690	16,490
Special Education Program	374,503	0	0	374,503	359,985	385,091	10,588
Vocational Education Program	118,097	0	0	118,097	140,616	140,873	22,776
Adult Programs	35,825	0	0	35,825	40,171	40,171	4,346
Board of Education	670,741	0	0	670,741	895,350	869,224	198,483
Director of Schools	388,845	0	0	388,845	369,815	398,108	9,263

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 2,141,776	\$ 0	\$ 0	\$ 2,141,776	\$ 2,185,085	\$ 2,191,557	\$ 49,781
Fiscal Services	181,750	0	0	181,750	198,091	185,091	3,341
Operation of Plant	2,440,358	0	0	2,440,358	2,539,222	2,539,222	98,864
Maintenance of Plant	692,504	0	0	692,504	689,866	692,658	154
Transportation	2,025,115	(286,630)	201,957	1,940,442	2,175,544	2,356,900	416,458
Central and Other	232,576	0	0	232,576	240,245	240,245	7,669
<u>Operation of Non-Instructional Services</u>							
Community Services	1,332,258	0	0	1,332,258	155,551	1,455,967	123,709
Early Childhood Education	90,295	0	0	90,295	0	93,441	3,146
<u>Capital Outlay</u>							
Regular Capital Outlay	337,712	0	0	337,712	200,000	338,317	605
<u>Principal on Debt</u>							
Education	191,890	0	0	191,890	161,065	192,259	369
<u>Interest on Debt</u>							
Education	153,506	0	0	153,506	184,700	153,506	0
Total Expenditures	\$ 36,303,448	\$ (286,630)	\$ 201,957	\$ 36,218,775	\$ 35,430,316	\$ 37,677,242	\$ 1,458,467
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 767,806	\$ 286,630	\$ (201,957)	\$ 852,479	\$ 1,301	\$ (252,276)	\$ 1,104,755
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 84,637	\$ 0	\$ 0	\$ 84,637	\$ 0	\$ 53,576	\$ 31,061
Transfers Out	(41,717)	0	0	(41,717)	(43,300)	(43,300)	1,583
Total Other Financing Sources (Uses)	\$ 42,920	\$ 0	\$ 0	\$ 42,920	\$ (43,300)	\$ 10,276	\$ 32,644
Net Change in Fund Balance	\$ 810,726	\$ 286,630	\$ (201,957)	\$ 895,399	\$ (41,999)	\$ (242,000)	\$ 1,137,399
Fund Balance, July 1, 2006	2,554,278	(286,630)	0	2,267,648	1,401,018	1,401,018	866,630
Fund Balance, June 30, 2007	\$ 3,365,004	\$ 0	\$ (201,957)	\$ 3,163,047	\$ 1,359,019	\$ 1,159,018	\$ 2,004,029

Exhibit C-2

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Carter County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 936,617	\$ 903,170	\$ 903,170	\$ 33,447
Other Local Revenues	50,900	13,200	13,200	37,700
State of Tennessee	32,269	33,000	33,000	(731)
Federal Government	1,643,423	1,605,000	1,605,000	38,423
Total Revenues	<u>\$ 2,663,209</u>	<u>\$ 2,554,370</u>	<u>\$ 2,554,370</u>	<u>\$ 108,839</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,484,389	\$ 2,554,370	\$ 2,554,370	\$ 69,981
Total Expenditures	<u>\$ 2,484,389</u>	<u>\$ 2,554,370</u>	<u>\$ 2,554,370</u>	<u>\$ 69,981</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 178,820</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 178,820</u>
Net Change in Fund Balance	\$ 178,820	\$ 0	\$ 0	\$ 178,820
Fund Balance, July 1, 2006	<u>1,107,646</u>	<u>884,088</u>	<u>884,088</u>	<u>223,558</u>
Fund Balance, June 30, 2007	<u>\$ 1,286,466</u>	<u>\$ 884,088</u>	<u>\$ 884,088</u>	<u>\$ 402,378</u>

**CARTER COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007**

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 Carter 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, Alternative Instruction Program, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the Carter 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.

Other Education Special Revenue Fund – The Other Education Special Revenue Fund is used to account for restricted federal revenues which must be expended on the Head Start Program.

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 building construction and renovations of the School Department.

Exhibit D-1

Carter County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Carter County School Department
June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Other</u>		<u>Projects</u>	
	<u>Federal</u>	<u>Education</u>	<u>Total</u>	<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>	<u>Special</u>		<u>Capital</u>	<u>Governmental</u>
		<u>Revenue</u>		<u>Projects</u>	<u>Funds</u>
<u>ASSETS</u>					
Cash	\$ 131,065	\$ 43,544	\$ 174,609	\$ 0	\$ 174,609
Equity in Pooled Cash and Investments	18,479	12,180	30,659	56,690	87,349
Due from Other Governments	11,639	0	11,639	0	11,639
Due from Other Funds	30,514	0	30,514	0	30,514
Total Assets	\$ 191,697	\$ 55,724	\$ 247,421	\$ 56,690	\$ 304,111
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 1,130	\$ 750	\$ 1,880	\$ 0	\$ 1,880
Retainage Payable	0	0	0	5,000	5,000
Other Current Liabilities	131,065	43,544	174,609	0	174,609
Total Liabilities	\$ 132,195	\$ 44,294	\$ 176,489	\$ 5,000	\$ 181,489
<u>Fund Balances</u>					
Reserved for Title I Grants to Local Education Agencies	\$ 17,464	\$ 0	\$ 17,464	\$ 0	\$ 17,464
Reserved for Special Education - Grants to States	889	0	889	0	889
Other Federal Reserves	41,149	0	41,149	0	41,149
Unreserved	0	11,430	11,430	51,690	63,120
Total Fund Balances	\$ 59,502	\$ 11,430	\$ 70,932	\$ 51,690	\$ 122,622
Total Liabilities and Fund Balances	\$ 191,697	\$ 55,724	\$ 247,421	\$ 56,690	\$ 304,111

Exhibit D-2

Carter County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Carter County School Department
For the Year Ended June 30, 2007

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Other Education Special Revenue	Total	Education Capital Projects	
<u>Revenues</u>					
Federal Government	\$ 3,131,933	\$ 1,043,080	\$ 4,175,013	\$ 0	\$ 4,175,013
Other Governments and Citizens Groups	0	0	0	1,362,527	1,362,527
Total Revenues	\$ 3,131,933	\$ 1,043,080	\$ 4,175,013	\$ 1,362,527	\$ 5,537,540
<u>Expenditures</u>					
Current:					
Instruction	\$ 2,822,631	\$ 0	\$ 2,822,631	\$ 0	\$ 2,822,631
Support Services	592,576	0	592,576	0	592,576
Operation of Non-Instructional Services	0	964,618	964,618	0	964,618
Capital Outlay	0	79,879	79,879	0	79,879
Capital Projects	0	0	0	1,182,401	1,182,401
Total Expenditures	\$ 3,415,207	\$ 1,044,497	\$ 4,459,704	\$ 1,182,401	\$ 5,642,105
Excess (Deficiency) of Revenues Over Expenditures	\$ (283,274)	\$ (1,417)	\$ (284,691)	\$ 180,126	\$ (104,565)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 41,717	\$ 0	\$ 41,717	\$ 0	\$ 41,717
Total Other Financing Sources (Uses)	\$ 41,717	\$ 0	\$ 41,717	\$ 0	\$ 41,717
Net Change in Fund Balances	\$ (241,557)	\$ (1,417)	\$ (242,974)	\$ 180,126	\$ (62,848)
Fund Balance, July 1, 2006	301,059	12,847	313,906	(128,436)	185,470
Fund Balance, June 30, 2007	\$ 59,502	\$ 11,430	\$ 70,932	\$ 51,690	\$ 122,622

Exhibit D-3

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Carter County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,131,933	\$ 3,426,165	\$ 3,409,448	\$ (277,515)
Total Revenues	\$ 3,131,933	\$ 3,426,165	\$ 3,409,448	\$ (277,515)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,432,002	\$ 1,468,794	\$ 1,487,841	\$ 55,839
Special Education Program	1,259,444	1,271,713	1,312,434	52,990
Vocational Education Program	131,185	131,560	131,560	375
<u>Support Services</u>				
Health Services	67,170	70,964	70,964	3,794
Other Student Support	151,684	162,876	162,149	10,465
Regular Instruction Program	166,857	337,118	318,797	151,940
Special Education Program	167,917	220,641	204,921	37,004
Vocational Education Program	1,953	2,000	2,000	47
Transportation	36,995	35,557	35,557	(1,438)
Total Expenditures	\$ 3,415,207	\$ 3,701,223	\$ 3,726,223	\$ 311,016
Excess (Deficiency) of Revenues Over Expenditures	\$ (283,274)	\$ (275,058)	\$ (316,775)	\$ 33,501
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 41,717	\$ 0	\$ 41,717	\$ 0
Total Other Financing Sources (Uses)	\$ 41,717	\$ 0	\$ 41,717	\$ 0
Net Change in Fund Balance	\$ (241,557)	\$ (275,058)	\$ (275,058)	\$ 33,501
Fund Balance, July 1, 2006	301,059	275,058	275,058	26,001
Fund Balance, June 30, 2007	\$ 59,502	\$ 0	\$ 0	\$ 59,502

