

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



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

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

PERRY COUNTY, TENNESSEE

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Audit Highlights

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

Scope

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

Results

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

Our audit resulted in ten findings and recommendations, which we have reviewed with Perry 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:

PERRY COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ In numerous instances, purchase orders were not issued for applicable purchases, and invoices were paid without documentation that goods had been received or services had been rendered.
 - ◆ Expenditures exceeded appropriations approved by the County Commission in two major appropriation categories (the legal level of control) in the General Fund.
 - ◆ The office failed to comply with policies controlling the use of the county's credit card and the payment of travel expenses.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ In numerous instances, purchase orders were not issued for applicable purchases, and invoices were paid without documentation that goods had been received and/or services had been rendered.
 - ◆ Expenditures exceeded appropriations approved by the County Commission in one major appropriation category (the legal level of control) in the Highway/Public Works Fund.
-

OFFICE OF COUNTY CLERK

- ◆ The office did not have formal policies and procedures for computer operations.
 - ◆ The office did not develop a disaster recovery plan.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Perry County Officials
June 30, 2007

Officials

John Carroll, County Mayor
Gary Rhodes, Highway Superintendent
George Duncan, Trustee
Garry Horner, Assessor of Property
Jane Lewis, County Clerk
Peggy Smotherman, Circuit and General Sessions Courts Clerk
Joyce Marshall, Clerk and Master
Patricia Bell, Register
David Ramey, Sheriff

Board of County Commissioners

John Carroll, Chairman	
Chris Coble	Dennis Long
David Trull	Nick Weems
Ben Carroll	Eddie Ledbetter
Gary Rogers	Jarrold Richardson
Austin Pevahouse	Johnny Ward
J.R. Warren	J.B. Trull

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 7, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Perry County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 37, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Perry County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Perry County, Tennessee, as of June 30, 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 Perry 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 7, 2008, on our consideration of Perry County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 41 through 47 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 Perry County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds				Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200	\$ 200
Equity in Pooled Cash and Investments	368,934	79,619	2,085,349	1,519,507	103,703	4,157,112
Accounts Receivable	18,136	768	0	0	53	18,957
Due from Other Governments	11,655	0	278,512	74,026	0	364,193
Due from Other Funds	253	0	0	0	0	253
Property Taxes Receivable	1,491,919	332,907	0	0	0	1,824,826
Allowance for Uncollectible Property Taxes	(27,146)	(6,058)	0	0	0	(33,204)
Total Assets	\$ 1,863,751	\$ 407,236	\$ 2,363,861	\$ 1,593,533	\$ 103,956	\$ 6,332,337
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accrued Payroll	\$ 1,170	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,170
Due to Other Funds	0	0	0	0	253	253
Due to State of Tennessee	14,160	0	0	0	0	14,160
Deferred Revenue - Current Property Taxes	1,403,119	313,092	0	0	0	1,716,211
Deferred Revenue - Delinquent Property Taxes	54,728	12,211	0	0	0	66,939
Other Deferred Revenues	5,866	0	139,256	38,668	0	183,790
Total Liabilities	\$ 1,479,043	\$ 325,303	\$ 139,256	\$ 38,668	\$ 253	\$ 1,982,523
<u>Fund Balances</u>						
Reserved for Alcohol and Drug Treatment	\$ 17,016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,016
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	52,688	52,688
Reserved for Drug Court	4,868	0	0	0	0	4,868
Reserved for Sexual Offender Registration	1,880	0	0	0	0	1,880
Reserved for Computer System - Register	17,397	0	0	0	0	17,397
Reserved for Automation Purposes - Circuit Court	0	0	0	0	7,577	7,577
Reserved for Automation Purposes - Chancery Court	0	0	0	0	2,250	2,250
Other Local Education Reserves	30,741	0	0	0	0	30,741
Reserved for Nursing Home Improvements	15,139	0	0	0	0	15,139
Reserved for Library Computer	4,769	0	0	0	0	4,769

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In:

	Major Funds				Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
General Fund	\$ 292,898	\$ 0	\$ 0	\$ 0	\$ 0	\$ 292,898
Special Revenue Funds	0	81,933	2,224,605	0	19,763	2,326,301
Debt Service Funds	0	0	0	1,554,865	0	1,554,865
Capital Projects Funds	0	0	0	0	21,425	21,425
Total Fund Balances	\$ 384,708	\$ 81,933	\$ 2,224,605	\$ 1,554,865	\$ 103,703	\$ 4,349,814
Total Liabilities and Fund Balances	\$ 1,863,751	\$ 407,236	\$ 2,363,861	\$ 1,593,533	\$ 103,956	\$ 6,332,337

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

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 1,770,437	\$ 360,677	\$ 29,699	\$ 410,700	\$ 13,920	\$ 2,585,433
Fines, Forfeitures, and Penalties	37,700	0	0	0	5,390	43,090
Charges for Current Services	16,439	55,922	0	0	1,487	73,848
Other Local Revenues	330,157	811	16,295	102,218	4,364	453,845
Fees Received from County Officials	356,328	0	0	0	0	356,328
State of Tennessee	423,467	52,226	1,756,379	85,076	0	2,317,148
Federal Government	637,818	0	131,402	0	0	769,220
Other Governments and Citizens Groups	189,118	0	0	446,497	0	635,615
Total Revenues	\$ 3,761,464	\$ 469,636	\$ 1,933,775	\$ 1,044,491	\$ 25,161	\$ 7,234,527
<u>Expenditures</u>						
Current:						
General Government	\$ 642,760	\$ 0	\$ 0	\$ 0	\$ 43,711	\$ 686,471
Finance	304,620	0	0	0	0	304,620
Administration of Justice	330,099	0	0	0	2,107	332,206
Public Safety	1,420,375	0	0	0	13,459	1,433,834
Public Health and Welfare	238,466	453,962	0	0	0	692,428
Social, Cultural, and Recreational Services	121,833	0	0	0	0	121,833
Agriculture and Natural Resources	47,032	0	0	0	0	47,032
Other Operations	142,500	900	0	0	111	143,511
Highways	28,515	0	2,256,653	0	0	2,285,168
Debt Service:						
Principal on Debt	0	0	0	806,600	0	806,600
Interest on Debt	0	0	0	370,398	0	370,398
Other Debt Service	0	0	0	52,346	0	52,346
Capital Projects	470,000	0	0	0	20,742	490,742
Capital Projects - Donated to School Department	0	0	0	66,734	196,635	263,369
Total Expenditures	\$ 3,746,200	\$ 454,862	\$ 2,256,653	\$ 1,296,078	\$ 276,765	\$ 8,030,558
Excess (Deficiency) of Revenues Over Expenditures	\$ 15,264	\$ 14,774	\$ (322,878)	\$ (251,587)	\$ (251,604)	\$ (796,031)

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,706	\$ 223,706
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,706	\$ 223,706
Net Change in Fund Balances	\$ 15,264	\$ 14,774	\$ (322,878)	\$ (251,587)	\$ (27,898)	\$ (572,325)
Fund Balance, July 1, 2006	369,444	67,159	2,547,483	1,806,452	131,601	4,922,139
Fund Balance, June 30, 2007	\$ 384,708	\$ 81,933	\$ 2,224,605	\$ 1,554,865	\$ 103,703	\$ 4,349,814

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 110,360
Due from Other Governments	<u>39,060</u>
Total Assets	<u>\$ 149,420</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 39,060
Due to Litigants, Heirs, and Others	<u>110,360</u>
Total Liabilities	<u>\$ 149,420</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Although Perry County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 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 Perry County:

A. Reporting Entity

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

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

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

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

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

The Perry County School Department and the Perry County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report, but under the same cover as the county’s financial statements. The Perry County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Perry County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

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

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

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

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

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

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

Perry County reports the following major governmental funds:

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

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

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

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

Additionally, Perry County reports the following fund types:

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

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

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

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Perry County and Perry County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General, General Debt Service, and General Purpose School Funds. Perry County and the Perry County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to

compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

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

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

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

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

3. Capital Assets

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

4. Compensated Absences

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

5. Long-term Obligations

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

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

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The General Fund had a designation of \$23,866 at June 30, 2007, which represents ten percent of the lease and rental income from the Angelica Building to help defray utility and maintenance costs.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Expenditures Exceeded Appropriations

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

<u>Fund</u>	<u>Major Category</u>	<u>Amount Overspent</u>
General	Sheriff's Department	\$ 51,584
General	Industrial Development	7,241
Highway/Public Works	Capital Outlay	101,598

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Perry County and the Perry County School Department participate in an internal cash and investment pool through the Office of Trustee. The Perry County School Department meets the criteria for a discretely presented component unit of Perry County. Since Perry County is presenting fund financial statements only, the financial information for the Perry 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 on the balance sheets represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out

in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2007.

B. Interfund Receivables and Payables

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>
General	Nonmajor governmental	\$ 253

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.

C. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. However, the county had no general obligation bonds outstanding as of June 30, 2007. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 12 years for notes and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Notes	0 to 4.95 %	\$ 956,000	\$ 482,250
Other Loans	variable	11,500,000	8,896,000

In prior years, Perry County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$5,000,000, \$2,500,000, and \$4,000,000 to Perry County for various renovation and construction projects. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with the loans. At June 30, 2007, the variable interest rates were 3.89 percent, and other fees amounted to \$85 per month per loan (trustee), approximately .31 percent (letter of credit), and .08 percent (remarketing) of the outstanding principal on the \$5,000,000 and \$2,500,000 loans. At June 30, 2007, the variable interest rate was 3.87 percent, and other fees amounted to \$85 per month (trustee), approximately .38 percent (letter of credit), and .08 percent (remarketing) of the outstanding principal on the \$4,000,000 loan.

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:

Year Ending June 30	Notes	
	Principal	Interest
2008	\$ 94,600	\$ 6,188
2009	91,400	4,208
2010	90,000	2,228
2011	45,000	0
2012	45,000	0
2013-2015	116,250	0
Total	\$ 482,250	\$ 12,624

Year Ending June 30	Other Loan (\$5,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 239,000	\$ 135,605	\$ 14,615	\$ 389,220
2009	252,000	126,308	13,683	391,991
2010	266,000	116,505	12,701	395,206
2011	281,000	106,158	11,663	398,821
2012	296,000	95,227	10,567	401,794
2013-2017	1,744,000	290,155	34,190	2,068,345
2018	408,000	15,871	2,612	426,483
Total	\$ 3,486,000	\$ 885,829	\$ 100,031	\$ 4,471,860

Year Ending June 30	Other Loan (\$2,500,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 119,000	\$ 73,754	\$ 8,414	\$ 201,168
2009	125,000	69,125	7,950	202,075
2010	131,000	64,263	7,463	202,726
2011	138,000	59,167	6,952	204,119
2012	145,000	53,799	6,414	205,213
2013-2017	840,000	178,629	23,009	1,041,638
2018-2019	398,000	23,418	4,388	425,806
Total	\$ 1,896,000	\$ 522,155	\$ 64,590	\$ 2,482,745

Year Ending June 30	Other Loan (\$4,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 173,000	\$ 135,992	\$ 17,184	\$ 326,176
2009	178,000	129,297	16,389	323,686
2010	183,000	122,408	15,570	320,978
2011	189,000	115,326	14,728	319,054
2012	195,000	108,012	13,859	316,871
2013-2017	1,071,000	422,062	55,268	1,548,330
2018-2022	1,251,000	201,279	29,025	1,481,304
2023	274,000	10,603	2,279	286,882
Total	\$ 3,514,000	\$ 1,244,979	\$ 164,302	\$ 4,923,281

There is \$1,554,865 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans, totaled \$1,229, 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
Balance, July 1, 2006	\$ 781,850	\$ 9,179,294
Additions	0	223,706
Deductions	(299,600)	(507,000)
Balance, June 30, 2007	<u>\$ 482,250</u>	<u>\$ 8,896,000</u>
Balance Due Within One Year	<u>\$ 94,600</u>	<u>\$ 531,000</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 28,863	\$ 361,556
Additions	46,196	0
Deductions	(43,598)	(6,081)
Balance, June 30, 2007	<u>\$ 31,461</u>	<u>\$ 355,475</u>
Balance Due Within One Year	<u>\$ 31,461</u>	<u>\$ 6,081</u>

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

D. Short-term Debt

Perry County issued tax anticipation notes through the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General and Solid Waste/Sanitation funds. These notes were necessary because funds were not available to meet payroll and other operating expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 800,000	\$ (800,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

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

The county joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

B. Subsequent Events

On August 13, 2007, and September 4, 2007, the county's General Debt Service Fund issued tax anticipation notes totaling \$150,000 and \$300,000, respectively, to the General Fund for temporary operating funds.

On September 10, 2007, and October 10, 2007, the county's General Debt Service Fund issued tax anticipation notes totaling \$30,000 and \$10,000, respectively, to the Solid Waste/Sanitation Fund for temporary operating funds.

Sheriff David Ramey resigned December 31, 2007, and was succeeded by Roy Rogers effective January 10, 2008.

