

**ANNUAL FINANCIAL REPORT
BENTON COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2007



**ANNUAL FINANCIAL REPORT
BENTON 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*

*NORMAN R. NORMENT, CGFM
Audit Manager*

*NOLAN BRADFORD, CPA, CGFM
Auditor 4*

*JAKE MCNATT, CFE
MELISSA DARBY, CPA, CFE
B. KEITH RICE, CGFM
WENDY HEATH, CFE
State Auditors*

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

BENTON COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Benton County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18-19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	23
Proprietary Fund:		
Statement of Revenues, Expenses, and Changes in Net Assets	D-1	24-25
Statement of Cash Flows	D-2	26-27
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	28
Notes to the Financial Statements		29-68
REQUIRED SUPPLEMENTARY INFORMATION:		69
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	71-72
Highway/Public Works Fund	F-2	73
Schedule of Funding Progress – Pension Plan	F-3	74
Notes to the Required Supplementary Information		75

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		77
Nonmajor Governmental Funds:		79
Combining Balance Sheet	G-1	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	G-3	83
Major Governmental Fund:		85
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	87
Fiduciary Funds:		89
Combining Statement of Fiduciary Assets and Liabilities	I-1	91
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	92
Component Unit:		
Discretely Presented Benton County School Department:		93
Statement of Activities	J-1	95
Balance Sheet – Governmental Funds	J-2	96
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	97
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	98
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	99
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	101
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	J-8	102-103
School Federal Projects Fund	J-9	104
Miscellaneous Schedules:		105
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds – Primary Government and Discretely Presented Benton County School Department	K-1	107-108
Schedule of Bond and Interest Requirements by Year	K-2	109
Schedule of Transfers – Primary Government and Discretely Presented Benton County School Department	K-3	110

	Exhibit	Page(s)
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Benton County School Department	K-4	111
Schedule of Detailed Revenues – All Governmental Fund Types	K-5	112-116
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Benton County School Department	K-6	117-118
Schedule of Detailed Expenditures – All Governmental Fund Types	K-7	119-138
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Benton County School Department	K-8	139-150
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	K-9	151
 <u>SINGLE AUDIT SECTION</u>		 153
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		155-157
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		159-161
Schedule of Expenditures of Federal Awards and State Grants		163-164
Schedule of Audit Findings Not Corrected		165-166
Schedule of Findings and Questioned Costs		167-175
Auditee Reporting Responsibilities		177

Audit Highlights
Annual Financial Report
Benton County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of Benton County as of and for the year ended June 30, 2007.

Results

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

Our audit resulted in 14 findings and recommendations, which we have reviewed with Benton County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The office did not issue requisitions and purchase orders for some purchases.
- ◆ General Fund expenditures exceeded appropriations approved by the County Commission in the Interest on Debt - General Government (\$4,667) and the Transfers Out (\$8,087) major appropriation categories (the legal level of control). Also, the Public Library Fund (a nonmajor special revenue fund) and the Special Purpose Fund (a major special revenue fund) were not budgeted.
- ◆ General ledger payroll accounts were not reconciled with payroll reports and payments in the General Fund. Also, the subsequent receipt of receivables for June 30, 2007, was incorrectly posted as revenues for 2007-08.
- ◆ Amounts withheld from contractor payments (\$184,838) were not deposited to an escrow account as required by state statute.
- ◆ We were unable to determine if all funds received by the Benton County Animal Shelter were properly receipted and deposited.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations approved by the County Commission in the Other Debt Service – Education (\$16,028) major appropriation category (the legal level of control) in the General Purpose School Fund.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The June 30, 2007, execution docket trial balances did not reconcile with cash journal accounts.
 - ◆ The general sessions court's bank statements were not reconciled with cash journal accounts, and lists of outstanding checks were not accurately prepared monthly.
-

OFFICE OF CLERK AND MASTER

- ◆ The June 30, 2007, execution docket trial balance did not reconcile with cash journal accounts.
-

OFFICE OF REGISTER

- ◆ The register did not obtain a letter of agreement or file suit in Chancery Court to authorize deputy hires.
-

OFFICE OF SHERIFF

- ◆ In some instances, collections were not deposited to the office bank account within three days of collection.
 - ◆ The sheriff did not obtain a letter of agreement or file suit in Circuit Court to authorize deputy hires.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Benton County Officials

June 30, 2007

Officials

Jimmy Wiseman, County Mayor
Barry Carter, Road Supervisor
Randall Robertson, Director of Schools
Sherry Beasley, Trustee
Linda Armstrong, Assessor of Property
Wanda Malin, County Clerk
Terry Hudson, Circuit and General Sessions Courts Clerk
Timothy Burrus, Clerk and Master
Debra Hargis, Register
Tony King, Sheriff

Board of County Commissioners

Jimmy Wiseman, Chairman	Jo Jones
Mureleane Steinbuck, Chairman Pro-Tem	William McDaniel, Sr.
Lawrence Atkins	Robert Pace
Barry Barnett	Roger Pafford
Randall Clark	Don Patton
Gary Evans	Randy Patton
Eddie Griggs	Ronnie Pierce
Sonny Hall	Sam Rainwaters
Perry Hensley	Stephen Stokes
Vickie Howe	

Board of Education

Joey Cooper, Chairman	Brent Hedge
Judy Arnold, Vice-Chairman	Tim Hyatt
Keith Arnold	Robert Livingston
Betty Jo Douglas	Marko Winters
Ruby Evans	James Woodall
Mark Hargis	Linda Zanaty

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

March 26, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Benton County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Benton County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Benton County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Benton County Electric System (a major fund and the entire business-type activities). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Benton County Electric System, is based on the report of the other auditors.

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

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

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

In our opinion, except for the effects of not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, discretely presented component units, and the effects of not including the financial statements of the Benton County Library, a nonmajor special revenue fund, as discussed in the two preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units and the aggregate remaining fund information of Benton County, Tennessee, at June 30, 2007, and the results of operations of the aggregate discretely presented component units and the aggregate remaining fund information, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

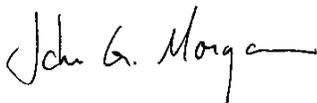
In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2008, on our consideration of Benton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management of Benton County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison and pension information on pages 71 through 75 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 Benton County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Benton County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Benton County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Benton County, Tennessee
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Benton County School Department
<u>ASSETS</u>				
Cash	\$ 1,461	\$ 758,426	\$ 759,887	\$ 0
Equity in Pooled Cash and Investments	11,052,026	0	11,052,026	1,449,847
Inventories	0	213,717	213,717	0
Accounts Receivable	117,429	1,126,291	1,243,720	0
Allowance for Uncollectibles	0	(7,878)	(7,878)	0
Due from Other Governments	540,767	0	540,767	612,356
Due from Component Units	58,730	0	58,730	0
Property Taxes Receivable	2,127,666	0	2,127,666	3,723,410
Allowance for Uncollectible Property Taxes	(62,957)	0	(62,957)	(110,174)
Prepaid Items	0	1,831,719	1,831,719	0
Notes Receivable	0	152,417	152,417	0
Deferred Charges - Debt Issuance Costs	6,359	161,883	168,242	0
Capital Assets Not Depreciated:				
Land	1,202,058	178,328	1,380,386	474,060
Construction in Progress	4,416,282	66,139	4,482,421	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	3,015,484	1,134,786	4,150,270	12,626,881
Infrastructure	7,992,259	0	7,992,259	0
Other Capital Assets	952,520	14,634,617	15,587,137	322,646
Total Assets	<u>\$ 31,420,084</u>	<u>\$ 20,250,445</u>	<u>\$ 51,670,529</u>	<u>\$ 19,099,026</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 81,424	\$ 2,272,653	\$ 2,354,077	\$ 198,597
Accrued Payroll	8,781	14,817	23,598	0
Contracts Payable	216,523	0	216,523	102,209
Retainage Payable	184,838	0	184,838	14,486
Accrued Leave	0	1,306,106	1,306,106	0
Accrued Interest Payable	62,489	11,060	73,549	3,750
Due to Primary Government	0	0	0	57,656
Matured Bonds Payable	10,000	0	10,000	0
Matured Interest on Bonds	1,913	0	1,913	0
Customer Deposits Payable	0	539,014	539,014	0
Other Payables	5,916	0	5,916	0
Deferred Revenue - Current Property Taxes	1,977,039	0	1,977,039	3,459,818
Noncurrent Liabilities:				
Due Within One Year	1,098,613	270,000	1,368,613	60,758
Due in More Than One Year	10,567,520	3,635,468	14,202,988	318,911
Total Liabilities	<u>\$ 14,215,056</u>	<u>\$ 8,049,118</u>	<u>\$ 22,264,174</u>	<u>\$ 4,216,185</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, net of related debt	\$ 15,710,090	\$ 12,258,870	\$ 27,968,960	\$ 13,043,918
Restricted for:				
Capital Projects	0	0	0	13,307
Debt Service	1,496,161	558,291	2,054,452	0
Highway/Public Works	1,240,792	0	1,240,792	0
Other Purposes	201,098	0	201,098	44,158
Unrestricted	(1,443,113)	(615,834)	(2,058,947)	1,781,458
Total Net Assets	<u>\$ 17,205,028</u>	<u>\$ 12,201,327</u>	<u>\$ 29,406,355</u>	<u>\$ 14,882,841</u>

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

Exhibit B

Benton County, Tennessee
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							Component Unit Benton County School Department
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 769,708	\$ 148,440	\$ 29,130	\$ 0	\$ (592,138)	\$ 0	\$ (592,138)	\$ 0
Finance	599,308	442,289	10,022	0	(146,997)	0	(146,997)	0
Administration of Justice	593,802	376,807	1,780	0	(215,215)	0	(215,215)	0
Public Safety	2,855,528	262,384	182,282	18,123	(2,392,739)	0	(2,392,739)	0
Public Health and Welfare	687,625	760,698	56,530	0	129,603	0	129,603	0
Social, Cultural, and Recreational Services	437,335	500	74,423	0	(362,412)	0	(362,412)	0
Agriculture and Natural Resources	66,834	0	0	0	(66,834)	0	(66,834)	0
Other Operations	628,174	84,470	157,220	4,253,742	3,867,258	0	3,867,258	0
Highways/Public Works	2,358,213	9,622	1,589,001	241,191	(518,399)	0	(518,399)	0
Education	505,026	0	0	0	(505,026)	0	(505,026)	0
Interest on Long-term Debt	435,635	705,899	0	0	270,264	0	270,264	0
Other Debt Service	9,188	0	0	0	(9,188)	0	(9,188)	0
Total Governmental Activities	\$ 9,946,376	\$ 2,791,109	\$ 2,100,388	\$ 4,513,056	\$ (541,823)	\$ 0	\$ (541,823)	\$ 0
Business-type Activities:								
Benton County Public Utility	\$ 17,653,244	\$ 17,801,757	\$ 0	\$ 0	\$ 0	\$ 148,513	\$ 148,513	\$ 0
Total Primary Government	\$ 27,599,620	\$ 20,592,866	\$ 2,100,388	\$ 4,513,056	\$ (541,823)	\$ 148,513	\$ (393,310)	\$ 0
Component Unit:								
Benton County School Department	\$ 18,539,071	\$ 57,619	\$ 2,245,085	\$ 197,170	\$ 0	\$ 0	\$ 0	\$ (16,039,197)
Total Component Unit	\$ 18,539,071	\$ 57,619	\$ 2,245,085	\$ 197,170	\$ 0	\$ 0	\$ 0	\$ (16,039,197)

(Continued)

Exhibit B

Benton County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Benton County School Department
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- type Activities	Total	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 1,709,511	\$ 0	\$ 1,709,511	\$ 3,712,151
Property Taxes Levied for Debt Service					255,529	0	255,529	0
Local Option Sales Taxes					395,299	0	395,299	1,759,615
Other Local Taxes					563,935	0	563,935	2,738
Grants and Contributions Not Restricted to Specific Programs					1,360,712	0	1,360,712	11,303,229
Unrestricted Investment Income					586,172	118,634	704,806	0
Miscellaneous					10,924	0	10,924	53,145
Total General Revenues					\$ 4,882,082	\$ 118,634	\$ 5,000,716	\$ 16,830,878
Transfers					\$ 156,407	\$ (156,407)	\$ 0	\$ 0
Change in Net Assets					\$ 4,496,666	\$ 110,740	\$ 4,607,406	\$ 791,681
Net Assets, July 1, 2006					4,789,756	12,090,587	16,880,343	14,091,160
Prior-Period Adjustment					7,918,606	0	7,918,606	0
Net Assets, June 30, 2007					\$ 17,205,028	\$ 12,201,327	\$ 29,406,355	\$ 14,882,841

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

Exhibit C-1

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

	Major Funds					Nonmajor Funds	Total Govern- mental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,461	\$ 1,461
Equity in Pooled Cash and Investments	1,170,522	7,200,000	1,034,277	1,437,493	186,980	22,754	11,052,026
Accounts Receivable	68,074	0	0	49,355	0	0	117,429
Due from Other Governments	221,934	0	318,833	0	0	0	540,767
Due from Other Funds	1,461	0	0	14,660	0	0	16,121
Due from Component Units	0	0	1,073	57,657	0	0	58,730
Property Taxes Receivable	1,617,026	0	234,043	276,597	0	0	2,127,666
Allowance for Uncollectible Property Taxes	(47,847)	0	(6,926)	(8,184)	0	0	(62,957)
Total Assets	\$ 3,031,170	\$ 7,200,000	\$ 1,581,300	\$ 1,827,578	\$ 186,980	\$ 24,215	\$ 13,851,243
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 77,155	\$ 0	\$ 3,262	\$ 0	\$ 1,007	\$ 0	\$ 81,424
Payroll Deductions Payable	7,530	0	1,251	0	0	0	8,781
Contracts Payable	0	0	118,521	0	98,002	0	216,523
Retainage Payable	0	0	0	0	184,838	0	184,838
Due to Other Funds	14,660	0	0	0	0	1,461	16,121
Matured Bonds Payable	0	0	0	10,000	0	0	10,000
Matured Interest on Bonds	0	0	0	1,913	0	0	1,913
Current Liabilities Payable from Restricted Assets:							
Other Payables from Restricted Assets	5,916	0	0	0	0	0	5,916
Deferred Revenue - Current Property Taxes	1,502,550	0	217,474	257,015	0	0	1,977,039
Deferred Revenue - Delinquent Property Taxes	65,821	0	9,527	11,258	0	0	86,606
Other Deferred Revenues	61,301	0	147,059	57,878	0	0	266,238
Total Liabilities	\$ 1,734,933	\$ 0	\$ 497,094	\$ 338,064	\$ 283,847	\$ 1,461	\$ 2,855,399

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Capital Projects	Other Governmental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 349,572	\$ 0	\$ 349,572
Reserved for Resort District	91,143	0	0	0	0	0	91,143
Reserved for Alcohol and Drug Treatment	2,399	0	0	0	0	0	2,399
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	94,106	0	0	0	0	0	94,106
Reserved for Sexual Offender Registration	2,900	0	0	0	0	0	2,900
Reserved for Other General Purposes	0	0	0	0	0	7,531	7,531
Unreserved, Reported In:							
General Fund	1,105,689	0	0	0	0	0	1,105,689
Special Revenue Funds	0	7,200,000	1,084,206	0	0	10,550	8,294,756
Debt Service Fund	0	0	0	1,489,514	0	0	1,489,514
Capital Projects Funds (Deficit)	0	0	0	0	(446,439)	4,673	(441,766)
Total Fund Balances	\$ 1,296,237	\$ 7,200,000	\$ 1,084,206	\$ 1,489,514	\$ (96,867)	\$ 22,754	\$ 10,995,844
Total Liabilities and Fund Balances	\$ 3,031,170	\$ 7,200,000	\$ 1,581,300	\$ 1,827,578	\$ 186,980	\$ 24,215	\$ 13,851,243

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

Exhibit C-2

Benton County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 10,995,844
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,202,058	
Add: construction in progress	4,416,282	
Add: buildings and improvements net of accumulated depreciation	3,015,484	
Add: infrastructure net of accumulated depreciation	7,992,259	
Add: other capital assets net of accumulated depreciation	<u>952,520</u>	17,578,603
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		352,844
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (1,407,872)	
Add: deferred charges - debt issuance costs	6,359	
Less: other loans payable	(657,400)	
Less: bonds payable	(9,495,000)	
Less: compensated absences payable	(105,861)	
Less: accrued interest on notes and bonds	<u>(62,489)</u>	<u>(11,722,263)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 17,205,028</u>