Exhibit D-4

Carter County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Carter County School Department
Other Education Special Revenue Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,043,080	\$ 970,209	\$ 1,082,209	\$ (39,129)
Total Revenues	\$ 1,043,080	\$ 970,209	\$ 1,082,209	\$ (39,129)
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	\$ 964,618	\$ 936,118	\$ 968,718	\$ 4,100
<u>Capital Outlay</u>				
Regular Capital Outlay	79,879	0	79,900	21
Total Expenditures	\$ 1,044,497	\$ 936,118	\$ 1,048,618	\$ 4,121
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,417)	\$ 34,091	\$ 33,591	\$ (35,008)
Net Change in Fund Balance	\$ (1,417)	\$ 34,091	\$ 33,591	\$ (35,008)
Fund Balance, July 1, 2006	12,847	0	0	12,847
Fund Balance, June 30, 2007	\$ 11,430	\$ 34,091	\$ 33,591	\$ (22,161)

Exhibit E-1

Carter County, Tennessee
Schedule of Changes in Long-term Notes and Capital Leases
Carter County School Department
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
EPA Asbestos Removal	\$ 199,164	0 %	10-23-1991	5-30-09	\$ 28,105	\$ 11,065	\$ 17,040
Total Payable through General Purpose School Fund					<u>\$ 28,105</u>	<u>\$ 11,065</u>	<u>\$ 17,040</u>
Total Notes Payable					<u>\$ 28,105</u>	<u>\$ 11,065</u>	<u>\$ 17,040</u>
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Energy Lighting and Control Equipment	3,200,000	5.8	11-25-02	7-15-17	\$ 2,725,743	\$ 180,825	\$ 2,544,918
Total Payable through General Purpose School Fund					<u>\$ 2,725,743</u>	<u>\$ 180,825</u>	<u>\$ 2,544,918</u>
Total Capital Leases Payable					<u>\$ 2,725,743</u>	<u>\$ 180,825</u>	<u>\$ 2,544,918</u>

Exhibit E-2

Carter County, Tennessee
Schedule of Transfers
Carter County School Department
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	School Federal Projects	Program matching	<u>\$ 41,717</u>
Total Transfers			<u><u>\$ 41,717</u></u>

Exhibit E-3

Carter County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Carter County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 90,993	\$ 50,000	Western Surety Company
Employee Blanket Bonds	Public Employee Dishonesty - School Department		150,000	The Netherlands Insurance Company

MISCELLANEOUS SCHEDULES

Exhibit E-4

Carter County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Carter County School Department
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,629,531	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,629,531
Trustee's Collections - Prior Year	195,487	0	0	0	0	195,487
Circuit/Clerk & Master Collections - Prior Years	43,270	0	0	0	0	43,270
Interest and Penalty	46,634	0	0	0	0	46,634
Payments in-Lieu-of Taxes - T.V.A.	13,149	0	0	0	0	13,149
Payments in-Lieu-of Taxes - Local Utilities	33,935	0	0	0	0	33,935
Payments in-Lieu-of Taxes - Other	4,189	0	0	0	0	4,189
<u>County Local Option Taxes</u>						
Local Option Sales Tax	3,321,835	0	0	0	0	3,321,835
<u>Statutory Local Taxes</u>						
Bank Excise Tax	55,483	0	0	0	0	55,483
Interstate Telecommunications Tax	6,924	0	0	0	0	6,924
Total Local Taxes	\$ 8,350,437	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,350,437
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,926	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,926
Total Licenses and Permits	\$ 1,926	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,926
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 19,424	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,424
Lunch Payments - Children	0	0	399,452	0	0	399,452
Lunch Payments - Adults	0	0	73,744	0	0	73,744
Income from Breakfast	0	0	197,094	0	0	197,094
Special Milk Sales	0	0	3,161	0	0	3,161
A la carte Sales	0	0	160,201	0	0	160,201
Contract for Instructional Services with Other LEAs	52,561	0	0	0	0	52,561
Receipts from Individual Schools	88,704	0	0	0	0	88,704
Community Service Fees - Children	201,189	0	0	0	0	201,189
<u>Other Charges for Services</u>						
Other Charges for Services	0	0	102,965	0	0	102,965
Total Charges for Current Services	\$ 361,878	\$ 0	\$ 936,617	\$ 0	\$ 0	\$ 1,298,495

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 1,066	\$ 0	\$ 50,900	\$ 0	\$ 0	\$ 51,966
Lease/Rentals	1,200	0	0	0	0	1,200
Miscellaneous Refunds	193,816	0	0	0	0	193,816
<u>Nonrecurring Items</u>						
Sale of Property	2,200	0	0	0	0	2,200
Damages Recovered from Individuals	232	0	0	0	0	232
Contributions & Gifts	77,640	0	0	0	0	77,640
<u>Other Local Revenues</u>						
Other Local Revenues	51,183	0	0	0	0	51,183
Total Other Local Revenues	\$ 327,337	\$ 0	\$ 50,900	\$ 0	\$ 0	\$ 378,237
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 25,414,019	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,414,019
School Food Service	0	0	32,269	0	0	32,269
Driver Education	1,100	0	0	0	0	1,100
Other State Education Funds	383,755	0	0	0	0	383,755
Career Ladder Program	433,814	0	0	0	0	433,814
Career Ladder - Extended Contract	261,575	0	0	0	0	261,575
<u>Other State Revenues</u>						
Mixed Drink Tax	4,866	0	0	0	0	4,866
State Revenue Sharing - T.V.A.	490,635	0	0	0	0	490,635
Other State Grants	72,951	0	0	0	0	72,951
Other State Revenues	98,051	0	0	0	0	98,051
Total State of Tennessee	\$ 27,160,766	\$ 0	\$ 32,269	\$ 0	\$ 0	\$ 27,193,035
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,235,050	\$ 0	\$ 0	\$ 1,235,050
Breakfast	0	0	408,373	0	0	408,373
USDA - Other	41,188	0	0	83,829	0	125,017
Adult Education State Grant Program	83,463	0	0	0	0	83,463
Vocational Education - Basic Grants to States	0	134,560	0	0	0	134,560
Other Vocational	0	60,791	0	0	0	60,791
Title I Grants to Local Education Agencies	0	1,265,131	0	0	0	1,265,131

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Innovative Education Program Strategies	\$ 0	\$ 9,646	\$ 0	\$ 0	\$ 0	\$ 9,646
Special Education - Grants to States	20,642	1,241,995	0	0	0	1,262,637
Special Education Preschool Grants	0	70,387	0	0	0	70,387
Eisenhower Professional Development State Grants	0	319,701	0	0	0	319,701
Other Federal through State	666,200	29,722	0	0	0	695,922
<u>Direct Federal Revenue</u>						
Forest Service	57,074	0	0	0	0	57,074
Other Direct Federal Revenue	0	0	0	959,251	0	959,251
Total Federal Government	\$ 868,567	\$ 3,131,933	\$ 1,643,423	\$ 1,043,080	\$ 0	\$ 6,687,003
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,362,527	\$ 1,362,527
<u>Citizens Groups</u>						
Donations	343	0	0	0	0	343
Total Other Governments and Citizens Groups	\$ 343	\$ 0	\$ 0	\$ 0	\$ 1,362,527	\$ 1,362,870
Total	\$ 37,071,254	\$ 3,131,933	\$ 2,663,209	\$ 1,043,080	\$ 1,362,527	\$ 45,272,003

Exhibit E-5

Carter County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Carter County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 11,914,812	
Career Ladder Program	238,293	
Career Ladder Extended Contracts	129,500	
Homebound Teachers	36,787	
Educational Assistants	328,316	
Other Salaries & Wages	13,079	
Certified Substitute Teachers	96,549	
Non-certified Substitute Teachers	190,823	
Social Security	780,758	
State Retirement	792,984	
Life Insurance	11,271	
Medical Insurance	2,005,194	
Dental Insurance	104,550	
Unemployment Compensation	10,825	
Employer Medicare	182,594	
Other Fringe Benefits	349,160	
Maintenance & Repair Services - Equipment	6,631	
Instructional Supplies and Materials	413,995	
Textbooks	356,431	
Other Supplies and Materials	3,178	
Other Charges	27,428	
Regular Instruction Equipment	16,546	
Total Regular Instruction Program		\$ 18,009,704

Alternative Instruction Program

Teachers	\$ 73,067	
Career Ladder Program	1,000	
Social Security	4,179	
State Retirement	4,540	
Life Insurance	50	
Medical Insurance	12,843	
Dental Insurance	451	
Unemployment Compensation	52	
Employer Medicare	977	
Instructional Supplies and Materials	543	
Total Alternative Instruction Program		97,702