C. Sales Tax Collections

Section 67-6-712, Tennessee Code Annotated, requires that at least one-half of sales tax revenue be expended for education purposes. In 1996 Perry County voters approved an additional one-half cent increase in the local sales tax rate that was allocated 100 percent for the repayment of school indebtedness related to the 1996/1999 school building program. During prior years, Perry County did not expend the required amount of these collections for educational purposes, resulting in a sales tax – education reserve of \$176,878 in the county's General Fund. During the 2006-07 year, Perry County expended \$146,137 in excess of the amount required to be spent for educational purposes. Therefore, the sales tax – education reserve was

reduced to \$30,741 and is presented in the financial statements of the county's General Fund.

D. Contingent Liabilities

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

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

E. Changes in Administration

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

F. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The county closed the landfill in 1998. The Solid Waste/Sanitation Fund reports postclosure care costs as a current operating expense. The \$355,475 reported as the landfill postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

The Perry County Joint Economic Development Board is a joint venture between Perry County, the City of Lobelville, and the Town of Linden. The board comprises the county mayor, city mayors, and other members. The purpose of the board is to foster communication relative to economic and community development between and among governmental entities,

industry, and private citizens. Perry County did not appropriate any funds to the Perry County Joint Economic Development Board during the 2006-07 year.

The Twenty-First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-First Judicial District, Williamson, Lewis, Hickman, and Perry counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Perry County did not contribute to the DTF for the year ended June 30, 2007.

Perry County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Perry County Joint Economic Development Board and the DTF can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

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

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

H. Jointly Governed Organization

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

I. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Perry County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 9.3 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Perry County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Perry County's annual pension cost of \$288,453 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. Perry County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 11 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$288,453	100%	\$0
6-30-06	243,110	100	0
6-30-05	235,160	100	0

J. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Highway Superintendent

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,770,437	\$ 1,692,905	\$ 1,788,505	\$ (18,068)
Fines, Forfeitures, and Penalties	37,700	34,460	48,510	(10,810)
Charges for Current Services	16,439	12,660	18,860	(2,421)
Other Local Revenues	330,157	391,200	335,038	(4,881)
Fees Received from County Officials	356,328	315,200	380,200	(23,872)
State of Tennessee	423,467	1,190,843	1,279,340	(855,873)
Federal Government	637,818	229,061	232,210	405,608
Other Governments and Citizens Groups	189,118	96,008	96,008	93,110
Total Revenues	\$ 3,761,464	\$ 3,962,337	\$ 4,178,671	\$ (417,207)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 25,022	\$ 27,495	\$ 27,495	\$ 2,473
County Mayor/Executive	145,780	148,256	158,774	12,994
County Attorney	3,640	10,000	10,000	6,360
Election Commission	211,096	212,500	216,896	5,800
Register of Deeds	89,899	91,101	93,397	3,498
Geographical Information Systems	1,937	750	2,758	821
County Buildings	165,386	151,162	189,601	24,215
<u>Finance</u>				
Accounting and Budgeting	750	750	750	0
Property Assessor's Office	89,724	87,665	92,416	2,692
Reappraisal Program	29,723	44,608	40,978	11,255
County Trustee's Office	94,908	106,356	112,457	17,549
County Clerk's Office	89,515	90,255	92,456	2,941
<u>Administration of Justice</u>				
Circuit Court	140,145	138,487	147,609	7,464
General Sessions Court	89,726	90,625	92,225	2,499
Chancery Court	83,269	85,524	86,948	3,679
Juvenile Court	13,775	13,645	15,595	1,820
Courtroom Security	3,184	0	3,285	101
<u>Public Safety</u>				
Sheriff's Department	614,142	562,558	562,558	(51,584)
Jail	633,581	500,000	714,867	81,286
Civil Defense	42,061	56,061	56,061	14,000
Rescue Squad	9,947	10,000	10,000	53
Other Emergency Management	77,648	122,603	129,663	52,015
County Coroner/Medical Examiner	27,906	10,000	30,000	2,094
Other Public Safety	15,090	11,228	16,086	996
<u>Public Health and Welfare</u>				
Local Health Center	35,714	34,565	39,433	3,719
Ambulance/Emergency Medical Services	194,568	196,912	196,912	2,344
Nursing Home	8,184	0	8,184	0

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Other Local Health Services	\$ 0	\$ 26,700	\$ 0	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	10,000	10,000	10,000	0
Libraries	84,583	79,115	87,448	2,865
Other Social, Cultural, and Recreational	27,250	23,000	27,250	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	35,344	37,754	37,754	2,410
Soil Conservation	11,688	23,375	23,375	11,687
<u>Other Operations</u>				
Tourism	23,576	22,000	23,577	1
Industrial Development	9,311	23,000	2,070	(7,241)
Airport	22,710	178,300	73,300	50,590
Veterans' Services	3,590	3,637	3,637	47
Other Charges	48,135	46,500	49,000	865
Employee Benefits	10,936	8,500	13,300	2,364
Miscellaneous	24,242	17,824	32,524	8,282
<u>Highways</u>				
Litter and Trash Collection	28,515	29,237	30,287	1,772
<u>Capital Projects</u>				
Public Health and Welfare Projects	470,000	500,000	500,000	30,000
Total Expenditures	\$ 3,746,200	\$ 3,832,048	\$ 4,060,926	\$ 314,726
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 15,264	\$ 130,289	\$ 117,745	\$ (102,481)
Net Change in Fund Balance				
Fund Balance, July 1, 2006	\$ 369,444	244,120	244,120	125,324
Fund Balance, June 30, 2007	\$ 384,708	\$ 374,409	\$ 361,865	\$ 22,843

Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 360,677	\$ 342,071	\$ 362,071	\$ (1,394)
Charges for Current Services	55,922	35,918	62,718	(6,796)
Other Local Revenues	811	0	1,500	(689)
State of Tennessee	52,226	53,500	53,500	(1,274)
Total Revenues	<u>\$ 469,636</u>	<u>\$ 431,489</u>	<u>\$ 479,789</u>	<u>\$ (10,153)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 9,256	\$ 8,500	\$ 10,500	\$ 1,244
Convenience Centers	35,200	36,602	36,702	1,502
Transfer Stations	329,206	307,461	331,528	2,322
Landfill Operation and Maintenance	80,300	67,533	81,909	1,609
<u>Other Operations</u>				
Employee Benefits	900	900	900	0
Total Expenditures	<u>\$ 454,862</u>	<u>\$ 420,996</u>	<u>\$ 461,539</u>	<u>\$ 6,677</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 14,774</u>	<u>\$ 10,493</u>	<u>\$ 18,250</u>	<u>\$ (3,476)</u>
Net Change in Fund Balance	\$ 14,774	\$ 10,493	\$ 18,250	\$ (3,476)
Fund Balance, July 1, 2006	67,159	54,589	54,589	12,570
Fund Balance, June 30, 2007	<u>\$ 81,933</u>	<u>\$ 65,082</u>	<u>\$ 72,839</u>	<u>\$ 9,094</u>

Exhibit D-3

Perry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 29,699	\$ 35,000	\$ 35,000	\$ (5,301)
Other Local Revenues	16,295	5,350	5,350	10,945
State of Tennessee	1,756,379	2,053,425	2,053,425	(297,046)
Federal Government	131,402	0	0	131,402
Total Revenues	<u>\$ 1,933,775</u>	<u>\$ 2,093,775</u>	<u>\$ 2,093,775</u>	<u>\$ (160,000)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 94,755	\$ 94,906	\$ 95,906	\$ 1,151
Highway and Bridge Maintenance	1,678,797	1,950,500	1,950,500	271,703
Operation and Maintenance of Equipment	142,431	172,080	169,480	27,049
Other Charges	75,100	73,500	75,100	0
Employee Benefits	113,972	131,800	131,800	17,828
Capital Outlay	151,598	50,000	50,000	(101,598)
Total Expenditures	<u>\$ 2,256,653</u>	<u>\$ 2,472,786</u>	<u>\$ 2,472,786</u>	<u>\$ 216,133</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (322,878)</u>	<u>\$ (379,011)</u>	<u>\$ (379,011)</u>	<u>\$ 56,133</u>
Net Change in Fund Balance	\$ (322,878)	\$ (379,011)	\$ (379,011)	\$ 56,133
Fund Balance, July 1, 2006	2,547,483	2,774,051	2,774,051	(226,568)
Fund Balance, June 30, 2007	<u>\$ 2,224,605</u>	<u>\$ 2,395,040</u>	<u>\$ 2,395,040</u>	<u>\$ (170,435)</u>

Exhibit D-4

Perry 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	\$ 6,465	\$ 6,806	341	94.99 %	\$ 2,590	13.17 %
6-30-03	5,660	6,039	379	93.72	2,448	15.48
6-30-01	5,021	5,481	460	91.61	2,293	20.06

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Fund	Major Category	Amount Overspent
General	Sheriff's Department	\$ 51,584
General	Industrial Development	7,241
Highway/Public Works	Capital Outlay	101,598

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Capital Projects Fund

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

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

Exhibit E-1

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

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 200	\$ 200	\$ 0	200
Equity in Pooled Cash and Investments	56,843	9,827	15,608	0	82,278	21,425	103,703
Accounts Receivable	0	0	0	53	53	0	53
Total Assets	\$ 56,843	\$ 9,827	\$ 15,608	\$ 253	\$ 82,531	\$ 21,425	\$ 103,956
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 253	\$ 253	\$ 0	253
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 253	\$ 253	\$ 0	253
<u>Fund Balances</u>							
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	\$ 52,688	\$ 0	\$ 0	\$ 0	\$ 52,688	\$ 0	52,688
Reserved for Automation Purposes - Circuit Court	0	7,577	0	0	7,577	0	7,577
Reserved for Automation Purposes - Chancery Court	0	2,250	0	0	2,250	0	2,250
Unreserved	4,155	0	15,608	0	19,763	21,425	41,188
Total Fund Balances	\$ 56,843	\$ 9,827	\$ 15,608	\$ 0	\$ 82,278	\$ 21,425	\$ 103,703
Total Liabilities and Fund Balances	\$ 56,843	\$ 9,827	\$ 15,608	\$ 253	\$ 82,531	\$ 21,425	\$ 103,956

Exhibit E-2

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

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>							
Local Taxes	\$ 10,150	\$ 3,770	\$ 0	\$ 0	\$ 13,920	\$ 0	\$ 13,920
Fines, Forfeitures, and Penalties	992	590	3,808	0	5,390	0	5,390
Charges for Current Services	0	0	0	1,487	1,487	0	1,487
Other Local Revenues	0	0	4,364	0	4,364	0	4,364
Total Revenues	\$ 11,142	\$ 4,360	\$ 8,172	\$ 1,487	\$ 25,161	\$ 0	\$ 25,161
<u>Expenditures</u>							
Current:							
General Government	\$ 43,711	\$ 0	\$ 0	\$ 0	\$ 43,711	\$ 0	\$ 43,711
Administration of Justice	0	620	0	1,487	2,107	0	2,107
Public Safety	0	0	13,459	0	13,459	0	13,459
Other Operations	111	0	0	0	111	0	111
Capital Projects	0	0	0	0	0	20,742	20,742
Capital Projects - Donated to School Department	0	0	0	0	0	196,635	196,635
Total Expenditures	\$ 43,822	\$ 620	\$ 13,459	\$ 1,487	\$ 59,388	\$ 217,377	\$ 276,765
Excess (Deficiency) of Revenues Over Expenditures	\$ (32,680)	\$ 3,740	\$ (5,287)	\$ 0	\$ (34,227)	\$ (217,377)	\$ (251,604)
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,706	\$ 223,706
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,706	\$ 223,706
Net Change in Fund Balances	\$ (32,680)	\$ 3,740	\$ (5,287)	\$ 0	\$ (34,227)	\$ 6,329	\$ (27,898)
Fund Balance, July 1, 2006	89,523	6,087	20,895	0	116,505	15,096	131,601
Fund Balance, June 30, 2007	\$ 56,843	\$ 9,827	\$ 15,608	\$ 0	\$ 82,278	\$ 21,425	\$ 103,703

Exhibit E-3

Perry 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	\$ 10,150	\$ 26,250	\$ 16,450	\$ (6,300)
Fines, Forfeitures, and Penalties	992	350	1,250	(258)
Total Revenues	<u>\$ 11,142</u>	<u>\$ 26,600</u>	<u>\$ 17,700</u>	<u>\$ (6,558)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 43,711	\$ 29,850	\$ 62,595	\$ 18,884
<u>Other Operations</u>				
Other Charges	111	450	250	139
Total Expenditures	<u>\$ 43,822</u>	<u>\$ 30,300</u>	<u>\$ 62,845</u>	<u>\$ 19,023</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (32,680)</u>	<u>\$ (3,700)</u>	<u>\$ (45,145)</u>	<u>\$ 12,465</u>
Net Change in Fund Balance	\$ (32,680)	\$ (3,700)	\$ (45,145)	\$ 12,465
Fund Balance, July 1, 2006	<u>89,523</u>	<u>80,154</u>	<u>80,154</u>	<u>9,369</u>
Fund Balance, June 30, 2007	<u>\$ 56,843</u>	<u>\$ 76,454</u>	<u>\$ 35,009</u>	<u>\$ 21,834</u>

