



ANNUAL FINANCIAL REPORT BENTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
BENTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
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State Auditors

This financial report is available at www.tn.gov/comptroller

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Audit Highlights
Annual Financial Report
Benton County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Benton County as of and for the year ended June 30, 2008.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include a component unit 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 27 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:

BENTON COUNTY AND BENTON COUNTY SCHOOL DEPARTMENT

- ◆ Benton County and the Benton County School Department do not have the resources to produce financial statements and notes to the financial statements.
- ◆ Material audit adjustments were required for proper financial statement presentation in the General, Highway/Public Works, General Debt Service, General Purpose School, and Other Capital Projects funds.

OFFICE OF COUNTY MAYOR

- ◆ The office did not issue requisitions and purchase orders for some purchases.
- ◆ The office had deficiencies in budget operations.
- ◆ General ledger payroll accounts were not reconciled with payroll reports and payments in the General Fund. Also, the subsequent receipts of receivables for June 30, 2008, were incorrectly posted as revenues for 2008-09.

- ◆ Payroll taxes were deposited but not reported timely to the Internal Revenue Service resulting in an assessment of interest and penalty charges totaling \$8,832.
 - ◆ A lease-purchase agreement was entered into without the approval of the County Commission. In addition, a Report on Debt Obligation was not filed with the state director of Local Finance.
 - ◆ Animal shelter collections were not receipted, deposited, and disbursed properly.
 - ◆ A theft occurred at the animal shelter and was not reported to the Comptroller of the Treasury.
-

OFFICE OF ROAD SUPERVISOR

- ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF TRUSTEE

- ◆ Unauthorized securities were pledged as collateral to secure county funds on deposit at one of the trustee's depositories.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The Office of Circuit and General Sessions Court Clerk did not deposit funds within three days of collection as required by state statute.
 - ◆ The Office of General Sessions Court Clerk had a cash shortage of \$693 at June 30, 2008.
 - ◆ Deficiencies were noted in cash collection and deposit procedures in the Office of General Sessions Court Clerk.
 - ◆ The general sessions court clerk's bank statements were not reconciled with general ledger accounts, and lists of outstanding checks were not prepared currently.
 - ◆ The June 30, 2008, general sessions court execution docket trial balance did not reconcile with cash journal accounts.
 - ◆ The Office of Circuit Court Clerk had deficiencies in computer system backup procedures.
-

OFFICE OF CLERK AND MASTER

- ◆ The June 30, 2008, execution docket trial balance did not reconcile with cash journal accounts.
 - ◆ The office does not issue prenumbered receipts for all collections as required by state statute.
 - ◆ The office did not review software audit logs.
-

OFFICE OF GENERAL SESSIONS JUDGE

- ◆ Benton County General Sessions Judge, Ron Darby, had participants in the Drug Court program perform work for his personal benefit.
 - ◆ An unauthorized checking account was maintained for the Benton County Drug Court.
 - ◆ Deficiencies were noted in the administration of the Drug Court program.
 - ◆ Deficiencies were noted in the accounting of drug test kits purchased for the Drug Court program.
 - ◆ Collections from the driving school and substance abuse program were not reported and paid to the county in compliance with state statutes.
-

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.

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INTRODUCTORY SECTION

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Benton County Officials
June 30, 2008

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

Board of Education

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

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

June 8, 2009

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, 2008, 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, and we did not audit the financial statements of the Benton County Emergency Communications District, which represent 2.33 percent and 1.04 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Benton County Electric System and the Benton County Emergency Communications District, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 reports of other auditors provide a reasonable basis for our opinions.

The financial statements of the Industrial Development Board of the County of Benton, a component unit 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 Industrial Development Board of the County of Benton, 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 Industrial Development Board of the County of Benton, a discretely presented component unit, and the Benton County Library, a nonmajor special revenue fund, as discussed in the two preceding paragraphs, based on our audit and the report of other auditors, 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, 2008, 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, 2008, 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 June 8, 2009, 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.

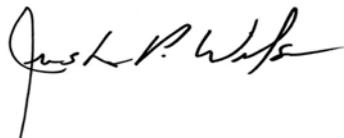
As described in Note V.B., Benton County has adopted Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

The management of Benton County did not prepare a management's discussion and analysis. The management's discussion and analysis 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, pension, and other postemployment benefits information on pages 93 through 99 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,



Justin P. Wilson
Comptroller of the Treasury

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Benton County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Benton County School Department	Emergency Communica- tions District
<u>ASSETS</u>					
Cash	\$ 1,330	\$ 17,813	\$ 19,143	\$ 0	\$ 341,434
Equity in Pooled Cash and Investments	16,338,211	0	16,338,211	1,971,136	0
Inventories	0	233,519	233,519	0	0
Accounts Receivable	201,627	1,371,043	1,572,670	1,026	7,912
Allowance for Uncollectibles	0	(8,484)	(8,484)	0	0
Due from Other Governments	633,362	0	633,362	533,857	6,655
Due from Component Units	65,875	0	65,875	0	0
Property Taxes Receivable	2,514,414	0	2,514,414	3,696,735	0
Allowance for Uncollectible Property Taxes	(98,366)	0	(98,366)	(144,657)	0
Prepaid Items	0	1,551,395	1,551,395	0	1,186
Other Restricted Assets	0	568,893	568,893	0	0
Notes Receivable	0	279,823	279,823	0	0
Deferred Charges - Debt Issuance Costs	117,966	145,119	263,085	0	0
Capital Assets Not Depreciated:					
Land	1,202,058	178,328	1,380,386	474,060	0
Construction in Progress	4,712,601	190,406	4,903,007	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	2,841,946	1,141,952	3,983,898	12,290,235	0
Infrastructure	7,554,197	0	7,554,197	0	0
Other Capital Assets	921,978	14,861,796	15,783,774	357,223	100,267
Total Assets	<u>\$ 37,007,199</u>	<u>\$ 20,531,603</u>	<u>\$ 57,538,802</u>	<u>\$ 19,179,615</u>	<u>\$ 457,454</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 227,968	\$ 2,505,272	\$ 2,733,240	\$ 463,256	\$ 6,690
Accrued Payroll	0	14,268	14,268	0	0
Payroll Deductions Payable	24,917	0	0	0	0
Contracts Payable	290,486	0	290,486	88,956	0
Retainage Payable	89,624	0	89,624	18,936	0
Accrued Interest Payable	101,044	10,516	111,560	3,085	0
Due to Primary Government	0	0	0	65,875	0
Matured Bonds Payable	10,000	0	10,000	0	0
Matured Interest on Bonds	1,913	0	1,913	0	0
Customer Deposits Payable	0	554,464	554,464	0	0
Other Payables	5,884	39,633	45,517	0	0
Deferred Revenue - Current Property Taxes	2,329,806	0	2,329,806	3,426,185	0
Noncurrent Liabilities:					
Due Within One Year	1,170,989	270,000	1,440,989	63,909	0
Due in More Than One Year	14,451,772	4,692,618	19,144,390	409,267	0
Total Liabilities	<u>\$ 18,704,403</u>	<u>\$ 8,086,771</u>	<u>\$ 26,791,174</u>	<u>\$ 4,539,469</u>	<u>\$ 6,690</u>
<u>NET ASSETS</u>					
Invested in Capital Assets, net of related debt	\$ 16,015,578	\$ 12,887,482	\$ 28,903,060	\$ 12,802,607	\$ 0
Invested in Capital Assets	0	0	0	0	100,267
Restricted for:					
Highway/Public Works	966,436	0	966,436	0	0
Debt Service	1,402,430	558,377	1,960,807	0	0
Capital Projects	173,703	0	173,703	13,307	0
Other Purposes	330,752	0	330,752	33,379	0
Unrestricted	(586,103)	(1,001,027)	(1,587,130)	1,790,853	350,497
Total Net Assets	<u>\$ 18,302,796</u>	<u>\$ 12,444,832</u>	<u>\$ 30,747,628</u>	<u>\$ 14,640,146</u>	<u>\$ 450,764</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, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets											
	Program Revenues					Primary Government					Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	Benton County School Department	Emergency Communications District		
Primary Government:												
Governmental Activities:												
General Government	\$ 814,939	\$ 104,363	\$ 25,893	\$ 23,898	\$ (660,785)	\$ 0	\$ (660,785)	\$ 0	\$ 0	\$ 0	\$ 0	
Finance	554,699	413,504	10,061	0	(131,134)	0	(131,134)	0	0	0	0	
Administration of Justice	658,070	406,997	117,376	0	(133,697)	0	(133,697)	0	0	0	0	
Public Safety	3,403,534	290,879	195,216	235,574	(2,681,865)	0	(2,681,865)	0	0	0	0	
Public Health and Welfare	655,889	791,266	74,168	0	209,545	0	209,545	0	0	0	0	
Social, Cultural, and Recreational Services	479,670	704	82,793	0	(396,173)	0	(396,173)	0	0	0	0	
Agriculture and Natural Resources	69,228	0	0	0	(69,228)	0	(69,228)	0	0	0	0	
Other Operations	615,491	115,874	158,396	677,626	336,405	0	336,405	0	0	0	0	
Highways/Public Works	2,865,749	25,464	1,592,619	180,702	(1,066,964)	0	(1,066,964)	0	0	0	0	
Education	276,978	0	0	0	(276,978)	0	(276,978)	0	0	0	0	
Interest on Long-term Debt	527,884	76,315	649,983	0	198,414	0	198,414	0	0	0	0	
Other Debt Service	21,166	0	0	0	(21,166)	0	(21,166)	0	0	0	0	
Total Governmental Activities	\$ 10,943,297	\$ 2,225,366	\$ 2,906,505	\$ 1,117,800	\$ (4,693,626)	\$ 0	\$ (4,693,626)	\$ 0	\$ 0	\$ 0	\$ 0	
Business-type Activities:												
Benton County Public Utility	\$ 18,911,765	\$ 19,273,265	\$ 0	\$ 0	\$ 0	\$ 361,500	\$ 361,500	\$ 0	\$ 0	\$ 0	\$ 0	
Total Primary Government	\$ 29,855,062	\$ 21,498,631	\$ 2,906,505	\$ 1,117,800	\$ (4,693,626)	\$ 361,500	\$ (4,332,126)	\$ 0	\$ 0	\$ 0	\$ 0	
Component Units:												
Benton County School Department	\$ 20,834,491	\$ 50,489	\$ 2,402,797	\$ 0	\$ 0	\$ 0	\$ 0	\$ (18,381,205)	\$ 0	\$ 62,255	\$ 0	
Emergency Communications District	149,079	211,334	0	0	0	0	0	0	0	0	0	
Total Component Units	\$ 20,983,570	\$ 261,823	\$ 2,402,797	\$ 0	\$ 0	\$ 0	\$ 0	\$ (18,381,205)	\$ 0	\$ 62,255	\$ 0	

(Continued)

Exhibit B

Benton County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Benton County School Department	Emergency Communications District	
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 1,717,853	\$ 0	\$ 1,717,853	\$ 3,715,332	\$ 0
Property Taxes Levied for Debt Service					623,997	0	623,997	0	0
Local Option Sales Taxes					420,017	0	420,017	1,872,732	0
Mineral Severance Tax					153,076	0	153,076	0	0
Wholesale Beer Tax					99,299	0	99,299	0	0
Other Local Taxes					230,679	0	230,679	2,130	0
Grants and Contributions Not Restricted to Specific Programs					1,756,939	0	1,756,939	12,498,797	0
Unrestricted Investment Income					590,310	72,460	662,770	0	5,101
Miscellaneous					8,769	0	8,769	49,519	0
Total General Revenues					\$ 5,600,939	\$ 72,460	\$ 5,673,399	\$ 18,138,510	\$ 5,101
Transfers					\$ 190,455	\$ (190,455)	\$ 0	\$ 0	\$ 0
Change in Net Assets					\$ 1,097,768	\$ 243,505	\$ 1,341,273	\$ (242,695)	\$ 67,356
Net Assets, July 1, 2007					17,205,028	12,201,327	29,406,355	14,882,841	383,408
Net Assets, June 30, 2008					\$ 18,302,796	\$ 12,444,832	\$ 30,747,628	\$ 14,640,146	\$ 450,764

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, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	Special Purpose	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other	Governmental	
Cash	0	0	0	0	0	1,330	1,330
Equity in Pooled Cash and Investments	7,200,000	943,183	1,358,265	5,027,672	329,796	16,287,880	16,287,880
Accounts Receivable	149,383	2,906	46,058	0	3,280	201,627	201,627
Due from Other Governments	351,361	268,451	0	0	13,550	633,362	633,362
Due from Other Funds	60,791	0	19,817	0	0	80,608	80,608
Due from Component Units	0	0	65,875	0	0	65,875	65,875
Property Taxes Receivable	1,605,885	232,366	676,163	0	0	2,514,414	2,514,414
Allowance for Uncollectible Property Taxes	(62,823)	(9,092)	(26,451)	0	0	(98,366)	(98,366)
Total Assets	\$ 3,533,561	\$ 1,437,814	\$ 2,139,727	\$ 5,027,672	\$ 347,956	\$ 19,686,730	\$ 19,686,730

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities							
Accounts Payable	209,788	0	16,114	0	0	2,066	227,968
Payroll Deductions Payable	23,867	0	1,050	0	0	0	24,917
Contracts Payable	0	0	238,854	0	0	51,632	290,486
Retainage Payable	0	0	0	0	0	89,624	89,624
Due to Other Funds	19,817	0	0	0	0	10,460	30,277
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	5,884	0	0	0	0	0	5,884
Deferred Revenue - Current Property Taxes	1,487,943	0	215,360	626,503	0	0	2,329,806
Deferred Revenue - Delinquent Property Taxes	48,694	0	7,049	20,503	0	0	76,246
Other Deferred Revenues	129,383	0	131,239	68,130	0	0	328,752
Total Liabilities	\$ 1,925,376	\$ 0	\$ 609,666	\$ 727,049	\$ 0	\$ 153,782	\$ 3,415,873
Fund Balances							
Reserved for Resort District	153,514	0	0	0	0	0	153,514
Reserved for Alcohol and Drug Treatment	8,180	0	0	0	0	0	8,180

(Continued)

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

	Major Funds					Nonmajor Funds			Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other	Governmental	Funds	
\$	114,957	0	0	0	0	0	0	0	114,957
	3,910	0	0	0	0	0	0	0	3,910
	2,048	0	0	0	0	0	0	0	2,048
	1,325,576	0	0	0	0	0	0	0	1,325,576
	0	7,200,000	828,148	0	0	0	48,143	0	8,076,291
	0	0	0	1,412,678	0	0	0	0	1,412,678
	0	0	0	0	5,027,672	0	146,031	0	5,173,703
	<u>1,608,185</u>	<u>7,200,000</u>	<u>828,148</u>	<u>1,412,678</u>	<u>5,027,672</u>	<u>0</u>	<u>194,174</u>	<u>0</u>	<u>16,270,857</u>
	\$ 3,533,561	\$ 7,200,000	\$ 1,437,814	\$ 2,139,727	\$ 5,027,672	\$ 0	\$ 347,956	\$ 0	\$ 19,686,730