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

Exhibit C-3

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

	Major Funds					Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Capital Projects	Other Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,399,513	\$ 0	\$ 362,127	\$ 253,946	\$ 0	\$ 0	\$ 3,015,586
Licenses and Permits	7,875	0	0	0	0	0	7,875
Fines, Forfeitures, and Penalties	158,011	0	0	0	0	13,120	171,131
Charges for Current Services	781,713	0	0	0	0	3,000	784,713
Other Local Revenues	428,464	310,966	10,950	81,055	0	8,735	840,170
Fees Received from County Officials	796,169	0	0	0	0	0	796,169
State of Tennessee	1,801,250	0	1,872,839	0	4,253,742	15,487	7,943,318
Federal Government	18,123	0	0	0	0	0	18,123
Other Governments and Citizens Groups	52,761	0	0	629,584	0	0	682,345
Total Revenues	\$ 6,443,879	\$ 310,966	\$ 2,245,916	\$ 964,585	\$ 4,253,742	\$ 40,342	\$ 14,259,430
<u>Expenditures</u>							
Current:							
General Government	\$ 838,108	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 838,108
Finance	454,911	0	0	0	0	0	454,911
Administration of Justice	454,756	0	0	0	0	0	454,756
Public Safety	2,243,754	0	0	0	0	53,721	2,297,475
Public Health and Welfare	608,013	0	0	0	0	0	608,013
Social, Cultural, and Recreational Services	184,721	0	0	0	0	0	184,721
Agriculture and Natural Resources	59,418	0	0	0	0	0	59,418
Other Operations	1,373,076	3,110	0	0	43,551	0	1,419,737
Highways	0	0	2,065,221	0	0	7,603	2,072,824
Instruction	0	307,856	0	0	0	0	307,856
Debt Service:							
Principal on Debt	26,491	0	0	827,328	0	0	853,819
Interest on Debt	5,714	0	0	411,063	0	0	416,777
Other Debt Service	0	0	0	8,717	0	6,830	15,547
Capital Projects	0	0	0	0	4,745,164	474,830	5,219,994
Total Expenditures	\$ 6,248,962	\$ 310,966	\$ 2,065,221	\$ 1,247,108	\$ 4,788,715	\$ 542,984	\$ 15,203,956
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 194,917	\$ 0	\$ 180,695	\$ (282,523)	\$ (534,973)	\$ (502,642)	\$ (944,526)

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Capital Projects	Other Governmental Funds	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 450,000	\$ 260,600	\$ 710,600
Other Loans Issued	0	0	0	0	0	204,000	204,000
Insurance Recovery	11,892	0	3,293	0	0	0	15,185
Transfers In	118,869	0	17,205	91,558	0	5,000	232,632
Transfers Out	(253,087)	0	0	0	(1,138)	0	(254,225)
Total Other Financing Sources (Uses)	\$ (122,326)	\$ 0	\$ 20,498	\$ 91,558	\$ 448,862	\$ 469,600	\$ 908,192
Net Change in Fund Balances	\$ 72,591	\$ 0	\$ 201,193	\$ (190,965)	\$ (86,111)	\$ (33,042)	\$ (36,334)
Fund Balance, July 1, 2006	1,223,646	7,200,000	883,013	1,680,479	(10,756)	55,796	11,032,178
Fund Balance, June 30, 2007	\$ 1,296,237	\$ 7,200,000	\$ 1,084,206	\$ 1,489,514	\$ (96,867)	\$ 22,754	\$ 10,995,844

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

Exhibit C-4

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

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (36,334)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 5,538,837	
Less: current year depreciation expense	<u>(943,741)</u>	4,595,096
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 352,844	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(325,640)</u>	27,204
(3) The issuance of long-term debt (e.g. notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (710,600)	
Less: other loan proceeds	(204,000)	
Add: deferred charges - debt issuance costs	6,359	
Add: principal payments on notes	273,728	
Add: principal payments on other loans	93,600	
Add: principal payments on capital leases	26,491	
Add: principal payments on bonds	<u>460,000</u>	(54,422)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (18,858)	
Change in compensated absences	<u>(16,020)</u>	<u>(34,878)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 4,496,666</u>

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

Exhibit D-1

Benton County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

	Business-type Activities - Major Fund
	<u>Benton County</u> <u>Electric System</u>
<u>Operating Revenues</u>	
Sale of Electric Energy	\$ 17,434,484
Forfeited Discounts	120,822
Rent from Electric Property	114,409
Other Electric Revenue	56,589
Miscellaneous Service Revenue	75,453
Total Operating Revenues	<u>\$ 17,801,757</u>
<u>Operating Expenses</u>	
Purchased Power	\$ 12,719,331
Distribution Expense:	
Station Expense	18,289
Overhead Line Expense	156,872
Street Lighting and Signal System	1,602
Meter Expense	79,842
Customer Installations Expense	3,605
Security Lighting	9,851
Rents	34,049
Miscellaneous	99,037
Customer Accounts Expense:	
Meter Reading Expense	106,061
Customer Records and Collection	370,546
Sales Expenses:	
Demonstration and Selling Expense	7,751
Sales Expense	16,391
Administrative Expenses:	
Salaries	290,318
Office Supplies and Expense	61,945
Outside Services Employed	62,559
Insurance	45,538
Injuries and Damages	199,338

(Continued)

Exhibit D-1

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

	Business-type Activities - Major Fund
	<u>Benton County Electric System</u>
<u>Operating Expenses (Cont.)</u>	
Administrative Expenses (Cont.):	
Employee Pension and Benefits	\$ 660,801
General Advertising	4,814
Miscellaneous	35,108
Maintenance Expenses:	
Station Equipment	3,825
Overhead Lines	1,127,125
Underground Lines	11,325
Line Transformers	43,160
Street Lights and Signal System	14,707
Meters	98
Security Lighting	38,385
General Plant and Equipment	18,042
Depreciation and Amortization	834,964
Taxes and Tax Equivalents	426,027
Total Operating Expenses	<u>\$ 17,501,306</u>
Operating Income	<u>\$ 300,451</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 118,634
Interest Expense	(135,174)
Amortization of Debt Expense	(16,764)
Total Nonoperating Revenues (Expenses)	<u>\$ (33,304)</u>
Income (Loss) Before Transfers	\$ 267,147
Transfers Out	<u>(156,407)</u>
Change in Net Assets	\$ 110,740
Net Assets, July 1, 2006	<u>12,090,587</u>
Net Assets, June 30, 2007	<u><u>\$ 12,201,327</u></u>

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

Exhibit D-2

Benton County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

	Business-type Activities - Major Fund
	<u>Benton County Electric System</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 17,831,023
Payments to Suppliers	(14,844,662)
Payments to Employees and for Employee Benefits	(951,119)
Payments for In-Lieu-of Tax Payments	(426,027)
Customer Deposits Received	95,543
Customer Deposits Refunded	(89,420)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,615,338</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Construction and Acquisition of Plant	\$ (1,181,641)
Plant Removal Cost	(164,194)
Materials Salvaged from Retirements	40,929
Principal Paid on Bonds	(265,000)
Interest Paid on Bonds	(135,659)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (1,705,565)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Repayment of TVA Advances	\$ (27,490)
Transfers to Other Funds	(156,407)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (183,897)</u>
<u>Cash Flows from Investing Activities</u>	
Collection of Notes Receivable	\$ 14,805
Issuance of Note Receivable	(3,748)
Interest Earned	118,634
Net Cash Provided By (Used In) Investing Activities	<u>\$ 129,691</u>
Net Increase (Decrease) in Cash	\$ (144,433)
Cash, July 1, 2006	<u>902,859</u>
Cash, June 30, 2007	<u>\$ 758,426</u>

(Continued)

Exhibit D-2

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

	<u>Business-type Activities - Major Fund</u>
	<u>Benton County Electric System</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 300,451
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	834,964
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	29,266
(Increase) Decrease in Materials and Supplies	9,420
(Increase) Decrease in Prepayments and Other Current Assets	318,436
Increase (Decrease) in Accounts Payable and Accrued Expenses	116,678
Increase (Decrease) in Customer Deposits	<u>6,123</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,615,338</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Cash on Hand per Net Assets	\$ 3,000
Cash in Bank per Net Assets	<u>755,426</u>
Cash, June 30, 2007	<u>\$ 758,426</u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 844,175
Equity in Pooled Cash and Investments	35,237
Due from Other Governments	<u>238,868</u>
Total Assets	<u>\$ 1,118,280</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 274,105
Due to Litigants, Heirs, and Others	<u>844,175</u>
Total Liabilities	<u>\$ 1,118,280</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

Commission's approval. The financial statements of the Benton County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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

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

Administrative Offices:

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

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

B. Government-wide and Fund Financial Statements

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

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

Benton County issues all debt for the discretely presented Benton County School Department. Net debt issues (\$197,170) were contributed by the county to the School Department during the year ended June 30, 2007.

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

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

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

Fund financial statements of Benton County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Benton County only reports one proprietary fund, a major enterprise fund.

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

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

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

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

Benton County reports the following major governmental funds:

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

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

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

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

Other Capital Projects Fund – This fund accounts for note proceeds and grant funds received from the state for the airport improvement project.

Benton County reports the following major proprietary fund:

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

Additionally, Benton County reports the following fund type:

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

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

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

Additionally, the School Department reports the following fund types:

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

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated

resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.59 percent of total taxes levied.

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

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

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

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

Retainage payable in the primary government's Other Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the major governmental fund.

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government (excluding the Public Utility Fund, enterprise fund) and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

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

4. Compensated Absences

It is the policy of the Benton County general government (excluding the Highway Department, which does not provide for employees to accumulate vacation or sick leave days beyond the end of the fiscal year) to permit full-time employees to accumulate a limited amount of earned but unused vacation benefits that will be paid to employees upon separation from service. A liability for the vacation benefits is reported in governmental funds only if the amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual or recording.

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

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

The government-wide statement of net assets reports \$2,938,051 of restricted net assets, in governmental activities for the primary government, of which \$91,143 is restricted by enabling legislation.

As of June 30, 2007, Benton County had \$9,685,400 of outstanding debt for capital purposes for the discretely presented School Department. This debt is a liability of Benton County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Benton County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

7. Prior-period Adjustment

Capital assets were restated \$7,918,606 from the prior year. The prior-period adjustment resulted from the recognition of infrastructure assets acquired between July 1, 1980, and June 30, 2002.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Benton County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide statement of net assets.

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

Primary Government

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

Discretely Presented Benton County School Department

Exhibit J-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Special Purpose Fund (major special revenue fund) and the Constitutional Officers - Fees Fund (nonmajor special revenue fund) which are not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission,

Board of Equalization, Beer Board, County Mayor, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Fund Deficit and Net Assets Deficit

The Other Capital Projects Fund had a deficit in unreserved fund balance of \$446,439 at June 30, 2007. This deficit resulted primarily from the unperformed portions of construction contracts of \$349,572 being reserved as an encumbrance in the financial statements of this report. Funding for these future expenditures is expected to be received from grants.

The Public Utility Fund had an unrestricted net assets deficit of \$615,834 at June 30, 2007. This deficit resulted primarily from the recognition of liabilities in the financial statements of this report. Management will adjust their rate structure to liquidate this deficit.

C. Local Option Sales Tax – Debt Service

In November 1996, the citizens of Benton County voted by public referendum to increase the local sales tax by one-half percent. Benton County began collecting this tax in January 1997. The increase in sales tax was specifically designated for paying the debt service requirements for bonds issued to construct school facilities. Benton County, the School Department, the City of Camden, and the City of Big Sandy have pledged their portions of the sales tax increase to the county's General Debt Service Fund through December 1, 2021, for the retirement of this school debt. The amount of sales tax collections transferred (Benton County \$70,087), and contributed (General Purpose School Fund \$287,311, City of Camden \$231,137, and City of Big Sandy \$14,374) to the General Debt Service Fund as a result of this sales tax increase totaled \$602,909 during the year.

D. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Interest on Debt (\$4,667) and the Transfers Out (\$8,087) major appropriation categories (the legal level of control) of the General Fund. Also, expenditures and encumbrances exceeded appropriations approved by the County Commission in the Other Debt Service – Education (\$16,028) major appropriation category of the discretely presented School Department's General Purpose School Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Benton County (excluding the Public Utility Fund) 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, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2007, Benton County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Benton County (excluding the Public Utility Fund, enterprise fund) and the discretely presented School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 2,970,892

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Benton County has no investment policy that would further limit its investment choices. As of June 30, 2007, Benton County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-06	Prior Period Adjustment	Increases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 850,884	\$ 0	\$ 351,174	\$ 1,202,058
Construction in Progress	0	0	4,416,282	4,416,282
Total Capital Assets Not Depreciated	<u>\$ 850,884</u>	<u>\$ 0</u>	<u>\$ 4,767,456</u>	<u>\$ 5,618,340</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,879,716	\$ 0	\$ 105,500	\$ 4,985,216
Roads and Bridges	666,252	11,254,965	274,800	12,196,017
Other Capital Assets	3,202,369	0	391,081	3,593,450
Total Capital Assets Depreciated	<u>\$ 8,748,337</u>	<u>\$ 11,254,965</u>	<u>\$ 771,381</u>	<u>\$ 20,774,683</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,798,186	\$ 0	\$ 171,546	\$ 1,969,732
Roads and Bridges	323,962	3,336,359	543,437	4,203,758
Other Capital Assets	2,412,172	0	228,758	2,640,930
Total Accumulated Depreciation	<u>\$ 4,534,320</u>	<u>\$ 3,336,359</u>	<u>\$ 943,741</u>	<u>\$ 8,814,420</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,214,017</u>	<u>\$ 7,918,606</u>	<u>\$ (172,360)</u>	<u>\$ 11,960,263</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,064,901</u>	<u>\$ 7,918,606</u>	<u>\$ 4,595,096</u>	<u>\$ 17,578,603</u>

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

Governmental Activities:

General Administration	\$	40,985
Finance		2,240
Administration of Justice		5,060
Public Safety		125,135
Public Health and Welfare		33,289
Social, Cultural, and Recreational Services		90,665
Agriculture and Natural Resources		1,854
Other Operations		5,344
Highways/Public Works		<u>639,169</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>943,741</u></u>

Discretely Presented Benton County School Department

Governmental Activities:

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	\$ 136,560	\$ 337,500	\$ 474,060
Total Capital Assets Not Depreciated	<u>\$ 136,560</u>	<u>\$ 337,500</u>	<u>\$ 474,060</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 18,654,666	\$ 694,958	\$ 19,349,624
Other Capital Assets	1,206,771	43,542	1,250,313
Total Capital Assets Depreciated	<u>\$ 19,861,437</u>	<u>\$ 738,500</u>	<u>\$ 20,599,937</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 6,257,219	\$ 465,524	\$ 6,722,743
Other Capital Assets	839,037	88,630	927,667
Total Accumulated Depreciation	<u>\$ 7,096,256</u>	<u>\$ 554,154</u>	<u>\$ 7,650,410</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,765,181</u>	<u>\$ 184,346</u>	<u>\$ 12,949,527</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 12,901,741</u></u>	<u><u>\$ 521,846</u></u>	<u><u>\$ 13,423,587</u></u>

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

Governmental Activities:

Instruction	\$ 419,552
Support Services	101,849
Operation of Non-Instructional Services	<u>32,753</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 554,154</u></u>

C. Construction Commitments

At June 30, 2007, the Other Capital Projects Fund had uncompleted construction contracts of approximately \$349,572 for airport improvements. Funding for these future expenditures is expected to be received from grants and capital outlay notes.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,461
General Debt Service	General	<u>14,660</u>
Total		<u><u>\$ 16,121</u></u>

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

Due to/from Primary Government and Component Units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: Highway/Public Works	Component Unit: School Department: General Purpose School	\$ 1,073
General Debt Service	General Purpose School	<u>57,657</u>
Total		<u><u>\$ 58,730</u></u>

The receivable in the Highway Public Works Fund (\$1,073) was in transit from the General Purpose School Fund at June 30, 2007.

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In			
	General Fund	Highway/ Public Works Fund	General Debt Service Fund	Nonmajor Governmental Fund
General Fund	\$ 0	\$ 0	\$ 70,087	\$ 183,000
Nonmajor governmental fund	0	0	1,138	0
Public Utility	118,869	17,205	20,333	0
Total	\$ 118,869	\$ 17,205	\$ 91,558	\$ 183,000

Discretely Presented Benton County School Department

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental fund	\$ 26,768
Total	\$ 26,768

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

The county made transfers of \$178,000 from the General Fund to the Benton County Library (special revenue fund) to provide funds for operations. The financial statements of the Benton County Library had not been made available by other auditors as of the date of this report.

E. Capital Leases

Discretely Presented Benton County School Department

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

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

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 44,104
2009	44,104
2010	44,104
2011	44,104
2012	44,104
2013	44,107
Total Minimum Lease Payment	<u>\$ 264,627</u>
Amount Representing Interest	<u>(34,958)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 229,669</u></u>

F. Long-term Debt

Primary Government (Excluding the Public Utility Fund, Enterprise Fund)

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 19 years for bonds, up to 12 years for notes, and up to 15 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest

requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	4.35 to 5.5%	\$ 11,600,000	\$ 805,000
General Obligation Bond - Refunding	3.5	9,020,000	8,690,000
Capital Outlay Notes	2.94 to 5.1	2,085,600	1,407,872
Other Loans	0 to Variable	1,304,000	657,400

During the 1996-97 year, Benton County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned Benton County \$1,100,000 for jail construction and renovation. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent's daily or weekly rate. In addition, the county pays various other fees (letter of credit, trustee, remarketing, etc.) in connection with this loan. At June 30, 2007, the variable interest rate was 3.99 percent and other fees amounted to approximately .3 percent (letter of credit), .08 percent (remarketing) of the outstanding loan principal, and \$1,020 (trustee) annually.