Exhibit E-4

Perry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Local Purpose Tax Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,770	\$ 6,050	\$ 6,050	\$ (2,280)
Fines, Forfeitures, and Penalties	590	550	650	(60)
Total Revenues	<u>\$ 4,360</u>	<u>\$ 6,600</u>	<u>\$ 6,700</u>	<u>\$ (2,340)</u>
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Circuit Court	\$ 620	\$ 2,300	\$ 2,345	\$ 1,725
General Sessions Court	0	2,300	2,300	2,300
Chancery Court	0	2,300	2,300	2,300
Total Expenditures	<u>\$ 620</u>	<u>\$ 6,900</u>	<u>\$ 6,945</u>	<u>\$ 6,325</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,740</u>	<u>\$ (300)</u>	<u>\$ (245)</u>	<u>\$ 3,985</u>
Net Change in Fund Balance	\$ 3,740	\$ (300)	\$ (245)	\$ 3,985
Fund Balance, July 1, 2006	<u>6,087</u>	<u>6,182</u>	<u>6,182</u>	<u>(95)</u>
Fund Balance, June 30, 2007	<u>\$ 9,827</u>	<u>\$ 5,882</u>	<u>\$ 5,937</u>	<u>\$ 3,890</u>

Exhibit E-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 3,808	\$ 6,200	\$ 6,646	\$ (2,838)
Other Local Revenues	4,364	0	4,364	0
Total Revenues	<u>\$ 8,172</u>	<u>\$ 6,200</u>	<u>\$ 11,010</u>	<u>\$ (2,838)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 13,459	\$ 10,075	\$ 16,437	\$ 2,978
Total Expenditures	<u>\$ 13,459</u>	<u>\$ 10,075</u>	<u>\$ 16,437</u>	<u>\$ 2,978</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (5,287)</u>	<u>\$ (3,875)</u>	<u>\$ (5,427)</u>	<u>\$ 140</u>
Net Change in Fund Balance	\$ (5,287)	\$ (3,875)	\$ (5,427)	\$ 140
Fund Balance, July 1, 2006	<u>20,895</u>	<u>21,064</u>	<u>21,064</u>	<u>(169)</u>
Fund Balance, June 30, 2007	<u>\$ 15,608</u>	<u>\$ 17,189</u>	<u>\$ 15,637</u>	<u>\$ (29)</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

Perry County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Debt Service Fund
For the Year Ended June 30, 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	\$ 410,700	\$ 0	\$ 410,700	\$ 430,050	\$ 430,050	\$ (19,350)
Other Local Revenues	102,218	0	102,218	89,220	104,220	(2,002)
State of Tennessee	85,076	0	85,076	15,000	15,000	70,076
Other Governments and Citizens Groups	446,497	0	446,497	167,167	527,167	(80,670)
Total Revenues	\$ 1,044,491	\$ 0	\$ 1,044,491	\$ 701,437	\$ 1,076,437	\$ (31,946)
<u>Expenditures</u>						
<u>Principal on Debt</u>						
General Government	\$ 458,250	\$ 0	\$ 458,250	\$ 346,600	\$ 458,250	\$ 0
Education	348,350	0	348,350	340,000	348,350	0
<u>Interest on Debt</u>						
General Government	146,475	0	146,475	128,059	156,559	10,084
Education	223,923	0	223,923	304,665	254,665	30,742
<u>Other Debt Service</u>						
General Government	26,428	0	26,428	21,000	27,250	822
Education	25,918	0	25,918	92,734	26,300	382
<u>Capital Projects - Donated</u>						
Capital Projects Donated to School Department	66,734	(66,734)	0	0	66,734	66,734
Total Expenditures	\$ 1,296,078	\$ (66,734)	\$ 1,229,344	\$ 1,233,058	\$ 1,338,108	\$ 108,764
Excess (Deficiency) of Revenues Over Expenditures	\$ (251,587)	\$ 66,734	\$ (184,853)	\$ (531,621)	\$ (261,671)	\$ 76,818
Net Change in Fund Balance	\$ (251,587)	\$ 66,734	\$ (184,853)	\$ (531,621)	\$ (261,671)	\$ 76,818
Fund Balance, July 1, 2006	1,806,452	(66,734)	1,739,718	1,381,494	1,381,494	358,224
Fund Balance, June 30, 2007	\$ 1,554,865	\$ 0	\$ 1,554,865	\$ 849,873	\$ 1,119,823	\$ 435,042

Fiduciary Funds

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

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

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

Exhibit G-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 110,360	\$ 110,360
Due from Other Governments	39,060	0	39,060
Total Assets	<u>\$ 39,060</u>	<u>\$ 110,360</u>	<u>\$ 149,420</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 39,060	\$ 0	\$ 39,060
Due to Litigants, Heirs, and Others	0	110,360	110,360
Total Liabilities	<u>\$ 39,060</u>	<u>\$ 110,360</u>	<u>\$ 149,420</u>

Exhibit G-2

Perry 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	\$ 223,685	\$ 223,685	\$ 0
Due from Other Governments	43,523	39,060	43,523	39,060
Total Assets	\$ 43,523	\$ 262,745	\$ 267,208	\$ 39,060
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 43,523	\$ 262,745	\$ 267,208	\$ 39,060
Total Liabilities	\$ 43,523	\$ 262,745	\$ 267,208	\$ 39,060
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 83,530	\$ 1,267,500	\$ 1,240,670	\$ 110,360
Total Assets	\$ 83,530	\$ 1,267,500	\$ 1,240,670	\$ 110,360
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 83,530	\$ 1,267,500	\$ 1,240,670	\$ 110,360
Total Liabilities	\$ 83,530	\$ 1,267,500	\$ 1,240,670	\$ 110,360
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 83,530	\$ 1,267,500	\$ 1,240,670	\$ 110,360
Equity in Pooled Cash and Investments	0	223,685	223,685	0
Due from Other Governments	43,523	39,060	43,523	39,060
Total Assets	\$ 127,053	\$ 1,530,245	\$ 1,507,878	\$ 149,420
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 83,530	\$ 1,267,500	\$ 1,240,670	\$ 110,360
Due to Other Taxing Units	43,523	262,745	267,208	39,060
Total Liabilities	\$ 127,053	\$ 1,530,245	\$ 1,507,878	\$ 149,420

MISCELLANEOUS SCHEDULES

Exhibit H-1

Perry County, Tennessee
Schedule of Changes in Long-term Notes and Other Loans
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
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Transfer Station and Landfill Closure	\$ 850,000	4.55 to 5.5 %	2-14-1997	1-26-07	\$ 85,000	\$ 0	\$ 85,000	\$ 0
Public Works Projects	410,000	4.95	6-15-1998	6-15-10	165,000	0	40,000	125,000
Courthouse Improvements	96,000	0	3-2-1999	3-2-09	25,600	0	9,600	16,000
Angelica Building	450,000	0	1-10-05	1-10-15	386,250	0	45,000	341,250
Nursing Home Improvements	120,000	3.75	1-20-06	7-13-06	120,000	0	120,000	0
Total Notes Payable					<u>\$ 781,850</u>	<u>\$ 0</u>	<u>\$ 299,600</u>	<u>\$ 482,250</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School	5,000,000	Variable	10-14-1998	5-25-18	\$ 3,713,000	\$ 0	\$ 227,000	\$ 3,486,000
School	2,500,000	Variable	5-24-00	5-25-19	2,009,000	0	113,000	1,896,000
Jail, Angelica Building, Solid Waste Equipment, School	4,000,000	Variable	10-28-03	5-25-23	3,457,294	223,706	167,000	3,514,000
Total Other Loans Payable					<u>\$ 9,179,294</u>	<u>\$ 223,706</u>	<u>\$ 507,000</u>	<u>\$ 8,896,000</u>

Exhibit H-2

Perry 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:				
Benjamin Howard (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	\$ 9,065	\$ 25,000	Western Surety Company
John Carroll (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	45,324	25,000	"
Highway Superintendent:				
Billy Horner (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	8,538	100,000	Auto Owners Mutual Insurance Company
Gary Rhodes (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	42,688	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	46,570	337,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	46,570	10,000	Auto Owners Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	46,570	25,000	Western Surety Company
Circuit Court Clerk:				
Rosemary Burgess (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	7,762	25,000	"
Peggy Smotherman (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	38,808	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	48,057 (1)	35,000	Old Republic Surety Company
Register	Section 8-24-102, <u>TCA</u>	46,570	15,000	Western Surety Company
Sheriff:				
Jerry Blakemore (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	8,638 (2)	50,000	Auto Owners Mutual Insurance Company
David Ramey (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	37,358 (3)	50,000	Western Surety Company
<u>Other Bonds</u>				
Employee Blanket Bond			150,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of \$1,487.

(2) Includes \$100 for serving as workhouse superintendent.

(3) Includes \$500 for serving as workhouse superintendent.

Exhibit H-3

Perry 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	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,466,648	\$ 0	\$ 327,265	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,793,913
Trustee's Collections - Prior Year	69,394	0	15,484	0	0	0	0	0	84,878
Circuit/Clerk & Master Collections - Prior Years	32,762	0	7,311	0	0	0	0	0	40,073
Interest and Penalty	12,797	0	2,855	0	0	0	0	0	15,652
Payments in-Lieu-of Taxes - T.V.A.	1,811	0	404	0	0	0	0	0	2,215
<u>County Local Option Taxes</u>									
Local Option Sales Tax	63,504	0	0	0	0	0	0	409,080	472,584
Hotel/Motel Tax	2,731	0	0	0	0	0	0	0	2,731
Litigation Tax - General	20,979	0	0	0	0	0	0	440	21,419
Litigation Tax - Special Purpose	93	1,423	0	3,770	0	0	0	0	5,286
Litigation Tax - Jail, Workhouse, or Courthouse	10	8,727	0	0	0	0	0	1,180	9,917
Business Tax	23,694	0	0	0	0	0	0	0	23,694
Mineral Severance Tax	0	0	0	0	0	0	29,699	0	29,699
<u>Statutory Local Taxes</u>									
Bank Excise Tax	32,976	0	7,358	0	0	0	0	0	40,334
Wholesale Beer Tax	42,096	0	0	0	0	0	0	0	42,096
Interstate Telecommunications Tax	942	0	0	0	0	0	0	0	942
Total Local Taxes	\$ 1,770,437	\$ 10,150	\$ 360,677	\$ 3,770	\$ 0	\$ 0	\$ 29,699	\$ 410,700	\$ 2,585,433
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 4,002	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,002
Officers Costs	1,684	0	0	0	0	0	0	0	1,684
Drug Control Fines	1,425	0	0	0	0	0	0	0	1,425
Drug Court Fees	309	0	0	0	0	0	0	0	309
Data Entry Fee - Circuit Court	0	0	0	62	0	0	0	0	62
Courtroom Security Fee	87	0	0	0	0	0	0	0	87
<u>Criminal Court</u>									
Fines	954	0	0	0	0	0	0	0	954
<u>General Sessions Court</u>									
Fines	5,843	0	0	0	0	0	0	0	5,843
Officers Costs	14,568	0	0	0	0	0	0	0	14,568

(Continued)

Exhibit H-3

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court (Cont.)</u>									
Game and Fish Fines	\$ 484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	484
Drug Control Fines	0	104	0	0	3,363	0	0	0	3,467
Drug Court Fees	1,001	0	0	0	0	0	0	0	1,001
Jail Fees	961	888	0	0	0	0	0	0	1,849
DUI Treatment Fines	1,030	0	0	0	0	0	0	0	1,030
Courtroom Security Fee	1,125	0	0	0	0	0	0	0	1,125
<u>Juvenile Court</u>									
Fines	385	0	0	0	0	0	0	0	385
<u>Chancery Court</u>									
Officers Costs	2,374	0	0	0	0	0	0	0	2,374
Data Entry Fee - Chancery Court	0	0	0	528	0	0	0	0	528
<u>Judicial District Drug Program</u>									
Courtroom Security Fee	18	0	0	0	0	0	0	0	18
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	1,450	0	0	0	445	0	0	0	1,895
Total Fines, Forfeitures, and Penalties	\$ 37,700	\$ 992	\$ 0	\$ 590	\$ 3,808	\$ 0	\$ 0	\$ 0	43,090
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	\$ 5,168	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,168
Tipping Fees	0	0	1,839	0	0	0	0	0	1,839
Solid Waste Disposal Fees	0	0	48,915	0	0	0	0	0	48,915
<u>Fees</u>									
Airport Fees	1,850	0	0	0	0	0	0	0	1,850
Copy Fees	4,071	0	0	0	0	0	0	0	4,071
Telephone Commissions	3,912	0	0	0	0	0	0	0	3,912
Constitutional Officers' Fees and Commissions	0	0	0	0	0	1,487	0	0	1,487
Special Commissioner Fees/Special Master Fees	488	0	0	0	0	0	0	0	488
Data Processing Fee - Register	3,718	0	0	0	0	0	0	0	3,718
Data Processing Fee - Sheriff	1,600	0	0	0	0	0	0	0	1,600
Sexual Offender Registration Fees - Sheriff	800	0	0	0	0	0	0	0	800
Total Charges for Current Services	\$ 16,439	\$ 0	\$ 55,922	\$ 0	\$ 0	\$ 1,487	\$ 0	\$ 0	73,848

(Continued)