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse
Reserved for Sexual Offender Registration
Reserved for Automation Purposes - General Sessions Court
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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, 2008

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)		\$ 16,270,857
(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	4,712,601	
Add: buildings and improvements net of accumulated depreciation	2,841,946	
Add: infrastructure net of accumulated depreciation	7,554,197	
Add: other capital assets net of accumulated depreciation	<u>921,978</u>	17,232,780
(2) Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.		404,998
(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	\$ (897,153)	
Add: deferred charges - debt issuance costs	117,966	
Less: other loans payable	(559,800)	
Less: bonds payable	(14,010,000)	
Less: capital lease payable	(49,127)	
Less: compensated absences payable	(106,402)	
Less: other postemployment benefits	(279)	
Less: accrued interest on notes, bonds, and capital lease	<u>(101,044)</u>	<u>(15,605,839)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 18,302,796</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, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Governmental Funds		
Revenues								
Local Taxes	\$ 2,609,433	\$ 0	\$ 313,671	\$ 614,825	\$ 0	\$ 0	\$ 0	\$ 3,537,929
Licenses and Permits	4,895	0	0	0	0	0	0	4,895
Fines, Forfeitures, and Penalties	153,017	0	0	0	0	0	73,541	226,558
Charges for Current Services	812,674	0	0	0	0	0	0	812,674
Other Local Revenues	435,178	358,924	25,514	80,648	141,553	6,395	6,395	1,048,212
Fees Received from County Officials	744,557	0	0	0	0	0	0	744,557
State of Tennessee	2,278,460	0	1,839,141	0	5,544	548,476	0	4,671,621
Federal Government	74,776	0	0	0	0	0	0	74,776
Other Governments and Citizens Groups	27,251	0	0	649,983	0	0	0	677,234
Total Revenues	\$ 7,140,241	\$ 358,924	\$ 2,178,326	\$ 1,345,456	\$ 147,097	\$ 628,412	\$ 0	\$ 11,798,456
Expenditures								
Current:								
General Government	\$ 827,496	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 827,496
Finance	428,912	0	0	0	0	0	0	428,912
Administration of Justice	515,727	0	0	0	0	0	0	515,727
Public Safety	2,771,101	0	0	0	0	50,129	0	2,821,230
Public Health and Welfare	587,268	0	0	0	0	0	0	587,268
Social, Cultural, and Recreational Services	151,822	0	0	0	0	0	0	151,822
Agriculture and Natural Resources	63,148	0	0	0	0	0	0	63,148
Other Operations	1,472,954	3,589	0	0	1,397	5,291	0	1,483,231
Highways	0	0	2,451,590	0	0	2,737	0	2,454,327
Instruction	0	276,978	0	0	0	0	0	276,978
Debt Service:								
Principal on Debt	26,646	0	0	1,093,319	0	0	0	1,119,965
Interest on Debt	0	0	0	489,329	0	0	0	489,329
Other Debt Service	350	0	0	17,116	115,307	0	0	132,773
Capital Projects	0	0	0	0	2,721	302,223	0	304,944
Total Expenditures	\$ 6,845,424	\$ 280,567	\$ 2,451,590	\$ 1,599,764	\$ 119,425	\$ 360,380	\$ 0	\$ 11,657,150
Excess (Deficiency) of Revenues Over Expenditures	\$ 294,817	\$ 78,357	\$ (273,264)	\$ (254,308)	\$ 27,672	\$ 268,032	\$ 0	\$ 141,306

(Continued)

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>								
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,000,000	\$ 0	\$ 0	\$ 5,000,000
Capital Leases Issued	75,773	0	0	0	0	0	0	75,773
Insurance Recovery	52,110	0	0	0	0	7,786	0	59,896
Transfers In	152,249	0	17,206	177,472	0	0	0	346,927
Transfers Out	(263,001)	(78,357)	0	0	(7,531)	0	0	(348,889)
Total Other Financing Sources (Uses)	\$ 17,131	\$ (78,357)	\$ 17,206	\$ 177,472	\$ 4,992,469	\$ 7,786	\$ 0	\$ 5,133,707
Net Change in Fund Balances	\$ 311,948	\$ 0	\$ (256,058)	\$ (76,836)	\$ 5,020,141	\$ 275,818	\$ 0	\$ 5,275,013
Fund Balance, July 1, 2007	1,296,237	7,200,000	1,084,206	1,489,514	7,531	(81,644)	0	10,995,844
Fund Balance, June 30, 2008	\$ 1,608,185	\$ 7,200,000	\$ 828,148	\$ 1,412,678	\$ 5,027,672	\$ 194,174	\$ 0	\$ 16,270,857

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, 2008

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)		\$ 5,275,013
(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	\$ 650,773	
Less: current year depreciation expense	<u>(996,596)</u>	(345,823)
(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, 2008	\$ 404,998	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(352,844)</u>	52,154
(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: bond proceeds	\$ (5,000,000)	
Less: capital lease proceeds	(75,773)	
Add: change in deferred debt issuance costs	111,607	
Add: principal payments on notes	510,719	
Add: principal payments on other loans	97,600	
Add: principal payments on capital leases	26,646	
Add: principal payments on bonds	<u>485,000</u>	(3,844,201)
(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	\$ (38,555)	
Change in compensated absences payable	(541)	
Change in other postemployment benefits	<u>(279)</u>	<u>(39,375)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,097,768</u>

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

Exhibit D-1

Benton County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2008

	<u>Business-type Activities - Major Fund Benton County Electric System</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 17,813
Inventories	233,519
Accounts Receivable	1,371,043
Allowance for Uncollectibles	(8,484)
Prepayments and Other Current Assets	<u>1,551,395</u>
Total Current Assets	<u>\$ 3,165,286</u>
Noncurrent Assets:	
Restricted Cash, Cash Equivalents, and Investments on Deposit	\$ 568,893
Notes Receivable	279,823
Deferred Charges - Debt Issuance Costs	145,119
Capital Assets:	
Assets Not Depreciated:	
Land	178,328
Construction in Progress	190,406
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	1,141,952
Other Capital Assets	<u>14,861,796</u>
Total Noncurrent Assets	<u>\$ 17,366,317</u>
Total Assets	<u>\$ 20,531,603</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 2,544,905
Accrued Payroll	14,268
Customer Deposits Payable	554,464
Current Liabilities Payable from Restricted Assets:	
Accrued Interest Payable	10,516
Revenue Bonds Payable - Current	<u>270,000</u>
Total Current Liabilities	<u>\$ 3,394,153</u>
Noncurrent Liabilities:	
Advances from Home Insulation Program	\$ 284,948
Accrued Leave - Long-term	1,192,670
Revenue Bonds Payable - Long-term	<u>3,215,000</u>
Total Noncurrent Liabilities	<u>\$ 4,692,618</u>
Total Liabilities	<u>\$ 8,086,771</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 12,887,482
Restricted for Debt Service	558,377
Unrestricted	<u>(1,001,027)</u>
Total Net Assets	<u>\$ 12,444,832</u>

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

Exhibit D-2

Benton County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

	Business-type Activities - Major Fund
	<u>Benton County Electric System</u>
<u>Operating Revenues</u>	
Sale of Electric Energy	\$ 18,903,892
Forfeited Discounts	132,292
Rent from Electric Property	127,482
Other Electric Revenue	34,634
Miscellaneous Service Revenue	74,965
Total Operating Revenues	<u>\$ 19,273,265</u>
<u>Operating Expenses</u>	
Purchased Power	\$ 13,917,156
Distribution Expense:	
Station Expense	12,198
Overhead Line Expense	172,703
Street Lighting and Signal System	4,165
Meter Expense	70,817
Customer Installations Expense	308
Security Lighting	12,530
Rents	15,586
Miscellaneous	144,339
Customer Accounts Expense:	
Meter Reading Expense	113,512
Customer Records and Collection	414,360
Sales Expenses:	
Demonstration and Selling Expense	8,134
Sales Expense	16,391
Administrative Expenses:	
Salaries	284,811
Office Supplies and Expense	69,556
Outside Services Employed	12,738
Insurance	42,027
Injuries and Damages	203,211

(Continued)

Exhibit D-2

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	\$ 721,880
General Advertising	5,443
Miscellaneous	28,214
Maintenance Expenses:	
Station Equipment	3,524
Overhead Lines	1,078,208
Underground Lines	4,273
Line Transformers	29,597
Street Lights and Signal System	14,979
Meters	1,941
Security Lighting	41,331
General Plant and Equipment	19,419
Depreciation and Amortization	890,151
Taxes and Tax Equivalents	412,577
Total Operating Expenses	<u>\$ 18,766,079</u>
Operating Income	<u>\$ 507,186</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 72,460
Interest Expense	(128,922)
Amortization of Debt Expense	(16,764)
Total Nonoperating Revenues (Expenses)	<u>\$ (73,226)</u>
Income (Loss) Before Transfers	\$ 433,960
Transfers Out	<u>(190,455)</u>
Change in Net Assets	\$ 243,505
Net Assets, July 1, 2007	<u>12,201,327</u>
Net Assets, June 30, 2008	<u>\$ 12,444,832</u>

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

Exhibit D-3

Benton County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2008

	Business-type Activities - Major Fund
	<u>Benton County Electric System</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 19,029,119
Payments to Suppliers	(16,037,869)
Payments to Employees and for Employee Benefits	(1,006,691)
Payments for in-Lieu-of Tax Payments	(412,577)
Customer Deposits Received	108,245
Customer Deposits Refunded	(92,795)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,587,432</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Construction and Acquisition of Plant	\$ (1,184,516)
Plant Removal Cost	(87,501)
Materials Salvaged from Retirements	23,254
Principal Paid on Bonds	(270,000)
Interest Paid on Bonds	(129,468)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (1,648,231)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Repayment of TVA Advances	\$ 134,480
Transfers to Other Funds	(190,455)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (55,975)</u>
<u>Cash Flows from Investing Activities</u>	
Collection of Notes Receivable	\$ (127,406)
Interest Earned	72,460
Net Cash Provided By (Used In) Investing Activities	<u>\$ (54,946)</u>
Net Increase (Decrease) in Cash	\$ (171,720)
Cash, July 1, 2007	<u>758,426</u>
Cash, June 30, 2008	<u>\$ 586,706</u>

(Continued)

Exhibit D-3

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

	<u>Business-type Activities - Major Fund Benton County Electric System</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 507,186
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	890,151
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(244,146)
(Increase) Decrease in Materials and Supplies	(19,802)
(Increase) Decrease in Prepayments and Other Current Assets	280,324
Increase (Decrease) in Accounts Payable and Accrued Expenses	158,269
Increase (Decrease) in Customer Deposits	<u>15,450</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,587,432</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>583,706</u>
Cash, June 30, 2008	<u>\$ 586,706</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, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 579,634
Due from Other Governments	255,880
Cash Shortage	<u>693</u>
Total Assets	<u>\$ 836,207</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 255,880
Due to Litigants, Heirs, and Others	<u>580,327</u>
Total Liabilities	<u>\$ 836,207</u>

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

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BENTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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 Industrial Development Board of the County of Benton 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. The financial statements for the Industrial Development Board of the County of Benton 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 Industrial Development Board of the County of Benton were not available in time for inclusion, as previously mentioned. Complete financial statements of the Benton County Emergency Communications District and the Industrial Development Board of the County of Benton 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

Industrial Development Board of
the County of Benton
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. No new debt issues were contributed by the county to the School Department during the year ended June 30, 2008.

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 funds 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 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. 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 or transferred to the General Debt Service 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.

Community Development/Industrial Park Capital Projects Fund – This fund accounts for bond proceeds to be used for the acquisition and construction of a new jail.

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 2.08 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 nonmajor governmental funds.

3. Capital Assets

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

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) and excluding the Public Utility Fund, enterprise fund, 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 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 and other postemployment benefits, 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 \$2,873,321 of restricted net assets, in governmental activities for the primary government, of which \$153,514 is restricted by enabling legislation.

As of June 30, 2008, Benton County had \$9,186,800 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.

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 Constitutional Officers - Fees Fund (nonmajor special revenue fund) which is 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. Cash Shortage

The Office of General Sessions Court Clerk had a cash shortage of \$693 as of June 30, 2008. This cash shortage resulted from internal control deficiencies over receipts and deposits. The shortage was liquidated on July 31, 2008. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the County Coroner/Medical Examiner (\$285) and Transfers Out (\$2,584) major appropriation categories (the legal level of control) of the General Fund. Total expenditures and other uses exceeded total appropriations in the Special Purpose Fund by \$9,524. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance in the General Fund and by greater than anticipated revenues in the Special Purpose Fund.

D. The Public Library Fund was not Budgeted

A budget for the county's Public Library Fund (a nonmajor special revenue fund) was not presented to the County Commission for approval. State statutes provide that revenues should be appropriated by the County Commission.

E. A Lease-Purchase Agreement was not Authorized by the County Commission

On September 17, 2007, Benton County entered into a two-year lease-purchase agreement for sheriff's patrol cars (\$75,773) without the prior approval of the County Commission. Additionally, the county did not file a Report on Debt Obligation with the state director of Local Finance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Benton County (excluding the Public Utility Fund, enterprise 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, 2008, 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.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 2,458,369

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, 2008, 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, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,202,058	\$ 0	\$ 0	\$ 1,202,058
Construction in Progress	4,416,282	296,319	0	4,712,601
Total Capital Assets Not Depreciated	<u>\$ 5,618,340</u>	<u>\$ 296,319</u>	<u>\$ 0</u>	<u>\$ 5,914,659</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,985,216	\$ 0	\$ 0	\$ 4,985,216
Roads and Bridges	12,196,017	120,308	0	12,316,325
Other Capital Assets	3,593,450	234,146	(41,135)	3,786,461
Total Capital Assets Depreciated	<u>\$ 20,774,683</u>	<u>\$ 354,454</u>	<u>\$ (41,135)</u>	<u>\$ 21,088,002</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,969,732	\$ 173,538	\$ 0	\$ 2,143,270
Roads and Bridges	4,203,758	558,370	0	4,762,128
Other Capital Assets	2,640,930	264,688	(41,135)	2,864,483
Total Accumulated Depreciation	<u>\$ 8,814,420</u>	<u>\$ 996,596</u>	<u>\$ (41,135)</u>	<u>\$ 9,769,881</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,960,263</u>	<u>\$ (642,142)</u>	<u>\$ 0</u>	<u>\$ 11,318,121</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 17,578,603</u></u>	<u><u>\$ (345,823)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 17,232,780</u></u>

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

Governmental Activities:

General Administration	\$ 40,986
Finance	2,240
Administration of Justice	5,060
Public Safety	151,125
Public Health and Welfare	33,289
Social, Cultural, and Recreational Services	92,850
Agriculture and Natural Resources	1,854
Other Operations	5,232
Highways/Public Works	<u>663,960</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 996,596</u></u>

Discretely Presented Benton County School Department

Governmental Activities:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Depreciated:			
Land	\$ 474,060	\$ 0	\$ 474,060
Total Capital Assets Not Depreciated	<u>\$ 474,060</u>	<u>\$ 0</u>	<u>\$ 474,060</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 19,349,624	\$ 148,744	\$ 19,498,368
Other Capital Assets	1,250,313	113,626	1,363,939
Total Capital Assets Depreciated	<u>\$ 20,599,937</u>	<u>\$ 262,370</u>	<u>\$ 20,862,307</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 6,722,743	\$ 485,390	\$ 7,208,133
Other Capital Assets	927,667	79,049	1,006,716
Total Accumulated Depreciation	<u>\$ 7,650,410</u>	<u>\$ 564,439</u>	<u>\$ 8,214,849</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,949,527</u>	<u>\$ (302,069)</u>	<u>\$ 12,647,458</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,423,587</u>	<u>\$ (302,069)</u>	<u>\$ 13,121,518</u>

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

Governmental Activities:

Instruction	\$ 425,762
Support Services	108,600
Operation of Non-Instructional Services	<u>30,077</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 564,439</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 10,460
General	Public Utility	50,331
General Debt Service	General	<u>19,817</u>
Total		<u><u>\$ 80,608</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.