On July 7, 2006, Benton County entered into a loan agreement with the Tennessee State School Bond Authority. Under this loan agreement, the authority loaned Benton County \$204,000 for the Benton County Career and Technology Center. This loan is interest free and earns interest monthly based upon the local government investment pool rate, which is netted against the annual principal payment. The county pays an annual administrative fee of \$65.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 485,000	\$ 331,203	\$ 510,719	\$ 56,943
2009	500,000	309,145	425,176	38,607
2010	525,000	288,663	317,977	20,432
2011	545,000	269,938	75,000	5,942
2012	565,000	250,513	79,000	2,015
2013-2017	3,135,000	936,515	0	0
2018-2022	3,740,000	336,352	0	0
Total	\$ 9,495,000	\$ 2,722,329	\$ 1,407,872	\$ 123,939

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2008	\$ 97,600	\$ 18,026	\$ 2,860	\$ 118,486
2009	101,600	14,784	2,541	118,925
2010	106,600	11,387	2,206	120,193
2011	111,600	7,797	1,853	121,250
2012	117,600	4,014	1,480	123,094
2013-2017	68,000	0	325	68,325
2018-2021	54,400	0	260	54,660
Total	\$ 657,400	\$ 56,008	\$ 11,525	\$ 724,933

There is \$1,489,514 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$574, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$699, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the primary government (excluding the Public Utility Fund, enterprise fund) for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2006	\$ 9,955,000	\$ 971,000	\$ 26,491
Additions	0	710,600	0
Deductions	(460,000)	(273,728)	(26,491)
Balance, June 30, 2007	<u>\$ 9,495,000</u>	<u>\$ 1,407,872</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 485,000</u>	<u>\$ 510,719</u>	<u>\$ 0</u>

	Other Loan	Compensated Absences
Balance, July 1, 2006	\$ 547,000	\$ 89,841
Additions	204,000	124,229
Deductions	(93,600)	(108,209)
Balance, June 30, 2007	<u>\$ 657,400</u>	<u>\$ 105,861</u>
Balance Due Within One Year	<u>\$ 97,600</u>	<u>\$ 5,294</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 11,666,133
Less: Balance Due Within One Year	<u>(1,098,613)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,567,520</u>

Compensated absences are liquidated from the individual funds from which the related salaries and wages are paid.

Discretely Presented Benton County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Benton County School Department for the year ended June 30, 2007, was as follows:

	Note	Capital Lease
Balance, July 1, 2006	\$ 0	\$ 262,331
Additions	150,000	0
Deductions	0	(32,662)
Balance, June 30, 2007	<u>\$ 150,000</u>	<u>\$ 229,669</u>
Balance Due Within One Year	<u>\$ 26,609</u>	<u>\$ 34,149</u>

G. Short-term Debt

Benton County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available for general operating expenses 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 Note	\$ 0	\$ 350,000	\$ (350,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government (Excluding the Public Utility Fund, Enterprise Fund)

Employee Health Insurance

The Benton County general government (excluding the Highway Department) purchases commercial health insurance to provide individual coverage for its employees. Employees may purchase additional family coverage health insurance as well as accident, cancer, and dental insurance for the risk of losses for which they are exposed.

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

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

Liability, Property, Casualty, and Workers' Compensation Insurance

Benton County joined the Tennessee 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 county pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Discretely Presented Benton County School Department

Employee Health Insurance

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

Workers' Compensation Insurance

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

Liability, Property, and Casualty

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

B. Subsequent Event

On October 1, 2007, Benton County issued \$5,000,000 in general obligation bonds for jail renovations/construction.

C. Contingent Liabilities

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

D. Changes in Administration

On August 31, 2006, Jimmy Thornton left the Office of County Mayor and was succeeded by Jimmy Wiseman, Ray Douglas left the Office of Road Supervisor and was succeeded by Barry Carter, Rosanne Ward left the Office of County Clerk and was succeeded by Wanda Malin, and Cecil Wells left the Office of Sheriff and was succeeded by Tony King.

E. Joint Ventures

The Twenty-fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-fourth Judicial District, Benton, Carroll, Decatur, Hardin, and Henry counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Benton County made no contributions to the DTF for the year ended June 30, 2007.

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

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

Administrative Offices:

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

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

F. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Benton County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 7.18 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Benton County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Benton County's annual pension cost of \$406,653 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. Benton County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 14 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$406,653	100%	\$0
6-30-06	337,144	100	0
6-30-05	320,405	100	0

School Teachers

Plan Description

The Benton County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for the Benton County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the Benton County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$532,280, \$459,004, and \$452,316, respectively, equal to the required contributions for each year.

G. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by provisions of Chapter 541, Private Acts of 1939, as amended, and the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). The private act provides for the issuance of requisitions and purchase orders for all purchases of equipment, supplies,

and materials. The County Purchasing Law of 1983 provides for all purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) to be made after public advertisement and solicitation of competitive bids.

Office of Road Supervisor

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

Office of Director of Schools

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

VI. OTHER NOTES – BENTON COUNTY ELECTRIC SYSTEM (PUBLIC UTILITY FUND, ENTERPRISE FUND)

A. Significant Accounting Policies

1. Reporting Entity

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The electric system’s financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is

incurred, regardless of the timing of related cash flows. The accounting policies of the electric system conform to applicable generally accepted accounting principles as defined in the pronouncements of the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board (APB) Opinions, and Accounting Research Bulletins (ARBs), issued on or before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the system are charges to customers for sales and service. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. Assets, Liabilities, and Net Assets

a. Deposits and Investments

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

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

Investments were made up entirely of certificates of deposits with a maturity of three months or more for the fiscal year ended June 30, 2007.

b. Accounts Receivable

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

c. Inventories and Prepaid Items

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

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

d. Restricted Assets

Certain proceeds of the bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The electric system elects to use restricted assets before unrestricted assets when a situation arises where either can be used.

e. Capital Assets

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

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

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

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

f. Compensated Absences

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

In March 1997, the electric system approved a policy that would permit employees, at their discretion, to give sick leave to another employee involved in a catastrophic illness where such an employee had exhausted all available sick leave and vacation. The leave would be paid at the rate the employee receiving leave is currently earning. The board feels that the 75 percent approximation of sick leave accrued is enough to cover any expenditures for leave under this policy.

g. Long-term Obligations

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

h. Net Assets

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

- Invested in Capital Assets, net of related debt – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted for Debt Service – Consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

- Unrestricted – All other net assets that do not meet the description of the above categories.

B. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

C. Detailed Notes on All Funds

1. Deposits and Investments

Custodial Credit Risk. The electric system's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the system's agent in the system's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the electric system to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2007, none of the electric system's deposits were exposed to custodial credit risk.

2. Receivables

Accounts receivable of the Benton County Electric System at June 30, 2007, consisted of the following:

	<u>Receivables</u>
Billed services for utility customers	\$ 1,111,206
Other receivables for utility services	15,085
Allowance for doubtful accounts	<u>(7,878)</u>
Total Accounts Receivable	<u><u>\$ 1,118,413</u></u>

3. Restricted Assets

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

The restricted assets consist of the following:

2000 and 2004 Electric Plant Revenue Bond Funds	
Interest and sinking fund	\$ 168,692
Reserve fund	<u>400,659</u>
Total Restricted Assets	<u><u>\$ 569,351</u></u>
The total of these funds is represented by:	
Certificates of deposit and bank accounts	<u><u>\$ 569,351</u></u>

4. Capital Assets

Capital assets activity during the year was as follows:

	Balance			Balance
	7-1-06	Additions	Disposals	6-30-07
Capital Assets Not Depreciated:				
Land	\$ 178,328	\$ 0	\$ 0	\$ 178,328
Construction in Progress	952,767	0	886,628	66,139
Total Capital Assets Not Depreciated	<u>\$ 1,131,095</u>	<u>\$ 0</u>	<u>\$ 886,628</u>	<u>\$ 244,467</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,289,180	\$ 128,809	\$ 0	\$ 1,417,989
Other Capital Assets	23,928,606	1,948,531	601,379	25,275,758
Total Capital Assets Depreciated	<u>\$ 25,217,786</u>	<u>\$ 2,077,340</u>	<u>\$ 601,379</u>	<u>\$ 26,693,747</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 254,676	\$ 28,527	\$ 0	\$ 283,203
Other Capital Assets	10,550,276	815,512	724,647	10,641,141
Total Accumulated Depreciation	<u>\$ 10,804,952</u>	<u>\$ 844,039</u>	<u>\$ 724,647</u>	<u>\$ 10,924,344</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,412,834</u>	<u>\$ 1,233,301</u>	<u>\$ (123,268)</u>	<u>\$ 15,769,403</u>
Total Capital Assets, Net	<u>\$ 15,543,929</u>	<u>\$ 1,233,301</u>	<u>\$ 763,360</u>	<u>\$ 16,013,870</u>

Depreciation expense of \$844,039 was recorded by the electric system.

5. Long-term Debt

Long-term debt consists of the following:

Type	Interest Rate	Balance
		6-30-07
Electric System Revenue Bonds, Series 2000	4.2 to 5.25%	\$ 800,000
Electric System Revenue Refunding Bonds, Series 2004	1.1 to 3.3	1,815,000
Electric System Revenue Refunding Bonds, Series 2005	3.9	<u>1,140,000</u>
Total		<u>\$ 3,755,000</u>

During 2005, Benton County issued \$1,225,000 of Electric System Revenue Bonds, Series 2005, for the purpose of replacing a substation in Camden, Tennessee. The bonds bear interest at rates of 3.9 percent and mature serially in varying amounts from \$40,000 in fiscal year 2007, to \$85,000 in fiscal year 2025. The bonds are secured by a pledge of revenues by the system. Expenses incurred in the issuance of the bonds are being amortized by equal charges to operations over the life of the bonds.

On April 1, 2004, Benton County Electric System issued at par \$2,275,000 of Electric System Revenue Refunding Bonds, Series 2004, for the purpose of refunding \$2,205,000 of then-outstanding series 1995 and 1998 bonds. The 2004 bonds bear an interest rate varying between 1.1 percent and 3.3 percent and will be repaid in variable amounts, with the final payment due December 1, 2015. The refunded 1995 and 1998 bonds carried an interest rate varying between 3.9 percent and 5.3 percent and also were due in variable amounts, with the final payment due January 1, 2016.

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

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

The following is a summary of long-term debt transactions for the year ended June 30, 2007.

	Balance 7-1-06	Additions	Retirements	Balance 6-30-07
Revenue bonds payable \$	4,020,000	\$ 0	\$ 265,000	\$ 3,755,000

The scheduled annual requirements for long-term debt at June 30, 2007, including interest of \$1,020,336, are as follows:

Year Ending June 30	Revenue Bonds	
	Principal	Interest
2008	\$ 270,000	\$ 129,468
2009	270,000	122,534
2010	285,000	114,754
2011	290,000	106,138
2012	300,000	96,796
2013-2017	1,440,000	319,595
2018-2022	650,000	116,231
2023-2025	250,000	14,820
Total	<u>\$ 3,755,000</u>	<u>\$ 1,020,336</u>

6. Net Assets

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

Invested in Capital Assets, Net of Related Debt:	
Net Property, Plant, and Equipment in Services	\$ 16,013,870
Less: Revenue Bonds Payable	<u>(3,755,000)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 12,258,870</u>
Restricted for Debt Service:	
Restricted Investments	\$ 569,351
Less: Current Liabilities Payable from Restricted Assets	<u>(11,060)</u>
Total Restricted for Debt Service	<u>\$ 558,291</u>
Unrestricted	<u>\$ (615,834)</u>
Total Net Assets	<u><u>\$ 12,201,327</u></u>

D. Other Information

1. Pension Costs

The following pension information is for the year ended June 30, 2006. It is the most current information available.

Tennessee Consolidated Retirement System

All employees of the Benton County Electric System hired after November 22, 1988, are included with the employees of Benton County and are covered under the Tennessee Consolidated Retirement System, a multi-employer plan. The system's payroll for these

employees totaled \$913,996 with employer contributions of \$45,650 (five percent of covered wages) and employee contributions of \$56,058. Additional disclosures pertaining to the system's employees may be obtained by referring to Note V.F.

Central Service Association Plan (CSA)

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

Plan Description

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

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

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

Funding Policy

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

Annual Pension Costs

For the year ended June 30, 2006, the system's annual pension cost of \$320,813 for the plan was equal to the system's required and actual contributions. The required contribution was determined as part of

the October 1, 2005, actuarial valuation using the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions included (a) seven percent investment rate of return (net of administrative expenses) and (b) projected salary increases of five percent, including cost of living adjustments. The actuarial value of plan assets was determined using the following. The pension account is maintained in accordance with the group annuity contract between the plan sponsor and Massachusetts Mutual. Assets are assigned to the General Investment Account for the insurance company where investments are comprised mainly of bonds and mortgages. For valuation purposes, the unadjusted value of the pension account assigned by the insurance company is used.

For assets held in separate investment accounts, the Actuarial Value of Assets is equal to the average market value of assets, with phase-in, as defined in 1.412 (c) (2)-1(b)(7) of the regulations under Section 412 of the Internal Revenue Code. The averaging period is five years. The average market value is adjusted to be no greater than 120 percent and no less than 80 percent of the market value of assets.

Six-Year Trend Information

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

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

2. Power Contract

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

3. **Risk Management**

The Benton County Electric System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the system purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

4. **Post-Employment Health Benefits**

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,399,513	\$ 2,838,707	\$ 2,403,188	\$ (3,675)
Licenses and Permits	7,875	4,185	4,185	3,690
Fines, Forfeitures, and Penalties	158,011	88,905	92,549	65,462
Charges for Current Services	781,713	623,000	623,500	158,213
Other Local Revenues	428,464	259,100	270,992	157,472
Fees Received from County Officials	796,169	678,500	678,500	117,669
State of Tennessee	1,801,250	1,623,625	2,014,414	(213,164)
Federal Government	18,123	130,000	130,000	(111,877)
Other Governments and Citizens Groups	52,761	67,650	69,260	(16,499)
Total Revenues	\$ 6,443,879	\$ 6,313,672	\$ 6,286,588	\$ 157,291
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 39,651	\$ 38,250	\$ 41,250	\$ 1,599
Board of Equalization	2,100	2,100	2,100	0
Beer Board	575	500	575	0
County Mayor/Executive	217,692	208,950	226,078	8,386
County Attorney	13,668	7,000	13,993	325
Election Commission	129,063	135,659	153,909	24,846
Register of Deeds	114,791	116,428	117,694	2,903
County Buildings	320,568	314,669	336,380	15,812
<u>Finance</u>				
Property Assessor's Office	136,608	142,795	142,795	6,187
Reappraisal Program	17,101	20,044	20,044	2,943
County Trustee's Office	140,230	146,021	146,313	6,083
County Clerk's Office	160,972	153,268	167,204	6,232
<u>Administration of Justice</u>				
Circuit Court	189,144	193,383	194,184	5,040
General Sessions Judge	95,655	100,309	100,309	4,654
Drug Court	16,630	0	29,360	12,730
Chancery Court	114,576	115,886	116,506	1,930
Juvenile Court	38,751	39,285	42,055	3,304
<u>Public Safety</u>				
Sheriff's Department	1,054,987	1,006,241	1,131,629	76,642
Jail	733,978	614,031	765,685	31,707
Juvenile Services	146,404	123,489	152,085	5,681
Fire Prevention and Control	2,000	2,000	2,000	0
Rural Fire Protection	122,346	122,346	122,346	0
Rescue Squad	10,000	10,000	10,000	0
Other Emergency Management	153,090	362,027	315,827	162,737
Inspection and Regulation	1,000	2,000	2,000	1,000
County Coroner/Medical Examiner	19,949	14,500	23,950	4,001

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 38,168	\$ 42,487	\$ 43,187	\$ 5,019
Rabies and Animal Control	39,376	40,228	41,298	1,922
Ambulance/Emergency Medical Services	440,000	385,000	440,000	0
Alcohol and Drug Programs	1,602	9,744	10,914	9,312
Crippled Children Services	900	900	900	0
Appropriation to State	15,506	15,506	15,506	0
Sanitation Management	41,117	41,042	42,842	1,725
Sanitation Education/Information	31,207	33,070	33,070	1,863
Other Public Health and Welfare	137	600	600	463
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	109,386	130,883	134,568	25,182
Parks and Fair Boards	75,335	52,000	83,500	8,165
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	37,643	47,197	48,947	11,304
Soil Conservation	21,775	21,775	21,775	0
<u>Other Operations</u>				
Tourism	50,183	163,786	163,786	113,603
Airport	289,351	272,906	314,217	24,866
Veterans' Services	10,175	10,165	10,245	70
Other Charges	162,970	131,715	184,665	21,695
Contributions to Other Agencies	112,188	113,189	113,189	1,001
Employee Benefits	748,209	778,000	778,000	29,791
<u>Principal on Debt</u>				
General Government	26,491	0	26,491	0
<u>Interest on Debt</u>				
General Government	5,714	0	1,047	(4,667)
Total Expenditures	\$ 6,248,962	\$ 6,281,374	\$ 6,885,018	\$ 636,056
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 194,917	\$ 32,298	\$ (598,430)	\$ 793,347
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 11,892	\$ 2,000	\$ 10,726	\$ 1,166
Transfers In	118,869	0	112,861	6,008
Transfers Out	(253,087)	(245,000)	(245,000)	(8,087)
Total Other Financing Sources (Uses)	\$ (122,326)	\$ (243,000)	\$ (121,413)	\$ (913)
Net Change in Fund Balance	\$ 72,591	\$ (210,702)	\$ (719,843)	\$ 792,434
Fund Balance, July 1, 2006	1,223,646	978,150	978,150	245,496
Fund Balance, June 30, 2007	\$ 1,296,237	\$ 767,448	\$ 258,307	\$ 1,037,930