Exhibit H-3

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 158,874	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,449	\$ 195,323
Lease/Rentals	140,862	0	0	0	0	0	0	65,769	206,631
Sale of Materials and Supplies	42	0	0	0	0	0	299	0	341
Commissary Sales	518	0	0	0	0	0	0	0	518
Sale of Recycled Materials	0	0	622	0	0	0	0	0	622
Miscellaneous Refunds	7,664	0	189	0	1,633	0	4,523	0	14,009
Expenditure Credits	3,340	0	0	0	0	0	0	0	3,340
<u>Nonrecurring Items</u>									
Sale of Equipment	18	0	0	0	2,507	0	11,473	0	13,998
Contributions and Gifts	2,788	0	0	0	224	0	0	0	3,012
<u>Other Local Revenues</u>									
Other Local Revenues	16,051	0	0	0	0	0	0	0	16,051
Total Other Local Revenues	\$ 330,157	\$ 0	\$ 811	\$ 0	\$ 4,364	\$ 0	\$ 16,295	\$ 102,218	\$ 453,845
<u>Fees Received from County Officials</u>									
<u>Fees-In-Lieu of Salary</u>									
County Clerk	\$ 54,051	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,051
Circuit Court Clerk	36,330	0	0	0	0	0	0	0	36,330
General Sessions Court Clerk	48,295	0	0	0	0	0	0	0	48,295
Clerk and Master	45,722	0	0	0	0	0	0	0	45,722
Register	38,498	0	0	0	0	0	0	0	38,498
Sheriff	4,646	0	0	0	0	0	0	0	4,646
Trustee	128,786	0	0	0	0	0	0	0	128,786
Total Fees Received from County Officials	\$ 356,328	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 356,328
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Airport Maintenance Program	610	0	0	0	0	0	0	0	610
State Reappraisal Grant	4,606	0	0	0	0	0	0	0	4,606
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	5,706	0	0	0	0	0	0	0	5,706

(Continued)

Exhibit H-3

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>									
<u>Health and Welfare Grants</u>									
Health Department Programs	\$ 3,479	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,479
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	0	231,268	0	231,268
Litter Program	27,109	0	0	0	0	0	0	0	27,109
<u>Other State Revenues</u>									
Resort District Sales Tax	55,895	0	0	0	0	0	0	0	55,895
Beer Tax	8,765	0	0	0	0	0	0	0	8,765
Alcoholic Beverage Tax	33,600	0	0	0	0	0	0	0	33,600
State Revenue Sharing - T.V.A.	234,053	0	52,226	0	0	0	0	0	286,279
Contracted Prisoner Boarding	28,359	0	0	0	0	0	0	85,076	113,435
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,518,972	0	1,518,972
Petroleum Special Tax	0	0	0	0	0	0	6,139	0	6,139
Registrar's Salary Supplement	12,285	0	0	0	0	0	0	0	12,285
Total State of Tennessee	\$ 423,467	\$ 0	\$ 52,226	\$ 0	\$ 0	\$ 0	\$ 1,756,379	\$ 85,076	\$ 2,317,148
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 1,994	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,994
Homeland Security Grants	42,061	0	0	0	0	0	0	0	42,061
Other Federal through State	579,932	0	0	0	0	0	0	0	579,932
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	13,831	0	0	0	0	0	131,402	0	145,233
Total Federal Government	\$ 637,818	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 131,402	\$ 0	\$ 769,220
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	\$ 93,110	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 279,330	\$ 372,440
Contributions	0	0	0	0	0	0	0	167,167	167,167
Contracted Services	96,008	0	0	0	0	0	0	0	96,008
Total Other Governments and Citizens Groups	\$ 189,118	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 446,497	\$ 635,615
Total	\$ 3,761,464	\$ 11,142	\$ 469,636	\$ 4,360	\$ 8,172	\$ 1,487	\$ 1,933,775	\$ 1,044,491	\$ 7,234,527

Exhibit H-4

Perry 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	\$	20,525	
Social Security		1,228	
State Retirement		744	
Employer Medicare		287	
Audit Services		1,837	
Legal Notices, Recording, and Court Costs		401	
Total County Commission			\$ 25,022

County Mayor/Executive

County Official/Administrative Officer	\$	54,389	
Accountants/Bookkeepers		27,194	
Secretary(ies)		27,194	
Longevity Pay		2,100	
Other Salaries and Wages		3,000	
Social Security		6,231	
State Retirement		10,590	
Employer Medicare		1,457	
Communication		2,871	
Data Processing Services		5,708	
Operating Lease Payments		351	
Postal Charges		40	
Printing, Stationery, and Forms		657	
Travel		2,649	
Office Supplies		461	
Other Supplies and Materials		214	
Premiums on Corporate Surety Bonds		100	
Office Equipment		574	
Total County Mayor/Executive			145,780

County Attorney

Legal Services	\$	3,640	
Total County Attorney			3,640

Election Commission

County Official/Administrative Officer	\$	41,913
Deputy(ies)		20,956
Longevity Pay		500
Election Commission		4,880
Election Workers		8,602
Social Security		4,096

(Continued)

Exhibit H-4

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

State Retirement	\$	5,893	
Employer Medicare		958	
Communication		1,945	
Dues and Memberships		175	
Operating Lease Payments		486	
Legal Notices, Recording, and Court Costs		2,017	
Postal Charges		257	
Printing, Stationery, and Forms		1,519	
Travel		288	
Electricity		787	
Natural Gas		696	
Office Supplies		615	
Water and Sewer		121	
Other Supplies and Materials		167	
Data Processing Equipment		1,725	
Voting Machines		112,500	
Total Election Commission			\$ 211,096

Register of Deeds

County Official/Administrative Officer	\$	46,570	
Deputy(ies)		23,285	
Longevity Pay		400	
Social Security		3,956	
State Retirement		6,534	
Employer Medicare		925	
Communication		1,331	
Dues and Memberships		299	
Operating Lease Payments		1,648	
Postal Charges		40	
Printing, Stationery, and Forms		1,105	
Data Processing Supplies		3,653	
Office Supplies		53	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			89,899

Geographical Information Systems

Data Processing Services	\$	407	
Lubricants		17	
Road Signs		1,513	
Total Geographical Information Systems			1,937

(Continued)

Exhibit H-4

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	7,541	
Social Security		285	
Employer Medicare		67	
Communication		438	
Janitorial Services		1,305	
Maintenance and Repair Services - Buildings		6,147	
Maintenance and Repair Services - Equipment		533	
Custodial Supplies		2,124	
Electricity		8,707	
Natural Gas		5,692	
Water and Sewer		563	
Other Supplies and Materials		380	
Liability Insurance		54,601	
Workers' Compensation Insurance		63,048	
Other Charges		1,558	
Building Improvements		12,397	
Total County Buildings			\$ 165,386

Finance

Accounting and Budgeting

Data Processing Equipment	\$	750	
Total Accounting and Budgeting			750

Property Assessor's Office

County Official/Administrative Officer	\$	46,570	
Deputy(ies)		23,285	
Longevity Pay		1,100	
Social Security		4,322	
State Retirement		6,599	
Employer Medicare		1,011	
Communication		1,506	
Dues and Memberships		863	
Operating Lease Payments		1,663	
Postal Charges		982	
Printing, Stationery, and Forms		37	
Office Supplies		158	
Other Supplies and Materials		176	
Office Equipment		1,452	
Total Property Assessor's Office			89,724

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Assistant(s)	\$	16,030	
Longevity Pay		300	
Other Salaries and Wages		1,500	
Board and Committee Members Fees		300	
Social Security		1,086	
State Retirement		1,115	
Employer Medicare		254	
Advertising		88	
Contracts with Government Agencies		3,076	
Contracts with Private Agencies		2,551	
Legal Services		1,999	
Postal Charges		258	
Printing, Stationery, and Forms		20	
Travel		51	
Gasoline		545	
Other Supplies and Materials		130	
Office Equipment		420	
Total Reappraisal Program			\$ 29,723

County Trustee's Office

County Official/Administrative Officer	\$	46,570	
Deputy(ies)		23,285	
Longevity Pay		800	
Social Security		3,555	
State Retirement		6,571	
Employer Medicare		831	
Communication		490	
Contracts with Government Agencies		2,006	
Data Processing Services		5,001	
Dues and Memberships		699	
Postal Charges		968	
Printing, Stationery, and Forms		1,307	
Travel		218	
Office Supplies		627	
Premiums on Corporate Surety Bonds		1,980	
Total County Trustee's Office			94,908

County Clerk's Office

County Official/Administrative Officer	\$	46,570
Deputy(ies)		23,285

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Longevity Pay	\$	600	
Social Security		4,309	
State Retirement		6,552	
Employer Medicare		1,008	
Communication		1,573	
Dues and Memberships		399	
Operating Lease Payments		1,437	
Legal Notices, Recording, and Court Costs		14	
Postal Charges		40	
Printing, Stationery, and Forms		1,560	
Office Supplies		566	
Data Processing Equipment		1,582	
Office Equipment		20	
Total County Clerk's Office			\$ 89,515

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	46,570	
Deputy(ies)		21,903	
Secretary(ies)		23,285	
Longevity Pay		700	
Other Salaries and Wages		4,414	
Jury and Witness Fees		10,923	
Social Security		5,462	
State Retirement		8,905	
Employer Medicare		1,277	
Communication		1,685	
Data Processing Services		6,421	
Dues and Memberships		399	
Operating Lease Payments		1,532	
Legal Notices, Recording, and Court Costs		20	
Printing, Stationery, and Forms		2,180	
Travel		268	
Office Supplies		2,042	
Other Supplies and Materials		61	
Premiums on Corporate Surety Bonds		125	
Furniture and Fixtures		1,973	
Total Circuit Court			140,145

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	55,866	
Secretary(ies)		17,223	
Social Security		4,529	
State Retirement		5,919	
Employer Medicare		1,059	
Communication		732	
Dues and Memberships		370	
Operating Lease Payments		1,532	
Maintenance and Repair Services - Office Equipment		67	
Postal Charges		40	
Printing, Stationery, and Forms		393	
Travel		1,391	
Office Supplies		605	
Total General Sessions Court			\$ 89,726

Chancery Court

County Official/Administrative Officer	\$	46,570	
Deputy(ies)		17,000	
Jury and Witness Fees		58	
In-Service Training		300	
Social Security		3,941	
State Retirement		1,581	
Employer Medicare		922	
Communication		2,136	
Data Processing Services		5,434	
Dues and Memberships		359	
Operating Lease Payments		1,532	
Legal Notices, Recording, and Court Costs		415	
Postal Charges		333	
Printing, Stationery, and Forms		1,045	
Travel		168	
Data Processing Supplies		364	
Office Supplies		827	
Premiums on Corporate Surety Bonds		200	
Office Equipment		84	
Total Chancery Court			83,269

Juvenile Court

Assistant(s)	\$	9,000	
Social Security		558	

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Employer Medicare	\$	130	
Communication		1,521	
Dues and Memberships		30	
Printing, Stationery, and Forms		12	
Travel		2,205	
Data Processing Supplies		261	
Office Supplies		58	
Total Juvenile Court			\$ 13,775

Courtroom Security

Guards	\$	2,774	
Social Security		150	
State Retirement		225	
Employer Medicare		35	
Total Courtroom Security			3,184

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	45,996	
Deputy(ies)		319,709	
Guards		24,932	
Secretary(ies)		24,020	
Part-time Personnel		31,584	
Longevity Pay		4,700	
In-Service Training		5,712	
Social Security		27,466	
State Retirement		32,625	
Employer Medicare		6,424	
Advertising		65	
Communication		7,832	
Contracts with Private Agencies		1,250	
Data Processing Services		2,344	
Dues and Memberships		90	
Evaluation and Testing		300	
Operating Lease Payments		2,111	
Legal Services		1,290	
Maintenance and Repair Services - Buildings		54	
Maintenance and Repair Services - Equipment		788	
Maintenance and Repair Services - Vehicles		17,192	
Medical and Dental Services		70	

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Postal Charges	\$	855	
Printing, Stationery, and Forms		179	
Travel		565	
Veterinary Services		137	
Animal Food and Supplies		15	
Custodial Supplies		570	
Electricity		995	
Gasoline		44,549	
Instructional Supplies and Materials		67	
Law Enforcement Supplies		890	
Office Supplies		3,168	
Uniforms		2,147	
Other Supplies and Materials		3,099	
Premiums on Corporate Surety Bonds		250	
Communication Equipment		102	
Total Sheriff's Department			\$ 614,142

Jail

Deputy(ies)	\$	1,083
Captain(s)		24,762
Medical Personnel		30,069
Guards		290,393
Maintenance Personnel		14,603
Part-time Personnel		7,242
In-Service Training		460
Social Security		22,404
State Retirement		21,383
Employer Medicare		5,240
Communication		1,658
Contracts with Private Agencies		185
Data Processing Services		1,250
Maintenance and Repair Services - Buildings		271
Maintenance and Repair Services - Equipment		2,244
Maintenance and Repair Services - Vehicles		241
Medical and Dental Services		53,127
Pest Control		1,065
Postal Charges		665
Printing, Stationery, and Forms		57

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Contracted Services	\$	713	
Custodial Supplies		5,405	
Electricity		27,182	
Food Supplies		80,616	
Instructional Supplies and Materials		134	
Law Enforcement Supplies		108	
Natural Gas		16,203	
Office Supplies		2,670	
Prisoners Clothing		3,438	
Uniforms		2,533	
Water and Sewer		7,462	
Other Supplies and Materials		8,239	
Other Charges		476	
Total Jail			\$ 633,581