The receivable in the General Fund (\$50,331) was in transit from the Public Utility Fund at June 30, 2008.

Due to/from Primary Government and Component Units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General Debt Service	Component Unit: School Department: General Purpose School	<u>\$ 65,875</u>

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, 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	\$ 70,584	\$ 192,417
Special Purpose Fund	0	0	78,357	0
Community Dev./Ind. Park	0	0	7,531	0
Public Utility Fund	152,249	17,206	21,000	0
Total	\$ 152,249	\$ 17,206	\$ 177,472	\$ 192,417

Discretely Presented Benton County School Department

Transfer Out	Transfer In
	General Purpose School Fund
Nonmajor governmental fund	\$ 35,732

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 \$192,417 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.

D. Capital Leases

Primary Government

On September 17, 2007, Benton County entered into a two-year lease-purchase agreement for patrol cars. The terms of the agreement require total lease payments of \$75,773 plus interest of 5.6 percent. Title to the patrol cars transfers to Benton County at the end of the lease period. The lease payments are made from the General Fund. This lease-purchase agreement was not entered into in compliance with state statutes.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 26,645
2010	26,646
Total Minimum Lease Payment	\$ 53,291
Amount Representing Interest	(4,164)
Present Value of Minimum Lease Payments	\$ <u>49,127</u>

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, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 44,104
2010	44,104
2011	44,105
2012	44,105
2013	44,104
Total Minimum Lease Payment	\$ 220,522
Amount Representing Interest	(25,002)
Present Value of Minimum Lease Payments	\$ <u>195,520</u>

E. 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 25 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, 2008, 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, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	4 to 5.5%	\$ 16,600,000	\$ 5,410,000
General Obligation Bond - Refunding	3.5	9,020,000	8,600,000
Capital Outlay Notes	3.41 to 5.1	1,785,600	897,153
Other Loans	0 to Variable	1,304,000	559,800
Capital Lease	5.6	75,773	49,127

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, 2008, the variable interest rate was 1.39 percent and other fees totaled approximately .3 percent (letter of credit), .08 percent (remarketing) of the outstanding loan principal, and \$1,020 (trustee) annually.

During the 2006-07 year, 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, 2008, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 615,000	\$ 506,845	\$ 1,121,845
2010	645,000	481,663	1,126,663
2011	670,000	458,038	1,128,038
2012	695,000	433,513	1,128,513
2013	720,000	408,088	1,128,088
2014-2018	4,010,000	1,625,965	5,635,965
2019-2023	3,990,000	848,114	4,838,114
2024-2028	1,180,000	419,400	1,599,400
2029-2033	1,485,000	153,900	1,638,900
Total	<u>\$ 14,010,000</u>	<u>\$ 5,335,526</u>	<u>\$ 19,345,526</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 425,176	\$ 38,607	\$ 463,783
2010	317,977	20,432	338,409
2011	75,000	5,942	80,942
2012	79,000	2,015	81,015
Total	<u>\$ 897,153</u>	<u>\$ 66,996</u>	<u>\$ 964,149</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2009	\$ 101,600	\$ 2,141	\$ 2,541	\$ 106,282
2010	106,600	917	2,206	109,723
2011	111,600	0	1,853	113,453
2012	117,600	0	1,480	119,080
2013	13,600	0	65	13,665
2014-2018	68,000	0	325	68,325
2019-2021	40,800	0	195	40,995
Total	<u>\$ 559,800</u>	<u>\$ 3,058</u>	<u>\$ 8,665</u>	<u>\$ 571,523</u>

There is \$1,412,678 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$847, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$938, 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, 2008, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2007	\$ 9,495,000	\$ 1,407,872	\$ 657,400
Additions	5,000,000	0	0
Deductions	(485,000)	(510,719)	(97,600)
Balance, June 30, 2008	<u>\$ 14,010,000</u>	<u>\$ 897,153</u>	<u>\$ 559,800</u>

Balance Due Within One Year	<u>\$ 615,000</u>	<u>\$ 425,176</u>	<u>\$ 101,600</u>
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	Capital Lease	Compensated Absences	Other Post- Employment Benefits
Balance, July 1, 2007	\$ 0	\$ 105,861	\$ 0
Additions	75,773	98,869	6,144
Deductions	(26,646)	(98,328)	(5,865)
Balance, June 30, 2008	<u>\$ 49,127</u>	<u>\$ 106,402</u>	<u>\$ 279</u>

Balance Due Within One Year	<u>\$ 23,894</u>	<u>\$ 5,319</u>	<u>\$ 0</u>
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Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 15,622,761
Less: Balance Due Within One Year	<u>(1,170,989)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 14,451,772</u>
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Compensated absences are liquidated from the individual funds from which the related salaries and wages are paid. Other postemployment benefits will be paid from the Highway/Public Works Fund.

Discretely Presented Benton County School Department

Note

The county issued a capital outlay note on behalf of the School Department to purchase land to build a school.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. The capital outlay note outstanding was issued for an original term of five years. The repayment terms were structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. This note is included in long-term debt as of June 30, 2008, and will be retired from the General Purpose School Fund.

The capital outlay note and the capital lease outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Amount of Issue	Balance 6-30-08
Capital Outlay Note	6%	\$ 150,000	\$ 123,391
Capital Lease	5	229,669	195,520

The annual requirements to amortize the note outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Note		
	Principal	Interest	Total
2009	\$ 28,206	\$ 7,403	\$ 35,609
2010	29,898	5,711	35,609
2011	31,693	3,917	35,610
2012	33,594	2,016	35,610
Total	\$ 123,391	\$ 19,047	\$ 142,438

Debt per capita for the School Department, including the note and the capital lease totaled \$19, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Benton County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Note	Capital Lease	Other Post-Employment Benefits
Balance, July 1, 2007	\$ 150,000	\$ 229,669	\$ 0
Additions	0	0	303,749
Deductions	(26,609)	(34,149)	(149,484)
Balance, June 30, 2008	<u>\$ 123,391</u>	<u>\$ 195,520</u>	<u>\$ 154,265</u>
Balance Due Within One Year	<u>\$ 28,206</u>	<u>\$ 35,703</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 473,176
Less: Balance Due Within One Year	<u>(63,909)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 409,267</u>

Other postemployment benefits will be paid from the General Purpose School and School Federal Projects funds.

F. Pledges of Receivables and Future Revenues

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 \$70,584), and contributed (General Purpose School Fund \$326,477, City of Camden \$239,118, and City of Big Sandy \$14,968) to the General Debt Service Fund as a result of this sales tax increase totaled \$651,147 during the year.

G. On-Behalf Payments – Discretely Presented Benton County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Benton County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual

Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$64,909 and \$12,700, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

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. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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 participates in 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 8-27-301, 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 (LGWCF), 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 LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF 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. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial

statements. In previous years, Benton County and the Benton County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge of receivables or sale of future revenue will not apply to Benton County. Benton County previously did not disclose the nature of its pledged revenue streams.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Benton County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Event

General Sessions Judge, Ronald Darby, resigned May 5, 2009, and was succeeded by John Whitworth effective May 22, 2009.

D. 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.

Benton County is contingently liable for a state revolving fund loan of the Benton-Decatur Special Sewer District. Benton County would become liable for this loan and the interest thereon in the event of default by the sewer district. As of June 30, 2008, the outstanding balance of this loan was \$1,100,000.

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, 2008.

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.tn.gov/treasury/tcrs>.

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, 2008, 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, 2008, Benton County's annual pension cost of \$449,130 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 postretirement 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, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$449,130	100%	\$0
6-30-07	406,653	100	0
6-30-06	337,144	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 92.04 percent funded. The actuarial accrued liability for benefits was \$10.79 million, and the actuarial value of assets was \$9.93 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.86 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.74 million, and the ratio of the UAAL to the covered payroll was 14.96 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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 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.tn.gov/treasury/tcrs>.

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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$573,508, \$532,280, and \$459,004, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

Benton County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, TCA, for teachers and support personnel. Prior to reaching age 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include

pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://www.tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a partial subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select. During the year ended June 30, 2008, Benton County and the Benton County School Department contributed \$5,865 and \$149,484, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 6,144	\$ 303,749
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 6,144	\$ 303,749
Less: Amount of contribution	(5,865)	(149,484)
Increase/decrease in NPO	\$ 279	\$ 154,265
Net OPEB obligation, 7-1-07	0	0
Net OPEB obligation, 6-30-08	\$ 279	\$ 154,265

Year Ended*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Government Group	\$ 6,144	95%	\$ 279
6-30-08	Local Education Group	303,749	49	154,265

* Data not available for two preceding years.

Funding Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 41,088	\$ 2,883,943
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 41,088	\$ 2,883,943
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 744,940	\$ 10,936,792
UAAL as a % of covered payroll	6%	26%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent

investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

H. 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 \$10,000 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 Principles 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, 2008.

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 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, 2008, 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, 2008, consisted of the following:

	<u>Receivables</u>
Billed services for utility customers	\$ 1,288,248
Other receivables for utility services	82,795
Allowance for doubtful accounts	<u>(8,484)</u>
 Total Accounts Receivable	 <u><u>\$ 1,362,559</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	\$ 168,234
Reserve fund	<u>400,659</u>
 Total Restricted Assets	 <u><u>\$ 568,893</u></u>
The total of these funds is represented by:	
Certificates of deposit and bank accounts	<u><u>\$ 568,893</u></u>

4. Capital Assets

Capital assets activity during the year was as follows:

	Balance			Balance
	7-1-07	Additions	Disposals	6-30-08
Capital Assets Not Depreciated:				
Land	\$ 178,328	\$ 0	\$ 0	\$ 178,328
Construction in Progress	66,139	124,267	0	190,406
Total Capital Assets Not Depreciated	\$ 244,467	\$ 124,267	\$ 0	\$ 368,734
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,417,989	\$ 47,021	\$ 0	\$ 1,465,010
Other Capital Assets	25,275,758	1,013,228	177,626	26,111,360
Total Capital Assets Depreciated	\$ 26,693,747	\$ 1,060,249	\$ 177,626	\$ 27,576,370
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 283,203	\$ 39,855	\$ 0	\$ 323,058
Other Capital Assets	10,641,141	860,764	252,341	11,249,564
Total Accumulated Depreciation	\$ 10,924,344	\$ 900,619	\$ 252,341	\$ 11,572,622
Total Capital Assets Depreciated, Net	\$ 15,769,403	\$ 159,630	\$ (74,715)	\$ 16,003,748
Total Capital Assets, Net	\$ 16,013,870	\$ 283,897	\$ (74,715)	\$ 16,372,482

Depreciation expense of \$900,619 was recorded by the electric system.

5. Long-term Debt

Long-term debt consists of the following:

Type	Interest Rate	Balance
		6-30-08
Electric System Revenue Bonds, Series 2000	4.2 to 5.25%	\$ 760,000
Electric System Revenue Refunding Bonds, Series 2004	1.1 to 3.3	1,630,000
Electric System Revenue Refunding Bonds, Series 2005	3.9	1,095,000
Total		\$ 3,485,000

During 2005, Benton County issued \$1,225,000 of Electric System Revenue Bonds, Series 2005, to replace a substation in Camden, Tennessee. The bonds bear interest at a rate of 3.9 percent and mature serially in varying amounts from \$40,000 in fiscal year 2006 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, to refund \$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 million of Electric System Revenue Bonds, Series 2000, to construct 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, 2008.

	Balance 7-1-07	Additions	Retirements	Balance 6-30-08
Revenue bonds payable	\$ 3,755,000	\$ 0	\$ 270,000	\$ 3,485,000

The scheduled annual requirements for long-term debt at June 30, 2008, including interest of \$890,868 are as follows:

Year Ending June 30	Revenue Bonds	
	Principal	Interest
2009	\$ 270,000	\$ 122,534
2010	285,000	114,754
2011	290,000	106,138
2012	300,000	96,796
2013	310,000	86,652
2014-2018	1,265,000	268,920
2019-2023	595,000	88,444
2024-2025	170,000	6,630
Total	<u>\$ 3,485,000</u>	<u>\$ 890,868</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	\$ 16,372,482
Less: Revenue Bonds Payable	<u>(3,485,000)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 12,887,482</u>
Restricted for Debt Service:	
Restricted Cash and Investments	\$ 568,893
Less: Current Liabilities Payable from Restricted Assets	<u>(10,516)</u>
Total Restricted for Debt Service	<u>\$ 558,377</u>
Unrestricted	<u>\$ (1,001,027)</u>
Total Net Assets	<u><u>\$ 12,444,832</u></u>

D. Other Information

1. Pension Costs

The following pension information for the year ended June 30, 2008, 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 \$1,103,886 with employer contributions of \$79,259 (7.18 percent of covered wages) and employee contributions of \$55,194. 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 \$226,091. The system's payroll for employees covered by the plan for the year ended June 30, 2008, was \$1,057,617, and the total payroll for the year was \$2,463,810.

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, 2008, the system's annual pension cost of \$360,544 for the plan was equal to the system's required and actual contributions. The required contribution was determined as part of

the October 1, 2007, 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.

Three-year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-07	\$ 218,674	103.39 %	\$ 7,417
9-30-06	220,668	128.75	63,445
9-30-05	6,198,868	105.23	(12,768)

The information above is presented for all years that information is available. The information shown above for year ended September 30, 2005, and prior includes all entities covered by CSA. Separate information for the system became available for the year ended September 30, 2006, and is subsequently reported separately.

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, 2008, 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. Postemployment Health Benefits

In November 1996, the Benton County Electric System approved a policy for postemployment 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.

VII. OTHER NOTES – DISCRETELY PRESENTED BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Significant Accounting Policies

1. Reporting Entity

The Benton County Emergency Communications District was created on August 4, 1988, by a referendum of voters in Benton County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a municipality or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, Tennessee Code Annotated.

In evaluating how to define the Benton County Emergency Communications District for financial reporting purposes, management has considered whether the district is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by

applying the criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. The Board of Directors of the district are appointed by the County Commission. The County Commission has the authority to adjust the rates charged by the district, and the district must obtain the approval of the commission before issuance of most debt instruments. The county has determined that this constitutes fiscal dependency by the district, and has, therefore, included the district as a component unit of Benton County in its financial statements.

Since the district is deemed to be a municipality under Tennessee state law, it is exempt from federal income taxes.

2. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Benton County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the statements of the Governmental Accounting Standards Board (GASB) for proprietary funds. Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned, and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time.

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

3. **Budgetary Information**

The district is required by Section 7-86-120, Tennessee Code Annotated, to adopt an annual budget. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. For the year ended June 30, 2008, several line items of expenditures exceeded their budgeted amounts.

The district's budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in

that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets, and expenses are on the cash basis rather than the accrual basis. A reconciliation of the differences between budgetary basis and GAAP basis is presented below.

Net Income - budgetary basis	\$ 37,760
Accrual adjustments	9,171
Capitalized expenditures	35,650
Depreciation expense	<u>(15,225)</u>
Net Income - GAAP basis	<u><u>\$ 67,356</u></u>

4. **Assets, Liabilities, and Net Assets**

a. **Deposits and Investments**

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. State statutes authorize the district to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements as approved by the state director of Local Finance, and the state's local government investment pool.

b. **Capital Assets**

Capital assets are stated at cost. Assets consist of communications equipment, furniture and fixtures, building improvements, and other equipment, which are depreciated using the straight-line method over the estimated useful lives ranging from 5 to 15 years.

c. **Net Assets**

Equity is reported as net assets which are classified into the following components as applicable:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets
- Restricted – net assets when constraints are placed on their use by external third parties or imposed by law

- Unrestricted – all other net assets that do not meet the definition of the other categories

The district elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

d. Occupancy In-Kind

Benton County provides the district with personnel, facilities, and related utilities for the district's operations. No provision has been made in these financial statements to recognize any amounts incurred by the county on the district's behalf.

e. Personnel

The district has no employees. All dispatch functions are conducted by employees of Benton County.

B. Detailed Notes on Accounts

1. Deposits and Investments

As of June 30, 2008, the district had demand deposits at financial institutions in checking accounts, money market accounts, and certificates of deposit.

Custodial Credit Risk - The district's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note VII.4.a. 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 district's agent in the district's name, or by the Federal Reserve banks acting as third-party agents. State statutes also authorize the district 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 of at least equal to the amount of funds invested in the repurchase transaction. The district's deposits were being collateralized by securities issued by Champaign County, Illinois. This violates the collateral requirements stated above; therefore, as of June 30, 2008, \$191,829 of the district's deposits were uninsured and uncollateralized.

2. Revenues and Receivables

The district receives its revenue from monthly fees paid by service users in the county. AT&T, the major service supplier in Benton County, and other telephone companies collect the service fees and remit the funds to the district, after retaining an administrative fee ranging from one to three percent of collections. Accounts receivable represent amounts due from the telephone companies. The district also receives a portion of the wireless phone surcharge collected by the Tennessee Emergency Communications Board (TECB). The receivable from TECB represents amounts collected by the state prior to year end, but not remitted to the district until after June 30.

3. Capital Assets

Capital assets activity during the year was as follows:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Depreciated:			
Communications equipment	\$ 73,829	\$ 6,273	\$ 80,102
Leasehold improvements	19,962	0	19,962
Other equipment	17,064	35,650	52,714
Furniture and fixtures	396	0	396
Total Capital Assets Depreciated	<u>\$ 111,251</u>	<u>\$ 41,923</u>	<u>\$ 153,174</u>
Less Accumulated Depreciation:			
Communications equipment	\$ 20,329	\$ 10,819	\$ 31,148
Leasehold improvements	265	1,378	1,643
Other equipment	17,064	2,971	20,035
Furniture and fixtures	24	57	81
Total Accumulated Depreciation	<u>\$ 37,682</u>	<u>\$ 15,225</u>	<u>\$ 52,907</u>
Total Capital Assets, Net	<u>\$ 73,569</u>	<u>\$ 26,698</u>	<u>\$ 100,267</u>

C. Other Information

1. Risk Management

The district is exposed to various risks related to general and public officials liability, officers/directors errors and omissions liability, and property and casualty losses. It is the district's policy to purchase commercial insurance for these risks. Settlements have not exceeded insurance coverage in any of the prior three years.

2. Commitments

During the prior year, the district entered into a five-year service contract with AT&T in conjunction with the purchase of equipment. The monthly service fee as of June 30, 2008, is \$3,847. If terminated, the service contract calls for a termination charge equal to the number of months remaining in the contract term multiplied by 60 percent of the monthly service fee. The district does not anticipate terminating the service contract.

Each year the district enters into a contract for mapping and address maintenance services. The contract is cancelable on 30 days notice by either party. In July 2008, the fee was increased from \$1,300 to \$1,500 per month.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,609,433	\$ 2,897,314	\$ 2,457,314	\$ 152,119
Licenses and Permits	4,895	4,200	4,200	695
Fines, Forfeitures, and Penalties	153,017	106,205	106,205	46,812
Charges for Current Services	812,674	745,360	745,360	67,314
Other Local Revenues	435,178	385,750	429,788	5,390
Fees Received from County Officials	744,557	800,500	800,500	(55,943)
State of Tennessee	2,278,460	1,509,480	1,917,642	360,818
Federal Government	74,776	80,000	80,000	(5,224)
Other Governments and Citizens Groups	27,251	43,000	48,581	(21,330)
Total Revenues	\$ 7,140,241	\$ 6,571,809	\$ 6,589,590	\$ 550,651
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 39,606	\$ 43,350	\$ 44,350	\$ 4,744
Board of Equalization	2,100	2,100	2,100	0
Beer Board	550	1,000	1,000	450
Other Boards and Committees	1,612	0	5,000	3,388
County Mayor/Executive	213,115	219,701	224,421	11,306
County Attorney	13,230	7,500	29,500	16,270
Election Commission	136,354	129,357	140,976	4,622
Register of Deeds	121,428	127,726	128,992	7,564
County Buildings	299,501	283,973	345,569	46,068
<u>Finance</u>				
Property Assessor's Office	136,475	141,875	141,875	5,400
Reappraisal Program	9,698	20,122	20,122	10,424
County Trustee's Office	122,656	131,972	131,972	9,316
County Clerk's Office	160,083	172,000	172,100	12,017
<u>Administration of Justice</u>				
Circuit Court	186,545	190,330	190,690	4,145
General Sessions Judge	104,023	106,801	107,191	3,168
Drug Court	74,320	93,050	93,050	18,730
Chancery Court	112,534	116,919	116,919	4,385
Juvenile Court	38,305	38,515	38,940	635
<u>Public Safety</u>				
Sheriff's Department	1,173,647	1,085,078	1,216,602	42,955
Administration of the Sexual Offender Registry	1,090	1,200	1,200	110
Jail	877,276	691,946	950,416	73,140
Juvenile Services	118,688	123,489	123,489	4,801
Fire Prevention and Control	2,000	2,000	2,000	0
Rural Fire Protection	123,000	123,000	123,000	0
Rescue Squad	10,000	10,000	10,000	0
Other Emergency Management	53,561	109,400	112,816	59,255
Inspection and Regulation	250	1,000	1,000	750

(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 Safety (Cont.)</u>				
County Coroner/Medical Examiner	\$ 23,285	\$ 13,000	\$ 23,000	\$ (285)
Other Public Safety	388,304	366,300	396,301	7,997
<u>Public Health and Welfare</u>				
Local Health Center	37,220	40,295	40,295	3,075
Rabies and Animal Control	37,063	38,320	43,901	6,838
Ambulance/Emergency Medical Services	400,000	400,000	400,000	0
Alcohol and Drug Programs	830	14,544	14,544	13,714
Crippled Children Services	900	900	900	0
Other Local Health Services	15,643	0	15,789	146
Appropriation to State	15,506	15,506	15,506	0
Sanitation Management	46,310	41,032	53,432	7,122
Sanitation Education/Information	33,385	34,100	34,151	766
Other Public Health and Welfare	411	400	500	89
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	115,280	130,118	136,864	21,584
Libraries	0	192,417	0	0
Parks and Fair Boards	36,542	50,300	50,300	13,758
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	40,955	43,412	51,882	10,927
Soil Conservation	22,193	22,194	22,194	1
<u>Other Operations</u>				
Tourism	86,301	160,000	160,000	73,699
Airport	218,416	243,028	261,528	43,112
Veterans' Services	10,340	10,529	10,629	289
Other Charges	191,782	134,215	216,493	24,711
Contributions to Other Agencies	119,682	124,311	124,311	4,629
Employee Benefits	846,433	762,000	879,800	33,367
<u>Principal on Debt</u>				
General Government	26,646	0	26,646	0
<u>Other Debt Service</u>				
General Government	350	0	350	0
Total Expenditures	\$ 6,845,424	\$ 6,810,325	\$ 7,454,606	\$ 609,182
Excess (Deficiency) of Revenues Over Expenditures	\$ 294,817	\$ (238,516)	\$ (865,016)	\$ 1,159,833
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 75,773	\$ 0	\$ 0	\$ 75,773
Insurance Recovery	52,110	2,000	40,653	11,457
Transfers In	152,249	0	120,000	32,249
Transfers Out	(263,001)	(68,000)	(260,417)	(2,584)
Total Other Financing Sources (Uses)	\$ 17,131	\$ (66,000)	\$ (99,764)	\$ 116,895
Net Change in Fund Balance	\$ 311,948	\$ (304,516)	\$ (964,780)	\$ 1,276,728
Fund Balance, July 1, 2007	1,296,237	1,609,806	1,609,806	(313,569)
Fund Balance, June 30, 2008	\$ 1,608,185	\$ 1,305,290	\$ 645,026	\$ 963,159

Exhibit F-2

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 358,924	\$ 349,400	\$ 349,400	\$ 9,524
Total Revenues	\$ 358,924	\$ 349,400	\$ 349,400	\$ 9,524
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 3,589	\$ 3,494	\$ 3,494	\$ (95)
<u>Instruction</u>				
Regular Instruction Program	276,978	345,906	275,000	(1,978)
Total Expenditures	\$ 280,567	\$ 349,400	\$ 278,494	\$ (2,073)
Excess (Deficiency) of Revenues Over Expenditures	\$ 78,357	\$ 0	\$ 70,906	\$ 7,451
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (78,357)	\$ 0	\$ (70,906)	\$ (7,451)
Total Other Financing Sources (Uses)	\$ (78,357)	\$ 0	\$ (70,906)	\$ (7,451)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2007	7,200,000	7,200,000	7,200,000	0
Fund Balance, June 30, 2008	\$ 7,200,000	\$ 7,200,000	\$ 7,200,000	\$ 0

Exhibit F-3

Benton County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 313,671	\$ 383,573	\$ 383,573	\$ (69,902)
Other Local Revenues	25,514	39,000	53,304	(27,790)
State of Tennessee	1,839,141	1,889,270	1,889,270	(50,129)
Total Revenues	<u>\$ 2,178,326</u>	<u>\$ 2,311,843</u>	<u>\$ 2,326,147</u>	<u>\$ (147,821)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 142,378	\$ 154,068	\$ 154,118	\$ 11,740
Highway and Bridge Maintenance	1,222,834	1,448,515	1,419,760	196,926
Operation and Maintenance of Equipment	312,220	312,399	344,399	32,179
Other Charges	58,898	117,000	117,000	58,102
Employee Benefits	308,278	322,897	322,897	14,619
Capital Outlay	406,982	470,000	481,009	74,027
Total Expenditures	<u>\$ 2,451,590</u>	<u>\$ 2,824,879</u>	<u>\$ 2,839,183</u>	<u>\$ 387,593</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (273,264)</u>	<u>\$ (513,036)</u>	<u>\$ (513,036)</u>	<u>\$ 239,772</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 17,206	\$ 0	\$ 0	\$ 17,206
Total Other Financing Sources (Uses)	<u>\$ 17,206</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,206</u>
Net Change in Fund Balance	\$ (256,058)	\$ (513,036)	\$ (513,036)	\$ 256,978
Fund Balance, July 1, 2007	<u>1,084,206</u>	<u>669,976</u>	<u>669,976</u>	<u>414,230</u>
Fund Balance, June 30, 2008	<u>\$ 828,148</u>	<u>\$ 156,940</u>	<u>\$ 156,940</u>	<u>\$ 671,208</u>

Exhibit F-4

Benton County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 9,933	\$ 10,792	\$ 859	92.04 %	\$ 5,742	14.96 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit F-5

Benton County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Benton County School Department
June 30, 2008

(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)
Local Government Group Plan	6-30-07	\$ 0	\$ 41	41	0%	\$ 745	6%
Local Education Group Plan	6-30-07	0	2,884	2,884	0	10,937	26

* Data not available for two preceding years.

BENTON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

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

Expenditures exceeded appropriations approved by the County Commission in the County Coroner/Medical Examiner (\$285) and Transfers Out (\$2,584) major appropriation categories (the legal level of control) of the General Fund. Total expenditures and other uses exceeded total appropriations in the Special Purpose Fund by \$9,524. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance in the General Fund and by greater than anticipated revenues in the Special Purpose Fund.

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

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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.

HUD Grant Projects Fund – The HUD Grant Projects Fund is 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.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for note proceeds and federal and state grant funds received for airport improvements.