Exhibit F-2

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 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	\$ 362,127	\$ 0	\$ 362,127	\$ 359,055	\$ 342,720	\$ 19,407
Other Local Revenues	10,950	0	10,950	10,000	10,050	900
State of Tennessee	1,872,839	0	1,872,839	1,862,501	1,990,514	(117,675)
Total Revenues	\$ 2,245,916	\$ 0	\$ 2,245,916	\$ 2,231,556	\$ 2,343,284	\$ (97,368)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 135,883	\$ 0	\$ 135,883	\$ 144,369	\$ 147,769	\$ 11,886
Highway and Bridge Maintenance	1,101,468	0	1,101,468	1,473,915	1,545,720	444,252
Operation and Maintenance of Equipment	227,893	0	227,893	306,822	306,822	78,929
Other Charges	22,720	0	22,720	117,800	117,830	95,110
Employee Benefits	259,622	0	259,622	318,888	322,181	62,559
Capital Outlay	317,635	(41,687)	275,948	410,000	700,762	424,814
Total Expenditures	\$ 2,065,221	\$ (41,687)	\$ 2,023,534	\$ 2,771,794	\$ 3,141,084	\$ 1,117,550
Excess (Deficiency) of Revenues Over Expenditures	\$ 180,695	\$ 41,687	\$ 222,382	\$ (540,238)	\$ (797,800)	\$ 1,020,182
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 3,293	\$ 0	\$ 3,293	\$ 0	\$ 3,293	\$ 0
Transfers In	17,205	0	17,205	0	16,335	870
Total Other Financing Sources (Uses)	\$ 20,498	\$ 0	\$ 20,498	\$ 0	\$ 19,628	\$ 870
Net Change in Fund Balance	\$ 201,193	\$ 41,687	\$ 242,880	\$ (540,238)	\$ (778,172)	\$ 1,021,052
Fund Balance, July 1, 2006	883,013	(41,687)	841,326	856,818	856,818	(15,492)
Fund Balance, June 30, 2007	\$ 1,084,206	\$ 0	\$ 1,084,206	\$ 316,580	\$ 78,646	\$ 1,005,560

Exhibit F-3

Benton 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	\$ 8,196	\$ 8,679	483	94.44 %	\$ 5,222	9.25 %
6-30-03	6,939	7,459	520	93.03	5,081	10.23
6-30-01	5,954	6,482	528	91.85	4,027	13.11

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

General Fund expenditures exceeded appropriations approved by the County Commission in the Interest on Debt – General Government (\$4,667) and the Transfers Out (\$8,087) major appropriation categories (the legal level of control). Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

C. SPECIAL PURPOSE FUND WAS NOT BUDGETED

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects Funds

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

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

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund was used during the current year to account for note proceeds used to construct and equip a central dispatch center. Funds remaining from the prior year are for the maintenance of a water storage tank.

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

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

Exhibit G-1

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

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>	
	<u>Drug Control</u>	<u>Constitu- tional Officers - Fees</u>	<u>Total</u>	<u>Community Development/ Industrial Park</u>	<u>HUD Grant Projects</u>	<u>Highway Capital Projects</u>		<u>Total</u>
<u>ASSETS</u>								
Cash	\$ 0	\$ 1,461	\$ 1,461	\$ 0	\$ 0	\$ 0	\$ 0	1,461
Equity in Pooled Cash and Investments	10,550	0	10,550	7,531	54	4,619	12,204	22,754
Total Assets	\$ 10,550	\$ 1,461	\$ 12,011	\$ 7,531	\$ 54	\$ 4,619	\$ 12,204	\$ 24,215
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Due to Other Funds	\$ 0	\$ 1,461	\$ 1,461	\$ 0	\$ 0	\$ 0	\$ 0	1,461
Total Liabilities	\$ 0	\$ 1,461	\$ 1,461	\$ 0	\$ 0	\$ 0	\$ 0	1,461
<u>Fund Balances</u>								
Reserved for Other General Purposes	\$ 0	\$ 0	\$ 0	\$ 7,531	\$ 0	\$ 0	\$ 7,531	7,531
Unreserved	10,550	0	10,550	0	54	4,619	4,673	15,223
Total Fund Balances	\$ 10,550	\$ 0	\$ 10,550	\$ 7,531	\$ 54	\$ 4,619	\$ 12,204	\$ 22,754
Total Liabilities and Fund Balances	\$ 10,550	\$ 1,461	\$ 12,011	\$ 7,531	\$ 54	\$ 4,619	\$ 12,204	\$ 24,215

Exhibit G-2

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

	Special Revenue Fund Drug Control	Capital Projects Funds					Total Nonmajor Governmental Funds
		General Capital Projects	Community Development/ Industrial Park	HUD Grant Projects	Highway Capital Projects	Total	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 13,120	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,120
Charges for Current Services	3,000	0	0	0	0	0	3,000
Other Local Revenues	8,735	0	0	0	0	0	8,735
State of Tennessee	7,137	8,350	0	0	0	8,350	15,487
Total Revenues	<u>\$ 31,992</u>	<u>\$ 8,350</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,350</u>	<u>\$ 40,342</u>
<u>Expenditures</u>							
Current:							
Public Safety	\$ 53,721	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,721
Highways	0	0	0	0	7,603	7,603	7,603
Debt Service:							
Other Debt Service	0	6,830	0	0	0	6,830	6,830
Capital Projects	0	214,230	260,600	0	0	474,830	474,830
Total Expenditures	<u>\$ 53,721</u>	<u>\$ 221,060</u>	<u>\$ 260,600</u>	<u>\$ 0</u>	<u>\$ 7,603</u>	<u>\$ 489,263</u>	<u>\$ 542,984</u>
Excess (Deficiency) of Revenues Over Expenditures							
	<u>\$ (21,729)</u>	<u>\$ (212,710)</u>	<u>\$ (260,600)</u>	<u>\$ 0</u>	<u>\$ (7,603)</u>	<u>\$ (480,913)</u>	<u>\$ (502,642)</u>
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 260,600	\$ 0	\$ 0	\$ 260,600	\$ 260,600
Other Loans Issued	0	204,000	0	0	0	204,000	204,000
Transfers In	0	0	0	0	5,000	5,000	5,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 204,000</u>	<u>\$ 260,600</u>	<u>\$ 0</u>	<u>\$ 5,000</u>	<u>\$ 469,600</u>	<u>\$ 469,600</u>
Net Change in Fund Balances							
	<u>\$ (21,729)</u>	<u>\$ (8,710)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,603)</u>	<u>\$ (11,313)</u>	<u>\$ (33,042)</u>
Fund Balance, July 1, 2006	32,279	8,710	7,531	54	7,222	23,517	55,796
Fund Balance, June 30, 2007	<u>\$ 10,550</u>	<u>\$ 0</u>	<u>\$ 7,531</u>	<u>\$ 54</u>	<u>\$ 4,619</u>	<u>\$ 12,204</u>	<u>\$ 22,754</u>

Exhibit G-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 13,120	\$ 42,000	\$ 52,788	\$ (39,668)
Charges for Current Services	3,000	0	3,000	0
Other Local Revenues	8,735	300	8,985	(250)
State of Tennessee	7,137	0	7,137	0
Total Revenues	<u>\$ 31,992</u>	<u>\$ 42,300</u>	<u>\$ 71,910</u>	<u>\$ (39,918)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 53,721	\$ 71,200	\$ 100,810	\$ 47,089
Total Expenditures	<u>\$ 53,721</u>	<u>\$ 71,200</u>	<u>\$ 100,810</u>	<u>\$ 47,089</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,729)	\$ (28,900)	\$ (28,900)	\$ 7,171
Net Change in Fund Balance	\$ (21,729)	\$ (28,900)	\$ (28,900)	\$ 7,171
Fund Balance, July 1, 2006	32,279	30,276	30,276	2,003
Fund Balance, June 30, 2007	<u>\$ 10,550</u>	<u>\$ 1,376</u>	<u>\$ 1,376</u>	<u>\$ 9,174</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 253,946	\$ 272,351	\$ 252,851	\$ 1,095
Other Local Revenues	81,055	76,315	81,055	0
Other Governments and Citizens Groups	629,584	67,614	292,173	337,411
Total Revenues	<u>\$ 964,585</u>	<u>\$ 416,280</u>	<u>\$ 626,079</u>	<u>\$ 338,506</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 353,728	\$ 357,667	\$ 353,967	\$ 239
Education	473,600	460,000	473,600	0
<u>Interest on Debt</u>				
General Government	59,008	57,757	61,457	2,449
Education	352,055	352,055	352,056	1
<u>Other Debt Service</u>				
General Government	7,702	8,000	8,000	298
Education	1,015	3,000	3,065	2,050
Total Expenditures	<u>\$ 1,247,108</u>	<u>\$ 1,238,479</u>	<u>\$ 1,252,145</u>	<u>\$ 5,037</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (282,523)</u>	<u>\$ (822,199)</u>	<u>\$ (626,066)</u>	<u>\$ 343,543</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 91,558	\$ 580,000	\$ 374,941	\$ (283,383)
Total Other Financing Sources (Uses)	<u>\$ 91,558</u>	<u>\$ 580,000</u>	<u>\$ 374,941</u>	<u>\$ (283,383)</u>
Net Change in Fund Balance	\$ (190,965)	\$ (242,199)	\$ (251,125)	\$ 60,160
Fund Balance, July 1, 2006	<u>1,680,479</u>	<u>1,545,982</u>	<u>1,545,982</u>	<u>134,497</u>
Fund Balance, June 30, 2007	<u>\$ 1,489,514</u>	<u>\$ 1,303,783</u>	<u>\$ 1,294,857</u>	<u>\$ 194,657</u>

Fiduciary Funds

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

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

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

Exhibit I-1

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

	<u>Agency Funds</u>		
	<u>Cities -</u>	<u>Constitutional</u>	
	Sales	Officers -	
	Tax	Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 844,175	\$ 844,175
Equity in Pooled Cash and Investments	35,237	0	35,237
Due from Other Governments	238,868	0	238,868
Total Assets	<u>\$ 274,105</u>	<u>\$ 844,175</u>	<u>\$ 1,118,280</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 274,105	\$ 0	\$ 274,105
Due to Litigants, Heirs, and Others	0	844,175	844,175
Total Liabilities	<u>\$ 274,105</u>	<u>\$ 844,175</u>	<u>\$ 1,118,280</u>

Exhibit I-2

Benton 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	\$ 1,399,543	\$ 1,364,306	\$ 35,237
Due from Other Governments	236,743	238,868	236,743	238,868
Total Assets	\$ 236,743	\$ 1,638,411	\$ 1,601,049	\$ 274,105
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 236,743	\$ 1,638,411	\$ 1,601,049	\$ 274,105
Total Liabilities	\$ 236,743	\$ 1,638,411	\$ 1,601,049	\$ 274,105
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 814,803	\$ 3,262,789	\$ 3,233,417	\$ 844,175
Total Assets	\$ 814,803	\$ 3,262,789	\$ 3,233,417	\$ 844,175
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 814,803	\$ 3,262,789	\$ 3,233,417	\$ 844,175
Total Liabilities	\$ 814,803	\$ 3,262,789	\$ 3,233,417	\$ 844,175
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,399,543	\$ 1,364,306	\$ 35,237
Cash	814,803	3,262,789	3,233,417	844,175
Due from Other Governments	236,743	238,868	236,743	238,868
Total Assets	\$ 1,051,546	\$ 4,901,200	\$ 4,834,466	\$ 1,118,280
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 236,743	\$ 1,638,411	\$ 1,601,049	\$ 274,105
Due to Litigants, Heirs, and Others	814,803	3,262,789	3,233,417	844,175
Total Liabilities	\$ 1,051,546	\$ 4,901,200	\$ 4,834,466	\$ 1,118,280

Benton County School Department

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

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

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

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

Exhibit J-1

Benton County, Tennessee
Statement of Activities
Discretely Presented Benton County School Department
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 11,504,745	\$ 23,310	\$ 1,211,496	\$ 197,170	\$ (10,072,769)
Support Services	5,493,626	34,309	71,422	0	(5,387,895)
Operation of Non-Instructional Services	1,141,866	0	962,167	0	(179,699)
Interest on Long-term Debt	15,192	0	0	0	(15,192)
Other Debt Service	383,642	0	0	0	(383,642)
Total Governmental Activities	\$ 18,539,071	\$ 57,619	\$ 2,245,085	\$ 197,170	\$ (16,039,197)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,712,151
Local Option Sales Taxes					1,759,615
Other Local Taxes					2,738
Grants and Contributions Not Restricted to Specific Programs					11,303,229
Miscellaneous					53,145
Total General Revenues					\$ 16,830,878
Change in Net Assets					\$ 791,681
Net Assets, July 1, 2006					14,091,160
Net Assets, June 30, 2007					\$ 14,882,841

Exhibit J-2

Benton County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Benton County School Department
June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,402,566	\$ 47,281	\$ 1,449,847
Due from Other Governments	602,469	9,887	612,356
Property Taxes Receivable	3,723,410	0	3,723,410
Allowance for Uncollectible Property Taxes	(110,174)	0	(110,174)
Total Assets	\$ 5,618,271	\$ 57,168	\$ 5,675,439
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 196,748	\$ 1,848	\$ 198,596
Contracts Payable	102,209	0	102,209
Retainage Payable	14,486	0	14,486
Due to Primary Government	57,657	0	57,657
Deferred Revenue - Current Property Taxes	3,459,818	0	3,459,818
Deferred Revenue - Delinquent Property Taxes	151,566	0	151,566
Other Deferred Revenues	132,000	0	132,000
Total Liabilities	\$ 4,114,484	\$ 1,848	\$ 4,116,332
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 268	\$ 0	\$ 268
Reserved for Career Ladder Program	1,877	0	1,877
Reserved for Title I Grants to Local Education Agencies	0	16,108	16,108
Reserved for Innovative Education Program Strategies	0	3,385	3,385
Reserved for Special Education - Grants to States	0	22,489	22,489
Other Federal Reserves	0	31	31
Unreserved, Reported In:			
General Fund	1,501,642	0	1,501,642
Capital Projects Fund	0	13,307	13,307
Total Fund Balances	\$ 1,503,787	\$ 55,320	\$ 1,559,107
Total Liabilities and Fund Balances	\$ 5,618,271	\$ 57,168	\$ 5,675,439

Exhibit J-3

Benton County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Benton County School Department
June 30, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	1,559,107
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	474,060	
Add: buildings and improvements net of accumulated depreciation		12,626,881	
Add: other capital assets net of accumulated depreciation		<u>322,646</u>	13,423,587
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			283,566
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(150,000)	
Less: capital lease payable		(229,669)	
Less: accrued interest on notes		<u>(3,750)</u>	<u>(383,419)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 14,882,841</u>

Exhibit J-4

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	
<u>Revenues</u>			
Local Taxes	\$ 5,413,919	\$ 0	\$ 5,413,919
Licenses and Permits	1,866	0	1,866
Charges for Current Services	57,619	0	57,619
Other Local Revenues	53,145	0	53,145
State of Tennessee	10,618,205	0	10,618,205
Federal Government	1,000,253	1,546,766	2,547,019
Other Governments and Citizens Groups	515,526	0	515,526
Total Revenues	<u>\$ 17,660,533</u>	<u>\$ 1,546,766</u>	<u>\$ 19,207,299</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,929,122	\$ 1,216,883	\$ 11,146,005
Support Services	5,141,171	279,421	5,420,592
Operation of Non-Instructional Services	1,080,780	0	1,080,780
Capital Outlay	957,938	0	957,938
Debt Service:			
Principal on Debt	32,662	0	32,662
Interest on Debt	11,442	0	11,442
Other Debt Service	383,642	0	383,642
Total Expenditures	<u>\$ 17,536,757</u>	<u>\$ 1,496,304</u>	<u>\$ 19,033,061</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 123,776</u>	<u>\$ 50,462</u>	<u>\$ 174,238</u>
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 150,000	\$ 0	\$ 150,000
Insurance Recovery	5,112	0	5,112
Transfers In	26,768	0	26,768
Transfers Out	0	(26,768)	(26,768)
Total Other Financing Sources (Uses)	<u>\$ 181,880</u>	<u>\$ (26,768)</u>	<u>\$ 155,112</u>
Net Change in Fund Balances	\$ 305,656	\$ 23,694	\$ 329,350
Fund Balance, July 1, 2006	1,198,131	31,626	1,229,757
Fund Balance, June 30, 2007	<u>\$ 1,503,787</u>	<u>\$ 55,320</u>	<u>\$ 1,559,107</u>

Exhibit J-5

Benton County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Benton County School Department
For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ 329,350
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,076,000	
Less: current year depreciation expense	<u>(554,154)</u>	521,846
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 283,566	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(221,993)</u>	61,573
(3) The issuance of long-term debt (e.g. notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Less: note proceeds	\$ (150,000)	
Add: principal payments on capital lease	<u>32,662</u>	(117,338)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable		<u>(3,750)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 791,681</u>

Exhibit J-6

Benton County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Benton County School Department
June 30, 2007