Civil Defense

Other Supplies and Materials	\$	42,061	
Total Civil Defense			42,061

Rescue Squad

Maintenance and Repair Services - Buildings	\$	11	
Maintenance and Repair Services - Vehicles		977	
Electricity		402	
Gasoline		1,800	
Natural Gas		108	
Water and Sewer		223	
Other Supplies and Materials		43	
Vehicle and Equipment Insurance		1,870	
Other Equipment		4,513	
Total Rescue Squad			9,947

Other Emergency Management

Supervisor/Director	\$	13,750	
Dispatchers/Radio Operators		31,480	
Part-time Personnel		16,387	
Longevity Pay		700	
Social Security		5,651	
State Retirement		7,727	
Employer Medicare		1,322	
Communication		631	
Total Other Emergency Management			77,648

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Other Contracted Services	\$ 27,906	
Total County Coroner/Medical Examiner		\$ 27,906

Other Public Safety

Guards	\$ 12,906	
Other Salaries and Wages	1,000	
Social Security	884	
State Retirement	93	
Employer Medicare	207	
Total Other Public Safety		15,090

Public Health and Welfare

Local Health Center

Contracts with Government Agencies	\$ 21,915	
Janitorial Services	1,920	
Other Contracted Services	935	
Custodial Supplies	40	
Electricity	6,021	
Office Supplies	800	
Water and Sewer	270	
Other Charges	95	
Furniture and Fixtures	3,718	
Total Local Health Center		35,714

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$ 194,568	
Total Ambulance/Emergency Medical Services		194,568

Nursing Home

Maintenance and Repair Services - Equipment	\$ 8,184	
Total Nursing Home		8,184

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 10,000	
Total Senior Citizens Assistance		10,000

Libraries

Supervisor/Director	\$ 38,843	
Part-time Personnel	15,602	

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Longevity Pay	\$	1,900	
Social Security		3,484	
State Retirement		3,388	
Employer Medicare		815	
Communication		3,421	
Janitorial Services		720	
Operating Lease Payments		4,327	
Maintenance and Repair Services - Buildings		38	
Maintenance and Repair Services - Equipment		26	
Postal Charges		274	
Printing, Stationery, and Forms		140	
Travel		546	
Custodial Supplies		461	
Data Processing Supplies		226	
Electricity		4,061	
Library Books/Media		112	
Natural Gas		1,801	
Office Supplies		353	
Water and Sewer		968	
Other Supplies and Materials		45	
Data Processing Equipment		3,032	
Total Libraries			\$ 84,583

Other Social, Cultural, and Recreational

Contracts with Private Agencies	\$	5,000	
Contributions		19,450	
Electricity		2,600	
Water and Sewer		200	
Total Other Social, Cultural, and Recreational			27,250

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	20,422	
Secretary(ies)		6,809	
Social Security		521	
State Retirement		2,023	
Employer Medicare		794	
Communication		1,886	
Operating Lease Payments		486	
Maintenance and Repair Services - Buildings		42	

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Travel	\$	700	
Electricity		787	
Natural Gas		696	
Office Supplies		76	
Water and Sewer		102	
Total Agriculture Extension Service			\$ 35,344

Soil Conservation

Contracts with Government Agencies	\$	11,688	
Total Soil Conservation			11,688

Other Operations

Tourism

Contributions	\$	23,576	
Total Tourism			23,576

Industrial Development

Other Charges	\$	291	
Site Development		9,020	
Total Industrial Development			9,311

Airport

Maintenance and Repair Services - Buildings	\$	68	
Maintenance and Repair Services - Equipment		279	
Road Signs		63	
Utilities		2,641	
Other Supplies and Materials		2,160	
Airport Improvement		17,499	
Total Airport			22,710

Veterans' Services

Other Salaries and Wages	\$	2,400	
In-Service Training		569	
Social Security		149	
Employer Medicare		35	
Communication		437	
Total Veterans' Services			3,590

Other Charges

Trustee's Commission	\$	48,135	
Total Other Charges			48,135

(Continued)

Exhibit H-4

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Unemployment Compensation	\$ 10,936	
Total Employee Benefits		\$ 10,936

Miscellaneous

Communication	\$ 5,094	
Dues and Memberships	2,201	
Operating Lease Payments	1,839	
Postal Charges	8,166	
Printing, Stationery, and Forms	622	
Other Contracted Services	269	
Custodial Supplies	354	
Gasoline	65	
Office Supplies	500	
Other Supplies and Materials	2,881	
Other Charges	<u>2,251</u>	
Total Miscellaneous		24,242

Highways

Litter and Trash Collection

Part-time Personnel	\$ 23,206	
In-Service Training	1,360	
Social Security	1,271	
State Retirement	2,158	
Employer Medicare	297	
Other Supplies and Materials	<u>223</u>	
Total Litter and Trash Collection		28,515

Capital Projects

Public Health and Welfare Projects

Other Construction	\$ 470,000	
Total Public Health and Welfare Projects		<u>470,000</u>

Total General Fund \$ 3,746,200

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 17,970
Custodial Supplies	693
Electricity	14,369

(Continued)

Exhibit H-4

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

Courthouse and Jail Maintenance Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Natural Gas	\$	7,557	
Office Supplies		78	
Water and Sewer		709	
Other Charges		2,335	
Total County Buildings			\$ 43,711

Other Operations

Other Charges

Trustee's Commission	\$	111	
Total Other Charges			111

Total Courthouse and Jail Maintenance Fund \$ 43,822

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Trustee's Commission	\$	9,256	
Total Sanitation Education/Information			\$ 9,256

Convenience Centers

Laborers	\$	28,354	
Longevity Pay		1,100	
Social Security		1,753	
State Retirement		2,739	
Employer Medicare		410	
Communication		382	
Electricity		384	
Other Supplies and Materials		54	
Other Charges		24	
Total Convenience Centers			35,200

Transfer Stations

Equipment Operators	\$	49,773	
Longevity Pay		100	
Social Security		3,074	
State Retirement		3,433	
Employer Medicare		719	
Communication		1,759	
Contracts with Private Agencies		186,757	
Maintenance Agreements		2,116	

(Continued)

Exhibit H-4

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Transfer Stations (Cont.)

Maintenance and Repair Services - Buildings	\$	792	
Maintenance and Repair Services - Equipment		8,685	
Maintenance and Repair Services - Vehicles		15,555	
Travel		13	
Other Contracted Services		8,773	
Custodial Supplies		154	
Diesel Fuel		15,950	
Electricity		2,398	
Gasoline		7,156	
Lubricants		982	
Tires and Tubes		4,971	
Uniforms		4,098	
Water and Sewer		380	
Other Supplies and Materials		1,087	
Other Charges		3,340	
Solid Waste Equipment		7,141	
Total Transfer Stations			\$ 329,206

Landfill Operation and Maintenance

Supervisor/Director	\$	25,504	
Equipment Operators		18,720	
Longevity Pay		1,500	
Social Security		2,830	
State Retirement		4,252	
Employer Medicare		662	
Contracts with Private Agencies		5,620	
Evaluation and Testing		6,000	
Maintenance Agreements		2,116	
Maintenance and Repair Services - Equipment		7,671	
Diesel Fuel		4,392	
Lubricants		52	
Other Supplies and Materials		781	
Other Charges		200	
Total Landfill Operation and Maintenance			80,300

Other Operations

Employee Benefits

Unemployment Compensation	\$	900	
Total Employee Benefits			900

Total Solid Waste/Sanitation Fund \$ 454,862

(Continued)

Exhibit H-4

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

Local Purpose Tax Fund

Administration of Justice

Circuit Court

Trustee's Commission	\$	47	
Data Processing Equipment		573	
Total Circuit Court			\$ 620

Total Local Purpose Tax Fund \$ 620

Drug Control Fund

Public Safety

Drug Enforcement

Data Processing Services	\$	425	
Payments to Schools - Other		500	
Animal Food and Supplies		545	
Law Enforcement Supplies		77	
Trustee's Commission		57	
Communication Equipment		2,240	
Law Enforcement Equipment		9,171	
Health Equipment		444	
Total Drug Enforcement			\$ 13,459

Total Drug Control Fund 13,459

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	1,487	
Total Chancery Court			\$ 1,487

Total Constitutional Officers - Fees Fund 1,487

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	51,226	
Accountants/Bookkeepers		27,733	
Data Processing Services		4,480	
Dues and Memberships		2,250	
Postal Charges		245	
Electricity		2,396	
Food Supplies		186	
Natural Gas		1,645	

(Continued)

Exhibit H-4

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Office Supplies	\$	2,987	
Water and Sewer		223	
Other Charges		1,384	
Total Administration			\$ 94,755

Highway and Bridge Maintenance

Foremen	\$	4,333	
Equipment Operators		136,497	
Truck Drivers		117,853	
Other Contracted Services		5,320	
Asphalt - Hot Mix		1,254,343	
Crushed Stone		115,550	
Fertilizer, Lime, and Seed		913	
General Construction Materials		71	
Other Road Supplies		16,940	
Pipe		11,998	
Road Signs		1,367	
Small Tools		352	
Wood Products		3,533	
Gravel and Chert		2,000	
Geotextile Materials		7,727	
Total Highway and Bridge Maintenance			1,678,797

Operation and Maintenance of Equipment

Foremen	\$	27,895	
Diesel Fuel		37,906	
Equipment and Machinery Parts		43,900	
Garage Supplies		7,157	
Gasoline		17,114	
Lubricants		3,776	
Tires and Tubes		4,683	
Total Operation and Maintenance of Equipment			142,431

Other Charges

Communication	\$	2,611	
Building and Contents Insurance		600	
Liability Insurance		5,500	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		19,278	
Vehicle and Equipment Insurance		10,168	

(Continued)

Exhibit H-4

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Workers' Compensation Insurance	\$ 33,444	
Other Self-Insured Claims	3,149	
Total Other Charges	<u>75,100</u>	\$ 75,100

Employee Benefits

Social Security	\$ 27,523	
State Retirement	33,536	
Medical Insurance	52,333	
Unemployment Compensation	580	
Total Employee Benefits	<u>113,972</u>	113,972

Capital Outlay

Bridge Construction	\$ 145,581	
Other Capital Outlay	6,017	
Total Capital Outlay	<u>151,598</u>	151,598

Total Highway/Public Works Fund \$ 2,256,653

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 299,600	
Principal on Other Loans	158,650	
Total General Government	<u>458,250</u>	\$ 458,250

Education

Principal on Other Loans	\$ 348,350	
Total Education	<u>348,350</u>	348,350

Interest on Debt

General Government

Interest on Notes	\$ 15,316	
Interest on Other Loans	131,159	
Total General Government	<u>146,475</u>	146,475

Education

Interest on Other Loans	\$ 223,923	
Total Education	<u>223,923</u>	223,923

(Continued)

Exhibit H-4

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 7,718	
Other Debt Service	<u>18,710</u>	
Total General Government		\$ 26,428

Education

Other Debt Service	\$ <u>25,918</u>	
Total Education		25,918

Capital Projects - Donated

Capital Projects Donated to School Department

Transportation Equipment	\$ <u>66,734</u>	
Total Capital Projects Donated to School Department		<u>66,734</u>

Total General Debt Service Fund \$ 1,296,078

General Capital Projects Fund

Capital Projects

Public Safety Projects

Food Service Equipment	\$ <u>6,242</u>	
Total Public Safety Projects		\$ 6,242

Public Health and Welfare Projects

Solid Waste Equipment	\$ <u>14,500</u>	
Total Public Health and Welfare Projects		14,500

Capital Projects - Donated

Capital Projects Donated to School Department

Maintenance and Repair Services - Buildings	\$ 83,635	
Transportation Equipment	<u>113,000</u>	
Total Capital Projects Donated to School Department		<u>196,635</u>

Total General Capital Projects Fund 217,377

Total Governmental Funds - Primary Government \$ 8,030,558

Exhibit H-5

Perry County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 223,685
Total Cash Receipts	<u>\$ 223,685</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 221,799
Trustee's Commission	1,886
Total Cash Disbursements	<u>\$ 223,685</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	 <u><u>\$ 0</u></u>

ANNUAL FINANCIAL REPORT
PERRY COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF PERRY 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

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 4

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

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

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

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

PERRY COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.

INTRODUCTORY SECTION

Perry County School Officials
June 30, 2007

Official

Gil Webb, Director of Schools

Board of Education

Martha Sharp, Chairman
Joe Burns
Jorene Choate

Jackie Duncan
Janet Carroll
Don Barnett

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

February 7, 2008

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Perry County School Department, a component unit of Perry County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 26, which collectively comprise a portion of the Perry County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Perry County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Perry County School Department as of June 30, 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 the major fund and the aggregate remaining fund information of the Perry 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.