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Benton County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Exhibit G-1

	Special Revenue Funds		Capital Projects Funds				Total Nonmajor Governmental Funds
	Constituentional Officers - Fees	Total	General Capital Projects	Highway Capital Projects	Other Capital Projects	Total	
Cash	\$ 0	\$ 1,330	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,330
Equity in Pooled Cash and Investments	50,209	50,209	5,850	1,882	271,855	279,587	329,796
Accounts Receivable	0	3,280	0	0	0	0	3,280
Due from Other Governments	0	0	0	0	13,550	13,550	13,550
Total Assets	\$ 50,209	\$ 54,819	\$ 5,850	\$ 1,882	\$ 285,405	\$ 293,137	\$ 347,956
LIABILITIES AND FUND BALANCES							
<u>Liabilities</u>							
Accounts Payable	\$ 2,066	\$ 2,066	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,066
Contracts Payable	0	0	0	0	51,632	51,632	51,632
Retainage Payable	0	0	0	0	89,624	89,624	89,624
Due to Other Funds	0	4,610	5,850	0	0	5,850	10,460
Total Liabilities	\$ 2,066	\$ 6,676	\$ 5,850	\$ 0	\$ 141,256	\$ 147,106	\$ 153,782
<u>Fund Balances</u>							
Unreserved	\$ 48,143	\$ 48,143	\$ 0	\$ 1,882	\$ 144,149	\$ 146,031	\$ 194,174
Total Fund Balances	\$ 48,143	\$ 48,143	\$ 0	\$ 1,882	\$ 144,149	\$ 146,031	\$ 194,174
Total Liabilities and Fund Balances	\$ 50,209	\$ 54,819	\$ 5,850	\$ 1,882	\$ 285,405	\$ 293,137	\$ 347,956

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, 2008

	Special Revenue Fund	Capital Projects Funds					Total Nonmajor Governmental Funds
		Drug Control	General Capital Projects	HUD Grant Projects	Highway Capital Projects	Other Capital Projects	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 73,541	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,541
Other Local Revenues	6,395	0	0	0	0	0	6,395
State of Tennessee	0	5,850	0	0	542,626	548,476	548,476
Total Revenues	\$ 79,936	\$ 5,850	\$ 0	\$ 0	\$ 542,626	\$ 548,476	\$ 628,412
<u>Expenditures</u>							
Current:							
Public Safety	\$ 50,129	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,129
Other Operations	0	0	0	0	5,291	5,291	5,291
Highways	0	0	0	2,737	0	2,737	2,737
Capital Projects	0	5,850	54	0	296,319	302,223	302,223
Total Expenditures	\$ 50,129	\$ 5,850	\$ 54	\$ 2,737	\$ 301,610	\$ 310,251	\$ 360,380
Excess (Deficiency) of Revenues Over Expenditures	\$ 29,807	\$ 0	\$ (54)	\$ (2,737)	\$ 241,016	\$ 238,225	\$ 268,032
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 7,786	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,786
Total Other Financing Sources (Uses)	\$ 7,786	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,786
Net Change in Fund Balances Fund Balance, July 1, 2007	\$ 37,593	\$ 0	\$ (54)	\$ (2,737)	\$ 241,016	\$ 238,225	\$ 275,818
	10,550	0	54	4,619	(96,867)	(92,194)	(81,644)
Fund Balance, June 30, 2008	\$ 48,143	\$ 0	\$ 0	\$ 1,882	\$ 144,149	\$ 146,031	\$ 194,174

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 73,541	\$ 35,200	\$ 91,165	\$ (17,624)
Other Local Revenues	6,395	8,625	22,060	(15,665)
State of Tennessee	0	7,000	8,245	(8,245)
Total Revenues	<u>\$ 79,936</u>	<u>\$ 50,825</u>	<u>\$ 121,470</u>	<u>\$ (41,534)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 50,129	\$ 69,900	\$ 148,781	\$ 98,652
Total Expenditures	<u>\$ 50,129</u>	<u>\$ 69,900</u>	<u>\$ 148,781</u>	<u>\$ 98,652</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 29,807</u>	<u>\$ (19,075)</u>	<u>\$ (27,311)</u>	<u>\$ 57,118</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 7,786	\$ 0	\$ 7,786	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 7,786</u>	<u>\$ 0</u>	<u>\$ 7,786</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 37,593	\$ (19,075)	\$ (19,525)	\$ 57,118
Fund Balance, July 1, 2007	10,550	27,629	27,629	(17,079)
Fund Balance, June 30, 2008	<u>\$ 48,143</u>	<u>\$ 8,554</u>	<u>\$ 8,104</u>	<u>\$ 40,039</u>

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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.

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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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 614,825	\$ 631,290	\$ 610,290	\$ 4,535
Other Local Revenues	80,648	150,715	80,648	0
Other Governments and Citizens Groups	649,983	410,000	642,704	7,279
Total Revenues	<u>\$ 1,345,456</u>	<u>\$ 1,192,005</u>	<u>\$ 1,333,642</u>	<u>\$ 11,814</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 594,719	\$ 594,686	\$ 594,721	\$ 2
Education	498,600	495,483	499,816	1,216
<u>Interest on Debt</u>				
General Government	158,127	306,435	305,061	146,934
Education	331,202	331,203	331,203	1
<u>Other Debt Service</u>				
General Government	16,166	8,100	16,939	773
Education	950	3,000	3,000	2,050
Total Expenditures	<u>\$ 1,599,764</u>	<u>\$ 1,738,907</u>	<u>\$ 1,750,740</u>	<u>\$ 150,976</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (254,308)</u>	<u>\$ (546,902)</u>	<u>\$ (417,098)</u>	<u>\$ 162,790</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 177,472	\$ 334,000	\$ 196,696	\$ (19,224)
Total Other Financing Sources (Uses)	<u>\$ 177,472</u>	<u>\$ 334,000</u>	<u>\$ 196,696</u>	<u>\$ (19,224)</u>
Net Change in Fund Balance	\$ (76,836)	\$ (212,902)	\$ (220,402)	\$ 143,566
Fund Balance, July 1, 2007	<u>1,489,514</u>	<u>1,500,990</u>	<u>1,500,990</u>	<u>(11,476)</u>
Fund Balance, June 30, 2008	<u>\$ 1,412,678</u>	<u>\$ 1,288,088</u>	<u>\$ 1,280,588</u>	<u>\$ 132,090</u>

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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.

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Exhibit I-1

Benton County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>		
	<u>Cities -</u>	<u>Constitutional</u>	
	<u>Sales</u>	<u>Officers -</u>	
	<u>Tax</u>	<u>Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 579,634	\$ 579,634
Due from Other Governments	255,880	0	255,880
Cash Shortage	0	693	693
Total Assets	<u>\$ 255,880</u>	<u>\$ 580,327</u>	<u>\$ 836,207</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 255,880	\$ 0	\$ 255,880
Due to Litigants, Heirs, and Others	0	580,327	580,327
Total Liabilities	<u>\$ 255,880</u>	<u>\$ 580,327</u>	<u>\$ 836,207</u>

Exhibit I-2

Benton County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 35,237	\$ 1,375,996	\$ 1,411,233	\$ 0
Due from Other Governments	238,868	255,880	238,868	255,880
Total Assets	\$ 274,105	\$ 1,631,876	\$ 1,650,101	\$ 255,880
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 274,105	\$ 1,631,876	\$ 1,650,101	\$ 255,880
Total Liabilities	\$ 274,105	\$ 1,631,876	\$ 1,650,101	\$ 255,880
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 844,175	\$ 3,107,406	\$ 3,371,947	\$ 579,634
Cash Shortage	0	693	0	693
Total Assets	\$ 844,175	\$ 3,108,099	\$ 3,371,947	\$ 580,327
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 844,175	\$ 3,108,099	\$ 3,371,947	\$ 580,327
Total Liabilities	\$ 844,175	\$ 3,108,099	\$ 3,371,947	\$ 580,327
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 35,237	\$ 1,375,996	\$ 1,411,233	\$ 0
Cash	844,175	3,107,406	3,371,947	579,634
Due from Other Governments	238,868	255,880	238,868	255,880
Cash Shortage	0	693	0	693
Total Assets	\$ 1,118,280	\$ 4,739,975	\$ 5,022,048	\$ 836,207
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 274,105	\$ 1,631,876	\$ 1,650,101	\$ 255,880
Due to Litigants, Heirs, and Others	844,175	3,108,099	3,371,947	580,327
Total Liabilities	\$ 1,118,280	\$ 4,739,975	\$ 5,022,048	\$ 836,207

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.

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Exhibit J-1

Benton County, Tennessee
Statement of Activities
Discretely Presented Benton County School Department
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 12,640,625	\$ 21,000	\$ 1,312,567	\$ (11,307,058)
Support Services	6,452,111	29,489	79,964	(6,342,658)
Operation of Non-Instructional Services	1,329,373	0	1,010,266	(319,107)
Interest on Long-term Debt	18,291	0	0	(18,291)
Other Debt Service	394,091	0	0	(394,091)
Total Governmental Activities	\$ 20,834,491	\$ 50,489	\$ 2,402,797	\$ (18,381,205)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,715,332
Local Option Sales Taxes				1,872,732
Other Local Taxes				2,130
Grants and Contributions Not Restricted to Specific Programs				12,498,797
Miscellaneous				49,519
Total General Revenues				\$ 18,138,510
Change in Net Assets				\$ (242,695)
Net Assets, July 1, 2007				14,882,841
Net Assets, June 30, 2008				\$ 14,640,146

Exhibit J-2

Benton County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Benton County School Department
June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,951,000	\$ 20,136	\$ 1,971,136
Accounts Receivable	1,026	0	1,026
Due from Other Governments	530,045	3,812	533,857
Property Taxes Receivable	3,696,735	0	3,696,735
Allowance for Uncollectible Property Taxes	(144,657)	0	(144,657)
Total Assets	<u>\$ 6,034,149</u>	<u>\$ 23,948</u>	<u>\$ 6,058,097</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 457,196	\$ 6,060	\$ 463,256
Contracts Payable	88,956	0	88,956
Retainage Payable	18,936	0	18,936
Due to Primary Government	65,875	0	65,875
Deferred Revenue - Current Property Taxes	3,426,185	0	3,426,185
Deferred Revenue - Delinquent Property Taxes	112,125	0	112,125
Other Deferred Revenues	155,379	0	155,379
Total Liabilities	<u>\$ 4,324,652</u>	<u>\$ 6,060</u>	<u>\$ 4,330,712</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 707	\$ 0	\$ 707
Reserved for Career Ladder Program	28,091	0	28,091
Reserved for Title I Grants to Local Education Agencies	0	1,229	1,229
Reserved for Innovative Education Program Strategies	0	1,279	1,279
Reserved for Special Education - Grants to States	0	845	845
Other Federal Reserves	0	1,228	1,228
Unreserved, Reported In:			
General Fund	1,680,699	0	1,680,699
Capital Projects Funds	0	13,307	13,307
Total Fund Balances	<u>\$ 1,709,497</u>	<u>\$ 17,888</u>	<u>\$ 1,727,385</u>
Total Liabilities and Fund Balances	<u>\$ 6,034,149</u>	<u>\$ 23,948</u>	<u>\$ 6,058,097</u>

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, 2008

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)		\$ 1,727,385	
(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	12,290,235		
Add: other capital assets net of accumulated depreciation	<u>357,223</u>	13,121,518	
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			267,504
(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	\$ (123,391)		
Less: capital lease payable	(195,520)		
Less: other postemployment benefits	(154,265)		
Less: accrued interest on notes	<u>(3,085)</u>	<u>(476,261)</u>	
Net assets of governmental activities (Exhibit A)			<u>\$ 14,640,146</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, 2008

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 5,607,020	\$ 0	\$ 5,607,020
Licenses and Permits	1,766	0	1,766
Charges for Current Services	50,489	0	50,489
Other Local Revenues	49,519	0	49,519
State of Tennessee	11,949,827	0	11,949,827
Federal Government	1,011,854	1,583,593	2,595,447
Other Governments and Citizens Groups	276,978	0	276,978
Total Revenues	<u>\$ 18,947,453</u>	<u>\$ 1,583,593</u>	<u>\$ 20,531,046</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 10,575,691	\$ 1,284,638	\$ 11,860,329
Support Services	5,686,588	300,655	5,987,243
Operation of Non-Instructional Services	1,222,484	0	1,222,484
Capital Outlay	823,254	0	823,254
Debt Service:			
Principal on Debt	60,758	0	60,758
Interest on Debt	18,956	0	18,956
Other Debt Service	394,091	0	394,091
Total Expenditures	<u>\$ 18,781,822</u>	<u>\$ 1,585,293</u>	<u>\$ 20,367,115</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ 165,631</u>	<u>\$ (1,700)</u>	<u>\$ 163,931</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 4,347	\$ 0	\$ 4,347
Transfers In	35,732	0	35,732
Transfers Out	0	(35,732)	(35,732)
Total Other Financing Sources (Uses)	<u>\$ 40,079</u>	<u>\$ (35,732)</u>	<u>\$ 4,347</u>
Net Change in Fund Balances	\$ 205,710	\$ (37,432)	\$ 168,278
Fund Balance, July 1, 2007	<u>1,503,787</u>	<u>55,320</u>	<u>1,559,107</u>
Fund Balance, June 30, 2008	<u>\$ 1,709,497</u>	<u>\$ 17,888</u>	<u>\$ 1,727,385</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, 2008

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)		\$ 168,278
(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	\$ 262,370	
Less: current year depreciation expense	<u>(564,439)</u>	(302,069)
(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, 2008	\$ 267,504	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(283,566)</u>	(16,062)
(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.		
Add: principal payments on notes	\$ 26,609	
Add: principal payments on capital lease	<u>34,149</u>	60,758
(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 other postemployment benefits	\$ (154,265)	
Change in accrued interest payable	<u>665</u>	<u>(153,600)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (242,695)</u>

Exhibit J-6

Benton County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Benton County School Department
June 30, 2008

	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	\$ 6,829	\$ 13,307	\$ 20,136
Due from Other Governments	3,812	0	3,812
Total Assets	<u>\$ 10,641</u>	<u>\$ 13,307</u>	<u>\$ 23,948</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 6,060	\$ 0	\$ 6,060
Total Liabilities	<u>\$ 6,060</u>	<u>\$ 0</u>	<u>\$ 6,060</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 1,229	\$ 0	\$ 1,229
Reserved for Innovative Education Program Strategies	1,279	0	1,279
Reserved for Special Education - Grants to States	845	0	845
Other Federal Reserves	1,228	0	1,228
Unreserved	0	13,307	13,307
Total Fund Balances	<u>\$ 4,581</u>	<u>\$ 13,307</u>	<u>\$ 17,888</u>
Total Liabilities and Fund Balances	<u>\$ 10,641</u>	<u>\$ 13,307</u>	<u>\$ 23,948</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, 2008

	Special Revenue Fund <u>School Federal Projects</u>	Capital Projects Fund <u>Education Capital Projects</u>	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Federal Government	\$ 1,583,593	\$ 0	\$ 1,583,593
Total Revenues	<u>\$ 1,583,593</u>	<u>\$ 0</u>	<u>\$ 1,583,593</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,284,638	\$ 0	\$ 1,284,638
Support Services	300,655	0	300,655
Total Expenditures	<u>\$ 1,585,293</u>	<u>\$ 0</u>	<u>\$ 1,585,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,700)</u>	<u>\$ 0</u>	<u>\$ (1,700)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (35,732)	\$ 0	\$ (35,732)
Total Other Financing Sources (Uses)	<u>\$ (35,732)</u>	<u>\$ 0</u>	<u>\$ (35,732)</u>
Net Change in Fund Balances	\$ (37,432)	\$ 0	\$ (37,432)
Fund Balance, July 1, 2007	42,013	13,307	55,320
Fund Balance, June 30, 2008	<u>\$ 4,581</u>	<u>\$ 13,307</u>	<u>\$ 17,888</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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,607,020	\$ 5,323,640	\$ 5,323,640	\$ 283,380
Licenses and Permits	1,766	2,000	2,000	(234)
Charges for Current Services	50,489	58,500	58,500	(8,011)
Other Local Revenues	49,519	278,500	46,891	2,628
State of Tennessee	11,949,827	11,791,426	11,944,913	4,914
Federal Government	1,011,854	1,011,154	1,044,297	(32,443)
Other Governments and Citizens Groups	276,978	0	275,000	1,978
Total Revenues	<u>\$ 18,947,453</u>	<u>\$ 18,465,220</u>	<u>\$ 18,695,241</u>	<u>\$ 252,212</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 8,724,571	\$ 8,726,976	\$ 8,798,338	\$ 73,767
Special Education Program	1,048,658	1,075,310	1,081,946	33,288
Vocational Education Program	656,086	659,294	662,123	6,037
Adult Education Program	146,376	154,067	154,484	8,108
<u>Support Services</u>				
Attendance	76,937	77,549	77,835	898
Health Services	215,474	238,746	239,263	23,789
Other Student Support	342,078	347,471	347,892	5,814
Regular Instruction Program	551,577	559,556	562,232	10,655
Special Education Program	90,950	92,194	92,507	1,557
Vocational Education Program	122,201	130,284	130,666	8,465
Adult Programs	77,298	83,391	83,740	6,442
Other Programs	77,609	0	77,609	0
Board of Education	316,507	478,129	478,129	161,622
Director of Schools	116,706	122,081	122,393	5,687
Office of the Principal	916,125	911,085	935,267	19,142
Fiscal Services	131,141	132,685	133,261	2,120
Operation of Plant	1,203,876	1,256,466	1,278,506	74,630
Maintenance of Plant	491,858	488,336	497,767	5,909
Transportation	867,582	848,332	882,762	15,180
Central and Other	88,669	88,378	88,778	109
<u>Operation of Non-Instructional Services</u>				
Food Service	1,004,891	975,892	1,009,035	4,144
Community Services	4,000	2,500	4,000	0
Early Childhood Education	213,593	218,034	218,034	4,441
<u>Capital Outlay</u>				
Regular Capital Outlay	823,254	423,749	824,253	999
<u>Principal on Debt</u>				
Education	60,758	60,008	60,759	1
<u>Interest on Debt</u>				
Education	18,956	19,707	18,956	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	\$ 394,091	\$ 0	\$ 401,614	\$ 7,523
Total Expenditures	\$ 18,781,822	\$ 18,170,220	\$ 19,262,149	\$ 480,327
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 165,631	\$ 295,000	\$ (566,908)	\$ 732,539
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,347	\$ 0	\$ 4,347	\$ 0
Transfers In	35,732	5,000	35,942	(210)
Transfers Out	0	(300,000)	0	0
Total Other Financing Sources (Uses)	\$ 40,079	\$ (295,000)	\$ 40,289	\$ (210)
Net Change in Fund Balance	\$ 205,710	\$ 0	\$ (526,619)	\$ 732,329
Fund Balance, July 1, 2007	1,503,787	1,493,174	1,493,174	10,613
Fund Balance, June 30, 2008	\$ 1,709,497	\$ 1,493,174	\$ 966,555	\$ 742,942