Special Education Program

Teachers	\$ 1,400,019
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(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)
Instruction (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	27,348	
Career Ladder Extended Contracts		4,700	
Homebound Teachers		42,232	
Educational Assistants		227,539	
Speech Pathologist		302,054	
Other Salaries & Wages		515	
Social Security		121,060	
State Retirement		140,207	
Life Insurance		1,721	
Medical Insurance		370,202	
Dental Insurance		15,179	
Unemployment Compensation		1,844	
Employer Medicare		28,312	
Other Fringe Benefits		3,763	
Maintenance & Repair Services - Equipment		350	
Other Contracted Services		28,414	
Instructional Supplies and Materials		6,409	
Other Supplies and Materials		17,101	
Other Charges		214	
Total Special Education Program			\$ 2,739,183

Vocational Education Program

Teachers	\$	1,016,500	
Career Ladder Program		22,000	
Career Ladder Extended Contracts		15,500	
Educational Assistants		10,094	
Social Security		64,055	
State Retirement		68,184	
Life Insurance		655	
Medical Insurance		149,849	
Dental Insurance		5,866	
Unemployment Compensation		697	
Employer Medicare		14,980	
Maintenance & Repair Services - Equipment		2,564	
Other Contracted Services		3,614	
Instructional Supplies and Materials		52,503	
Textbooks		9,939	
Other Supplies and Materials		4,904	
Vocational Instruction Equipment		5,303	
Total Vocational Education Program			1,447,207

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)
Instruction (Cont.)

Adult Education Program

Teachers	\$	47,621	
Other Salaries & Wages		20,810	
Social Security		4,243	
State Retirement		4,048	
Life Insurance		23	
Medical Insurance		4,522	
Dental Insurance		203	
Unemployment Compensation		115	
Employer Medicare		992	
Instructional Supplies and Materials		6,826	
Other Equipment		1,112	
Total Adult Education Program			\$ 90,515

Support Services

Health Services

Medical Personnel	\$	120,097	
Social Security		7,328	
State Retirement		14,469	
Life Insurance		149	
Medical Insurance		31,420	
Dental Insurance		1,331	
Unemployment Compensation		189	
Employer Medicare		1,714	
Travel		6,913	
Drugs and Medical Supplies		25,730	
Other Charges		860	
Health Equipment		27,647	
Total Health Services			237,847

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		504,603	
Career Ladder Extended Contracts		18,200	
Attendants		29,564	
Social Security		33,892	
State Retirement		34,989	
Life Insurance		328	
Medical Insurance		73,234	
Dental Insurance		2,707	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Other Student Support (Cont.)

Unemployment Compensation	\$	434	
Employer Medicare		7,927	
Other Fringe Benefits		2,760	
Contracts with Government Agencies		59,510	
Evaluation and Testing		22,824	
Other Supplies and Materials		470	
Other Charges		502	
Total Other Student Support			\$ 797,944

Regular Instruction Program

Supervisor/Director	\$	290,191	
Career Ladder Program		28,890	
Career Ladder Extended Contracts		37,400	
Librarians		489,495	
Other Salaries & Wages		71,493	
Social Security		55,987	
State Retirement		58,461	
Life Insurance		501	
Medical Insurance		113,599	
Dental Insurance		4,484	
Unemployment Compensation		562	
Employer Medicare		13,094	
Other Fringe Benefits		5,475	
Maintenance & Repair Services - Equipment		35,782	
Travel		7,599	
Penalties		317	
Other Contracted Services		13,938	
Instructional Supplies and Materials		2,198	
Library Books/Media		70,006	
Other Supplies and Materials		35,706	
In Service/Staff Development		28,231	
Other Charges		10,986	
Total Regular Instruction Program			1,374,395

Alternative Instruction Program

Supervisor/Director	\$	44,734
Career Ladder Program		1,000
Secretary(ies)		11,660
Other Salaries & Wages		23,259

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Social Security	\$	5,000	
State Retirement		4,513	
Life Insurance		50	
Medical Insurance		7,760	
Dental Insurance		451	
Unemployment Compensation		103	
Employer Medicare		1,170	
Other Contracted Services		1,500	
Total Alternative Instruction Program			\$ 101,200

Special Education Program

Supervisor/Director	\$	68,422	
Career Ladder Program		8,000	
Psychological Personnel		46,955	
Career Ladder Extended Contracts		6,400	
Assessment Personnel		75,758	
Clerical Personnel		26,535	
Other Salaries & Wages		572	
Social Security		14,026	
State Retirement		16,567	
Life Insurance		129	
Medical Insurance		32,547	
Dental Insurance		1,151	
Unemployment Compensation		136	
Employer Medicare		3,281	
Maintenance & Repair Services - Equipment		2,637	
Travel		28,167	
Other Contracted Services		9,768	
Other Supplies and Materials		14,415	
In Service/Staff Development		17,050	
Other Charges		1,987	
Total Special Education Program			374,503

Vocational Education Program

Supervisor/Director	\$	59,398
Career Ladder Program		1,000
Secretary(ies)		10,298
Social Security		4,296
State Retirement		5,212

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Life Insurance	\$	38	
Medical Insurance		7,662	
Dental Insurance		338	
Unemployment Compensation		26	
Employer Medicare		1,005	
Maintenance & Repair Services - Equipment		327	
Travel		18,313	
Other Supplies and Materials		2,863	
In Service/Staff Development		1,100	
Other Charges		6,221	
Total Vocational Education Program			\$ 118,097

Adult Programs

Other Salaries & Wages	\$	20,747	
Social Security		1,286	
State Retirement		3,042	
Life Insurance		25	
Medical Insurance		4,988	
Dental Insurance		226	
Unemployment Compensation		26	
Employer Medicare		301	
In Service/Staff Development		4,946	
Other Charges		238	
Total Adult Programs			35,825

Board of Education

Board and Committee Members Fees	\$	9,900	
In-Service Training		909	
Social Security		614	
State Retirement		1,045	
Unemployment Compensation		13	
Employer Medicare		144	
Dues and Memberships		17,274	
Legal Services		6,572	
Travel		12,560	
Penalties		4	
Other Supplies and Materials		1,230	
Liability Insurance		238,252	
Trustee's Commission		209,509	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Board of Education (Cont.)

Workers' Compensation Insurance	\$	168,071	
In Service/Staff Development		615	
Other Charges		4,029	
Total Board of Education			\$ 670,741

Director of Schools

County Official/Administrative Officer	\$	90,993	
Secretary(ies)		113,291	
Clerical Personnel		14,578	
Social Security		13,021	
State Retirement		22,841	
Life Insurance		149	
Medical Insurance		32,568	
Dental Insurance		1,105	
Unemployment Compensation		155	
Employer Medicare		3,045	
Other Fringe Benefits		5,017	
Communication		71,752	
Dues and Memberships		3,180	
Maintenance & Repair Services - Equipment		2,657	
Postal Charges		5,033	
Travel		1,182	
Office Supplies		1,724	
In Service/Staff Development		1,729	
Other Charges		3,246	
Administration Equipment		1,579	
Total Director of Schools			388,845

Office of the Principal

Principals	\$	727,084	
Career Ladder Program		33,000	
Career Ladder Extended Contracts		27,600	
Assistant Principals		547,018	
Secretary(ies)		212,199	
Clerical Personnel		56,634	
Social Security		96,979	
State Retirement		121,229	
Life Insurance		1,161	
Medical Insurance		256,492	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Office of the Principal (Cont.)