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 33,974	\$ 13,307	\$ 47,281
Due from Other Governments	9,887	0	9,887
Total Assets	<u>\$ 43,861</u>	<u>\$ 13,307</u>	<u>\$ 57,168</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,848	\$ 0	\$ 1,848
Total Liabilities	<u>\$ 1,848</u>	<u>\$ 0</u>	<u>\$ 1,848</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 16,108	\$ 0	\$ 16,108
Reserved for Innovative Education Program Strategies	3,385	0	3,385
Reserved for Special Education - Grants to States	22,489	0	22,489
Other Federal Reserves	31	0	31
Unreserved	0	13,307	13,307
Total Fund Balances	<u>\$ 42,013</u>	<u>\$ 13,307</u>	<u>\$ 55,320</u>
Total Liabilities and Fund Balances	<u>\$ 43,861</u>	<u>\$ 13,307</u>	<u>\$ 57,168</u>

Exhibit J-7

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

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<u>Revenues</u>			
Federal Government	\$ 1,546,766	\$ 0	\$ 1,546,766
Total Revenues	<u>\$ 1,546,766</u>	<u>\$ 0</u>	<u>\$ 1,546,766</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,216,883	\$ 0	\$ 1,216,883
Support Services	279,421	0	279,421
Total Expenditures	<u>\$ 1,496,304</u>	<u>\$ 0</u>	<u>\$ 1,496,304</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 50,462</u>	<u>\$ 0</u>	<u>\$ 50,462</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (26,768)	\$ 0	\$ (26,768)
Total Other Financing Sources (Uses)	<u>\$ (26,768)</u>	<u>\$ 0</u>	<u>\$ (26,768)</u>
Net Change in Fund Balances	\$ 23,694	\$ 0	\$ 23,694
Fund Balance, July 1, 2006	18,319	13,307	31,626
Fund Balance, June 30, 2007	<u>\$ 42,013</u>	<u>\$ 13,307</u>	<u>\$ 55,320</u>

Exhibit J-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,413,919	\$ 5,046,916	\$ 5,046,916	\$ 367,003
Licenses and Permits	1,866	2,077	2,077	(211)
Charges for Current Services	57,619	50,000	61,000	(3,381)
Other Local Revenues	53,145	178,400	52,640	505
State of Tennessee	10,618,205	10,379,878	10,652,549	(34,344)
Federal Government	1,000,253	988,104	1,019,457	(19,204)
Other Governments and Citizens Groups	515,526	0	382,670	132,856
Total Revenues	\$ 17,660,533	\$ 16,645,375	\$ 17,217,309	\$ 443,224
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 8,132,014	\$ 8,023,382	\$ 8,206,474	\$ 74,460
Special Education Program	1,003,023	1,014,999	1,018,239	15,216
Vocational Education Program	626,687	620,250	629,455	2,768
Adult Education Program	156,898	151,214	163,970	7,072
Other	10,500	0	10,500	0
<u>Support Services</u>				
Attendance	74,071	74,414	74,976	905
Health Services	39,549	40,682	40,682	1,133
Other Student Support	322,205	323,245	324,857	2,652
Regular Instruction Program	464,475	493,569	495,794	31,319
Special Education Program	87,788	85,815	88,433	645
Vocational Education Program	125,829	126,171	126,464	635
Adult Programs	77,758	76,634	79,739	1,981
Board of Education	361,599	424,034	424,034	62,435
Director of Schools	113,284	119,369	119,956	6,672
Office of the Principal	790,140	792,326	798,067	7,927
Fiscal Services	127,908	127,456	128,144	236
Operation of Plant	1,159,803	1,135,463	1,166,811	7,008
Maintenance of Plant	491,425	475,547	496,450	5,025
Transportation	823,218	813,482	826,237	3,019
Central and Other	82,119	84,255	84,632	2,513
<u>Operation of Non-Instructional Services</u>				
Food Service	973,702	961,526	974,352	650
Community Services	2,500	2,500	2,500	0
Early Childhood Education	104,578	0	104,861	283
<u>Capital Outlay</u>				
Regular Capital Outlay	957,938	339,937	960,337	2,399
<u>Principal on Debt</u>				
Education	32,662	32,663	32,663	1
<u>Interest on Debt</u>				
Education	11,442	11,442	11,442	0

(Continued)

Exhibit J-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Other Debt Service</u>				
Education	\$ 383,642	\$ 0	\$ 367,614	\$ (16,028)
Total Expenditures	<u>\$ 17,536,757</u>	<u>\$ 16,350,375</u>	<u>\$ 17,757,683</u>	<u>\$ 220,926</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 123,776	\$ 295,000	\$ (540,374)	\$ 664,150
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 150,000	\$ 0	\$ 150,000	\$ 0
Insurance Recovery	5,112	0	5,112	0
Transfers In	26,768	5,000	31,768	(5,000)
Transfers Out	0	(300,000)	0	0
Total Other Financing Sources (Uses)	<u>\$ 181,880</u>	<u>\$ (295,000)</u>	<u>\$ 186,880</u>	<u>\$ (5,000)</u>
Net Change in Fund Balance	\$ 305,656	\$ 0	\$ (353,494)	\$ 659,150
Fund Balance, July 1, 2006	<u>1,198,131</u>	<u>1,660,659</u>	<u>1,660,659</u>	<u>(462,528)</u>
Fund Balance, June 30, 2007	<u>\$ 1,503,787</u>	<u>\$ 1,660,659</u>	<u>\$ 1,307,165</u>	<u>\$ 196,622</u>

Exhibit J-9

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,546,766	\$ 1,520,608	\$ 1,686,981	\$ (140,215)
Total Revenues	\$ 1,546,766	\$ 1,520,608	\$ 1,686,981	\$ (140,215)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 678,265	\$ 645,084	\$ 715,303	\$ 37,038
Special Education Program	500,588	495,175	573,542	72,954
Vocational Education Program	38,030	40,802	41,451	3,421
<u>Support Services</u>				
Health Services	14,658	14,674	14,674	16
Other Student Support	117,779	136,169	136,269	18,490
Regular Instruction Program	75,831	82,804	85,804	9,973
Special Education Program	67,530	71,515	77,681	10,151
Vocational Education Program	3,623	5,200	4,623	1,000
Total Expenditures	\$ 1,496,304	\$ 1,491,423	\$ 1,649,347	\$ 153,043
Excess (Deficiency) of Revenues Over Expenditures	\$ 50,462	\$ 29,185	\$ 37,634	\$ 12,828
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 14,677	\$ 0	\$ 0
Transfers Out	(26,768)	(43,862)	(55,953)	29,185
Total Other Financing Sources (Uses)	\$ (26,768)	\$ (29,185)	\$ (55,953)	\$ 29,185
Net Change in Fund Balance	\$ 23,694	\$ 0	\$ (18,319)	\$ 42,013
Fund Balance, July 1, 2006	18,319	18,319	18,319	0
Fund Balance, June 30, 2007	\$ 42,013	\$ 18,319	\$ 0	\$ 42,013

MISCELLANEOUS SCHEDULES

Exhibit K-1

Benton County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
Primary Government and Discretely Presented Benton County School Department
For the Year Ended June 30, 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>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Vocational Rehabilitation Center	\$ 725,000	5.1	12-30-1999	12-1-11	\$ 418,000	\$ 0	\$ 61,000	\$ 357,000
Recreational Facilities	300,000	2.94	12-30-04	12-1-07	203,000	0	100,000	103,000
Runway Extension	350,000	3.41	8-9-05	8-9-08	350,000	0	112,728	237,272
Central Dispatch Building and Equipment	260,600	4.3	9-1-06	8-29-09	0	260,600	0	260,600
Runway Extension	450,000	4.3	9-1-06	8-29-09	0	450,000	0	450,000
Total Notes Payable					<u>\$ 971,000</u>	<u>\$ 710,600</u>	<u>\$ 273,728</u>	<u>\$ 1,407,872</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Renovation	1,100,000	Variable	1-8-1997	5-25-12	\$ 547,000	\$ 0	\$ 80,000	\$ 467,000
Qualified Zone Academy Bonds County Career and Technical Center	204,000	0	7-7-06	12-28-20	0	204,000	13,600	190,400
Total Other Loans Payable					<u>\$ 547,000</u>	<u>\$ 204,000</u>	<u>\$ 93,600</u>	<u>\$ 657,400</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff Patrol Cars	79,514	3.95	4-8-05	3-23-07	\$ 26,491	\$ 0	\$ 26,491	\$ 0
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Bonds Series 1996	8,000,000	4.55 to 5.5	12-1-1996	6-1-09	\$ 800,000	\$ 0	\$ 255,000	\$ 545,000
School Bonds Series 1998	3,600,000	4.35 to 4.875	5-1-1998	6-1-09	380,000	0	120,000	260,000
School Bonds Series 2003 Refunding	9,020,000	3.5	6-12-03	12-1-21	8,775,000	0	85,000	8,690,000
Total Bonds Payable					<u>\$ 9,955,000</u>	<u>\$ 0</u>	<u>\$ 460,000</u>	<u>\$ 9,495,000</u>

(Continued)

Exhibit K-1

Benton County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
Primary Government and Discretely Presented Benton County School Department (Cont.)

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>DISCRETELY PRESENTED BENTON COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Land	\$ 150,000	6 %	1-16-07	7-1-12	\$ 0	\$ 150,000	\$ 0	\$ 150,000
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Energy Efficient Lighting Equipment	352,035	4.5	7-23-03	7-1-13	\$ 262,331	\$ 0	\$ 32,662	\$ 229,669

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 485,000	\$ 331,203	\$ 816,203
2009	500,000	309,145	809,145
2010	525,000	288,663	813,663
2011	545,000	269,938	814,938
2012	565,000	250,513	815,513
2013	585,000	230,388	815,388
2014	605,000	209,563	814,563
2015	625,000	188,038	813,038
2016	645,000	165,813	810,813
2017	675,000	142,713	817,713
2018	695,000	118,738	813,738
2019	725,000	93,888	818,888
2020	745,000	68,163	813,163
2021	775,000	41,563	816,563
2022	800,000	14,000	814,000
Total	\$ 9,495,000	\$ 2,722,329	\$ 12,217,329

Exhibit K-3

Benton County, Tennessee

Schedule of Transfers

Primary Government and Discretely Presented Benton County School Department

For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Public Library	Operations	\$ 178,000
General	General Debt Service	Retirement of debt	70,087
General	Highway Capital Projects	E-911 road signs	5,000
Other Capital Projects	General Debt Service	Unexpended debt proceeds	1,138
Public Utility	General	Payments in-lieu-of taxes	118,869
Public Utility	Highway/Public Works	Payments in-lieu-of taxes	17,205
Public Utility	General Debt Service	Payments in-lieu-of taxes	<u>20,333</u>
Total Transfers Primary Government			<u>\$ 410,632</u>
<u>Discretely Presented Benton County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 26,768</u>

Exhibit K-4

Benton County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Benton County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Jimmy Thornton (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	\$ 10,023	\$ 25,000	RLI Insurance Company
Jimmy Wiseman (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	50,116	50,000	"
Road Supervisor:				
Ray Douglas (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	9,546	100,000	"
Barry Carter (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	47,730	100,000	"
Director of Schools	State Board of Education and Benton County Board of Education	81,486	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,069	700,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,069	10,000	"
County Clerk:				
Roseanne Ward (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	8,678	25,000	"
Wanda Malin (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	43,391	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,069	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	53,569 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	52,069	25,000	"
Sheriff:				
Cecil Wells (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	9,546	25,000	"
Tony King (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	47,730	25,000	"
Employee Blanket Bond:				
County Mayor and Road Supervisor:				
All Employees			150,000	Tennessee Risk Management Trust
Schools Employees' Blanket Bond			10,000	Western Surety Company

(1) Includes special commissioner fees of \$1,500.

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,377,172	\$ 0	\$ 0	\$ 199,328	\$ 235,581	\$ 0	\$ 0	\$ 1,812,081
Trustee's Collections - Prior Year	60,119	0	0	8,701	10,284	0	0	79,104
Circuit/Clerk & Master Collections - Prior Years	33,569	0	0	4,859	5,742	0	0	44,170
Interest and Penalty	12,837	0	0	1,840	2,266	0	0	16,943
Payments in-Lieu-of Taxes - T.V.A.	7,201	0	0	0	0	0	0	7,201
Payments in-Lieu-of Taxes - Other	527	0	0	76	73	0	0	676
<u>County Local Option Taxes</u>								
Local Option Sales Tax	389,373	0	0	0	0	0	0	389,373
Hotel/Motel Tax	40,916	0	0	0	0	0	0	40,916
Litigation Tax - General	67,348	0	0	0	0	0	0	67,348
Litigation Tax - Special Purpose	20,450	0	0	0	0	0	0	20,450
Litigation Tax - Jail, Workhouse, or Courthouse	22,688	0	0	0	0	0	0	22,688
Business Tax	93,243	0	0	0	0	0	0	93,243
Mineral Severance Tax	82,027	0	0	147,323	0	0	0	229,350
Other County Local Option Taxes	1,980	0	0	0	0	0	0	1,980
<u>Statutory Local Taxes</u>								
Bank Excise Tax	102,056	0	0	0	0	0	0	102,056
Wholesale Beer Tax	84,515	0	0	0	0	0	0	84,515
Beer Privilege Tax	1,473	0	0	0	0	0	0	1,473
Interstate Telecommunications Tax	2,019	0	0	0	0	0	0	2,019
Total Local Taxes	\$ 2,399,513	\$ 0	\$ 0	\$ 362,127	\$ 253,946	\$ 0	\$ 0	\$ 3,015,586
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 6,375	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,375
<u>Permits</u>								
Beer Permits	1,500	0	0	0	0	0	0	1,500
Total Licenses and Permits	\$ 7,875	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,875
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 8,221	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,221

(Continued)

Exhibit K-5

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

	Special Revenue Funds			Highway / Public Works	Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control		General Debt Service	General Capital Projects	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Officers Costs	\$ 5,136	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,136
Drug Control Fines	66	0	3,649	0	0	0	0	3,715
Drug Court Fees	1,028	0	0	0	0	0	0	1,028
Jail Fees	144	0	0	0	0	0	0	144
DUI Treatment Fines	312	0	0	0	0	0	0	312
Data Entry Fee - Circuit Court	720	0	0	0	0	0	0	720
Courtroom Security Fee	17	0	0	0	0	0	0	17
<u>General Sessions Court</u>								
Fines	29,934	0	0	0	0	0	0	29,934
Officers Costs	42,093	0	0	0	0	0	0	42,093
Game and Fish Fines	428	0	0	0	0	0	0	428
Drug Control Fines	1,611	0	5,626	0	0	0	0	7,237
Drug Court Fees	4,665	0	1,280	0	0	0	0	5,945
Jail Fees	1,289	0	0	0	0	0	0	1,289
DUI Treatment Fines	4,453	0	0	0	0	0	0	4,453
Data Entry Fee - General Sessions Court	5,494	0	0	0	0	0	0	5,494
Courtroom Security Fee	2	0	0	0	0	0	0	2
<u>Juvenile Court</u>								
Fines	2,387	0	0	0	0	0	0	2,387
<u>Chancery Court</u>								
Officers Costs	1,634	0	0	0	0	0	0	1,634
Data Entry Fee - Chancery Court	624	0	0	0	0	0	0	624
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	47,753	0	2,565	0	0	0	0	50,318
Total Fines, Forfeitures, and Penalties	\$ 158,011	\$ 0	\$ 13,120	\$ 0	\$ 0	\$ 0	\$ 0	\$ 171,131
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Convenience Waste Centers Collection Charge	\$ 60	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60
Surcharge - Host Agency	759,880	0	0	0	0	0	0	759,880
<u>Fees</u>								
Copy Fees	2,197	0	0	0	0	0	0	2,197

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Telephone Commissions	\$ 10,246	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,246
Vending Machine Collections	500	0	0	0	0	0	0	500
Data Processing Fee - Register	7,630	0	0	0	0	0	0	7,630
Sexual Offender Registration Fees - Sheriff	1,200	0	0	0	0	0	0	1,200
<u>Other Charges for Services</u>								
Other Charges for Services	0	0	3,000	0	0	0	0	3,000
Total Charges for Current Services	\$ 781,713	\$ 0	\$ 3,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 784,713
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 270,466	\$ 310,966	\$ 0	\$ 0	\$ 4,740	\$ 0	\$ 0	\$ 586,172
Lease/Rentals	21,845	0	0	0	76,315	0	0	98,160
Sale of Materials and Supplies	2,418	0	0	4,178	0	0	0	6,596
Commissary Sales	5,926	0	0	0	0	0	0	5,926
Sale of Gasoline	60,207	0	0	6,722	0	0	0	66,929
Sale of Recycled Materials	758	0	0	0	0	0	0	758
Miscellaneous Refunds	10,363	0	510	50	0	0	0	10,923
<u>Nonrecurring Items</u>								
Sale of Equipment	2,105	0	8,225	0	0	0	0	10,330
Sale of Property	43,693	0	0	0	0	0	0	43,693
Damages Recovered from Individuals	2,928	0	0	0	0	0	0	2,928
Contributions and Gifts	6,585	0	0	0	0	0	0	6,585
<u>Other Local Revenues</u>								
Other Local Revenues	1,170	0	0	0	0	0	0	1,170
Total Other Local Revenues	\$ 428,464	\$ 310,966	\$ 8,735	\$ 10,950	\$ 81,055	\$ 0	\$ 0	\$ 840,170
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 160,694	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 160,694
Circuit Court Clerk	31,363	0	0	0	0	0	0	31,363
General Sessions Court Clerk	148,339	0	0	0	0	0	0	148,339
Clerk and Master	76,292	0	0	0	0	0	0	76,292