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,583,593	\$ 1,542,225	\$ 1,641,328	\$ (57,735)
Total Revenues	\$ 1,583,593	\$ 1,542,225	\$ 1,641,328	\$ (57,735)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 678,775	\$ 655,214	\$ 686,337	\$ 7,562
Special Education Program	516,639	483,002	561,770	45,131
Vocational Education Program	89,224	86,381	89,224	0
<u>Support Services</u>				
Other Student Support	140,856	140,546	142,333	1,477
Regular Instruction Program	82,217	94,340	87,264	5,047
Special Education Program	75,858	74,283	78,747	2,889
Vocational Education Program	1,724	1,500	1,724	0
Total Expenditures	\$ 1,585,293	\$ 1,535,266	\$ 1,647,399	\$ 62,106
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,700)	\$ 6,959	\$ (6,071)	\$ 4,371
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 15,137	\$ 15,137	\$ (15,137)
Transfers Out	(35,732)	(22,096)	(51,079)	15,347
Total Other Financing Sources (Uses)	\$ (35,732)	\$ (6,959)	\$ (35,942)	\$ 210
Net Change in Fund Balance	\$ (37,432)	\$ 0	\$ (42,013)	\$ 4,581
Fund Balance, July 1, 2007	42,013	42,013	42,013	0
Fund Balance, June 30, 2008	\$ 4,581	\$ 42,013	\$ 0	\$ 4,581

MISCELLANEOUS SCHEDULES

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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, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
PRIMARY GOVERNMENT								
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Vocational Rehabilitation Center	\$ 725,000	5.1	% 12-30-1999	12-1-11	\$ 357,000	\$ 0	\$ 64,000	\$ 293,000
Recreational Facilities	300,000	2.94	12-30-04	12-1-07	103,000	0	103,000	0
Runway Extension	350,000	3.41	8-9-05	8-9-08	237,272	0	116,700	120,572
Central Dispatch Building and Equipment	260,600	4.3	9-1-06	8-29-09	260,600	0	83,255	177,345
Runway Extension	450,000	4.3	9-1-06	8-29-09	450,000	0	143,764	306,236
Total Notes Payable					\$ 1,407,872	\$ 0	\$ 510,719	\$ 897,153
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Renovation	1,100,000	Variable	1-8-1997	5-25-12	\$ 467,000	\$ 0	\$ 84,000	\$ 383,000
Qualified Zone Academy Bonds	204,000	0	7-7-06	12-28-20	190,400	0	13,600	176,800
County Career and Technical Center								
Total Other Loans Payable					\$ 657,400	\$ 0	\$ 97,600	\$ 559,800
CAPITAL LEASE PAYABLE								
<u>Payable through General Fund</u>								
Sheriff Patrol Cars	75,773	5.6	9-17-07	9-17-09	\$ 0	\$ 75,773	\$ 26,646	\$ 49,127
BONDS PAYABLE								
<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	\$ 545,000	\$ 0	\$ 265,000	\$ 280,000
School Bonds Series 1998	3,600,000	4.35 to 4.875	5-1-1998	6-1-09	260,000	0	130,000	130,000
School Bonds Series 2003 Refunding	9,020,000	3.5	6-12-03	12-1-21	8,690,000	0	90,000	8,600,000
Jail Bonds, Series 2007	5,000,000	4	10-1-07	10-1-32	0	5,000,000	0	5,000,000
Total Bonds Payable					\$ 9,495,000	\$ 5,000,000	\$ 485,000	\$ 14,010,000

(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.)

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7-1-07</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6-30-08</u>
<u>DISCRETELY PRESENTED BENTON COUNTY</u>								
<u>SCHOOL DEPARTMENT</u>								
<u>NOTE PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>	\$ 150,000	6	% 1-16-07	1-16-12	\$ 150,000	\$ 0	\$ 26,609	\$ 123,391
<u>Land</u>								
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>	352,035	4.5	7-23-03	6-30-13	\$ 229,669	\$ 0	\$ 34,149	\$ 195,520
<u>Energy Efficient Lighting Equipment</u>								

Exhibit K-2

Benton County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Benton County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 425,176	\$ 38,607	\$ 463,783
2010	317,977	20,432	338,409
2011	75,000	5,942	80,942
2012	79,000	2,015	81,015
Total	\$ 897,153	\$ 66,996	\$ 964,149

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2009	\$ 101,600	\$ 2,141	\$ 2,541	106,282
2010	106,600	917	2,206	109,723
2011	111,600	0	1,853	113,453
2012	117,600	0	1,480	119,080
2013	13,600	0	65	13,665
2014	13,600	0	65	13,665
2015	13,600	0	65	13,665
2016	13,600	0	65	13,665
2017	13,600	0	65	13,665
2018	13,600	0	65	13,665
2019	13,600	0	65	13,665
2020	13,600	0	65	13,665
2021	13,600	0	65	13,665
Total	\$ 559,800	\$ 3,058	\$ 8,665	\$ 571,523

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 23,894	\$ 2,752	\$ 26,646
2010	25,233	1,413	26,646
Total	\$ 49,127	\$ 4,165	\$ 53,292

(Continued)

Exhibit K-2

Benton County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Benton County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 615,000	\$ 506,845	\$ 1,121,845
2010	645,000	481,663	1,126,663
2011	670,000	458,038	1,128,038
2012	695,000	433,513	1,128,513
2013	720,000	408,088	1,128,088
2014	745,000	381,763	1,126,763
2015	770,000	354,538	1,124,538
2016	800,000	326,313	1,126,313
2017	835,000	296,913	1,131,913
2018	860,000	266,438	1,126,438
2019	900,000	234,788	1,134,788
2020	925,000	201,963	1,126,963
2021	965,000	167,963	1,132,963
2022	995,000	132,700	1,127,700
2023	205,000	110,700	315,700
2024	215,000	102,300	317,300
2025	225,000	93,500	318,500
2026	235,000	84,300	319,300
2027	245,000	74,700	319,700
2028	260,000	64,600	324,600
2029	270,000	54,000	324,000
2030	285,000	42,900	327,900
2031	295,000	31,300	326,300
2032	310,000	19,200	329,200
2033	325,000	6,500	331,500
Total	\$ 14,010,000	\$ 5,335,526	\$ 19,345,526

DISCRETELY PRESENTED BENTON COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 28,206	\$ 7,403	\$ 35,609
2010	29,898	5,711	35,609
2011	31,693	3,917	35,610
2012	33,594	2,016	35,610
Total	\$ 123,391	\$ 19,047	\$ 142,438

(Continued)

Exhibit K-2

Benton County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Benton County School Department (Cont.)

DISCRETELY PRESENTED BENTON COUNTY SCHOOL DEPARTMENT (CONT.)

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Capital Lease Requirements
2009	\$ 35,703	\$ 8,401	\$ 44,104
2010	37,328	6,776	44,104
2011	39,027	5,078	44,105
2012	40,803	3,302	44,105
2013	42,659	1,445	44,104
Total	<u>\$ 195,520</u>	<u>\$ 25,002</u>	<u>\$ 220,522</u>

Exhibit K-3

Benton County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Benton County School Department
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Public Library	Operations	\$ 192,417
General	General Debt Service	Debt retirement	70,584
Special Purpose	General Debt Service	Debt retirement	78,357
Community Development/Industrial Park	General Debt Service	Unexpended debt proceeds	7,531
Public Utility	General Debt Service	Payments in-lieu-of taxes	21,000
Public Utility	General	Payments in-lieu-of taxes	152,249
Public Utility	Highway/Public Works	Payments in-lieu-of taxes	17,206
Total Transfers Primary Government			<u>\$ 539,344</u>
<u>DISCRETELY PRESENTED BENTON COUNTY</u>			
<u>SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 35,732
Total Transfers Discretely Presented Benton County School Department			<u>\$ 35,732</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, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 63,377	\$ 50,000	RLI Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	60,360	100,000	"
Director of Schools	State Board of Education and Benton County Board of Education	83,144 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,872	700,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,872	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,872	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Register	Section 8-24-102, <u>TCA</u>	54,872	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	60,360	25,000	"
Employee Blanket Bond:				
County Mayor and Road Supervisor:			150,000	Tennessee Risk Management Trust
All Employees			10,000	CNA Surety Company
Schools Employees' Blanket Bond				

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

Exhibit K-5

Benton County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds				Capital Projects Funds				Total	
	General	Special Purpose	Drug Control	Highway / Public Works	Community					
					General	Debt Service	General Capital Projects	Development/Industrial Park		Other Capital Projects
Debt Service Fund	General	Debt Service	General Capital Projects	Development/Industrial Park	Other Capital Projects	Debt Service Fund	General	Debt Service	General Capital Projects	
<u>Local Taxes</u>										
<u>County Property Taxes</u>										
Current Property Tax	\$ 1,426,714	\$ 0	\$ 0	\$ 206,495	\$ 598,181	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,231,390
Trustee's Collections - Prior Year	48,482	0	0	7,017	8,293	0	0	0	0	63,792
Circuit/Clerk & Master Collections - Prior Years	32,428	0	0	4,694	5,853	0	0	0	0	42,975
Interest and Penalty	10,158	0	0	1,470	2,425	0	0	0	0	14,053
Payments in-Lieu-of Taxes - T.V.A.	7,201	0	0	0	0	0	0	0	0	7,201
Payments in-Lieu-of Taxes - Other	430	0	0	62	73	0	0	0	0	565
<u>County Local Option Taxes</u>										
Local Option Sales Tax	392,138	0	0	0	0	0	0	0	0	392,138
Hotel/Motel Tax	40,182	0	0	0	0	0	0	0	0	40,182
Litigation Tax - General	55,715	0	0	0	0	0	0	0	0	55,715
Litigation Tax - Special Purpose	17,996	0	0	0	0	0	0	0	0	17,996
Litigation Tax - Jail, Workhouse, or Courthouse	20,850	0	0	0	0	0	0	0	0	20,850
Business Tax	85,695	0	0	0	0	0	0	0	0	85,695
Mineral Severance Tax	59,143	0	0	93,933	0	0	0	0	0	153,076
Other County Local Option Taxes	6,742	0	0	0	0	0	0	0	0	6,742
<u>Statutory Local Taxes</u>										
Bank Excise Tax	302,782	0	0	0	0	0	0	0	0	302,782
Wholesale Beer Tax	99,299	0	0	0	0	0	0	0	0	99,299
Beer Privilege Tax	1,907	0	0	0	0	0	0	0	0	1,907
Interstate Telecommunications Tax	1,571	0	0	0	0	0	0	0	0	1,571
Total Local Taxes	\$ 2,609,433	\$ 0	\$ 0	\$ 313,671	\$ 614,825	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,537,929
<u>Licenses and Permits</u>										
<u>Licenses</u>										
Cable TV Franchise	\$ 3,145	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,145
<u>Permits</u>										
Beer Permits	1,750	0	0	0	0	0	0	0	0	1,750
Total Licenses and Permits	\$ 4,895	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,895

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Capital Projects Funds				Total
	General	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Community		
							Development/ Industrial Park	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 12,703	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,703
Officers Costs	3,171	0	0	0	0	0	0	0	3,171
Drug Control Fines	0	0	3,715	0	0	0	0	0	3,715
Drug Court Fees	919	0	0	0	0	0	0	0	919
Jail Fees	634	0	0	0	0	0	0	0	634
DUI Treatment Fines	855	0	0	0	0	0	0	0	855
Data Entry Fee - Circuit Court	385	0	0	0	0	0	0	0	385
Victims Assistance Assessments	168	0	0	0	0	0	0	0	168
<u>General Sessions Court</u>									
Fines	44,640	0	0	0	0	0	0	0	44,640
Officers Costs	33,023	0	0	0	0	0	0	0	33,023
Drug Control Fines	0	0	9,703	0	0	0	0	0	9,703
Drug Court Fees	8,020	0	0	0	0	0	0	0	8,020
Jail Fees	24,164	0	0	0	0	0	0	0	24,164
DUI Treatment Fines	5,756	0	0	0	0	0	0	0	5,756
Data Entry Fee - General Sessions Court	6,046	0	0	0	0	0	0	0	6,046
Courtroom Security Fee	606	0	0	0	0	0	0	0	606
<u>Juvenile Court</u>									
Fines	3,478	0	0	0	0	0	0	0	3,478
<u>Chancery Court</u>									
Officers Costs	1,539	0	0	0	0	0	0	0	1,539
Data Entry Fee - Chancery Court	532	0	0	0	0	0	0	0	532
<u>Other Courts - In-county</u>									
Drug Court Fees	1,140	0	0	0	0	0	0	0	1,140
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	5,238	0	60,123	0	0	0	0	0	65,361
Total Fines, Forfeitures, and Penalties	\$ 153,017	\$ 0	\$ 73,541	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 226,558