Dental Insurance	\$	10,394	
Unemployment Compensation		1,186	
Employer Medicare		22,680	
Other Fringe Benefits		14,314	
Office Supplies		1,928	
Administration Equipment		11,878	
Total Office of the Principal			\$ 2,141,776

Fiscal Services

Accountants/Bookkeepers	\$	29,908	
Social Security		1,584	
State Retirement		3,683	
Life Insurance		23	
Medical Insurance		4,491	
Dental Insurance		203	
Unemployment Compensation		70	
Employer Medicare		370	
Other Contracted Services		141,019	
Vehicle Parts		399	
Total Fiscal Services			181,750

Operation of Plant

Custodial Personnel	\$	718,226	
Other Salaries & Wages		1,200	
Social Security		44,337	
State Retirement		85,870	
Life Insurance		952	
Medical Insurance		184,695	
Dental Insurance		8,300	
Unemployment Compensation		1,633	
Employer Medicare		10,371	
Other Fringe Benefits		16,424	
Rentals		21,667	
Disposal Fees		401	
Other Contracted Services		23,844	
Custodial Supplies		97,467	
Electricity		898,532	
Fuel Oil		767	
Natural Gas		275,034	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Water and Sewer	\$	50,522	
Other Charges		116	
Total Operation of Plant			\$ 2,440,358

Maintenance of Plant

Supervisor/Director	\$	40,100	
Maintenance Personnel		274,792	
Social Security		19,847	
State Retirement		45,654	
Life Insurance		302	
Medical Insurance		56,102	
Dental Insurance		2,705	
Unemployment Compensation		333	
Employer Medicare		4,642	
Other Fringe Benefits		5,475	
Laundry Service		4,648	
Maintenance & Repair Services - Buildings		72,358	
Maintenance & Repair Services - Equipment		32,311	
Travel		276	
Disposal Fees		669	
Other Contracted Services		117,856	
General Construction Materials		2,894	
Other Supplies and Materials		9,476	
Other Charges		2,064	
Total Maintenance of Plant			692,504

Transportation

Supervisor/Director	\$	40,100
Mechanic(s)		148,162
Bus Drivers		584,241
Clerical Personnel		23,304
Social Security		48,437
State Retirement		109,320
Life Insurance		1,704
Medical Insurance		337,582
Dental Insurance		15,254
Unemployment Compensation		1,914
Employer Medicare		11,331
Other Fringe Benefits		35,608

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Contracts with Parents	\$	5,050	
Laundry Service		5,004	
Penalties		2,390	
Other Contracted Services		1,168	
Diesel Fuel		173,652	
Garage Supplies		96	
Gasoline		90,447	
Lubricants		5,218	
Tires and Tubes		36,811	
Vehicle Parts		69,303	
Other Supplies and Materials		9,149	
Other Charges		20,417	
Transportation Equipment		249,453	
Total Transportation			\$ 2,025,115

Central and Other

Data Processing Personnel	\$	163,707	
Social Security		9,683	
State Retirement		23,999	
Life Insurance		101	
Medical Insurance		17,130	
Dental Insurance		902	
Unemployment Compensation		104	
Employer Medicare		2,265	
Maintenance & Repair Services - Equipment		3,308	
Travel		6,575	
Data Processing Supplies		1,811	
Office Supplies		474	
Other Supplies and Materials		282	
In Service/Staff Development		2,235	
Total Central and Other			232,576

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	61,018	
Part-time Personnel		670,658	
Other Salaries & Wages		110,400	
Social Security		50,704	
State Retirement		39,736	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Life Insurance	\$	44	
Medical Insurance		11,802	
Dental Insurance		395	
Unemployment Compensation		1,736	
Employer Medicare		11,858	
Travel		10,642	
Penalties		48	
Other Contracted Services		10,593	
Food Supplies		55,298	
Instructional Supplies and Materials		199,190	
Other Supplies and Materials		2,053	
In Service/Staff Development		17,399	
Other Charges		78,684	
Total Community Services	\$		1,332,258

Early Childhood Education

Teachers	\$	43,856	
Educational Assistants		11,934	
Social Security		3,440	
State Retirement		4,438	
Life Insurance		58	
Medical Insurance		10,262	
Dental Insurance		519	
Unemployment Compensation		60	
Employer Medicare		805	
Travel		125	
Instructional Supplies and Materials		11,354	
In Service/Staff Development		3,114	
Other Charges		330	
Total Early Childhood Education			90,295

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	165,635	
Site Development		1,200	
Other Capital Outlay		170,877	
Total Regular Capital Outlay			337,712

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Notes	\$ 11,065	
Principal on Capital Leases	180,825	
Total Education		\$ 191,890

Interest on Debt

Education

Interest on Capital Leases	\$ 153,506	
Total Education		153,506

Total General Purpose School Fund \$ 36,303,448

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 957,941	
Non-certified Substitute Teachers	1,145	
Social Security	58,225	
State Retirement	58,722	
Life Insurance	665	
Medical Insurance	153,768	
Dental Insurance	5,730	
Unemployment Compensation	737	
Employer Medicare	13,617	
Maintenance & Repair Services - Equipment	4,346	
Other Contracted Services	8,210	
Instructional Supplies and Materials	123,131	
Other Supplies and Materials	37,417	
Regular Instruction Equipment	8,348	
Total Regular Instruction Program		\$ 1,432,002

Special Education Program

Teachers	\$ 68,472
Educational Assistants	541,819
Other Salaries & Wages	106,745
Social Security	42,495
State Retirement	90,620
Life Insurance	1,454
Medical Insurance	275,882
Dental Insurance	12,859

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)
Instruction (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	1,607	
Employer Medicare		9,939	
Other Contracted Services		69,045	
Instructional Supplies and Materials		32,565	
Other Supplies and Materials		5,942	
Total Special Education Program	\$		1,259,444

Vocational Education Program

Travel	\$	17,440	
Instructional Supplies and Materials		11,691	
Other Charges		5,879	
Vocational Instruction Equipment		96,175	
Total Vocational Education Program			131,185

Support Services

Health Services

Medical Personnel	\$	48,108	
Social Security		2,994	
State Retirement		7,079	
Life Insurance		50	
Medical Insurance		7,736	
Dental Insurance		451	
Unemployment Compensation		52	
Employer Medicare		700	
Total Health Services			67,170

Other Student Support

Social Workers	\$	20,988	
Attendants		44,616	
Other Salaries & Wages		41,975	
Social Security		6,669	
State Retirement		4,743	
Life Insurance		25	
Medical Insurance		2,819	
Dental Insurance		226	
Unemployment Compensation		215	
Employer Medicare		1,561	
Contracts with Government Agencies		11,490	
Travel		491	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)
Support Services (Cont.)

Other Student Support (Cont.)

Other Supplies and Materials	\$	3,603	
In Service/Staff Development		1,423	
Other Charges		10,840	
Total Other Student Support			\$ 151,684

Regular Instruction Program

Supervisor/Director	\$	43,994	
Other Salaries & Wages		39,191	
Social Security		5,146	
State Retirement		5,099	
Life Insurance		38	
Medical Insurance		7,375	
Dental Insurance		338	
Unemployment Compensation		52	
Employer Medicare		1,204	
Maintenance & Repair Services - Equipment		1,374	
Travel		13,842	
Penalties		10	
Other Supplies and Materials		8,720	
In Service/Staff Development		38,023	
Other Charges		2,451	
Total Regular Instruction Program			166,857

Special Education Program

Secretary(ies)	\$	21,034	
Other Salaries & Wages		85,998	
Social Security		6,739	
State Retirement		10,643	
Life Insurance		76	
Medical Insurance		18,316	
Dental Insurance		677	
Unemployment Compensation		141	
Employer Medicare		1,576	
Travel		5,898	
Penalties		20	
Other Contracted Services		14,090	
Other Supplies and Materials		365	
Other Charges		2,344	
Total Special Education Program			167,917

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)
Support Services (Cont.)

Vocational Education Program

In Service/Staff Development	\$ 1,953	
Total Vocational Education Program		\$ 1,953

Transportation

Bus Drivers	\$ 21,828	
Social Security	1,367	
State Retirement	3,242	
Life Insurance	50	
Medical Insurance	9,685	
Dental Insurance	451	
Unemployment Compensation	52	
Employer Medicare	320	
Total Transportation		<u>36,995</u>

Total School Federal Projects Fund		\$ 3,415,207
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 50,436
Clerical Personnel	19,875
Cafeteria Personnel	756,297
Other Salaries & Wages	28,675
Social Security	52,110
State Retirement	90,797
Life Insurance	1,327
Medical Insurance	258,787
Dental Insurance	11,833
Unemployment Compensation	178
Employer Medicare	12,186
Other Fringe Benefits	26,311
Communication	4,264
Freight Expenses	81
Maintenance & Repair Services - Equipment	29,798
Travel	1,550
Other Contracted Services	84,883
Food Preparation Supplies	73,404
Food Supplies	887,329
Office Supplies	2,189

(Continued)

Exhibit E-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Tires and Tubes	\$	230	
Uniforms		4,058	
Other Supplies and Materials		15,184	
In Service/Staff Development		3,943	
Other Charges		354	
Food Service Equipment		68,310	
Total Food Service			\$ 2,484,389

Total Central Cafeteria Fund \$ 2,484,389

Other Education Special Revenue Fund

Operation of Non-Instructional Services

Early Childhood Education

Supervisor/Director	\$	45,732	
Teachers		274,259	
Clerical Personnel		25,994	
Educational Assistants		92,824	
Other Salaries & Wages		143,008	
Non-certified Substitute Teachers		3,231	
Social Security		34,227	
State Retirement		51,900	
Life Insurance		541	
Medical Insurance		124,869	
Dental Insurance		4,839	
Unemployment Compensation		570	
Employer Medicare		8,005	
Operating Lease Payments		8,586	
Travel		4,252	
Food Supplies		83,829	
Instructional Supplies and Materials		22,518	
In Service/Staff Development		12,740	
Other Charges		22,694	
Total Early Childhood Education			\$ 964,618

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	79,879	
Total Regular Capital Outlay			79,879

Total Other Education Special Revenue Fund 1,044,497

(Continued)