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees-In-Lieu of Salary (Cont.)</u>								
Register	\$ 87,045	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 87,045
Sheriff	10,841	0	0	0	0	0	0	10,841
Trustee	281,595	0	0	0	0	0	0	281,595
Total Fees Received from County Officials	\$ 796,169	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 796,169
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 155,154	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,154
Airport Maintenance Program	1,990	0	0	0	0	0	4,253,742	4,255,732
Aging Programs	24,621	0	0	0	0	0	0	24,621
State Reappraisal Grant	10,022	0	0	0	0	0	0	10,022
Solid Waste Grants	7,285	0	0	0	0	0	0	7,285
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	14,899	0	0	0	0	0	0	14,899
<u>Health and Welfare Grants</u>								
Health Department Programs	3,734	0	0	0	0	0	0	3,734
Other Health and Welfare Grants	2,600	0	0	0	0	0	0	2,600
<u>Public Works Grants</u>								
State Aid Program	0	0	0	241,191	0	0	0	241,191
Litter Program	27,375	0	0	0	0	0	0	27,375
<u>Other State Revenues</u>								
Income Tax	22,386	0	0	0	0	0	0	22,386
Resort District Sales Tax	282,652	0	0	0	0	0	0	282,652
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	30,624	0	0	0	0	0	0	30,624
State Revenue Sharing - T.V.A.	998,088	0	0	50,000	0	0	0	1,048,088
Emergency Hospital - Prisoners	4,384	0	0	0	0	0	0	4,384
Prisoner Transportation	708	0	0	0	0	0	0	708
Contracted Prisoner Boarding	166,845	0	0	0	0	0	0	166,845
Gasoline and Motor Fuel Tax	0	0	0	1,568,345	0	0	0	1,568,345
Petroleum Special Tax	0	0	0	13,303	0	0	0	13,303
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds		Total
	General	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Other State Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,350	\$ 0	\$ 8,350
Other State Revenues	12,750	0	7,137	0	0	0	0	19,887
Total State of Tennessee	\$ 1,801,250	\$ 0	\$ 7,137	\$ 1,872,839	\$ 0	\$ 8,350	\$ 4,253,742	\$ 7,943,318
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 18,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,123
Total Federal Government	\$ 18,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,123
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 14,062	\$ 0	\$ 0	\$ 0	\$ 629,584	\$ 0	\$ 0	\$ 643,646
<u>Citizens Groups</u>								
Donations	37,949	0	0	0	0	0	0	37,949
<u>Other</u>								
Other	750	0	0	0	0	0	0	750
Total Other Governments and Citizens Groups	\$ 52,761	\$ 0	\$ 0	\$ 0	\$ 629,584	\$ 0	\$ 0	\$ 682,345
Total	\$ 6,443,879	\$ 310,966	\$ 31,992	\$ 2,245,916	\$ 964,585	\$ 8,350	\$ 4,253,742	\$ 14,259,430

Exhibit K-6

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

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 3,171,122	\$ 0	\$ 3,171,122
Trustee's Collections - Prior Year	138,432	0	138,432
Circuit/Clerk & Master Collections - Prior Years	77,297	0	77,297
Interest and Penalty	29,286	0	29,286
Payments in-Lieu-of Taxes - Local Utilities	273,712	0	273,712
Payments in-Lieu-of Taxes - Other	1,213	0	1,213
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,720,119	0	1,720,119
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	2,738	0	2,738
Total Local Taxes	\$ 5,413,919	\$ 0	\$ 5,413,919
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,463	\$ 0	\$ 1,463
<u>Permits</u>			
Other Permits	403	0	403
Total Licenses and Permits	\$ 1,866	\$ 0	\$ 1,866
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Summer School	\$ 2,310	\$ 0	\$ 2,310
Receipts from Individual Schools	34,309	0	34,309
<u>Other Charges for Services</u>			
Other Charges for Services	21,000	0	21,000
Total Charges for Current Services	\$ 57,619	\$ 0	\$ 57,619
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Miscellaneous Refunds	\$ 52,915	\$ 0	\$ 52,915
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	230	0	230
Total Other Local Revenues	\$ 53,145	\$ 0	\$ 53,145
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 10,034,300	\$ 0	\$ 10,034,300
Early Childhood Education	89,825	0	89,825
School Food Service	16,168	0	16,168
Other State Education Funds	111,588	0	111,588
Career Ladder Program	118,538	0	118,538
Career Ladder - Extended Contract	57,123	0	57,123
Other Vocational	200	0	200
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	150,000	0	150,000
Other State Revenues	40,463	0	40,463
Total State of Tennessee	\$ 10,618,205	\$ 0	\$ 10,618,205

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 540,201	\$ 0	\$ 540,201
Breakfast	343,918	0	343,918
Vocational Education - Basic Grants to States	0	59,599	59,599
Title I Grants to Local Education Agencies	0	631,214	631,214
Innovative Education Program Strategies	0	76,680	76,680
Special Education - Grants to States	0	582,500	582,500
Special Education Preschool Grants	0	19,971	19,971
Eisenhower Professional Development State Grants	0	153,667	153,667
Job Training Partnership Act	45,744	0	45,744
Other Federal through State	70,390	23,135	93,525
Total Federal Government	<u>\$ 1,000,253</u>	<u>\$ 1,546,766</u>	<u>\$ 2,547,019</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 515,526	\$ 0	\$ 515,526
Total Other Governments and Citizens Groups	<u>\$ 515,526</u>	<u>\$ 0</u>	<u>\$ 515,526</u>
Total	<u>\$ 17,660,533</u>	<u>\$ 1,546,766</u>	<u>\$ 19,207,299</u>

Exhibit K-7

Benton 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	\$	28,650	
In-Service Training		1,269	
Accounting Services		1,250	
Audit Services		3,873	
Travel		4,609	
Total County Commission			\$ 39,651

Board of Equalization

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

Beer Board

Board and Committee Members Fees	\$	575	
Total Beer Board			575

County Mayor/Executive

County Official/Administrative Officer	\$	60,139	
Accountants/Bookkeepers		23,526	
Salary Supplements		2,749	
Secretary(ies)		24,358	
Clerical Personnel		14,813	
Advertising		4,033	
Communication		7,520	
Data Processing Services		5,720	
Dues and Memberships		25,998	
Operating Lease Payments		3,151	
Maintenance and Repair Services - Office Equipment		1,711	
Postal Charges		18,716	
Printing, Stationery, and Forms		2,178	
Travel		1,368	
Data Processing Supplies		905	
Duplicating Supplies		593	
Office Supplies		1,377	
Judgments		10,000	
Premiums on Corporate Surety Bonds		497	
Other Charges		7,762	
Furniture and Fixtures		578	
Total County Mayor/Executive			217,692

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

Legal Services	\$ 13,668	
Total County Attorney		\$ 13,668

Election Commission

County Official/Administrative Officer	\$ 46,862	
Deputy(ies)	41,451	
Election Commission	2,800	
Election Workers	9,737	
In-Service Training	2,490	
Advertising	2,548	
Communication	2,426	
Data Processing Services	11,065	
Dues and Memberships	75	
Postal Charges	478	
Printing, Stationery, and Forms	2,995	
Travel	602	
Data Processing Supplies	207	
Duplicating Supplies	129	
Office Supplies	404	
Other Charges	1,890	
Office Equipment	1,383	
Other Equipment	1,521	
Total Election Commission		129,063

Register of Deeds

County Official/Administrative Officer	\$ 52,069	
Deputy(ies)	43,043	
Salary Supplements	300	
In-Service Training	165	
Communication	3,673	
Data Processing Services	8,206	
Dues and Memberships	115	
Maintenance and Repair Services - Office Equipment	950	
Printing, Stationery, and Forms	261	
Travel	831	
Data Processing Supplies	1,223	
Office Supplies	991	
Premiums on Corporate Surety Bonds	231	
Other Charges	2,733	
Total Register of Deeds		114,791

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Salary Supplements	\$	4,565	
Custodial Personnel		23,110	
Part-time Personnel		15,794	
Maintenance and Repair Services - Buildings		20,675	
Pest Control		1,899	
Custodial Supplies		5,305	
Electricity		57,011	
Natural Gas		13,743	
Water and Sewer		4,845	
Liability Insurance		164,700	
Other Charges		8,921	
Total County Buildings			\$ 320,568

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		22,693	
Salary Supplements		300	
Clerical Personnel		41,114	
Audit Services		8,120	
Communication		863	
Data Processing Services		8,337	
Dues and Memberships		1,173	
Printing, Stationery, and Forms		56	
Travel		700	
Office Supplies		404	
Other Charges		779	
Total Property Assessor's Office			136,608

Reappraisal Program

Data Processing Services	\$	3,083	
Other Contracted Services		13,388	
Other Charges		630	
Total Reappraisal Program			17,101

County Trustee's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		57,342	
Salary Supplements		800	
In-Service Training		400	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Advertising	\$	548	
Communication		1,638	
Data Processing Services		4,592	
Dues and Memberships		200	
Printing, Stationery, and Forms		272	
Travel		515	
Data Processing Supplies		464	
Office Supplies		478	
Premiums on Corporate Surety Bonds		7,242	
Other Charges		21	
Data Processing Equipment		13,649	
Total County Trustee's Office			\$ 140,230

County Clerk's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		86,148	
Salary Supplements		300	
In-Service Training		50	
Communication		2,748	
Data Processing Services		12,705	
Dues and Memberships		100	
Operating Lease Payments		2,322	
Printing, Stationery, and Forms		1,663	
Travel		696	
Data Processing Supplies		226	
Office Supplies		1,448	
Premiums on Corporate Surety Bonds		497	
Total County Clerk's Office			160,972

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		104,104	
Salary Supplements		800	
Board and Committee Members Fees		500	
Jury and Witness Fees		6,375	
In-Service Training		165	
Communication		3,180	
Data Processing Services		9,993	
Dues and Memberships		65	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Operating Lease Payments	\$	2,613	
Legal Notices, Recording, and Court Costs		123	
Maintenance and Repair Services - Office Equipment		1,028	
Printing, Stationery, and Forms		1,591	
Travel		1,530	
Data Processing Supplies		918	
Office Supplies		2,006	
Premiums on Corporate Surety Bonds		763	
Other Charges		824	
Furniture and Fixtures		497	
Total Circuit Court			\$ 189,144

General Sessions Judge

Judge(s)	\$	72,775	
Assistant(s)		17,591	
In-Service Training		190	
Communication		864	
Data Processing Services		564	
Dues and Memberships		102	
Printing, Stationery, and Forms		1,259	
Travel		806	
Office Supplies		527	
Other Charges		244	
Furniture and Fixtures		136	
Office Equipment		597	
Total General Sessions Judge			95,655

Drug Court

In-Service Training	\$	600	
Data Processing Services		24	
Evaluation and Testing		2,757	
Maintenance and Repair Services - Office Equipment		84	
Printing, Stationery, and Forms		125	
Travel		2,092	
Other Contracted Services		5,800	
Instructional Supplies and Materials		1,947	
Office Supplies		781	
Other Supplies and Materials		1,461	
Other Charges		959	
Total Drug Court			16,630

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		46,324	
Salary Supplements		1,000	
In-Service Training		465	
Communication		1,452	
Data Processing Services		4,702	
Dues and Memberships		65	
Printing, Stationery, and Forms		1,397	
Travel		1,030	
Data Processing Supplies		295	
Duplicating Supplies		451	
Office Supplies		1,413	
Premiums on Corporate Surety Bonds		650	
Other Charges		28	
Data Processing Equipment		3,090	
Office Equipment		145	
Total Chancery Court			\$ 114,576

Juvenile Court

Guidance Personnel	\$	26,485	
Salary Supplements		300	
Communication		1,964	
Data Processing Services		600	
Data Processing Supplies		326	
Office Supplies		319	
Other Charges		4,257	
Data Processing Equipment		4,500	
Total Juvenile Court			38,751

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,276	
Supervisor/Director		39,064	
Deputy(ies)		323,722	
Lieutenant(s)		34,715	
Sergeant(s)		127,070	
Accountants/Bookkeepers		19,328	
Paraprofessionals		5,945	
Salary Supplements		66,634	
Dispatchers/Radio Operators		81,556	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Temporary Personnel	\$	7,963	
Other Salaries and Wages		62,642	
In-Service Training		1,065	
Communication		17,522	
Contracts with Government Agencies		9,530	
Data Processing Services		11,613	
Dues and Memberships		1,478	
Operating Lease Payments		2,991	
Maintenance and Repair Services - Equipment		1,518	
Maintenance and Repair Services - Vehicles		32,579	
Matching Share		5,673	
Postal Charges		991	
Printing, Stationery, and Forms		980	
Tow-in Services		3,105	
Travel		3,052	
Tuition		2,000	
Data Processing Supplies		2,384	
Duplicating Supplies		980	
Gasoline		56,691	
Law Enforcement Supplies		3,264	
Office Supplies		1,153	
Tires and Tubes		5,981	
Uniforms		4,899	
Other Supplies and Materials		1,370	
Premiums on Corporate Surety Bonds		3,107	
Refunds		141	
Other Charges		1,983	
Communication Equipment		367	
Data Processing Equipment		7,796	
Law Enforcement Equipment		6,609	
Motor Vehicles		38,250	
Total Sheriff's Department			\$ 1,054,987

Jail

Supervisor/Director	\$	47,280
Lieutenant(s)		7,780
Sergeant(s)		40,993
Salary Supplements		31,854
Guards		257,596
Cafeteria Personnel		38,265

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Architects	\$	11,774	
Maintenance and Repair Services - Buildings		11,663	
Maintenance and Repair Services - Equipment		2,000	
Pest Control		505	
Printing, Stationery, and Forms		488	
Travel		200	
Custodial Supplies		7,262	
Drugs and Medical Supplies		32,182	
Duplicating Supplies		430	
Electricity		22,947	
Food Preparation Supplies		2,313	
Food Supplies		60,150	
Natural Gas		4,634	
Office Supplies		226	
Prisoners Clothing		120	
Uniforms		1,489	
Water and Sewer		7,160	
Other Supplies and Materials		6,507	
Medical Claims		135,776	
Administration Equipment		100	
Communication Equipment		140	
Food Service Equipment		1,995	
Law Enforcement Equipment		149	
Total Jail			\$ 733,978

Juvenile Services

Supervisor/Director	\$	8,160
Youth Service Officer(s)		27,268
Teachers		21,000
Social Workers		23,683
Salary Supplements		300
Clerical Personnel		21,684
Other Fringe Benefits		6,079
Communication		959
Postal Charges		240
Travel		2,717
Data Processing Supplies		561
Instructional Supplies and Materials		1,931
Refunds		28,596
Other Charges		1,572

(Continued)

Exhibit K-7

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Juvenile Services (Cont.)</u>		
Data Processing Equipment	\$ 1,654	
Total Juvenile Services		\$ 146,404
<u>Fire Prevention and Control</u>		
Contributions	\$ 2,000	
Total Fire Prevention and Control		2,000
<u>Rural Fire Protection</u>		
Contributions	\$ 122,346	
Total Rural Fire Protection		122,346
<u>Rescue Squad</u>		
Contributions	\$ 10,000	
Total Rescue Squad		10,000
<u>Other Emergency Management</u>		
Supervisor/Director	\$ 25,042	
Salary Supplements	4,564	
Dispatchers/Radio Operators	33,860	
Part-time Personnel	1,851	
In-Service Training	5,764	
Other Fringe Benefits	3,828	
Communication	5,181	
Data Processing Services	1,618	
Dues and Memberships	65	
Maintenance and Repair Services - Office Equipment	350	
Maintenance and Repair Services - Vehicles	1,115	
Printing, Stationery, and Forms	142	
Travel	2,078	
Data Processing Supplies	2,574	
Gasoline	1,721	
Office Supplies	1,880	
Tires and Tubes	230	
Uniforms	921	
Utilities	2,281	
Other Charges	2,948	
Communication Equipment	8,861	
Data Processing Equipment	2,042	
Other Equipment	44,174	
Total Other Emergency Management		153,090

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Inspection and Regulation

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

County Coroner/Medical Examiner

Other Per Diem and Fees	\$ 2,700	
Contracts with Government Agencies	17,249	
Total County Coroner/Medical Examiner		19,949

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 10,369	
Other Salaries and Wages	3,274	
Other Fringe Benefits	231	
Communication	2,287	
Dues and Memberships	100	
Operating Lease Payments	1,234	
Maintenance and Repair Services - Buildings	3,497	
Maintenance and Repair Services - Office Equipment	689	
Pest Control	432	
Postal Charges	882	
Travel	265	
Custodial Supplies	1,963	
Drugs and Medical Supplies	2,078	
Office Supplies	963	
Utilities	6,612	
Other Supplies and Materials	3,292	
Total Local Health Center		38,168

Rabies and Animal Control

Part-time Personnel	\$ 11,978	
Other Salaries and Wages	15,618	
Communication	758	
Maintenance and Repair Services - Vehicles	434	
Veterinary Services	2,846	
Animal Food and Supplies	1,872	
Custodial Supplies	696	
Gasoline	1,852	
Office Supplies	32	
Tires and Tubes	275	
Utilities	2,439	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Other Supplies and Materials	\$ 200	
Other Charges	376	
Total Rabies and Animal Control		\$ 39,376