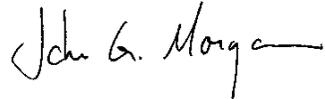
In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2008, on our consideration of the Perry County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Fund <hr/> General Purpose School	Nonmajor Funds <hr/> Other Govern- mental Funds	Total Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 57,628	\$ 10,915	\$ 68,543
Equity in Pooled Cash and Investments	350,503	63,913	414,416
Accounts Receivable	0	414	414
Due from Other Governments	98,355	117	98,472
Property Taxes Receivable	1,109,691	0	1,109,691
Allowance for Uncollectible Property Taxes	(19,789)	0	(19,789)
Total Assets	<u>\$ 1,596,388</u>	<u>\$ 75,359</u>	<u>\$ 1,671,747</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 57,128	\$ 10,915	\$ 68,043
Deferred Revenue - Current Property Taxes	1,043,835	0	1,043,835
Deferred Revenue - Delinquent Property Taxes	40,915	0	40,915
Total Liabilities	<u>\$ 1,141,878</u>	<u>\$ 10,915</u>	<u>\$ 1,152,793</u>
<u>Fund Balances</u>			
Reserved for Driver Education	\$ 7,985	\$ 0	\$ 7,985
Reserved for Career Ladder - Extended Contract	30,152	0	30,152
Reserved for Career Ladder Program	1,490	0	1,490
Reserved for Basic Education Program	6,499	0	6,499
Reserved for Special Education - Grants to States	0	414	414
Other Federal Reserves	0	1,561	1,561
Unreserved, Reported In:			
General Fund	408,384	0	408,384
Special Revenue Funds	0	62,469	62,469
Total Fund Balances	<u>\$ 454,510</u>	<u>\$ 64,444</u>	<u>\$ 518,954</u>
Total Liabilities and Fund Balances	<u>\$ 1,596,388</u>	<u>\$ 75,359</u>	<u>\$ 1,671,747</u>

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,376,531	\$ 0	\$ 1,376,531
Licenses and Permits	884	0	884
Charges for Current Services	17,277	230,604	247,881
Other Local Revenues	104,673	6,542	111,215
State of Tennessee	5,666,616	6,123	5,672,739
Federal Government	32,663	985,200	1,017,863
Total Revenues	<u>\$ 7,198,644</u>	<u>\$ 1,228,469</u>	<u>\$ 8,427,113</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,066,268	\$ 528,801	\$ 4,595,069
Support Services	2,585,729	155,020	2,740,749
Operation of Non-Instructional Services	269,709	546,050	815,759
Debt Service:			
Principal on Debt	167,167	0	167,167
Total Expenditures	<u>\$ 7,088,873</u>	<u>\$ 1,229,871</u>	<u>\$ 8,318,744</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 109,771</u>	<u>\$ (1,402)</u>	<u>\$ 108,369</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 5,683	\$ 0	\$ 5,683
Transfers Out	0	(5,683)	(5,683)
Total Other Financing Sources (Uses)	<u>\$ 5,683</u>	<u>\$ (5,683)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 115,454	\$ (7,085)	\$ 108,369
Fund Balance, July 1, 2006	<u>339,056</u>	<u>71,529</u>	<u>410,585</u>
Fund Balance, June 30, 2007	<u>\$ 454,510</u>	<u>\$ 64,444</u>	<u>\$ 518,954</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 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 Perry County elect its board. The School Department is a component unit of Perry County, the primary government. The School Department is fiscally dependent on Perry County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Perry County Commission's approval. The School Department's

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

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

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department 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 School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund type:

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

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

1. **Deposits and Investments**

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

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

2. **Receivables and Payables**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also

defer revenue recognition in connection with resources that have been received, but not yet earned.

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

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

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

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

3. Capital Assets

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

4. Compensated Absences

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

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

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

5. 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

Budgetary Information

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Perry 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. Perry County had no pooled and nonpooled investments as of June 30, 2007.

B. Interfund Transfers

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

Transfers Out	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 5,683
Total	<u>\$ 5,683</u>

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

C. 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.

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Compensated</u> <u>Absences</u>
Balance, July 1, 2006	\$ 12,254
Additions	8,797
Deductions	<u>(5,994)</u>
Balance, June 30, 2007	<u>\$ 15,057</u>
Balance Due Within One Year	<u>\$ 15,000</u>

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

IV. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, workers' compensation, property, and casualty losses. The School Department decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee 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. The School Department pays annual premiums to 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.

B. Contingent Liabilities

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

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

C. Retirement Commitments

Employees

Plan Description

Employees of Perry County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members

become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Perry County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

School Teachers

Plan Description

The Perry County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service.

Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. 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 Perry County 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 Perry County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$263,775, \$233,041, and \$232,428, respectively, equal to the required contributions for each year.

D. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,376,531	\$ 1,328,750	\$ 1,380,750	\$ (4,219)
Licenses and Permits	884	675	675	209
Charges for Current Services	17,277	12,720	13,720	3,557
Other Local Revenues	104,673	55,100	111,824	(7,151)
State of Tennessee	5,666,616	5,566,270	5,562,229	104,387
Federal Government	32,663	15,504	60,594	(27,931)
Total Revenues	\$ 7,198,644	\$ 6,979,019	\$ 7,129,792	\$ 68,852
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,972,427	\$ 2,908,239	\$ 2,977,019	\$ 4,592
Alternative Instruction Program	74,200	69,130	74,236	36
Special Education Program	692,570	710,925	704,925	12,355
Vocational Education Program	327,071	334,640	334,640	7,569
<u>Support Services</u>				
Attendance	69,897	74,090	74,090	4,193
Health Services	16,750	1,200	16,750	0
Other Student Support	158,910	154,910	158,910	0
Regular Instruction Program	248,598	231,365	250,550	1,952
Special Education Program	73,246	70,135	73,305	59
Vocational Education Program	24,382	23,800	24,610	228
Board of Education	122,543	111,188	125,673	3,130
Director of Schools	114,337	110,605	114,770	433
Office of the Principal	477,843	483,060	483,060	5,217
Fiscal Services	46,244	50,291	50,291	4,047
Operation of Plant	540,875	536,875	540,875	0
Maintenance of Plant	178,859	162,485	184,485	5,626
Transportation	509,994	522,245	533,245	23,251
Central and Other	3,251	4,395	3,395	144
<u>Operation of Non-Instructional Services</u>				
Food Service	14,250	14,400	14,250	0
Community Services	13,650	17,000	18,400	4,750
Early Childhood Education	241,809	241,810	241,810	1
<u>Principal on Debt</u>				
Education	167,167	167,170	167,170	3
Total Expenditures	\$ 7,088,873	\$ 6,999,958	\$ 7,166,459	\$ 77,586
Excess (Deficiency) of Revenues Over Expenditures	\$ 109,771	\$ (20,939)	\$ (36,667)	\$ 146,438
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 5,683	\$ 20,939	\$ 5,950	\$ (267)
Total Other Financing Sources (Uses)	\$ 5,683	\$ 20,939	\$ 5,950	\$ (267)
Net Change in Fund Balance	\$ 115,454	\$ 0	\$ (30,717)	\$ 146,171
Fund Balance, July 1, 2006	339,056	325,942	325,942	13,114
Fund Balance, June 30, 2007	\$ 454,510	\$ 325,942	\$ 295,225	\$ 159,285

**PERRY COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF PERRY 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 Perry County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Exhibit D-1

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

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 5,650	\$ 5,265	\$ 10,915
Equity in Pooled Cash and Investments	1,444	62,469	63,913
Accounts Receivable	414	0	414
Due from Other Governments	117	0	117
	<hr/>		
Total Assets	\$ 7,625	\$ 67,734	\$ 75,359
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 5,650	\$ 5,265	\$ 10,915
Total Liabilities	\$ 5,650	\$ 5,265	\$ 10,915
<hr/>			
<u>Fund Balances</u>			
Reserved for Special Education - Grants to States	\$ 414	\$ 0	\$ 414
Other Federal Reserves	1,561	0	1,561
Unreserved	0	62,469	62,469
Total Fund Balances	\$ 1,975	\$ 62,469	\$ 64,444
<hr/>			
Total Liabilities and Fund Balances	\$ 7,625	\$ 67,734	\$ 75,359
<hr/>			

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 230,604	\$ 230,604
Other Local Revenues	587	5,955	6,542
State of Tennessee	0	6,123	6,123
Federal Government	676,473	308,727	985,200
Total Revenues	<u>\$ 677,060</u>	<u>\$ 551,409</u>	<u>\$ 1,228,469</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 528,801	\$ 0	\$ 528,801
Support Services	155,020	0	155,020
Operation of Non-Instructional Services	0	546,050	546,050
Total Expenditures	<u>\$ 683,821</u>	<u>\$ 546,050</u>	<u>\$ 1,229,871</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,761)</u>	<u>\$ 5,359</u>	<u>\$ (1,402)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (5,683)	\$ 0	\$ (5,683)
Total Other Financing Sources (Uses)	<u>\$ (5,683)</u>	<u>\$ 0</u>	<u>\$ (5,683)</u>
Net Change in Fund Balances	\$ (12,444)	\$ 5,359	\$ (7,085)
Fund Balance, July 1, 2006	14,419	57,110	71,529
Fund Balance, June 30, 2007	<u>\$ 1,975</u>	<u>\$ 62,469</u>	<u>\$ 64,444</u>

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 587	\$ 0	\$ 0	\$ 587
Federal Government	676,473	689,356	689,356	(12,883)
Total Revenues	<u>\$ 677,060</u>	<u>\$ 689,356</u>	<u>\$ 689,356</u>	<u>\$ (12,296)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 325,942	\$ 327,002	\$ 325,942	\$ 0
Special Education Program	179,022	157,723	179,022	0
Vocational Education Program	23,837	23,862	23,837	0
<u>Support Services</u>				
Health Services	7,697	23,132	7,698	1
Regular Instruction Program	47,301	58,902	61,162	13,861
Special Education Program	97,758	101,465	97,900	142
Vocational Education Program	2,264	2,150	2,264	0
Total Expenditures	<u>\$ 683,821</u>	<u>\$ 694,236</u>	<u>\$ 697,825</u>	<u>\$ 14,004</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,761)</u>	<u>\$ (4,880)</u>	<u>\$ (8,469)</u>	<u>\$ 1,708</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (5,683)	\$ (5,939)	\$ (5,950)	\$ 267
Total Other Financing Sources (Uses)	<u>\$ (5,683)</u>	<u>\$ (5,939)</u>	<u>\$ (5,950)</u>	<u>\$ 267</u>
Net Change in Fund Balance	\$ (12,444)	\$ (10,819)	\$ (14,419)	\$ 1,975
Fund Balance, July 1, 2006	<u>14,419</u>	<u>14,418</u>	<u>14,419</u>	<u>0</u>
Fund Balance, June 30, 2007	<u>\$ 1,975</u>	<u>\$ 3,599</u>	<u>\$ 0</u>	<u>\$ 1,975</u>

Exhibit D-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 230,604	\$ 222,000	\$ 222,000	\$ 8,604
Other Local Revenues	5,955	2,000	2,300	3,655
State of Tennessee	6,123	6,500	6,000	123
Federal Government	308,727	277,000	292,000	16,727
Total Revenues	<u>\$ 551,409</u>	<u>\$ 507,500</u>	<u>\$ 522,300</u>	<u>\$ 29,109</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 546,050	\$ 533,935	\$ 553,285	\$ 7,235
Total Expenditures	<u>\$ 546,050</u>	<u>\$ 533,935</u>	<u>\$ 553,285</u>	<u>\$ 7,235</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,359</u>	<u>\$ (26,435)</u>	<u>\$ (30,985)</u>	<u>\$ 36,344</u>
Net Change in Fund Balance	\$ 5,359	\$ (26,435)	\$ (30,985)	\$ 36,344
Fund Balance, July 1, 2006	<u>57,110</u>	<u>50,000</u>	<u>50,000</u>	<u>7,110</u>
Fund Balance, June 30, 2007	<u>\$ 62,469</u>	<u>\$ 23,565</u>	<u>\$ 19,015</u>	<u>\$ 43,454</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 5,683</u>
Total Transfers			<u><u>\$ 5,683</u></u>

Exhibit E-2

Perry County, Tennessee
Schedule of Salary and Official Bond of Principal Official
Perry County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools: Gil Webb	State Board of Education and Perry County Board of Education	\$ 80,730 (2)	(1)	(1)
<u>Other Bonds</u> Perry County Board of Education Employees			\$ 150,000	Tennessee Risk Management Trust

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

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,090,891	\$ 0	\$ 0	\$ 1,090,891
Trustee's Collections - Prior Year	51,616	0	0	51,616
Circuit/Clerk & Master Collections - Prior Years	24,978	0	0	24,978
Interest and Penalty	9,120	0	0	9,120
Payments in-Lieu-of Taxes - T.V.A.	1,347	0	0	1,347
<u>County Local Option Taxes</u>				
Local Option Sales Tax	172,788	0	0	172,788
<u>Statutory Local Taxes</u>				
Bank Excise Tax	24,528	0	0	24,528
Interstate Telecommunications Tax	1,263	0	0	1,263
Total Local Taxes	\$ 1,376,531	\$ 0	\$ 0	\$ 1,376,531
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 884	\$ 0	\$ 0	\$ 884
Total Licenses and Permits	\$ 884	\$ 0	\$ 0	\$ 884
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other State Systems	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Lunch Payments - Children	0	0	192,553	192,553
Lunch Payments - Adults	0	0	23,526	23,526
Income from Breakfast	0	0	14,525	14,525
Receipts from Individual Schools	15,077	0	0	15,077
TBI Criminal Background Fees	1,200	0	0	1,200
Total Charges for Current Services	\$ 17,277	\$ 0	\$ 230,604	\$ 247,881
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 38,331	\$ 0	\$ 5,611	\$ 43,942
Lease/Rentals	30,000	0	0	30,000
Sale of Materials and Supplies	1,112	0	0	1,112
Miscellaneous Refunds	2,672	587	344	3,603
<u>Nonrecurring Items</u>				
Sale of Equipment	5,150	0	0	5,150
Damages Recovered from Individuals	35	0	0	35
Contributions and Gifts	8,200	0	0	8,200
<u>Other Local Revenues</u>				
Other Local Revenues	19,173	0	0	19,173
Total Other Local Revenues	\$ 104,673	\$ 587	\$ 5,955	\$ 111,215
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 4,974,721	\$ 0	\$ 0	\$ 4,974,721
Early Childhood Education	304,063	0	0	304,063
School Food Service	0	0	6,123	6,123
Other State Education Funds	61,935	0	0	61,935
Career Ladder Program	73,377	0	0	73,377