Exhibit E-5

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Engineering Services	\$ 18,892	
Building Improvements	998,509	
Motor Vehicles	165,000	
Total Education Capital Projects	<u>1,182,401</u>	\$ 1,182,401
Total Education Capital Projects Fund		<u>\$ 1,182,401</u>
Total Governmental Funds - Carter County School Department		<u>\$ 44,429,942</u>

SINGLE AUDIT REPORT
CARTER COUNTY, TENNESSEE
AND
CARTER COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

MARK TREECE, CPA, CGFM
Auditor 4

MARIE ELLIOTT, CPA
BRAD BURKE, CPA, CIA
GREG BRUSH
DOUG SANDIDGE, CISA, CFE
State Auditors

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

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

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

February 28, 2008

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Carter County, Tennessee, and the Carter County School Department, as of and for the year ended June 30, 2007, which collectively comprise a portion of Carter County's and the Carter County School Department's basic financial statements and have issued our reports thereon dated February 28, 2008. Our reports on the financial statements of Carter County, Tennessee, and the Carter County School Department, express adverse opinions because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carter County's and the Carter County School Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carter County's and the Carter County School Department's internal control over financial

reporting. Accordingly, we do not express an opinion on the effectiveness of Carter County's and the Carter County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.04(A,D), 07.05, 07.06, 07.08, 07.11, 07.12, 07.13, and 07.14.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Carter County's and the Carter County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07.11 to be a material weakness.

Compliance and Other Matters

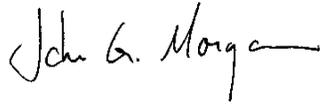
As part of obtaining reasonable assurance about whether Carter County's and the Carter County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.03, 07.04(B,C), 07.07, 07.09, and 07.10.

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

Carter County's and the Carter County School Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Carter County's and the Carter County School Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, finance director, County Commission, Board of Education, Financial Management Committee, others within Carter County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 28, 2008

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

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

Compliance

We have audited the compliance of Carter County and the Carter 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, 2007. Carter County's and the Carter 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 Carter County's and the Carter County School Department's management. Our responsibility is to express an opinion on Carter County's and the Carter 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 Carter County's and the Carter 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 Carter County's and the Carter County School Department's compliance with those requirements.

As described in items 07.03 and 07.15 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting compliance of the Carter County School Department with the Child Nutrition Cluster program (CFDA Nos 10.553 and 10.555) regarding activities allowed or unallowed, eligibility, and special tests and provisions, since the Carter County School Department did not contract for the audit procedures at the individual schools nor were we able to satisfy ourselves as to the Carter County School Department's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any as might have been determined had we been able to examine sufficient evidence regarding the Carter County School Department compliance with the requirements of the Child Nutrition Cluster program (CFDA Nos 10.553 and 10.555) regarding activities allowed or unallowed, eligibility, and special tests and provisions, Carter County and the Carter County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Carter County and the Carter 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 Carter County's and the Carter 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carter County's and the Carter County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of

compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

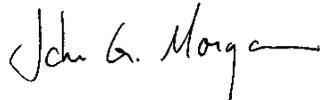
Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Carter County, Tennessee, and the Carter County School Department, as of and for the year ended June 30, 2007, and have issued our reports thereon dated February 28, 2008. Our reports on the financial statements of Carter County, Tennessee, and the Carter County School Department express adverse opinions because the government-wide financial statements were not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Carter County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Carter County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, finance director, County Commission, Board of Education, Financial Management Committee, others within Carter County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

Carter County, Tennessee, and the Carter County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2007

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	\$ 221,679
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	408,373
National School Lunch Program	10.555	N/A	1,235,050
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	N/A	125,017
Total U.S. Department of Agriculture			<u>\$ 1,990,119</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-04-12745-00	\$ 28,077
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-04-05	15,641
Total U.S. Department of Housing and Urban Development			<u>\$ 43,718</u>
U.S. Department of the Interior:			
Direct Programs:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 76,099
Total U.S. Department of the Interior			<u>\$ 76,099</u>
U.S. Department of Justice:			
Direct Programs:			
Bulletproof Vests Partnership Program	16.607	N/A	\$ 6,953
Total U.S. Department Justice			<u>\$ 6,953</u>
U.S. General Services Administration:			
Passed-through Tennessee Secretary of State:			
Election Reform Payments	39.011	Z-06-032925-00	\$ 165,000
Total U.S. General Services Administration			<u>\$ 165,000</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,302,682
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,462,695
Special Education - Preschool Grants	84.173	N/A	74,974
Vocational Education - Basic Grants to States	84.048	N/A	222,562
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	31,208
Twenty-First Century Community Learning Centers	84.287	(2)	723,420
State Grants for Innovative Programs	84.298	N/A	10,282
Education Technology State Grants	84.318	(2)	16,825
Improving Teacher Quality State Grants	84.367	N/A	316,745
Hurricane Education Recovery	84.938	(2)	16,954
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033677-00	83,463
Passed-through City of Kingsport School Department:			
English Language Acquisition Grants	84.365	N/A	4,889
Total U.S. Department of Education			<u>\$ 4,266,699</u>

(Continued)

Carter County, Tennessee, and the Carter 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. Election Commission Assistance:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-07-037423-00	\$ 5,720
Total U.S. General Services Administration			<u>\$ 5,720</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
Temporary Assistance for Needy Families	93.558	Z-07-034204-00	\$ 17,839
Passed-through Upper East Tennessee Human Development Agency:			
Head Start	93.600	N/A	959,251
Total U.S. Department of Health and Human Services			<u>\$ 977,090</u>
Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	(2)	\$ 6,000
Total Corporation for National and Community Service			<u>\$ 6,000</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Urban Areas Security Initiative	97.008	GG-06-12301-00	\$ 7,000
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-05-024711-02	71,153
Emergency Management Performance Grants	97.042	Z-06-032870-00	14,372
Homeland Security Grant Program	97.067	Z-05-025139-00	11,823
Total U.S. Department of Homeland Security			<u>\$ 104,348</u>
Total Expenditures of Federal Awards			<u>\$ 7,641,746</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 12,960
State Reappraisal - Comptroller of the Treasury	N/A	(2)	19,427
Litter Program - State Department of Transportation	N/A	(2)	24,769
State Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	(2)	135,576
Health Department Program - State Department of Health	N/A	(2)	254,567
Adult Basic Education - State Department of Education	N/A	(2)	27,821
Families First Grant - State Department of Education	N/A	(2)	33,130
Lottery for Education Afterschool Programs - State Department of Education	N/A	(2)	202,755
Total State Grants			<u>\$ 711,005</u>

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.

Carter County, Tennessee, and the Carter County School Department
Schedule of Audit Findings Not Corrected
June 30, 2007

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 Carter County, Tennessee, and the Carter County School Department for the year ended June 30, 2006, which have not been corrected.

CARTER COUNTY AND CARTER COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.03	15	Expenditures and encumbrances exceeded appropriations
06.04	16	The finance director had not adequately reviewed certain accounting records

OFFICE OF TRUSTEE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.06	17	The trustee's depository used an unauthorized method of paying county warrants

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.08	18	Execution docket trial balances did not reconcile with general ledger accounts

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.10	20	The office had deficiencies in the operation of the commissary

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.12	21	Duties were not segregated adequately in the Offices of Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Carter County and the Carter County School Department.
2. The audit of the financial statements of Carter County and the Carter County School Department disclosed significant deficiencies in internal control. One of these conditions was considered to be a material weakness in Carter County. None of these conditions were considered to be a material weakness in the Carter County School Department.
3. The audit disclosed three instance of noncompliance that are material to the financial statements of Carter County and the Carter County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. A qualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Education Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Improving Teacher Quality State Grants (CFDA No. 84.367) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Carter County and the Carter County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

CARTER COUNTY AND CARTER COUNTY SCHOOL DEPARTMENT

FINDING 07.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 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 No. 34, established by the Comptroller of the Treasury. Carter County’s and the Carter County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

Carter County and Carter County schools are currently documenting historical values of capital assets so as to be able to provide the necessary information to provide government-wide financial statements as required by Governmental Accounting Standards Board Statement No. 34. The Finance Department is also working on a template for additional information required such as Management's Discussion and Analysis.

FINDING 07.02 **CARTER COUNTY AND THE CARTER COUNTY SCHOOL DEPARTMENT HAVE NOT MET THEIR WORK PLAN TO IMPLEMENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34**
(Material Noncompliance Under Government Auditing Standards)

As noted in Finding 07.01, Carter County and the Carter County School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Carter County and the Carter County School Department filed with the Comptroller's Office shows that the county and the School Department failed to perform the steps in accordance with the timeline set forth in their plan. If Carter County and the Carter County School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county and the School Department.

RECOMMENDATION

Carter County and the Carter County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

Carter County is currently working on the key element of GASB Statement No. 34 – capital assets recording and depreciation schedules – and will work with County Audit to be in compliance within the deadline of June 30, 2008.