Ambulance/Emergency Medical Services

Contributions	\$ 440,000	
Total Ambulance/Emergency Medical Services		440,000

Alcohol and Drug Programs

Contracts with Private Agencies	\$ 980	
Contributions	622	
Total Alcohol and Drug Programs		1,602

Crippled Children Services

Contributions	\$ 900	
Total Crippled Children Services		900

Appropriation to State

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

Sanitation Management

Salary Supplements	\$ 436	
Laborers	23,216	
Part-time Personnel	1,669	
Communication	504	
Other Contracted Services	9,946	
Gasoline	1,101	
Utilities	1,405	
Other Charges	1,340	
Maintenance Equipment	1,500	
Total Sanitation Management		41,117

Sanitation Education/Information

Laborers	\$ 21,351	
Maintenance and Repair Services - Vehicles	911	
Gasoline	2,600	
Instructional Supplies and Materials	2,760	
Tires and Tubes	183	
Other Supplies and Materials	2,152	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Other Charges	\$ 1,250	
Total Sanitation Education/Information		\$ 31,207

Other Public Health and Welfare

Drugs and Medical Supplies	\$ 137	
Total Other Public Health and Welfare		137

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 23,370	
Deputy(ies)	20,204	
Social Workers	5,935	
Other Salaries and Wages	22,152	
State Retirement	2,810	
Medical Insurance	3,085	
Other Fringe Benefits	4,964	
Communication	3,846	
Contracts with Other Public Agencies	4,215	
Operating Lease Payments	904	
Postal Charges	456	
Travel	5,997	
Custodial Supplies	868	
Food Supplies	1,110	
Office Supplies	643	
Other Charges	8,827	
Total Senior Citizens Assistance		109,386

Parks and Fair Boards

Maintenance and Repair Services - Equipment	\$ 299	
Other Contracted Services	6,084	
Custodial Supplies	872	
Electricity	10,129	
Gasoline	297	
Other Charges	5,550	
Food Service Equipment	460	
Maintenance Equipment	977	
Site Development	30,667	
Other Equipment	20,000	
Total Parks and Fair Boards		75,335

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	23,218	
Clerical Personnel		5,993	
Part-time Personnel		3,388	
Other Fringe Benefits		259	
Communication		2,046	
Maintenance and Repair Services - Buildings		1,764	
Maintenance and Repair Services - Office Equipment		341	
Travel		90	
Custodial Supplies		138	
Food Supplies		4	
Office Supplies		34	
Other Charges		368	
Total Agriculture Extension Service			\$ 37,643

Soil Conservation

Clerical Personnel	\$	20,935	
Contributions		840	
Total Soil Conservation			21,775

Other Operations

Tourism

Contributions	\$	50,183	
Total Tourism			50,183

Airport

Supervisor/Director	\$	26,056	
Salary Supplements		6,964	
In-Service Training		199	
Bank Charges		135	
Communication		1,519	
Maintenance Agreements		1,584	
Maintenance and Repair Services - Buildings		6,725	
Maintenance and Repair Services - Equipment		2,446	
Maintenance and Repair Services - Vehicles		682	
Travel		395	
Other Contracted Services		1,266	
Custodial Supplies		282	
Equipment and Machinery Parts		1,384	
Gasoline		59,750	
Lubricants		648	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Office Supplies	\$	102	
Utilities		8,209	
Other Supplies and Materials		509	
Other Charges		4,946	
Maintenance Equipment		969	
Site Development		164,581	
Total Airport			\$ 289,351

Veterans' Services

Supervisor/Director	\$	8,715	
Communication		942	
Dues and Memberships		25	
Travel		377	
Office Supplies		116	
Total Veterans' Services			10,175

Other Charges

Contributions	\$	25,000	
Maintenance Agreements		8,715	
Maintenance and Repair Services - Equipment		488	
Rentals		3,600	
Electricity		3,462	
Trustee's Commission		72,641	
Workers' Compensation Insurance		47,114	
Other Equipment		1,950	
Total Other Charges			162,970

Contributions to Other Agencies

Contributions	\$	112,188	
Total Contributions to Other Agencies			112,188

Employee Benefits

Social Security	\$	192,215	
State Retirement		171,027	
Medical Insurance		370,361	
Unemployment Compensation		14,606	
Total Employee Benefits			748,209

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Principal on Debt

General Government

Principal on Capital Leases	\$ 26,491	
Total General Government		\$ 26,491

Interest on Debt

General Government

Interest on Notes	\$ 4,667	
Interest on Capital Leases	1,047	
Total General Government		5,714

Total General Fund		\$ 6,248,962
--------------------	--	--------------

Special Purpose Fund

Other Operations

Miscellaneous

Trustee's Commission	\$ 3,110	
Total Miscellaneous		\$ 3,110

Instruction

Regular Instruction Program

Contributions	\$ 307,856	
Total Regular Instruction Program		307,856

Total Special Purpose Fund		310,966
----------------------------	--	---------

Drug Control Fund

Public Safety

Drug Enforcement

Maintenance and Repair Services - Vehicles	\$ 1,875
Printing, Stationery, and Forms	226
Tow-in Services	1,640
Veterinary Services	366
Animal Food and Supplies	254
Gasoline	5,434
Instructional Supplies and Materials	726
Law Enforcement Supplies	1,114
Office Supplies	162
Trustee's Commission	249
Other Charges	376
Law Enforcement Equipment	1,662
Motor Vehicles	37,482

(Continued)

Exhibit K-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Equipment	\$ 2,155	
Total Drug Enforcement		\$ 53,721

Total Drug Control Fund \$ 53,721

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,276	
Accountants/Bookkeepers	26,000	
Secretary(ies)	26,000	
Other Salaries and Wages	1,852	
Advertising	87	
Communication	5,112	
Data Processing Services	5,530	
Dues and Memberships	2,423	
Maintenance and Repair Services - Office Equipment	926	
Pest Control	160	
Postal Charges	355	
Printing, Stationery, and Forms	35	
Travel	881	
Data Processing Supplies	879	
Electricity	3,874	
Natural Gas	1,475	
Office Supplies	429	
Water and Sewer	568	
Other Supplies and Materials	547	
Data Processing Equipment	1,387	
Office Equipment	87	
Total Administration		\$ 135,883

Highway and Bridge Maintenance

Equipment Operators	\$ 284,740
Truck Drivers	228,190
Other Salaries and Wages	3,163
Medical and Dental Services	952
Permits	1,370
Other Contracted Services	4,000
Asphalt	495,434
Concrete	1,664

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Crushed Stone	\$	54,647	
Pipe - Metal		10,815	
Road Signs		2,603	
Salt		301	
Sand		995	
Wood Products		3,250	
Other Supplies and Materials		1,699	
Other Equipment		7,645	
Total Highway and Bridge Maintenance			\$ 1,101,468

Operation and Maintenance of Equipment

Mechanic(s)	\$	87,151	
Other Salaries and Wages		309	
Penalties		404	
Diesel Fuel		52,727	
Equipment and Machinery Parts		38,828	
Garage Supplies		2,062	
Gasoline		29,199	
Lubricants		5,552	
Small Tools		1,682	
Tires and Tubes		9,207	
Other Supplies and Materials		494	
Other Charges		278	
Total Operation and Maintenance of Equipment			227,893

Other Charges

Premiums on Corporate Surety Bonds	\$	826	
Trustee's Commission		21,894	
Total Other Charges			22,720

Employee Benefits

Social Security	\$	54,329	
State Retirement		45,123	
Employee and Dependent Insurance		154,155	
Unemployment Compensation		6,015	
Total Employee Benefits			259,622

Capital Outlay

Engineering Services	\$	5,000	
Bridge Construction		41,687	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Equipment	\$ 98,895	
State Aid Projects	172,053	
Total Capital Outlay	<u>317,635</u>	\$ 317,635

Total Highway/Public Works Fund \$ 2,065,221

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 273,728	
Principal on Other Loans	80,000	
Total General Government	<u>353,728</u>	\$ 353,728

Education

Principal on Bonds	\$ 460,000	
Principal on Other Loans	13,600	
Total Education	<u>473,600</u>	473,600

Interest on Debt

General Government

Interest on Notes	\$ 36,361	
Interest on Other Loans	22,647	
Total General Government	<u>59,008</u>	59,008

Education

Interest on Bonds	\$ 352,055	
Total Education	<u>352,055</u>	352,055

Other Debt Service

General Government

Bank Charges	\$ 1,719	
Trustee's Commission	5,983	
Total General Government	<u>7,702</u>	7,702

Education

Bank Charges	\$ 950	
Other Debt Service	65	
Total Education	<u>1,015</u>	1,015

Total General Debt Service Fund 1,247,108

(Continued)

Exhibit K-7

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

General Capital Projects Fund

Other Debt Service

Education

Underwriter's Discount	\$	5,100	
Other Debt Issuance Charges		<u>1,730</u>	
Total Education	\$		6,830

Capital Projects

Social, Cultural, and Recreation Projects

Advertising	\$	85	
General Construction Materials		5,310	
Other Charges		3,302	
Other Construction		<u>8,363</u>	
Total Social, Cultural, and Recreation Projects			17,060

Education Capital Projects

Contributions	\$	<u>197,170</u>	
Total Education Capital Projects			<u>197,170</u>

Total General Capital Projects Fund \$ 221,060

Community Development/Industrial Park Fund

Capital Projects

General Administration Projects

General Construction Materials	\$	75	
Other Charges		8,049	
Data Processing Equipment		122,377	
Heating and Air Conditioning Equipment		4,500	
Other Construction		<u>125,599</u>	
Total General Administration Projects	\$		<u>260,600</u>

Total Community Development/Industrial Park Fund 260,600

Highway Capital Projects Fund

Highways

Highway and Bridge Maintenance

Road Signs	\$	<u>7,603</u>	
Total Highway and Bridge Maintenance	\$		<u>7,603</u>

Total Highway Capital Projects Fund 7,603

(Continued)

Exhibit K-7

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

Other Capital Projects Fund

Other Operations

Other Charges

Trustee's Commission	\$ 43,551	
Total Other Charges		\$ 43,551

Capital Projects

General Administration Projects

Engineering Services	\$ 143,500	
Legal Services	795	
Matching Share	453,200	
Other Charges	1,802	
Land	241,174	
Other Construction	<u>3,904,693</u>	
Total General Administration Projects		<u>4,745,164</u>

Total Other Capital Projects Fund		<u>\$ 4,788,715</u>
-----------------------------------	--	---------------------

Total Governmental Funds - Primary Government		<u>\$ 15,203,956</u>
---	--	----------------------

Exhibit K-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,403,034	
Career Ladder Program	84,000	
Career Ladder Extended Contracts	59,000	
Homebound Teachers	2,742	
Clerical Personnel	20,023	
Educational Assistants	202,187	
Other Salaries and Wages	8,591	
Non-certified Substitute Teachers	54,504	
Social Security	347,959	
State Retirement	355,553	
Medical Insurance	888,890	
Unemployment Compensation	6,090	
Employer Medicare	81,623	
Other Fringe Benefits	1,056	
Other Contracted Services	37,070	
Instructional Supplies and Materials	137,925	
Textbooks	181,945	
Fee Waivers	20,000	
Other Charges	1,414	
Regular Instruction Equipment	238,408	
Total Regular Instruction Program		\$ 8,132,014

Special Education Program

Teachers	\$ 589,943	
Career Ladder Program	8,000	
Homebound Teachers	24,535	
Educational Assistants	41,416	
Speech Pathologist	77,990	
Non-certified Substitute Teachers	6,000	
Social Security	41,693	
State Retirement	41,235	
Medical Insurance	122,349	
Unemployment Compensation	814	
Employer Medicare	9,751	
Other Fringe Benefits	612	
Communication	977	
Maintenance and Repair Services - Equipment	630	
Other Contracted Services	36,936	
Other Charges	142	
Total Special Education Program		1,003,023

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	411,053	
Career Ladder Program		5,000	
Guidance Personnel		39,504	
Non-certified Substitute Teachers		5,201	
Social Security		27,030	
State Retirement		27,926	
Medical Insurance		69,060	
Unemployment Compensation		393	
Employer Medicare		6,322	
Other Fringe Benefits		137	
Maintenance and Repair Services - Equipment		6,000	
Instructional Supplies and Materials		15,787	
Vocational Instruction Equipment		13,274	
Total Vocational Education Program			\$ 626,687

Adult Education Program

Teachers	\$	100,823	
Career Ladder Program		1,000	
Paraprofessionals		14,409	
Social Security		6,989	
State Retirement		5,147	
Medical Insurance		10,231	
Unemployment Compensation		189	
Employer Medicare		1,635	
Communication		2,101	
Evaluation and Testing		1,276	
Maintenance and Repair Services - Equipment		720	
Postal Charges		540	
Other Contracted Services		829	
Instructional Supplies and Materials		9,512	
Other Charges		148	
Regular Instruction Equipment		1,349	
Total Adult Education Program			156,898

Other

Instructional Supplies and Materials	\$	6,000	
Other Charges		3,500	
Regular Instruction Equipment		1,000	
Total Other			10,500

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	57,382	
Career Ladder Program		1,000	
Social Security		3,528	
State Retirement		3,430	
Medical Insurance		7,013	
Unemployment Compensation		36	
Employer Medicare		825	
Travel		857	
Total Attendance			\$ 74,071

Health Services

Medical Personnel	\$	34,010	
Social Security		2,109	
Unemployment Compensation		59	
Employer Medicare		493	
Travel		1,137	
Drugs and Medical Supplies		1,741	
Total Health Services			39,549

Other Student Support

Career Ladder Program	\$	4,500	
Guidance Personnel		241,053	
Social Security		14,567	
State Retirement		15,053	
Medical Insurance		29,020	
Unemployment Compensation		214	
Employer Medicare		3,402	
Evaluation and Testing		13,855	
Travel		541	
Total Other Student Support			322,205

Regular Instruction Program

Supervisor/Director	\$	70,089	
Career Ladder Program		7,600	
Librarians		210,177	
Instructional Computer Personnel		49,582	
Social Security		18,649	
State Retirement		18,772	
Medical Insurance		48,448	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Unemployment Compensation	\$	286	
Employer Medicare		4,361	
Legal Notices, Recording, and Court Costs		240	
Postal Charges		1,000	
Travel		2,304	
Library Books/Media		29,997	
In Service/Staff Development		2,550	
Other Charges		420	
Total Regular Instruction Program			\$ 464,475

Special Education Program

Supervisor/Director	\$	26,604	
Career Ladder Program		1,000	
Psychological Personnel		39,856	
Social Security		3,906	
State Retirement		4,103	
Medical Insurance		7,379	
Unemployment Compensation		59	
Employer Medicare		946	
Travel		3,935	
Total Special Education Program			87,788

Vocational Education Program

Supervisor/Director	\$	61,247	
Career Ladder Program		1,000	
Secretary(ies)		20,457	
Social Security		5,052	
State Retirement		5,256	
Medical Insurance		9,376	
Unemployment Compensation		71	
Employer Medicare		1,182	
Travel		19,381	
Custodial Supplies		2,234	
Gasoline		350	
Other Supplies and Materials		223	
Total Vocational Education Program			125,829

Adult Programs

Supervisor/Director	\$	55,447	
---------------------	----	--------	--

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Career Ladder Program	\$	1,000	
Social Security		3,261	
State Retirement		3,459	
Medical Insurance		7,318	
Unemployment Compensation		36	
Employer Medicare		762	
Travel		6,475	
Total Adult Programs			\$ 77,758

Board of Education

Secretary to Board	\$	825	
Board and Committee Members Fees		12,788	
Social Security		844	
State Retirement		59	
Employer Medicare		197	
Dues and Memberships		6,321	
Legal Services		2,004	
Legal Notices, Recording, and Court Costs		720	
Travel		1,198	
Building and Contents Insurance		108,338	
Trustee's Commission		120,172	
Workers' Compensation Insurance		104,034	
In Service/Staff Development		1,180	
Criminal Investigation of Applicants - TBI		144	
Refund to Applicant for Criminal Investigation		1,056	
Other Charges		1,719	
Total Board of Education			361,599

Director of Schools

County Official/Administrative Officer	\$	81,486	
Social Security		4,965	
State Retirement		4,995	
Life Insurance		802	
Medical Insurance		7,652	
Unemployment Compensation		36	
Employer Medicare		1,161	
Communication		4,772	
Dues and Memberships		1,462	
Postal Charges		3,000	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Travel	\$ 2,953	
Total Director of Schools		\$ 113,284

Office of the Principal

Principals	\$ 324,222	
Career Ladder Program	10,000	
Assistant Principals	155,707	
Secretary(ies)	98,169	
Social Security	35,555	
State Retirement	37,084	
Medical Insurance	83,823	
Unemployment Compensation	535	
Employer Medicare	8,315	
Communication	34,130	
Postal Charges	2,600	
Total Office of the Principal		790,140

Fiscal Services

Accountants/Bookkeepers	\$ 27,119	
Clerical Personnel	56,367	
Social Security	5,053	
State Retirement	5,994	
Medical Insurance	17,904	
Unemployment Compensation	125	
Employer Medicare	1,182	
Data Processing Services	5,280	
Travel	204	
Office Supplies	4,000	
Administration Equipment	4,680	
Total Fiscal Services		127,908