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Capital Projects Funds				Total	
	General	Special Purpose	Drug Control	Highway / Public Works	Debt Service Fund					
					General	Debt Service	General Capital Projects	Development/Industrial Park		Other Capital Projects
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Surcharge - Host Agency Fees	\$ 788,644	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 788,644
Copy Fees	2,607	0	0	0	0	0	0	0	0	2,607
Telephone Commissions	11,703	0	0	0	0	0	0	0	0	11,703
Vending Machine Collections	704	0	0	0	0	0	0	0	0	704
Data Processing Fee - Register	6,916	0	0	0	0	0	0	0	0	6,916
Sexual Offender Registration Fees - Sheriff	2,100	0	0	0	0	0	0	0	0	2,100
Total Charges for Current Services	\$ 812,674	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 812,674
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 227,053	\$ 358,924	\$ 0	\$ 0	\$ 4,333	\$ 0	\$ 141,553	\$ 0	\$ 0	\$ 731,863
Lease/Rentals	18,879	0	0	0	76,315	0	0	0	0	94,894
Sale of Materials and Supplies	1,879	0	0	2,288	0	0	0	0	0	4,167
Commissary Sales	7,649	0	0	0	0	0	0	0	0	7,649
Sale of Gasoline	97,092	0	0	8,922	0	0	0	0	0	106,014
Sale of Recycled Materials	946	0	0	0	0	0	0	0	0	946
Miscellaneous Refunds	8,649	0	70	50	0	0	0	0	0	8,769
<u>Nonrecurring Items</u>										
Sale of Equipment	11,595	0	2,925	11,009	0	0	0	0	0	25,529
Sale of Property	12,140	0	0	0	0	0	0	0	0	12,140
Damages Recovered from Individuals	4,118	0	3,400	3,245	0	0	0	0	0	10,763
Contributions and Gifts	5,082	0	0	0	0	0	0	0	0	5,082
Total Other Local Revenues	\$ 435,178	\$ 358,924	\$ 6,395	\$ 25,514	\$ 80,648	\$ 0	\$ 141,553	\$ 0	\$ 0	\$ 1,048,212
<u>Fees Received from County Officials</u>										
Fees in-Lieu-of-Salary	\$ 158,213	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 158,213
County Clerk										

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Capital Projects Funds				Total	
	General	Special Purpose	Drug Control	Highway / Public Works	Debt Service Fund					
					General	Debt Service	General Capital Projects	Community Development/ Industrial Park		Other Capital Projects
<u>Fees Received from County Officials (Cont.)</u>										
<u>Fees in-Lieu-of Salary (Cont.)</u>										
Circuit Court Clerk	\$ 29,944	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,944
General Sessions Court Clerk	140,925	0	0	0	0	0	0	0	0	140,925
Clerk and Master	74,931	0	0	0	0	0	0	0	0	74,931
Register	77,805	0	0	0	0	0	0	0	0	77,805
Sheriff	7,448	0	0	0	0	0	0	0	0	7,448
Trustee	255,291	0	0	0	0	0	0	0	0	255,291
Total Fees Received from County Officials	\$ 744,557	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 744,557
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 122,691	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,691
Airport Maintenance Program	119,429	0	0	0	0	0	0	0	542,626	662,055
Aging Programs	64,138	0	0	0	0	0	0	0	0	64,138
State Reappraisal Grant	10,061	0	0	0	0	0	0	0	0	10,061
Solid Waste Grants	8,714	0	0	0	0	0	0	0	0	8,714
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	9,000	0	0	0	0	0	0	0	0	9,000
Drug Control Grants	73,790	0	0	0	0	0	0	0	0	73,790
Other Public Safety Grants	34,122	0	0	0	0	0	0	0	0	34,122
<u>Health and Welfare Grants</u>										
Health Department Programs	3,546	0	0	0	0	0	0	0	0	3,546
<u>Public Works Grants</u>										
Bridge Program	0	0	0	94,042	0	0	0	0	0	94,042
State Aid Program	0	0	0	86,660	0	0	0	0	0	86,660
Litter Program	29,781	0	0	0	0	0	0	0	0	29,781
<u>Other State Revenues</u>										
Resort District Sales Tax	297,344	0	0	0	0	0	0	0	0	297,344
Beer Tax	19,312	0	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	32,441	0	0	0	0	0	0	0	0	32,441
Mixed Drink Tax	4,865	0	0	0	0	0	0	0	0	4,865

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Capital Projects Funds				Debt Service Fund	Total	
	General	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Community				Other Capital Projects
							Development/Industrial Park				
<u>State of Tennessee (Cont.)</u>											
<u>Other State Revenues (Cont.)</u>											
State Revenue Sharing - T.V.A.	\$ 1,140,962	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,190,962	
Emergency Hospital - Prisoners	29,403	0	0	0	0	0	0	0	0	29,403	
Contracted Prisoner Boarding	169,036	0	0	0	0	0	5,544	0	0	174,580	
Gasoline and Motor Fuel Tax	0	0	0	1,595,158	0	0	0	0	0	1,595,158	
Petroleum Special Tax	0	0	0	13,281	0	0	0	0	0	13,281	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	0	16,380	
Other State Grants	66,370	0	0	0	0	5,850	0	0	0	72,220	
Other State Revenues	27,075	0	0	0	0	0	0	0	0	27,075	
Total State of Tennessee	\$ 2,278,460	\$ 0	\$ 0	\$ 1,839,141	\$ 0	\$ 5,850	\$ 5,544	\$ 542,626	\$ 0	\$ 4,671,621	
<u>Federal Government</u>											
Federal Through State	\$ 74,776	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,776	
Homeland Security Grants	\$ 74,776	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,776	
Total Federal Government	\$ 149,552	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,552	
<u>Other Governments and Citizens Groups</u>											
<u>Other Governments</u>											
Contributions	\$ 9,938	\$ 0	\$ 0	\$ 0	\$ 649,983	\$ 0	\$ 0	\$ 0	\$ 0	\$ 659,921	
Citizens Groups	17,313	0	0	0	0	0	0	0	0	17,313	
Donations	27,251	0	0	0	649,983	0	0	0	0	677,234	
Total Other Governments and Citizens Groups	\$ 54,502	\$ 0	\$ 0	\$ 0	\$ 1,349,966	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,404,468	
Total	\$ 7,140,241	\$ 358,924	\$ 79,936	\$ 2,178,326	\$ 1,345,456	\$ 5,850	\$ 147,097	\$ 542,626	\$ 11,798,456		

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, 2008

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 3,283,204	\$ 0	\$ 3,283,204
Trustee's Collections - Prior Year	113,636	0	113,636
Circuit/Clerk & Master Collections - Prior Years	74,670	0	74,670
Interest and Penalty	23,387	0	23,387
Payments in-Lieu-of Taxes - Local Utilities	259,876	0	259,876
Payments in-Lieu-of Taxes - Other	764	0	764
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,849,353	0	1,849,353
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	2,130	0	2,130
Total Local Taxes	<u>\$ 5,607,020</u>	<u>\$ 0</u>	<u>\$ 5,607,020</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,344	\$ 0	\$ 1,344
<u>Permits</u>			
Other Permits	422	0	422
Total Licenses and Permits	<u>\$ 1,766</u>	<u>\$ 0</u>	<u>\$ 1,766</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 29,489	\$ 0	\$ 29,489
<u>Other Charges for Services</u>			
Other Charges for Services	21,000	0	21,000
Total Charges for Current Services	<u>\$ 50,489</u>	<u>\$ 0</u>	<u>\$ 50,489</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Miscellaneous Refunds	\$ 48,889	\$ 0	\$ 48,889
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	630	0	630
Total Other Local Revenues	<u>\$ 49,519</u>	<u>\$ 0</u>	<u>\$ 49,519</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 77,609	\$ 0	\$ 77,609
<u>State Education Funds</u>			
Basic Education Program	11,156,000	0	11,156,000
Early Childhood Education	177,583	0	177,583
School Food Service	15,769	0	15,769
Other State Education Funds	49,176	0	49,176
Career Ladder Program	161,800	0	161,800
Career Ladder - Extended Contract	57,123	0	57,123
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	150,000	0	150,000
Other State Grants	83,991	0	83,991
Other State Revenues	20,776	0	20,776
Total State of Tennessee	<u>\$ 11,949,827</u>	<u>\$ 0</u>	<u>\$ 11,949,827</u>

(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	\$ 559,359	\$ 0	\$ 559,359
Breakfast	358,326	0	358,326
Vocational Education - Basic Grants to States	0	116,473	116,473
Title I Grants to Local Education Agencies	0	617,000	617,000
Innovative Education Program Strategies	0	41,097	41,097
Special Education - Grants to States	0	563,843	563,843
Special Education Preschool Grants	0	23,899	23,899
Safe and Drug-Free Schools - State Grants	0	5,397	5,397
Rural Education	0	38,623	38,623
Eisenhower Professional Development State Grants	0	154,780	154,780
Job Training Partnership Act	40,483	0	40,483
Other Federal through State	53,686	22,481	76,167
Total Federal Government	\$ 1,011,854	\$ 1,583,593	\$ 2,595,447
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 276,978	\$ 0	\$ 276,978
Total Other Governments and Citizens Groups	\$ 276,978	\$ 0	\$ 276,978
Total	\$ 18,947,453	\$ 1,583,593	\$ 20,531,046

Exhibit K-7

Benton County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$ 28,012	
In-Service Training	1,690	
Accounting Services	1,250	
Audit Services	3,993	
Travel	4,661	
Total County Commission		\$ 39,606

Board of Equalization

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

Beer Board

Board and Committee Members Fees	\$ 550	
Total Beer Board		550

Other Boards and Committees

Board and Committee Members Fees	\$ 1,612	
Total Other Boards and Committees		1,612

County Mayor/Executive

County Official/Administrative Officer	\$ 63,377	
Accountants/Bookkeepers	23,997	
Salary Supplements	2,914	
Secretary(ies)	24,846	
Clerical Personnel	17,340	
In-Service Training	35	
Advertising	2,652	
Communication	6,758	
Data Processing Services	5,858	
Dues and Memberships	26,266	
Operating Lease Payments	2,354	
Maintenance and Repair Services - Office Equipment	1,488	
Postal Charges	21,551	
Printing, Stationery, and Forms	2,178	
Travel	1,942	
Data Processing Supplies	318	
Duplicating Supplies	658	
Office Supplies	1,171	
Judgments	616	
Other Charges	5,516	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Communication Equipment	\$	400	
Data Processing Equipment		730	
Furniture and Fixtures		150	
Total County Mayor/Executive			\$ 213,115

County Attorney

Legal Services	\$	13,230	
Total County Attorney			13,230

Election Commission

County Official/Administrative Officer	\$	49,385	
Deputy(ies)		40,688	
Election Commission		2,000	
Election Workers		4,417	
In-Service Training		1,362	
Advertising		837	
Communication		3,116	
Data Processing Services		15,591	
Dues and Memberships		75	
Maintenance and Repair Services - Office Equipment		847	
Postal Charges		750	
Printing, Stationery, and Forms		1,450	
Travel		748	
Data Processing Supplies		334	
Duplicating Supplies		193	
Office Supplies		257	
Other Supplies and Materials		2,679	
Refunds		9,179	
Other Charges		633	
Data Processing Equipment		1,773	
Office Equipment		40	
Total Election Commission			136,354

Register of Deeds

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		43,904	
Salary Supplements		300	
Communication		3,415	
Data Processing Services		6,646	
Dues and Memberships		115	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Operating Lease Payments	\$	1,519	
Maintenance and Repair Services - Office Equipment		525	
Printing, Stationery, and Forms		68	
Data Processing Supplies		1,014	
Duplicating Supplies		963	
Office Supplies		179	
Other Supplies and Materials		2,798	
Other Charges		3,738	
Data Processing Equipment		1,265	
Office Equipment		107	
Total Register of Deeds			\$ 121,428

County Buildings

Salary Supplements	\$	3,106	
Custodial Personnel		23,573	
Part-time Personnel		16,682	
Maintenance and Repair Services - Buildings		11,386	
Pest Control		1,759	
Custodial Supplies		5,674	
Electricity		60,161	
Natural Gas		14,776	
Water and Sewer		7,333	
Liability Insurance		123,856	
Other Charges		3,278	
Building Improvements		64	
Other Equipment		27,853	
Total County Buildings			299,501

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		23,147	
Salary Supplements		300	
Clerical Personnel		41,937	
Audit Services		4,230	
Communication		703	
Data Processing Services		8,641	
Dues and Memberships		1,173	
Legal Notices, Recording, and Court Costs		60	
Printing, Stationery, and Forms		55	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Travel	\$	834	
Office Supplies		214	
Other Charges		159	
Furniture and Fixtures		150	
Total Property Assessor's Office			\$ 136,475

Reappraisal Program

Data Processing Services	\$	3,096	
Other Contracted Services		6,602	
Total Reappraisal Program			9,698

County Trustee's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		57,157	
Salary Supplements		300	
Advertising		557	
Communication		1,321	
Data Processing Services		4,977	
Dues and Memberships		200	
Printing, Stationery, and Forms		938	
Travel		253	
Data Processing Supplies		1,071	
Office Supplies		351	
Other Supplies and Materials		64	
Other Charges		35	
Furniture and Fixtures		450	
Office Equipment		110	
Total County Trustee's Office			122,656

County Clerk's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		84,605	
Salary Supplements		300	
In-Service Training		85	
Communication		2,353	
Data Processing Services		10,551	
Dues and Memberships		100	
Operating Lease Payments		2,351	
Printing, Stationery, and Forms		1,152	
Travel		778	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Data Processing Supplies	\$	462	
Office Supplies		1,299	
Other Charges		162	
Data Processing Equipment		400	
Office Equipment		613	
Total County Clerk's Office			\$ 160,083

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		100,207	
Salary Supplements		800	
Board and Committee Members Fees		300	
Jury and Witness Fees		5,140	
In-Service Training		165	
Communication		2,660	
Data Processing Services		11,723	
Dues and Memberships		65	
Operating Lease Payments		2,613	
Legal Notices, Recording, and Court Costs		192	
Maintenance and Repair Services - Office Equipment		927	
Printing, Stationery, and Forms		1,312	
Travel		1,359	
Data Processing Supplies		799	
Office Supplies		2,325	
Other Charges		828	
Data Processing Equipment		133	
Furniture and Fixtures		125	
Total Circuit Court			186,545

General Sessions Judge

Judge(s)	\$	77,151
Assistant(s)		20,400
In-Service Training		435
Communication		1,387
Dues and Memberships		50
Printing, Stationery, and Forms		297
Travel		1,633
Office Supplies		518
Other Charges		345

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Data Processing Equipment	\$ 727	
Furniture and Fixtures	1,080	
Total General Sessions Judge		\$ 104,023

Drug Court

Part-time Personnel	\$ 8,900	
Other Salaries and Wages	2,769	
In-Service Training	2,500	
Other Fringe Benefits	717	
Evaluation and Testing	21,740	
Printing, Stationery, and Forms	107	
Travel	8,298	
Other Contracted Services	11,845	
Instructional Supplies and Materials	514	
Office Supplies	1,013	
Other Supplies and Materials	11,411	
Other Charges	1,882	
Data Processing Equipment	2,624	
Total Drug Court		74,320

Chancery Court

County Official/Administrative Officer	\$ 54,872	
Deputy(ies)	47,252	
Salary Supplements	1,000	
In-Service Training	165	
Communication	1,208	
Data Processing Services	4,893	
Dues and Memberships	65	
Printing, Stationery, and Forms	325	
Travel	996	
Data Processing Supplies	223	
Office Supplies	1,035	
Office Equipment	500	
Total Chancery Court		112,534

Juvenile Court

Guidance Personnel	\$ 27,438	
Communication	1,793	
Data Processing Services	2,700	
Travel	972	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Data Processing Supplies	\$	220	
Office Supplies		158	
Other Charges		<u>5,024</u>	
Total Juvenile Court	\$		38,305

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	60,360
Supervisor/Director		43,875
Deputy(ies)		298,935
Investigator(s)		27,517
Lieutenant(s)		37,741
Sergeant(s)		85,537
Accountants/Bookkeepers		20,112
Paraprofessionals		13,629
Salary Supplements		80,456
Dispatchers/Radio Operators		79,455
Part-time Personnel		6,739
Other Salaries and Wages		76,951
In-Service Training		1,642
Communication		18,235
Data Processing Services		10,585
Dues and Memberships		1,500
Operating Lease Payments		3,588
Maintenance Agreements		576
Maintenance and Repair Services - Equipment		4,422
Maintenance and Repair Services - Vehicles		39,230
Matching Share		5,805
Postal Charges		963
Printing, Stationery, and Forms		999
Tow-in Services		3,245
Travel		3,684
Tuition		4,000
Data Processing Supplies		2,336
Duplicating Supplies		935
Gasoline		66,818
Law Enforcement Supplies		3,789
Office Supplies		1,171
Tires and Tubes		5,483
Uniforms		8,887

(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.)