FINDING 07.03

CARTER COUNTY FAILED TO CONTRACT FOR AUDIT PROCEDURES TO BE PERFORMED FOR THE USDA CHILD NUTRITION CLUSTER

(Material Noncompliance Under Government Auditing Standards and Under OMB Circular A-133)

County officials failed to contract for audit procedures for the USDA Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) for the fiscal year ended June 30, 2007. These procedures are required by the Comptroller of the Treasury in its Audit Manual for Local Governmental Units and Recipients of Grant Funds to ensure compliance with OMB Circular A-133. Since Carter County failed to contract for the performance of these procedures, we were unable to determine if Carter County complied with all applicable federal laws and regulations related to the USDA Child Nutrition Cluster.

RECOMMENDATION

County officials should contract for audit procedures for the USDA Child Nutrition Cluster as required by the Comptroller of the Treasury's Audit Manual for Local Governmental Units and Recipients of Grant Funds and OMB Circular A-133.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

In February 2008, the Carter County Board of Education voted to contract with Rodefer Moss & Co., to perform audit procedures at the individual schools, including the required USDA Child Nutrition Cluster procedures. The intention of the board and the new auditors is to perform all possible procedures for the 2006-07 year in addition to auditing the current year.

OFFICE OF FINANCE DIRECTOR

FINDING 07.04

DEFICIENCIES WERE NOTED IN THE PURCHASE OF A GEOGRAPHIC INFORMATION SYSTEM

(A. and D. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. and C. – Noncompliance Under Government Auditing Standards)

In October 2005, the county mayor entered into an agreement for a Geographic Information System (GIS) system that would be accessible by various county offices and departments. Expenditures for the system totaling \$42,600 were charged to the assessor of property's budget for the years ended June 30, 2006 (\$18,000) and June 30, 2007 (\$24,600).

The following deficiencies were noted in the purchase of the GIS system:

- A. A purchase requisition or other documentation was not on file requesting the purchase be made and indicating how the purchase would be funded. As noted above, the entire purchase was charged to the assessor of property's

budget; however, the assessor of property advised us that he did not authorize or agree to fund the purchase. Carter County does not use a purchase requisition system. Purchase requisitions are necessary to document purchase requests by an authorized representative.

- B. Competitive bids were not solicited for the GIS system. The County Financial Management System of 1981 requires purchases exceeding \$10,000 to be competitively bid.
- C. The finance director did not enter into the contracts for the GIS system as required by Section 5-21-118, Tennessee Code Annotated. The initial contract (October 2005) was signed by the county mayor, while the agreement for the year ended June 30, 2008, was signed by the county planning director.
- D. Invoices for the GIS services were not approved for payment by the assessor of property, although those payments were charged to the assessor's budget within the General Fund. Carter County's purchasing policies require that department heads provide evidence of their approval of an invoice by signing the invoice prior to it being paid by the Finance Office.

RECOMMENDATION

Purchase requisitions should be used to document requests for purchases by authorized department representatives. All purchases exceeding \$10,000 should be competitively bid, and contracts for purchases should be entered into by the finance director as required by state statutes. Invoices should be signed by the appropriate department head prior to payment as required by the county's purchasing policies.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

The Financial Management Committee updated the Policies and Procedure Manual to require any and all interdepartmental agreements be reduced to writing. The current policy of requiring competitive bids for purchases exceeding \$10,000 is enforced, and department heads must approve invoices in writing before being paid.

**FINDING 07.05 THE FINANCE DIRECTOR HAD NOT ADEQUATELY REVIEWED CERTAIN ACCOUNTING RECORDS
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

During our review of controls, we noted that the finance director had not adequately reviewed certain accounting records. This lack of oversight increases the risk that misstatements which are material to the financial statements may occur and not be detected. We noted the following deficiencies:

- A. Some prior-year receivables were incorrectly posted to the current year's operations.

- B. Some prior-year payables were incorrectly posted to the current year's operations. Also, several payroll liability accounts in the General Fund and Highway/Public Works Fund reflected negative balances at June 30, 2007.
- C. Numerous federal and state grants and other revenues were incorrectly classified in the fund accounting records. These misclassifications included the Community Development Block Grant classified as State Aid, the Homeland Security Grant classified as Contributions, contracted services revenues related to the Sheriff's Department classified as Law Enforcement Training Program, and Law Enforcement Training Program revenues classified as miscellaneous refunds. Misclassifying revenues diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control.
- D. Revenues from drug seizures and settlements were incorrectly posted to the General Fund instead of the Drug Control Fund. Management was not aware of this error until we brought it to their attention.
- E. Cash in bank reflected on the general ledger was not currently reconciled with the bank statements.

We proposed to the finance director adjustments to correct the presentation of the above-noted items in the financial statements of this report. The finance director approved the adjustments.

RECOMMENDATION

The finance director should review the accounting records to ensure that the records are accurately maintained and that errors detected are corrected promptly. Revenues should be coded to accounts and funds that most appropriately reflect the true nature of the transactions. Bank statements should be reconciled with the general ledger monthly.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

Receivables, payables, and payroll liability accounts will be reviewed by the finance director as well as revenue classifications. Drug seizures and settlements will be properly identified and posted to the Drug Control Fund. The bank account will be regularly reconciled.

FINDING 07.06 **DOCUMENTATION WAS NOT MAINTAINED AS EVIDENCE THAT AUDIT LOGS WERE GENERATED AND REVIEWED**
 (Internal Control – Significant Deficiency Under Government Auditing Standards)

Carter County's accounting system provides that audit logs may be generated; however no documentation was maintained that these logs were generated and reviewed. Audit logs

provide information regarding any changes and deletions made to various transactions and serve as an internal control procedure.

RECOMMENDATION

Audit logs should be generated and maintained for audit inspection. Evidence should be maintained that these logs have been reviewed by management on a current basis.

MANAGEMENT’S RESPONSE – CURRENT FINANCE DIRECTOR

Although audit logs were generated and reviewed, the review was not properly documented and filed. Currently logs are periodically generated and signed by the director of finance and the deputy director of finance.

FINDING 07.07 **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)**

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General Fund:	
Drug Court	\$ 15,869
Tourism	9,621
Solid Waste/Sanitation Fund:	
Landfill Operations and Maintenance	5,564
Miscellaneous	68

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

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

OFFICES OF FINANCE DIRECTOR AND OFFICE OF SHERIFF

FINDING 07.08 **REQUESTS FOR REIMBURSEMENT OF PRISONER BOARD BILLS WERE NOT FILED WITH THE STATE TIMELY**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Sheriff's Department had not filed requests for reimbursement of prisoner board bills with the state timely. As of June 30, 2007, six months of reimbursements totaling \$282,950 had not been received by the county and are reflected as receivables in the county's General Fund.

RECOMMENDATION

Procedures should be developed to ensure that requests for reimbursement of prisoner board bills are filed timely. The Finance Office should periodically compare actual prisoner reimbursement revenues with budgeted revenues and determine the reason for significant variances.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

The director of finance will work closely with the sheriff to create and file monthly requests for reimbursement of prisoner board bills.

OFFICE OF TRUSTEE

FINDING 07.09 **THE TRUSTEE'S DEPOSITORY USED AN UNAUTHORIZED METHOD OF PAYING COUNTY WARRANTS**
(Noncompliance Under Government Auditing Standards)

The office's depository deducted warrants from the office's bank account before the bank presented the warrants to the trustee for payment. Section 8-11-104(7), Tennessee Code Annotated (TCA), states that the trustee should "pay all just claims against the trustee's county as they are presented, if the trustee has a sufficient sum of money ... not otherwise appropriated." The depository's practice did not provide a method for the trustee to verify the availability of funds for paying warrants.

Section 5-8-210, TCA, provides an alternate method for the trustee to determine whether adequate funds are available and for the bank to charge the trustee's account directly. This section authorizes county trustees to implement a checking system instead of a warrant

system for disbursing funds. However, as of the date of this report, the trustee had not elected to implement a checking system.

RECOMMENDATION

The office's depository should not deduct warrants from the office's bank account until the warrants have been presented to the trustee for payment. As an alternative to this practice, the trustee should consider implementing a checking system for disbursing county funds as authorized by state statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 07.10 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS** (Noncompliance Under Government Auditing Standards)

At June 30, 2007, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with general ledger accounts by \$4,203 and \$3,596, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

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

FINDING 07.11 **PROCEDURES WERE NOT ADEQUATE TO ENSURE THAT BANK DEPOSITS WERE ACTUALLY MADE** (Internal Control – Material Weakness Under Government Auditing Standards)

Internal control procedures were not in place to ensure that receipts were deposited to the official bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. As a result, collections of \$1,597 for receipts issued by the Office of Circuit Court Clerk on September 11, 2007, were not deposited until November 7, 2007. The bookkeeper identified the variance when she was reconciling the bank statement with the general ledger for September 2007. However, the status of the missing deposit was not identified until an envelope containing \$1,584 was discovered in

the office on November 5, 2007. Funds in that envelope accounted for all but \$13 of the missing collections. The clerk deposited the unaccounted \$13 from personal funds.