Operation of Plant

Custodial Personnel	\$ 266,048	
Social Security	16,301	
State Retirement	17,011	
Medical Insurance	104,935	
Unemployment Compensation	943	
Employer Medicare	3,812	
Janitorial Services	20,928	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Pest Control	\$	632	
Rentals		100	
Disposal Fees		11,734	
Permits		430	
Custodial Supplies		70,567	
Electricity		434,631	
Natural Gas		147,906	
Water and Sewer		35,375	
Other Supplies and Materials		13,250	
Plant Operation Equipment		15,200	
Total Operation of Plant			\$ 1,159,803

Maintenance of Plant

Supervisor/Director	\$	36,119	
Maintenance Personnel		223,073	
Social Security		16,021	
State Retirement		17,016	
Medical Insurance		56,151	
Unemployment Compensation		441	
Employer Medicare		3,747	
Other Fringe Benefits		137	
Maintenance and Repair Services - Equipment		38,429	
Maintenance and Repair Services - Vehicles		2,750	
Travel		114	
Other Contracted Services		819	
Equipment and Machinery Parts		16,000	
Gasoline		5,500	
Other Supplies and Materials		46,152	
Maintenance Equipment		28,956	
Total Maintenance of Plant			491,425

Transportation

Other Fringe Benefits	\$	2,090	
Communication		5,424	
Contracts with Vehicle Owners		724,500	
Maintenance and Repair Services - Vehicles		10,755	
Travel		283	
Other Contracted Services		27,156	
Diesel Fuel		16,752	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Charges	\$	25,948	
Transportation Equipment		10,310	
Total Transportation			\$ 823,218

Central and Other

Computer Programmer(s)	\$	61,165	
Social Security		3,770	
State Retirement		3,461	
Medical Insurance		9,804	
Unemployment Compensation		71	
Employer Medicare		882	
Travel		2,966	
Total Central and Other			82,119

Operation of Non-Instructional Services

Food Service

Medical Insurance	\$	87,157	
Payments to Schools - Breakfast		343,918	
Payments to Schools - Lunch		540,201	
Travel		775	
In Service/Staff Development		1,651	
Total Food Service			973,702

Community Services

Contributions	\$	2,500	
Total Community Services			2,500

Early Childhood Education

Teachers	\$	39,011	
Educational Assistants		17,326	
Non-certified Substitute Teachers		356	
Other Per Diem and Fees		50	
Social Security		3,309	
State Retirement		3,180	
Medical Insurance		16,614	
Unemployment Compensation		104	
Employer Medicare		774	
Travel		437	
Instructional Supplies and Materials		13,258	

(Continued)

Exhibit K-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Early Childhood Education (Cont.)</u>		
Regular Instruction Equipment	\$ 10,159	
Total Early Childhood Education		\$ 104,578
<u>Capital Outlay</u>		
<u>Regular Capital Outlay</u>		
Other Contracted Services	\$ 25,132	
Building Improvements	524,466	
Heating and Air Conditioning Equipment	2,938	
Land	337,500	
Site Development	67,902	
Total Regular Capital Outlay		957,938
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Capital Leases	\$ 32,662	
Total Education		32,662
<u>Interest on Debt</u>		
<u>Education</u>		
Interest on Capital Leases	\$ 11,442	
Total Education		11,442
<u>Other Debt Service</u>		
<u>Education</u>		
Contributions	\$ 28,717	
Debt Service Contribution to Primary Government	354,925	
Total Education		383,642
Total General Purpose School Fund		\$ 17,536,757
<u>School Federal Projects Fund</u>		
<u>Instruction</u>		
<u>Regular Instruction Program</u>		
Teachers	\$ 366,839	
Educational Assistants	74,152	
Non-certified Substitute Teachers	5,415	
Social Security	26,589	
State Retirement	27,244	
Medical Insurance	101,174	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Unemployment Compensation	\$	421	
Employer Medicare		6,218	
Other Fringe Benefits		91	
Evaluation and Testing		3,577	
Tuition		2,709	
Other Contracted Services		22,752	
Instructional Supplies and Materials		31,667	
Other Supplies and Materials		107	
In Service/Staff Development		750	
Criminal Investigation of Applicants - TBI		192	
Refund to Applicant for Criminal Investigation		48	
Other Charges		827	
Regular Instruction Equipment		7,493	
Total Regular Instruction Program			\$ 678,265

Special Education Program

Teachers	\$	66,640	
Educational Assistants		223,851	
Other Salaries and Wages		1,611	
Non-certified Substitute Teachers		736	
Social Security		17,682	
State Retirement		17,075	
Medical Insurance		118,440	
Unemployment Compensation		542	
Employer Medicare		4,135	
Other Fringe Benefits		46	
Maintenance and Repair Services - Equipment		481	
Instructional Supplies and Materials		23,621	
Other Charges		418	
Special Education Equipment		25,310	
Total Special Education Program			500,588

Vocational Education Program

Travel	\$	8,000	
Instructional Supplies and Materials		7,398	
Other Charges		1,765	
Vocational Instruction Equipment		20,867	
Total Vocational Education Program			38,030

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	13,604	
Social Security		843	
Unemployment Compensation		14	
Employer Medicare		197	
Total Health Services			\$ 14,658

Other Student Support

Secretary(ies)	\$	19,795	
Other Salaries and Wages		51,044	
Social Security		4,365	
State Retirement		4,298	
Medical Insurance		10,231	
Unemployment Compensation		53	
Employer Medicare		986	
Evaluation and Testing		1,800	
Maintenance and Repair Services - Equipment		1,431	
Postal Charges		600	
Travel		13,603	
Instructional Supplies and Materials		2,600	
Office Supplies		724	
Other Charges		6,249	
Total Other Student Support			117,779

Regular Instruction Program

Supervisor/Director	\$	27,985	
Clerical Personnel		12,596	
Other Salaries and Wages		5,730	
Social Security		3,028	
State Retirement		3,129	
Medical Insurance		5,115	
Unemployment Compensation		21	
Employer Medicare		708	
Consultants		1,896	
Operating Lease Payments		2,069	
Postal Charges		583	
Travel		6,790	
Other Contracted Services		1,860	
Instructional Supplies and Materials		18	
In Service/Staff Development		4,197	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Charges	\$ 106	
Total Regular Instruction Program		\$ 75,831

Special Education Program

Supervisor/Director	\$ 26,347	
Secretary(ies)	12,708	
Clerical Personnel	1,564	
Social Security	2,489	
State Retirement	2,599	
Medical Insurance	7,608	
Unemployment Compensation	32	
Employer Medicare	582	
Postal Charges	87	
Travel	6,530	
Other Contracted Services	6,284	
Other Charges	700	
Total Special Education Program		67,530

Vocational Education Program

Travel	\$ 1,840	
Other Charges	1,783	
Total Vocational Education Program		3,623

Total School Federal Projects Fund		\$ 1,496,304
------------------------------------	--	--------------

Total Governmental Funds - Benton County School Department		\$ 19,033,061
--	--	---------------

Exhibit K-9

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

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,399,543
Total Cash Receipts	<u>\$ 1,399,543</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,104,800
Trustee's Commission	13,995
Contributions	245,511
Total Cash Disbursements	<u>\$ 1,364,306</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 35,237
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<u><u>\$ 35,237</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269

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

March 26, 2008

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

To the County Mayor and County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Benton County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Benton County's basic financial statements and have issued our report thereon dated March 26, 2008. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, discretely presented component units, which were not available from other auditors as of the date of this report. Also, our report on the aggregate remaining fund information's financial statements was qualified due to not including the financial statements of the Benton County Library, a nonmajor special revenue fund, which were not available from other auditors as of the date of this report. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Benton County Electric System (a major fund and the entire business-type activities) as described in our report on Benton

County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton County'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 Benton County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton County'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: 07.03, 07.08, and 07.14.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial

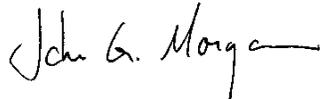
statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.04, 07.05, 07.06, 07.07, 07.09, 07.10, 07.11, and 07.12.

We consider item 07.13 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 management of Benton County in separate communications.

Benton 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 Benton County's responses and, accordingly, we express no opinion on them.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb



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

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

March 26, 2008

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

To the County Mayor and Board of County Commissioners:

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton County's compliance with those requirements and

performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Benton County's compliance with those requirements.

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

Internal Control Over Compliance

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

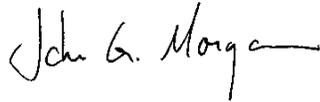
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Benton County as of and for the year ended June 30, 2007, and have issued our report thereon dated March 26, 2008. Our report on the aggregate discretely presented component units' financial statements was qualified due to

not including the financial statements of the Benton County Emergency Communications District and the Benton County Industrial Development Board, discretely presented component units, which were not available from other auditors as of the date of this report. Also, our report on the aggregate remaining fund information financial statements was qualified due to not including the financial statements of the Benton County Library, a nonmajor special revenue fund, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Benton County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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.

Benton 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 Benton County's responses and, accordingly, we express no opinion on them.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 61,880
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	343,918
National School Lunch Program	10.555	N/A	540,201
Total U.S. Department of Agriculture			\$ 945,999
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-07036505-00	\$ 9,000
Total U.S. Department of Justice			\$ 9,000
U.S. Department of Labor:			
Passed-through Southwest Human Resources Agency:			
WIA Youth Activities	17.259	(2)	\$ 45,744
Total U.S. Department of Labor			\$ 45,744
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(3)	\$ 4,253,333
Total U.S. Department of Transportation			\$ 4,253,333
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(4)	\$ 70,285
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	615,106
Special Education Cluster:			
Special Education - Grants to State	84.027	N/A	560,237
Special Education - Preschool Grants	84.173	N/A	20,441
Vocational Education - Basic Grants to States	84.048	N/A	59,599
Safe and Drug-Free Schools and Communities - National Programs	84.184	(2)	14,219
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	23,104
State Grants for Innovative Programs	84.298	N/A	76,529
Improving Teacher Quality State Grants	84.367	N/A	168,056
Hurricane Education Recovery	84.938	N/A	6,559
Total U.S. Department of Education			\$ 1,614,135
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(5)	\$ 12,750
Total U.S. Elections Assistance Commission			\$ 12,750

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Citizens	93.044	(2)	\$ 24,621
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-07034199-00	26,674
Total U.S. Department of Health and Human Services			\$ 51,295
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(6)	\$ 5,955
Emergency Management Performance Grants	97.042	(7)	12,168
Total U.S. Department of Homeland Security			\$ 18,123
Total Expenditures of Federal Awards			\$ 6,950,379
		<u>Contract Number</u>	
<u>State Grants</u>			
Recreational Trail Program - State Department of Environment and Conservation	N/A	(2)	\$ 8,350
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	146,154
Airport Maintenance Program - State Department of Transportation	N/A	Z-07-035573-00	2,399
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	10,022
Waste Tire Option Grant - State Department of Environment and Conservation	N/A	Z-03011326-00	7,285
Local Health Services - State Department of Health	N/A	(8)	6,334
Litter Program - State Department of Transportation	N/A	Z-06027933-00	27,375
Total State Grants			\$ 207,919

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z-06-029465-00: \$418,313; Z-06-029466-00: \$3,835,020.
- (4) Z-07-033671-00: \$66,487; information not available: \$3,798.
- (5) Z-07-037419-00: \$2,050; Z-07-037871-00: \$10,700.
- (6) Z-07-035707-00: \$1,230; Z-07-20592-00: \$4,725.
- (7) Z-06-034018-00: \$10,668; Z-06-032829-00: \$1,500.
- (8) Z-06-026005-00: \$200; Z-07-031563-00: \$3,534; information not available: \$2,600.

Benton County, Tennessee
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 of Benton County, Tennessee, for the year ended June 30, 2006, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	172	Requisitions and purchase orders were not issued for some purchases
06.02	172	The office had deficiencies in budget operations
06.03	173	Accounting deficiencies were noted in funds administered by the county mayor

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.05	174	Bank statements were not reconciled with cash journal accounts, and outstanding check lists were not accurately prepared
06.06	175	The general sessions court's execution docket trial balance did not reconcile with cash journal accounts

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.07	175	The execution docket trial balance did not reconcile with cash journal accounts

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.09	176	Collections were not deposited properly
06.10	176	The sheriff did not file a letter of agreement or court decree to authorize deputy hires

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.11	177	A central system of accounting, budgeting, and purchasing had not been adopted
06.12	177	Duties were not segregated adequately in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

BENTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units and aggregate remaining fund information is qualified. Our report on the governmental activities, the business-type activities, and each major fund is unqualified.
2. The audit of the financial statements of Benton County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Benton County.
4. The audit disclosed no 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), the Airport Improvement Program (CFDA No. 20.106), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Benton County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY MAYOR

FINDING 07.01 **REQUISITIONS AND PURCHASE ORDERS WERE NOT ISSUED FOR SOME PURCHASES**
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 07.02 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(A. – Noncompliance Under Government Auditing Standards;
B. – Material Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. Expenditures exceeded appropriations approved by the County Commission in the Interest on Debt - General Government (\$4,667) and the Transfers Out (\$8,087) major appropriation categories (the legal level of control) of the General Fund.
- B. The Public Library Fund (nonmajor special revenue fund) and the Special Purpose Fund (major special revenue fund) were not budgeted. Expenditures for the year totaled \$310,966 in the Special Purpose Fund. The Public Library Fund was not available from other auditors in time for inclusion in this report.

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

respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county government shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

FINDING 07.03 **ACCOUNTING DEFICIENCIES WERE NOTED IN FUNDS ADMINISTERED BY THE COUNTY MAYOR**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit revealed the following weaknesses:

- A. General ledger payroll deduction accounts were not reconciled with payroll reports and payments in the General Fund. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected. Management has approved and posted our audit adjustments to properly reflect the payroll deduction accounts in the financial statements of this report.

- B. Receivables were established in the General Fund at June 30, 2007. However, when these receivables were collected during 2007-08, they were erroneously posted as 2007-08 revenues instead of reductions to the 2007 receivables. Management has approved and posted our audit adjustments to correct the improper recording of the receivables.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly. Receivables at year-end should be properly decreased by posting subsequent applicable receipts.

FINDING 07.04 **AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**
(Noncompliance Under Government Auditing Standards)

The office did not deposit amounts withheld from contractor payments (\$184,838) into an escrow account. Section 66-11-144, Tennessee Code Annotated, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

FINDING 07.05 **RECEIPTS FROM THE BENTON COUNTY ANIMAL SHELTER
COULD NOT BE DETERMINED**
(Noncompliance Under Government Auditing Standards)

The Benton County Animal Shelter charges fees for services at the facility and brings these funds to the Benton County Mayor’s Office for deposit with the county trustee. Although we were advised by employees that receipts were issued by the animal shelter, we were unable to obtain a receipt book for the audit period. Therefore, we were unable to determine if all funds received by the Benton County Animal Shelter were properly receipted and deposited with the county trustee. Section 9-2-103, Tennessee Code Annotated, requires official prenumbered receipts be issued for all collections.

RECOMMENDATION

Official prenumbered receipts should be issued for all collections, and these receipts should be on file for audit inspection.

OFFICE OF DIRECTOR OF SCHOOLS

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

Expenditures exceeded appropriations approved by the County Commission in the Other Debt Service - Education (\$16,028) major appropriation category (the legal level of control) in the General Purpose School Fund. Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

**FINDING 07.07 THE EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS
(Noncompliance Under Government Auditing Standards)**

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

RECOMMENDATION

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

**FINDING 07.08 THE GENERAL SESSIONS COURT'S BANK STATEMENTS WERE NOT RECONCILED WITH CASH JOURNAL ACCOUNTS, AND OUTSTANDING CHECK LISTS WERE NOT ACCURATELY PREPARED
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

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

RECOMMENDATION

The general sessions court clerk should reconcile bank statements with cash journal accounts and prepare accurate lists of outstanding checks monthly.

OFFICE OF CLERK AND MASTER

FINDING 07.09 **THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS
(Noncompliance Under Government Auditing Standards)**

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

RECOMMENDATION

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

OFFICE OF REGISTER

FINDING 07.10 **THE REGISTER DID NOT FILE A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES
(Noncompliance Under Government Auditing Standards)**

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

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 07.11 **COLLECTIONS WERE NOT DEPOSITED PROPERLY
(Noncompliance Under Government Auditing Standards)**

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – SHERIFF

We are now depositing on Monday, Wednesday, and Friday before noon. This should eliminate any future problems with the deposits.

**FINDING 07.12 **THE SHERIFF DID NOT FILE A LETTER OF AGREEMENT
OR COURT DECREE TO AUTHORIZE DEPUTY HIRES**
(Noncompliance Under Government Auditing Standards)**

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – SHERIFF

We are in the process of obtaining a letter of agreement, and it will be filed no later than March 28, 2008.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.13 **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 controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

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

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

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

MANAGEMENT'S RESPONSE – SHERIFF

We have limited office personnel at this time, but we will try to devise a plan in our next budget year to hire additional personnel in order to correct this problem.

REBUTTAL

We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, as noted above, our professional standards require that we bring this matter to your attention.

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

There were no findings and questioned costs for federal awards.

BENTON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007

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