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 37,025	\$ 0	\$ 0	\$ 37,025
Other Vocational	23,446	0	0	23,446
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	174,089	0	0	174,089
Other State Revenues	17,960	0	0	17,960
Total State of Tennessee	\$ 5,666,616	\$ 0	\$ 6,123	\$ 5,672,739
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 224,642	\$ 224,642
Breakfast	0	0	84,085	84,085
Vocational Education - Basic Grants to States	0	26,308	0	26,308
Title I Grants to Local Education Agencies	0	276,842	0	276,842
Innovative Education Program Strategies	0	1,896	0	1,896
Special Education - Grants to States	16,552	260,111	0	276,663
Special Education Preschool Grants	0	26,928	0	26,928
Eisenhower Professional Development State Grants	0	77,873	0	77,873
Other Federal through State	16,111	6,515	0	22,626
Total Federal Government	\$ 32,663	\$ 676,473	\$ 308,727	\$ 1,017,863
Total	\$ 7,198,644	\$ 677,060	\$ 551,409	\$ 8,427,113

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,199,755	
Career Ladder Program		34,500	
Career Ladder Extended Contracts		30,800	
Homebound Teachers		2,233	
Educational Assistants		53,789	
Certified Substitute Teachers		2,799	
Non-certified Substitute Teachers		18,460	
Social Security		132,558	
State Retirement		142,431	
Medical Insurance		176,069	
Unemployment Compensation		2,955	
Employer Medicare		31,001	
Other Contracted Services		2,200	
Instructional Supplies and Materials		62,269	
Textbooks		47,242	
Other Supplies and Materials		219	
Fee Waivers		9,513	
Regular Instruction Equipment		23,634	
Total Regular Instruction Program			\$ 2,972,427

Alternative Instruction Program

Teachers	\$	46,136	
Career Ladder Program		1,000	
Other Salaries and Wages		12,973	
Certified Substitute Teachers		45	
Non-certified Substitute Teachers		540	
Social Security		3,090	
State Retirement		3,800	
Medical Insurance		5,504	
Unemployment Compensation		78	
Employer Medicare		724	
Instructional Supplies and Materials		310	
Total Alternative Instruction Program			74,200

Special Education Program

Teachers	\$	454,607
Career Ladder Program		8,000
Homebound Teachers		7,177
Educational Assistants		70,239

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	6,451	
Non-certified Substitute Teachers		4,560	
Social Security		31,135	
State Retirement		35,293	
Medical Insurance		40,775	
Unemployment Compensation		824	
Employer Medicare		7,282	
Contracts with Private Agencies		5,652	
Maintenance and Repair Services - Equipment		532	
Tuition		850	
Other Contracted Services		7,105	
Instructional Supplies and Materials		12,088	
Total Special Education Program			\$ 692,570

Vocational Education Program

Teachers	\$	250,941	
Career Ladder Program		3,000	
Educational Assistants		4,331	
Certified Substitute Teachers		225	
Non-certified Substitute Teachers		3,780	
Social Security		15,207	
State Retirement		15,969	
Medical Insurance		16,678	
Unemployment Compensation		305	
Employer Medicare		3,557	
Tuition		4,632	
Instructional Supplies and Materials		8,446	
Total Vocational Education Program			327,071

Support Services

Attendance

Supervisor/Director	\$	53,974	
Career Ladder Program		690	
Social Security		3,073	
State Retirement		3,351	
Medical Insurance		4,568	
Unemployment Compensation		42	
Employer Medicare		719	
Travel		944	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Other Supplies and Materials	\$	1,022	
In Service/Staff Development		235	
Other Charges		35	
Attendance Equipment		1,244	
Total Attendance			\$ 69,897

Health Services

Medical Personnel	\$	13,231	
Social Security		815	
State Retirement		1,225	
Unemployment Compensation		42	
Employer Medicare		190	
Drugs and Medical Supplies		1,247	
Total Health Services			16,750

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		89,701	
Attendants		19,845	
Other Salaries and Wages		17,234	
Social Security		7,765	
State Retirement		7,617	
Medical Insurance		4,480	
Unemployment Compensation		207	
Employer Medicare		1,816	
Evaluation and Testing		3,937	
Travel		205	
Other Supplies and Materials		4,053	
In Service/Staff Development		50	
Total Other Student Support			158,910

Regular Instruction Program

Supervisor/Director	\$	89,585	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		2,000	
Librarians		34,846	
Instructional Computer Personnel		59,706	
Other Salaries and Wages		3,000	
Non-certified Substitute Teachers		240	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	10,744	
State Retirement		13,793	
Medical Insurance		14,686	
Unemployment Compensation		214	
Employer Medicare		2,513	
Travel		3,082	
Other Supplies and Materials		379	
In Service/Staff Development		10,740	
Other Charges		70	
Total Regular Instruction Program			\$ 248,598

Special Education Program

Supervisor/Director	\$	50,888	
Career Ladder Program		1,000	
Clerical Personnel		1,312	
Social Security		2,865	
State Retirement		3,364	
Medical Insurance		5,947	
Unemployment Compensation		43	
Employer Medicare		670	
Travel		1,762	
Other Contracted Services		966	
Other Supplies and Materials		1,824	
In Service/Staff Development		2,570	
Other Charges		35	
Total Special Education Program			73,246

Vocational Education Program

Supervisor/Director	\$	14,980	
Career Ladder Program		1,000	
Clerical Personnel		3,102	
Social Security		1,103	
State Retirement		1,207	
Medical Insurance		60	
Unemployment Compensation		13	
Employer Medicare		258	
Travel		1,372	
Other Supplies and Materials		877	
In Service/Staff Development		410	
Total Vocational Education Program			24,382

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Board and Committee Members Fees	\$	12,900	
Social Security		800	
State Retirement		846	
Employer Medicare		187	
Audit Services		5,000	
Dues and Memberships		2,342	
Legal Services		11,682	
Travel		50	
Other Contracted Services		2,189	
Other Supplies and Materials		790	
Liability Insurance		7,492	
Premiums on Corporate Surety Bonds		454	
Trustee's Commission		41,945	
Workers' Compensation Insurance		31,625	
Criminal Investigation of Applicants - TBI		1,200	
Refund to Applicant for Criminal Investigation		336	
Other Charges		2,705	
Total Board of Education			\$ 122,543

Director of Schools

County Official/Administrative Officer	\$	80,730	
Social Security		5,005	
State Retirement		4,949	
Life Insurance		1,511	
Medical Insurance		220	
Unemployment Compensation		42	
Employer Medicare		1,171	
Communication		8,416	
Dues and Memberships		1,195	
Postal Charges		1,938	
Travel		1,299	
Other Contracted Services		267	
Office Supplies		1,849	
In Service/Staff Development		70	
Other Charges		1,510	
Administration Equipment		4,165	
Total Director of Schools			114,337

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	232,904	
Career Ladder Program		6,000	
Accountants/Bookkeepers		68,621	
Career Ladder Extended Contracts		4,000	
Assistant Principals		43,283	
Secretary(ies)		35,942	
Social Security		22,863	
State Retirement		27,248	
Medical Insurance		14,186	
Unemployment Compensation		497	
Employer Medicare		5,347	
Communication		5,590	
Travel		604	
Other Contracted Services		9,620	
Other Supplies and Materials		1,138	
Total Office of the Principal			\$ 477,843

Fiscal Services

Supervisor/Director	\$	35,892	
Other Salaries and Wages		2,820	
Social Security		2,328	
State Retirement		3,338	
Medical Insurance		580	
Unemployment Compensation		38	
Employer Medicare		544	
Travel		704	
Total Fiscal Services			46,244

Operation of Plant

Custodial Personnel	\$	150,132
Social Security		8,720
State Retirement		13,019
Medical Insurance		6,184
Unemployment Compensation		368
Employer Medicare		2,039
Other Contracted Services		13,381
Custodial Supplies		24,030
Electricity		194,999
Natural Gas		87,813

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Water and Sewer	\$	12,264	
Boiler Insurance		1,454	
Building and Contents Insurance		26,472	
Total Operation of Plant			\$ 540,875

Maintenance of Plant

Supervisor/Director	\$	26,894	
Maintenance Personnel		63,740	
Social Security		5,027	
State Retirement		7,577	
Medical Insurance		4,780	
Unemployment Compensation		107	
Employer Medicare		1,176	
Communication		269	
Maintenance and Repair Services - Buildings		9,166	
Maintenance and Repair Services - Equipment		95	
Other Contracted Services		16,360	
Equipment and Machinery Parts		32,953	
Other Supplies and Materials		6	
Vehicle and Equipment Insurance		920	
Other Charges		18	
Maintenance Equipment		9,771	
Total Maintenance of Plant			178,859

Transportation

Supervisor/Director	\$	26,895	
Mechanic(s)		22,076	
Bus Drivers		216,968	
Other Salaries and Wages		11,038	
In-Service Training		559	
Social Security		16,424	
State Retirement		24,822	
Medical Insurance		7,377	
Unemployment Compensation		638	
Employer Medicare		3,841	
Communication		269	
Maintenance and Repair Services - Vehicles		1,566	
Medical and Dental Services		2,108	
Other Contracted Services		853	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Diesel Fuel	\$	62,624	
Garage Supplies		1,099	
Gasoline		3,465	
Lubricants		2,422	
Tires and Tubes		5,860	
Vehicle Parts		12,652	
Other Supplies and Materials		943	
Vehicle and Equipment Insurance		7,253	
Other Charges		603	
Transportation Equipment		77,639	
Total Transportation			\$ 509,994

Central and Other

Other Contracted Services	\$	2,394	
Data Processing Supplies		857	
Total Central and Other			3,251

Operation of Non-Instructional Services

Food Service

Medical Insurance	\$	13,200	
Food Service Equipment		1,050	
Total Food Service			14,250

Community Services

Supervisor/Director	\$	7,450	
Part-time Personnel		1,698	
Other Salaries and Wages		2,464	
Social Security		720	
State Retirement		457	
Unemployment Compensation		5	
Employer Medicare		168	
Travel		212	
Instructional Supplies and Materials		476	
Total Community Services			13,650

Early Childhood Education

Teachers	\$	109,940	
Career Ladder Program		2,000	
Educational Assistants		37,829	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Other Salaries and Wages	\$	33,916	
Non-certified Substitute Teachers		2,200	
Social Security		10,518	
State Retirement		13,004	
Medical Insurance		11,894	
Unemployment Compensation		384	
Employer Medicare		2,460	
Instructional Supplies and Materials		15,637	
In Service/Staff Development		1,527	
Other Equipment		500	
Total Early Childhood Education			\$ 241,809

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	167,167	
Total Education			167,167

Total General Purpose School Fund \$ 7,088,873

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	252,152	
Educational Assistants		13,447	
Certified Substitute Teachers		80	
Non-certified Substitute Teachers		1,040	
Social Security		15,389	
State Retirement		16,747	
Medical Insurance		12,562	
Unemployment Compensation		368	
Employer Medicare		3,600	
Other Contracted Services		508	
Instructional Supplies and Materials		10,049	
Total Regular Instruction Program			\$ 325,942

Special Education Program

Teachers	\$	15,608
Educational Assistants		93,359
Social Security		6,238

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	9,608	
Medical Insurance		4,603	
Unemployment Compensation		310	
Employer Medicare		1,459	
Contracts with Private Agencies		22,779	
Instructional Supplies and Materials		25,058	
Total Special Education Program			\$ 179,022

Vocational Education Program

Educational Assistants	\$	7,182	
Other Salaries and Wages		300	
Social Security		339	
State Retirement		668	
Medical Insurance		900	
Unemployment Compensation		14	
Employer Medicare		80	
Instructional Supplies and Materials		9,568	
Vocational Instruction Equipment		4,786	
Total Vocational Education Program			23,837

Support Services

Health Services

Medical Personnel	\$	6,585	
Social Security		405	
State Retirement		612	
Employer Medicare		95	
Total Health Services			7,697

Regular Instruction Program

Supervisor/Director	\$	27,223	
Clerical Personnel		2,000	
Social Security		1,767	
State Retirement		1,835	
Unemployment Compensation		16	
Employer Medicare		413	
Travel		2,299	
Other Supplies and Materials		147	
In Service/Staff Development		11,179	
Other Equipment		422	
Total Regular Instruction Program			47,301

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	5,656	
Psychological Personnel		47,927	
Clerical Personnel		20,790	
Social Security		3,723	
State Retirement		5,218	
Medical Insurance		9,680	
Unemployment Compensation		68	
Employer Medicare		871	
Travel		1,979	
Other Supplies and Materials		54	
In Service/Staff Development		1,792	
Total Special Education Program			\$ 97,758

Vocational Education Program

Travel	\$	1,999	
In Service/Staff Development		265	
Total Vocational Education Program			<u>2,264</u>

Total School Federal Projects Fund \$ 683,821

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	44,522
Clerical Personnel		6,930
Cafeteria Personnel		215,054
Social Security		14,523
State Retirement		21,634
Medical Insurance		180
Unemployment Compensation		789
Employer Medicare		3,396
Communication		300
Maintenance and Repair Services - Equipment		9,196
Postal Charges		50
Transportation - Other than Students		1,916
Travel		3,399
Other Contracted Services		8,710
Food Preparation Supplies		12,132
Food Supplies		198,552

(Continued)

Exhibit E-4

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
Office Supplies	\$	167
Other Supplies and Materials		1,827
In Service/Staff Development		240
Other Charges		958
Food Service Equipment		<u>1,575</u>
Total Food Service		\$ <u>546,050</u>
Total Central Cafeteria Fund		\$ <u>546,050</u>
Total Governmental Funds - Perry County School Department		\$ <u><u>8,318,744</u></u>

SINGLE AUDIT REPORT
PERRY COUNTY, TENNESSEE
AND
PERRY 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

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 4

RHONDA DAVIS, CFE
ROBIN BATES, CPA, CFE
DONYA WADE
MARK HARVILL
WENDY HEATH, CFE
State Auditors

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

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

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

February 7, 2008

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Perry County, Tennessee, and the Perry County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of Perry County's and the Perry County School Department's basic financial statements and have issued our reports thereon dated February 7, 2008. Our reports on the financial statements of Perry County and the Perry County School Department express adverse opinions because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County's and the Perry County School Department's internal control over financial reporting 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 Perry County's and the Perry County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Perry County's and the Perry 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: 07.02, 07.04, 07.05, 07.07, 07.08, and 07.09.