RECOMMENDATION

Internal control procedures should be developed to ensure that receipts are deposited to the bank account within three days of collection as required by state statute.

FINDING 07.12 **AUDIT LOGS WERE NOT GENERATED AND REVIEWED**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The circuit and general sessions court clerk’s accounting system provides that audit logs may be generated; however these logs were not generated and reviewed. Audit logs provide information regarding changes and deletions made to various transactions such as journal entries as well as the date that accounting periods are closed and/or re-opened.

RECOMMENDATION

Audit logs should be generated and maintained for audit inspection. Evidence should be maintained that these logs have been reviewed by management on a current basis.

OFFICE OF SHERIFF

FINDING 07.13 **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Sheriff’s Department did not properly maintain accounting records for the operation of the commissary. The cash journal that was established to account for the commissary did not reflect all commissary transactions, and the journal had not been totaled and reconciled with balances carried forward from the previous month. Consequently, bank statements had not been reconciled with the commissary cash journal.

A computerized system was used to allocate commissary receipts and disbursement transactions to individual inmate accounts. However, the information on that system was never reconciled with the commissary cash journal or with any other records to verify the accuracy of amounts posted. We requested a trial balance of inmate accounts be generated from the computerized system as of June 30, 2007; however, the office could not retrieve a trial balance for that date.

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

It should be noted that operation of the commissary was assumed by Tennessee Business Enterprises through the state Department of Human Services effective October 1, 2007; therefore, the Sheriff's Department ceased collecting or disbursing any funds related to the commissary.

OTHER FINDING

FINDING 07.14 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through the State Department of Education: Child Nutrition Cluster	07.15	10.553 10.555	Circular A-133, Compliance Supplement, Part 3 (A,E,N)	Material Noncompliance, see Finding No. 07.03: Compliance Over Activities Allowed or Unallowed, Eligibility, Special Tests and Provisions	\$ 1,643,423

**CARTER COUNTY, TENNESSEE, AND THE
CARTER COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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

Director of Schools and Finance Director - Corrective Action Plan for Current Year's Finding

FINDINGS 07.03 and 07.15

Contact Persons: Dallas Williams, Director of Schools or Jerome Kitchens, Finance Director.

Corrective Action Planned: The absence of a contract for audit of USDA Child Nutrition was not due to inattention, but rather a failed attempt to work with our auditor of long standing. Due to changes in staffing at the auditor's office the audit reports continued to be pushed back. The Board had a very long standing relationship with a good auditor and tried to maintain that relationship. After repeated communication with Municipal Audit and the current auditor, the Board placed a request for proposals for auditing services.

The Carter County Board of Education, in their February 14th regular board meeting, voted to contract with the firm of Rodefer Moss & Co. to perform audit procedures for the individual schools including USDA required procedures. The intention of the board and the new auditors is to perform all possible procedures for the 2006-07 year, in addition to auditing the current year.

Action Items – Estimated Time Period

- RFQ for new auditor – completed
- Interview potential auditor – completed
- Select new auditor – completed
- Allow auditor to obtain work in process and look at workpapers – ongoing
- Negotiate fee for work in process and sign contract – early March
- Begin audit process – mid March
- Perform USDA procedures – April

Anticipated Completion Date: April 2008

CORRECTED AUDIT HIGHLIGHTS

Audit Highlights

Annual Financial Report
Carter County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Carter County, Tennessee, as of and for the year ended June 30, 2007.

Results

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

Our audit resulted in 14 findings and recommendations, which we have reviewed with Carter County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

CARTER COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Carter County has not met its work plan to implement Governmental Accounting Standard Board Statement No. 34.
- ◆ County officials failed to contract for audit procedures to be performed for the USDA Child Nutrition Cluster.

OFFICE OF FINANCE DIRECTOR

- ◆ Deficiencies were noted in the purchase of a Geographic Information System.
 - ◆ The finance director had not adequately reviewed certain accounting records.
 - ◆ Documentation was not maintained as evidence that audit logs were generated and reviewed.
 - ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission in several major categories (the legal level of control) in the General and Solid Waste/Sanitation funds.
-

OFFICES OF FINANCE DIRECTOR AND SHERIFF

- ◆ Requests for reimbursement of prisoner board bills were not filed with the state timely.
-

OFFICE OF TRUSTEE

- ◆ The trustee's depository deducted warrants from the office bank account before the bank presented the warrants to the trustee for payment.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Execution docket trial balances did not reconcile with general ledger accounts.
 - ◆ Procedures were not adequate to ensure that bank deposits were actually made.
 - ◆ Audit logs were not generated and reviewed.
-

OFFICE OF SHERIFF

- ◆ The office had deficiencies in the operations of the commissary.
-

OTHER FINDING

- ◆ Duties were not segregated adequately among the official and employees in the Office of Sheriff.

CORRECTED SCHEDULE OF AUDIT FINDINGS NOT CORRECTED

Carter County, Tennessee, and the Carter County School Department
Schedule of Audit Findings Not Corrected
June 30, 2007

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 Carter County, Tennessee, and the Carter County School Department for the year ended June 30, 2006, which have not been corrected.

CARTER COUNTY AND CARTER COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.03	15	Expenditures and encumbrances exceeded appropriations
06.04	16	The finance director had not adequately reviewed certain accounting records

OFFICE OF TRUSTEE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.06	17	The trustee's depository used an unauthorized method of paying county warrants

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.08	18	Execution docket trial balances did not reconcile with general ledger accounts

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
06.10	20	The office had deficiencies in the operation of the commissary

OTHER FINDING

Finding Number	Page Number	Subject
06.12	21	Duties were not segregated adequately in the Office of Sheriff

CORRECTED FINDINGS RELATED TO THE FINANCIAL STATEMENTS

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

CARTER COUNTY AND CARTER COUNTY SCHOOL DEPARTMENT

FINDING 07.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 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 No. 34, established by the Comptroller of the Treasury. Carter County’s and the Carter County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

Carter County and Carter County schools are currently documenting historical values of capital assets so as to be able to provide the necessary information to provide government-wide financial statements as required by Governmental Accounting Standards Board Statement No. 34. The Finance Department is also working on a template for additional information required such as Management's Discussion and Analysis.

FINDING 07.02 **CARTER COUNTY AND THE CARTER COUNTY SCHOOL DEPARTMENT HAVE NOT MET THEIR WORK PLAN TO IMPLEMENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34**
(Material Noncompliance Under Government Auditing Standards)

As noted in Finding 07.01, Carter County and the Carter County School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Carter County and the Carter County School Department filed with the Comptroller's Office shows that the county and the School Department failed to perform the steps in accordance with the timeline set forth in their plan. If Carter County and the Carter County School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county and the School Department.

RECOMMENDATION

Carter County and the Carter County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

Carter County is currently working on the key element of GASB Statement No. 34 – capital assets recording and depreciation schedules – and will work with County Audit to be in compliance within the deadline of June 30, 2008.

FINDING 07.03

CARTER COUNTY FAILED TO CONTRACT FOR AUDIT PROCEDURES TO BE PERFORMED FOR THE USDA CHILD NUTRITION CLUSTER

(Material Noncompliance Under Government Auditing Standards and Under OMB Circular A-133)

County officials failed to contract for audit procedures for the USDA Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) for the fiscal year ended June 30, 2007. These procedures are required by the Comptroller of the Treasury in its Audit Manual for Local Governmental Units and Recipients of Grant Funds to ensure compliance with OMB Circular A-133. Since Carter County failed to contract for the performance of these procedures, we were unable to determine if Carter County complied with all applicable federal laws and regulations related to the USDA Child Nutrition Cluster.

RECOMMENDATION

County officials should contract for audit procedures for the USDA Child Nutrition Cluster as required by the Comptroller of the Treasury's Audit Manual for Local Governmental Units and Recipients of Grant Funds and OMB Circular A-133.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

In February 2008, the Carter County Board of Education voted to contract with Rodefer Moss & Co., to perform audit procedures at the individual schools, including the required USDA Child Nutrition Cluster procedures. The intention of the board and the new auditors is to perform all possible procedures for the 2006-07 year in addition to auditing the current year.

OFFICE OF FINANCE DIRECTOR

FINDING 07.04

DEFICIENCIES WERE NOTED IN THE PURCHASE OF A GEOGRAPHIC INFORMATION SYSTEM

(A. and D. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. and C. – Noncompliance Under Government Auditing Standards)

In October 2005, the county mayor entered into an agreement for a Geographic Information System (GIS) system that would be accessible by various county offices and departments. Expenditures for the system totaling \$42,600 were charged to the assessor of property's budget for the years ended June 30, 2006 (\$18,000) and June 30, 2007 (\$24,600).

The following deficiencies were noted in the purchase of the GIS system:

- A. A purchase requisition or other documentation was not on file requesting the purchase be made and indicating how the purchase would be funded. As noted above, the entire purchase was charged to the assessor of property's

budget; however, the assessor of property advised us that he did not authorize or agree to fund the purchase. Carter County does not use a purchase requisition system. Purchase requisitions are necessary to document purchase requests by an authorized representative.

- B. Competitive bids were not solicited for the GIS system. The County Financial Management System of 1981 requires purchases exceeding \$10,000 to be competitively bid.
- C. The finance director did not enter into the contracts for the GIS system as required by Section 5-21-118, Tennessee Code Annotated. The initial contract (October 2005) was signed by the county mayor, while the agreement for the year ended June 30, 2008, was signed by the county planning director.
- D. Invoices for the GIS services were not approved for payment by the assessor of property, although those payments were charged to the assessor's budget within the General Fund. Carter County's purchasing policies require that department heads provide evidence of their approval of an invoice by signing the invoice prior to it being paid by the Finance Office.

RECOMMENDATION

Purchase requisitions should be used to document requests for purchases by authorized department representatives. All purchases exceeding \$10,000 should be competitively bid, and contracts for purchases should be entered into by the finance director as required by state statutes. Invoices should be signed by the appropriate department head prior to payment as required by the county's purchasing policies.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

The Financial Management Committee updated the Policies and Procedure Manual to require any and all interdepartmental agreements be reduced to writing. The current policy of requiring competitive bids for purchases exceeding \$10,000 is enforced, and department heads must approve invoices in writing before being paid.

**FINDING 07.05 THE FINANCE DIRECTOR HAD NOT ADEQUATELY REVIEWED CERTAIN ACCOUNTING RECORDS
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

During our review of controls, we noted that the finance director had not adequately reviewed certain accounting records. This lack of oversight increases the risk that misstatements which are material to the financial statements may occur and not be detected. We noted the following deficiencies:

- A. Some prior-year receivables were incorrectly posted to the current year's operations.

- B. Some prior-year payables were incorrectly posted to the current year's operations. Also, several payroll liability accounts in the General Fund and Highway/Public Works Fund reflected negative balances at June 30, 2007.
- C. Numerous federal and state grants and other revenues were incorrectly classified in the fund accounting records. These misclassifications included the Community Development Block Grant classified as State Aid, the Homeland Security Grant classified as Contributions, contracted services revenues related to the Sheriff's Department classified as Law Enforcement Training Program, and Law Enforcement Training Program revenues classified as miscellaneous refunds. Misclassifying revenues diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control.
- D. Revenues from drug seizures and settlements were incorrectly posted to the General Fund instead of the Drug Control Fund. Management was not aware of this error until we brought it to their attention.
- E. Cash in bank reflected on the general ledger was not currently reconciled with the bank statements.

We proposed to the finance director adjustments to correct the presentation of the above-noted items in the financial statements of this report. The finance director approved the adjustments.

RECOMMENDATION

The finance director should review the accounting records to ensure that the records are accurately maintained and that errors detected are corrected promptly. Revenues should be coded to accounts and funds that most appropriately reflect the true nature of the transactions. Bank statements should be reconciled with the general ledger monthly.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

Receivables, payables, and payroll liability accounts will be reviewed by the finance director as well as revenue classifications. Drug seizures and settlements will be properly identified and posted to the Drug Control Fund. The bank account will be regularly reconciled.

FINDING 07.06 **DOCUMENTATION WAS NOT MAINTAINED AS EVIDENCE THAT AUDIT LOGS WERE GENERATED AND REVIEWED**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Carter County's accounting system provides that audit logs may be generated; however no documentation was maintained that these logs were generated and reviewed. Audit logs

provide information regarding any changes and deletions made to various transactions and serve as an internal control procedure.

RECOMMENDATION

Audit logs should be generated and maintained for audit inspection. Evidence should be maintained that these logs have been reviewed by management on a current basis.

MANAGEMENT’S RESPONSE – CURRENT FINANCE DIRECTOR

Although audit logs were generated and reviewed, the review was not properly documented and filed. Currently logs are periodically generated and signed by the director of finance and the deputy director of finance.

FINDING 07.07 **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)**

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General Fund:	
Drug Court	\$ 15,869
Tourism	9,621
Solid Waste/Sanitation Fund:	
Landfill Operations and Maintenance	5,564
Miscellaneous	68

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

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

OFFICES OF FINANCE DIRECTOR AND OFFICE OF SHERIFF

FINDING 07.08 **REQUESTS FOR REIMBURSEMENT OF PRISONER BOARD BILLS WERE NOT FILED WITH THE STATE TIMELY**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Sheriff's Department had not filed requests for reimbursement of prisoner board bills with the state timely. As of June 30, 2007, six months of reimbursements totaling \$282,950 had not been received by the county and are reflected as receivables in the county's General Fund.

RECOMMENDATION

Procedures should be developed to ensure that requests for reimbursement of prisoner board bills are filed timely. The Finance Office should periodically compare actual prisoner reimbursement revenues with budgeted revenues and determine the reason for significant variances.

MANAGEMENT'S RESPONSE – CURRENT FINANCE DIRECTOR

The director of finance will work closely with the sheriff to create and file monthly requests for reimbursement of prisoner board bills.

OFFICE OF TRUSTEE

FINDING 07.09 **THE TRUSTEE'S DEPOSITORY USED AN UNAUTHORIZED METHOD OF PAYING COUNTY WARRANTS**
(Noncompliance Under Government Auditing Standards)

The office's depository deducted warrants from the office's bank account before the bank presented the warrants to the trustee for payment. Section 8-11-104(7), Tennessee Code Annotated (TCA), states that the trustee should "pay all just claims against the trustee's county as they are presented, if the trustee has a sufficient sum of money ... not otherwise appropriated." The depository's practice did not provide a method for the trustee to verify the availability of funds for paying warrants.

Section 5-8-210, TCA, provides an alternate method for the trustee to determine whether adequate funds are available and for the bank to charge the trustee's account directly. This section authorizes county trustees to implement a checking system instead of a warrant

system for disbursing funds. However, as of the date of this report, the trustee had not elected to implement a checking system.

RECOMMENDATION

The office's depository should not deduct warrants from the office's bank account until the warrants have been presented to the trustee for payment. As an alternative to this practice, the trustee should consider implementing a checking system for disbursing county funds as authorized by state statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 07.10 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS** (Noncompliance Under Government Auditing Standards)

At June 30, 2007, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with general ledger accounts by \$4,203 and \$3,596, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

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

FINDING 07.11 **PROCEDURES WERE NOT ADEQUATE TO ENSURE THAT BANK DEPOSITS WERE ACTUALLY MADE** (Internal Control – Material Weakness Under Government Auditing Standards)

Internal control procedures were not in place to ensure that receipts were deposited to the official bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. As a result, collections of \$1,597 for receipts issued by the Office of Circuit Court Clerk on September 11, 2007, were not deposited until November 7, 2007. The bookkeeper identified the variance when she was reconciling the bank statement with the general ledger for September 2007. However, the status of the missing deposit was not identified until an envelope containing \$1,584 was discovered in

the office on November 5, 2007. Funds in that envelope accounted for all but \$13 of the missing collections. The clerk deposited the unaccounted \$13 from personal funds.

RECOMMENDATION

Internal control procedures should be developed to ensure that receipts are deposited to the bank account within three days of collection as required by state statute.

FINDING 07.12 **AUDIT LOGS WERE NOT GENERATED AND REVIEWED** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The circuit and general sessions court clerk's accounting system provides that audit logs may be generated; however these logs were not generated and reviewed. Audit logs provide information regarding changes and deletions made to various transactions such as journal entries as well as the date that accounting periods are closed and/or re-opened.

RECOMMENDATION

Audit logs should be generated and maintained for audit inspection. Evidence should be maintained that these logs have been reviewed by management on a current basis.

OFFICE OF SHERIFF

FINDING 07.13 **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The Sheriff's Department did not properly maintain accounting records for the operation of the commissary. The cash journal that was established to account for the commissary did not reflect all commissary transactions, and the journal had not been totaled and reconciled with balances carried forward from the previous month. Consequently, bank statements had not been reconciled with the commissary cash journal.

A computerized system was used to allocate commissary receipts and disbursement transactions to individual inmate accounts. However, the information on that system was never reconciled with the commissary cash journal or with any other records to verify the accuracy of amounts posted. We requested a trial balance of inmate accounts be generated from the computerized system as of June 30, 2007; however, the office could not retrieve a trial balance for that date.

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

It should be noted that operation of the commissary was assumed by Tennessee Business Enterprises through the state Department of Human Services effective October 1, 2007; therefore, the Sheriff's Department ceased collecting or disbursing any funds related to the commissary.

OTHER FINDING

FINDING 07.14 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the official and employees in the Office of Sheriff. The official and employees responsible for maintaining the accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.