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 Perry County's and the Perry 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. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County's and the Perry County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three 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, 07.03, and 07.06.

We consider item 07.10 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to the management of Perry County and the Perry County School Department in separate communications.

Perry 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 Perry 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, highway superintendent, County Commission, Board of Education, others within Perry 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 cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rd



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

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

February 7, 2008

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

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

Compliance

We have audited the compliance of Perry County and the Perry County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. Perry County's and the Perry County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Perry County's and the Perry County School Department's management. Our responsibility is to express an opinion on Perry County's and the Perry County School Department's compliance based on our audit.

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

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

In our opinion, Perry County and the Perry County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Perry County and the Perry County School Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Perry County's and the Perry County School Department's internal control over compliance with the 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 Perry County's and the Perry 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 Perry County, Tennessee, and the Perry County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated

February 7, 2008. Our reports on the financial statements of Perry County and the Perry County School Department express adverse opinions because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway superintendent, County Commission, Board of Education, others within Perry 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.

Yours very truly,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned below the typed name.

John G. Morgan
Comptroller of the Treasury

JGM/rd

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Rural Business Enterprise Grants	10.769	N/A	\$ 13,831
Watershed Surveys and Planning	10.906	N/A	131,402
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	(2)	23,354
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	84,085
National School Lunch Program	10.555	(2)	224,642
Total U.S. Department of Agriculture			<u>\$ 477,314</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-04-42	\$ 466,277
Total U.S. Department of Housing and Urban Development			<u>\$ 466,277</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Adult Program	17.258	07-10-999-517-98-77	\$ 1,155
WIA Youth Activities	17.259	03-10-999-106-98-82	13,705
Total U.S. Department of Labor			<u>\$ 14,860</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 289,741
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	276,663
Special Education - Preschool Grants	84.173	N/A	26,928
Vocational Education - Basic Grants to States	84.048	N/A	26,308
Safe and Drug-Free Schools and Communities - State Grant	84.186	(2)	6,515
State Grants for Innovative Programs	84.298	N/A	1,896
Education Technology State Grants	84.318	(2)	3,065
Improving Teacher Quality State Grants	84.367	N/A	74,941
Hurricane Education Recovery Act	84.938	N/A	2,406
Total U.S. Department of Education			<u>\$ 708,463</u>
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-06-032983-00	\$ 112,500
Total U.S. Elections Assistance Commission			<u>\$ 112,500</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance	97.036	(2)	\$ 1,994
Homeland Security Grant Program	97.067	Z-05-025197-00	42,061
Total U.S. Department of Homeland Security			<u>\$ 44,055</u>
Total Expenditures of Federal Awards			<u>\$ 1,823,469</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 4,606
Litter Program - State Department of Transportation	N/A	Z-07-033836-00	27,109
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-07-036570-00	9,000
Health Department Program - State Department of Health	N/A	(2)	3,479
Airport Maintenance Program - State Department of Transportation	N/A	Z-07-035603-00	610
Family Resource Center - State Department of Education	N/A	06-120-46	24,277
Touching the Lives of Children - State Department of Education	N/A	(2)	7,050
Early Childhood Education - State Department of Education	N/A	(2)	304,063
Jobs for TN Graduates - State Department of Education	N/A	(2)	<u>23,446</u>
Total State Grants			<u>\$ 403,640</u>

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

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

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

PERRY COUNTY AND PERRY COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
06.02	13	The office had deficiencies in purchasing procedures
06.03	13-14	Expenditures exceeded appropriations

OFFICE OF HIGHWAY SUPERINTENDENT

Finding Number	Page Number	Subject
06.04	14	The office did not issue purchase orders for some applicable purchases and some invoices were paid without documentation that goods had been received and/or services had been rendered

OTHER FINDINGS

Finding Number	Page Number	Subject
06.11	17	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Clerk and Master, and Register
06.12	17	A central system of accounting, budgeting, and purchasing had not been adopted

**PERRY COUNTY, TENNESSEE
AND THE PERRY COUNTY SCHOOL DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Perry County and the Perry County School Department.
2. The audit of the financial statements of Perry County and the Perry County School Department disclosed significant deficiencies in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Perry County and one instance of noncompliance that is material to the financial statements of the Perry County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Special Education Cluster: Special Education Grants to States and Preschool Grants (CFDA Nos. 84.027 and 84.173), and the HOME Investment Partnerships Program (CFDA No. 14.239) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Perry County and the Perry County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor 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.

PERRY COUNTY AND PERRY 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)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 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. Perry County’s and the Perry County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

The University of Tennessee County Technical Assistance Service has been working with Perry County’s Highway Department, the School Department, county trustee, and county

mayor to comply with GASB Statement No. 34. Perry County has completed the majority of the steps required to be compliant and anticipate being compliant by June 30, 2008.

OFFICE OF COUNTY MAYOR

FINDING 07.02 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES (Internal Control – Significant Deficiency Under Government Auditing Standards)**

Our audit disclosed the following deficiencies in purchasing procedures:

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The county's purchasing policy was modified around October 2006, eliminating blanket purchase orders and requiring all purchase orders over \$50 to be approved by the county mayor.

FINDING 07.03 **EXPENDITURES EXCEEDED APPROPRIATIONS (Noncompliance Under Government Auditing Standards)**

General Fund expenditures exceeded appropriations approved by the County Commission in the Sheriff (\$51,584) and Industrial Development (\$7,241) major appropriation categories (the legal level of control). Section 5-9-401, Tennessee Code Annotated, states "All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

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

FINDING 07.04 THE OFFICE FAILED TO COMPLY WITH POLICIES CONTROLLING THE USE OF THE COUNTY'S CREDIT CARD AND THE PAYMENT OF TRAVEL EXPENSES
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Perry County adopted a credit card policy on December 15, 2003, that allows the county mayor sole use of a credit card. This policy requires a purchase order prior to each purchase and allows purchases for the county, hotel, food, and travel expenses. In September 2006, the Bank of Perry County issued a VISA credit card in the name of Perry County and John H. Carroll, the county mayor. Also, Perry County has adopted the State of Tennessee's travel regulations as its guidance for official travel. Section 8-26-109, Tennessee Code Annotated, requires employees to file itemized expense accounts showing the date, amount of each separate item, and the purpose for which it was expended.

Our audit disclosed the following deficiencies:

- A. From September 2006 through June 2007, the county credit card was used 123 times with charges totaling \$18,785. Perry County's credit card policy requires a purchase order for each purchase; however, purchase orders were issued for only ten of the 123 transactions.
- B. The credit card was used 40 times for gasoline purchases (\$1,760.44). The county mayor filed travel claims from September 2006 through November 2006; however, 36 of the 40 purchases were for gasoline (\$1,652.69) purchased subsequent to November 2006. We could not determine whether the purchases were for a county vehicle or for official travel in a personal vehicle.
- C. The credit card was used 15 times for purchases of meals (\$772.17). However, there was no documentation on file to indicate whether the county mayor was on overnight travel status or whether the meals were purchased for other authorized events. State travel regulations provide for the reimbursement of meals only when the employee is on overnight travel status.
- D. There were 31 credit card charges (\$2,987.53) that were not supported by detailed receipts; therefore, we could not determine the propriety of these charges.
- E. Perry County incurred \$132.66 in finance charges because the credit card bill was not paid on time or charges had exceeded the card limit.

RECOMMENDATION

The County Mayor's Office should follow policies approved by Perry County on the use of credit cards and employee travel. A purchase order should be issued prior to making any credit card purchase as required by the county's credit card policy. The county mayor should file accurate itemized statements of travel expenses showing the date, amount of each separate item, and the purpose for which it was expended as required by the county's travel regulations. The County Mayor's Office should identify the vehicle gasoline is purchased for using the county's credit card. Credit card charges for meals for authorized events should be adequately documented. Employee reimbursements for meals should be paid only when employees are on overnight travel status. All credit card charges should be supported by adequate documentation in the form of detailed invoices. Credit card charges should be held within authorized limits and paid on a timely basis.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

- A. The mentioned purchases were made by the county mayor on behalf of various offices within the General and Solid Waste departments. As previously mentioned, any requests for purchases over \$50 must be authorized by the county mayor. The primary purpose of obtaining purchase orders is to ensure that purchases are approved prior to any indebtedness. The county mayor is the only one authorized to use the credit card, thus all purchases made with the credit card were approved by the mayor. Thus, it is an inherent responsibility of the county mayor to either approve or deny expenditures made on behalf of the county and the expenditures in question were reviewed and authorized by the appropriate personnel.
- B. Perry County has a Jeep Cherokee that is utilized by both the Property Assessor's Office as well as the county mayor.
- C. The meals in question were not primarily individual meals for the county mayor but were expenses incurred from hosting meetings with various entities, both locally and abroad, to help advance issues concerning employment, tourism, and revenue for Perry County.
- D. The charges for a postage vendor at \$15.99 per month allowed us access to a postage meter other than the one provided by Pitney-Bowes which was costing the county almost \$200 per month.
- E. Most of these expenses occurred when it was necessary to use the credit card to purchase items required for the mandatory courthouse modifications from out-of-town vendors who were not receptive to accepting a county check. Although Perry County tries to purchase items locally as much as possible when they can be acquired at competitive prices, the \$132.66 in extra charges was primarily incurred when purchasing items from out-of-town locations and the savings far outweigh the penalty incurred.

REBUTTAL

- A. The county mayor should comply with the credit card policy adopted on December 15, 2003, which requires a purchase order for each purchase.
 - B. Documentation should be on file distinguishing between gasoline purchases for county vehicles and employee reimbursements for use of their personal vehicle for county business.
 - C. The county mayor should comply with the county's credit card and travel policies. Employee travel should be documented by accurate itemized statements of expenses showing the date, amount of each separate item, and the purpose for which it was expended as required by the county's travel policy.
 - D. All credit card charges should be supported by adequate documentation.
 - E. Finance charges and over-the-limit charges are not relevant to purchasing items from out-of-town vendors. Finance charges should not be incurred. The credit card invoice should be paid on time, and purchases should not exceed the authorized credit card limit.
-

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 07.05 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES** (Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit disclosed the following deficiencies in purchasing procedures:

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

RECOMMENDATION

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

FINDING 07.06 EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay (\$101,598) major appropriation category (the legal level of control) in the Highway/Public Works Fund. Section 5-9-401, Tennessee Code Annotated, states “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

OFFICE OF COUNTY CLERK

FINDING 07.07 THE OFFICE DID NOT HAVE FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 07.08 THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not develop a disaster recovery plan to assist in re-creating its data processing environment in the event of a disaster. Without a formal, written plan, critical computerized applications could be disrupted indefinitely until the system could be repaired

or a backup facility could be found and made operational. In addition, a copy of the plan should be stored off-site.

RECOMMENDATION

Management should develop and regularly update a disaster recovery plan defining procedures for personnel to follow in the event of a major hardware or software failure, or temporary or permanent destruction of facilities. The plan should contain provisions for a contingency operations site, as well as the adequate backup of data files, system programs, user documentation, supplies, and computer hardware so that operations could continue as normally as possible. A copy of the plan should be kept in a secure area within the office, as well as at a secure, off-site location.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF HIGHWAY SUPERINTENDENT, TRUSTEE, COUNTY CLERK, CLERK AND MASTER, AND REGISTER**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

FINDING 07.10 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Tennessee law does not require the adoption of a central accounting, budgeting, and purchasing system.

REBUTTAL

State statutes should not be required for officials to adopt sound accounting principles and good business practices.

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

There were no findings and questioned costs for federal awards.

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

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