Other Supplies and Materials	\$ 2,454	
Premiums on Corporate Surety Bonds	1,725	
Other Charges	1,969	
Communication Equipment	24,570	
Data Processing Equipment	6,992	
Furniture and Fixtures	155	
Law Enforcement Equipment	13,516	
Motor Vehicles	100,433	
Office Equipment	2,500	
Other Equipment	133	
Total Sheriff's Department		\$ 1,173,647

Administration of the Sexual Offender Registry

Other Charges	\$ 1,090	
Total Administration of the Sexual Offender Registry		1,090

Jail

Supervisor/Director	\$ 42,115	
Lieutenant(s)	12,204	
Sergeant(s)	46,572	
Salary Supplements	34,127	
Guards	222,734	
Cafeteria Personnel	52,123	
Contracts with Government Agencies	52,925	
Maintenance and Repair Services - Buildings	21,075	
Maintenance and Repair Services - Equipment	884	
Pest Control	450	
Printing, Stationery, and Forms	489	
Travel	103	
Custodial Supplies	6,543	
Drugs and Medical Supplies	67,186	
Duplicating Supplies	106	
Electricity	21,556	
Food Preparation Supplies	1,692	
Food Supplies	48,986	
Natural Gas	5,428	
Office Supplies	82	
Prisoners Clothing	591	
Uniforms	1,310	
Water and Sewer	6,863	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Supplies and Materials	\$ 2,818	
Medical Claims	227,938	
Other Charges	56	
Food Service Equipment	85	
Law Enforcement Equipment	235	
Total Jail		\$ 877,276

Juvenile Services

Supervisor/Director	\$ 8,160	
Youth Service Officer(s)	27,813	
Teachers	21,000	
Social Workers	23,146	
Salary Supplements	300	
Clerical Personnel	22,120	
Other Fringe Benefits	5,986	
Communication	812	
Postal Charges	732	
Travel	3,146	
Data Processing Supplies	788	
Instructional Supplies and Materials	600	
Other Charges	1,092	
Data Processing Equipment	2,993	
Total Juvenile Services		118,688

Fire Prevention and Control

Contributions	\$ 2,000	
Total Fire Prevention and Control		2,000

Rural Fire Protection

Contributions	\$ 123,000	
Total Rural Fire Protection		123,000

Rescue Squad

Contributions	\$ 10,000	
Total Rescue Squad		10,000

Other Emergency Management

Supervisor/Director	\$ 16,892	
In-Service Training	90	
Communication	2,445	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Dues and Memberships	\$ 50	
Maintenance and Repair Services - Vehicles	2,029	
Printing, Stationery, and Forms	705	
Travel	1,751	
Data Processing Supplies	397	
Gasoline	2,078	
Office Supplies	737	
Other Equipment	<u>26,387</u>	
Total Other Emergency Management		\$ 53,561

Inspection and Regulation

Other Per Diem and Fees	<u>\$ 250</u>	
Total Inspection and Regulation		250

County Coroner/Medical Examiner

Other Per Diem and Fees	\$ 1,825	
Contracts with Government Agencies	21,060	
Contracts with Public Carriers	<u>400</u>	
Total County Coroner/Medical Examiner		23,285

Other Public Safety

Supervisor/Director	\$ 26,222	
Salary Supplements	16,886	
Dispatchers/Radio Operators	165,132	
Part-time Personnel	46,335	
In-Service Training	4,457	
Communication	4,214	
Data Processing Services	14,223	
Dues and Memberships	120	
Evaluation and Testing	160	
Maintenance and Repair Services - Buildings	200	
Printing, Stationery, and Forms	218	
Travel	1,225	
Data Processing Supplies	1,075	
Duplicating Supplies	487	
Office Supplies	939	
Uniforms	2,979	
Other Charges	13,367	
Building Improvements	2,200	
Communication Equipment	3,380	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Data Processing Equipment	\$ 80,485	
Furniture and Fixtures	<u>4,000</u>	
Total Other Public Safety		\$ 388,304

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 10,546	
Other Salaries and Wages	3,425	
Other Fringe Benefits	281	
Communication	1,855	
Dues and Memberships	100	
Operating Lease Payments	992	
Maintenance and Repair Services - Buildings	1,086	
Maintenance and Repair Services - Office Equipment	696	
Pest Control	500	
Postal Charges	1,187	
Travel	199	
Custodial Supplies	2,040	
Drugs and Medical Supplies	2,421	
Office Supplies	957	
Utilities	7,357	
Other Supplies and Materials	<u>3,578</u>	
Total Local Health Center		37,220

Rabies and Animal Control

Part-time Personnel	\$ 8,293	
Other Salaries and Wages	14,114	
Communication	777	
Maintenance and Repair Services - Vehicles	567	
Veterinary Services	6,589	
Animal Food and Supplies	1,358	
Custodial Supplies	334	
Gasoline	2,301	
Utilities	2,434	
Other Charges	<u>296</u>	
Total Rabies and Animal Control		37,063

Ambulance/Emergency Medical Services

Contributions	\$ <u>400,000</u>	
Total Ambulance/Emergency Medical Services		400,000

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs

Contributions	\$ 830	
Total Alcohol and Drug Programs		\$ 830

Crippled Children Services

Contributions	\$ 900	
Total Crippled Children Services		900

Other Local Health Services

Other Supplies and Materials	\$ 15,147	
Other Charges	496	
Total Other Local Health Services		15,643

Appropriation to State

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

Sanitation Management

Salary Supplements	\$ 134	
Laborers	21,928	
Part-time Personnel	6,188	
Communication	432	
Other Contracted Services	14,075	
Gasoline	358	
Utilities	1,395	
Other Charges	1,800	
Total Sanitation Management		46,310

Sanitation Education/Information

Laborers	\$ 21,952	
Maintenance and Repair Services - Vehicles	915	
Gasoline	2,584	
Instructional Supplies and Materials	3,438	
Tires and Tubes	230	
Other Supplies and Materials	2,428	
Other Charges	1,838	
Total Sanitation Education/Information		33,385

Other Public Health and Welfare

Drugs and Medical Supplies	\$ 411	
Total Other Public Health and Welfare		411

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	27,880	
Deputy(ies)		16,320	
Social Workers		3,817	
Other Salaries and Wages		27,819	
State Retirement		2,792	
Medical Insurance		4,629	
Other Fringe Benefits		5,995	
Communication		3,461	
Contracts with Other Public Agencies		4,215	
Operating Lease Payments		915	
Licenses		810	
Postal Charges		397	
Travel		6,319	
Custodial Supplies		1,167	
Food Supplies		1,395	
Office Supplies		1,232	
Other Charges		6,117	
Total Senior Citizens Assistance			\$ 115,280

Parks and Fair Boards

Part-time Personnel	\$	4,224	
Maintenance and Repair Services - Buildings		109	
Maintenance and Repair Services - Equipment		54	
Other Contracted Services		7,278	
Custodial Supplies		1,142	
Electricity		3,002	
Gasoline		559	
Other Supplies and Materials		6,010	
Site Development		11,547	
Other Equipment		2,617	
Total Parks and Fair Boards			36,542

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	23,850	
Clerical Personnel		6,164	
Communication		1,727	
Maintenance and Repair Services - Buildings		8,470	
Maintenance and Repair Services - Office Equipment		85	
Custodial Supplies		160	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Office Equipment	\$ 499	
Total Agriculture Extension Service		\$ 40,955

Soil Conservation

Clerical Personnel	\$ 21,353	
Contributions	840	
Total Soil Conservation		22,193

Other Operations

Tourism

Contributions	\$ 86,301	
Total Tourism		86,301

Airport

Supervisor/Director	\$ 26,578	
Salary Supplements	6,440	
In-Service Training	275	
Bank Charges	281	
Communication	1,431	
Maintenance Agreements	2,739	
Maintenance and Repair Services - Buildings	5,788	
Maintenance and Repair Services - Equipment	2,209	
Maintenance and Repair Services - Vehicles	1,059	
Travel	470	
Other Contracted Services	932	
Custodial Supplies	292	
Equipment and Machinery Parts	230	
Gasoline	72,311	
Lubricants	417	
Office Supplies	62	
Utilities	12,493	
Other Supplies and Materials	736	
Other Charges	5,430	
Motor Vehicles	8,800	
Site Development	69,163	
Other Equipment	280	
Total Airport		218,416

Veterans' Services

Supervisor/Director	\$ 8,890	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Communication	\$	828	
Dues and Memberships		25	
Travel		589	
Office Supplies		8	
Total Veterans' Services			\$ 10,340

Other Charges

Contracts with Government Agencies	\$	2,312	
Contributions		25,000	
Maintenance Agreements		8,715	
Maintenance and Repair Services - Equipment		4,707	
Rentals		3,600	
Electricity		2,642	
Trustee's Commission		75,582	
Workers' Compensation Insurance		41,687	
Other Charges		27,537	
Total Other Charges			191,782

Contributions to Other Agencies

Contributions	\$	119,682	
Total Contributions to Other Agencies			119,682

Employee Benefits

Social Security	\$	245,441	
State Retirement		190,648	
Medical Insurance		393,563	
Unemployment Compensation		16,781	
Total Employee Benefits			846,433

Principal on Debt

General Government

Principal on Capital Leases	\$	26,646	
Total General Government			26,646

Other Debt Service

General Government

Other Debt Issuance Charges	\$	350	
Total General Government			350

Total General Fund \$ 6,845,424

(Continued)

Exhibit K-7

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

Special Purpose Fund

Other Operations

Miscellaneous

Trustee's Commission	\$ 3,589	
Total Miscellaneous		\$ 3,589

Instruction

Regular Instruction Program

Contributions	\$ 276,978	
Total Regular Instruction Program		<u>276,978</u>

Total Special Purpose Fund		\$ 280,567
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Drug Control Fund

Public Safety

Drug Enforcement

Maintenance and Repair Services - Vehicles	\$ 2,906	
Printing, Stationery, and Forms	316	
Tow-in Services	1,015	
Gasoline	3,701	
Instructional Supplies and Materials	77	
Law Enforcement Supplies	1,263	
Office Supplies	79	
Tires and Tubes	1,300	
Uniforms	1,443	
Refunds	2,882	
Trustee's Commission	781	
Other Charges	689	
Communication Equipment	855	
Data Processing Equipment	1,822	
Motor Vehicles	<u>31,000</u>	
Total Drug Enforcement		<u>\$ 50,129</u>

Total Drug Control Fund		50,129
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 60,360
Accountants/Bookkeepers	27,373
Secretary(ies)	27,373
Other Salaries and Wages	1,635
Advertising	310

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Communication	\$	5,958	
Data Processing Services		5,802	
Dues and Memberships		2,423	
Maintenance and Repair Services - Office Equipment		744	
Pest Control		160	
Postal Charges		496	
Printing, Stationery, and Forms		39	
Travel		882	
Data Processing Supplies		347	
Electricity		4,442	
Natural Gas		1,571	
Office Supplies		294	
Water and Sewer		557	
Other Supplies and Materials		266	
Other Charges		12	
Data Processing Equipment		1,165	
Office Equipment		169	
Total Administration			\$ 142,378

Highway and Bridge Maintenance

Equipment Operators	\$	298,948	
Truck Drivers		257,421	
Other Salaries and Wages		8,228	
Medical and Dental Services		683	
Permits		1,230	
Other Contracted Services		56,648	
Asphalt		492,971	
Concrete		1,420	
Crushed Stone		71,131	
Pipe - Metal		21,833	
Road Signs		3,001	
Salt		301	
Sand		200	
Wood Products		2,039	
Other Supplies and Materials		3,883	
Other Charges		85	
Other Equipment		2,812	
Total Highway and Bridge Maintenance			1,222,834

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$ 91,182	
Other Salaries and Wages	1,198	
Diesel Fuel	76,946	
Equipment and Machinery Parts	74,339	
Garage Supplies	1,322	
Gasoline	46,376	
Lubricants	5,641	
Small Tools	2,418	
Tires and Tubes	9,877	
Other Supplies and Materials	476	
Other Charges	<u>2,445</u>	
Total Operation and Maintenance of Equipment		\$ 312,220

Other Charges

Trustee's Commission	\$ 22,314	
Workers' Compensation Insurance	<u>36,584</u>	
Total Other Charges		58,898

Employee Benefits

Social Security	\$ 58,721	
State Retirement	47,616	
Employee and Dependent Insurance	196,435	
Unemployment Compensation	<u>5,506</u>	
Total Employee Benefits		308,278

Capital Outlay

Engineering Services	\$ 5,931	
Bridge Construction	94,269	
Highway Equipment	154,175	
State Aid Projects	<u>152,607</u>	
Total Capital Outlay		<u>406,982</u>

Total Highway/Public Works Fund \$ 2,451,590

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 510,719	
Principal on Other Loans	<u>84,000</u>	
Total General Government		\$ 594,719

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Education

Principal on Bonds	\$ 485,000	
Principal on Other Loans	13,600	
Total Education	<u> </u>	\$ 498,600

Interest on Debt

General Government

Interest on Bonds	\$ 86,667	
Interest on Notes	56,943	
Interest on Other Loans	14,517	
Total General Government	<u> </u>	158,127

Education

Interest on Bonds	\$ 331,202	
Total Education	<u> </u>	331,202

Other Debt Service

General Government

Bank Charges	\$ 3,041	
Trustee's Commission	13,125	
Total General Government	<u> </u>	16,166

Education

Bank Charges	\$ 950	
Total Education	<u> </u>	950

Total General Debt Service Fund \$ 1,599,764

General Capital Projects Fund

Capital Projects

Social, Cultural, and Recreation Projects

Other Construction	\$ 5,850	
Total Social, Cultural, and Recreation Projects	<u> </u>	\$ 5,850

Total General Capital Projects Fund 5,850

Community Development/Industrial Park Fund

Other Operations

Other Charges

Trustee's Commission	\$ 1,397	
Total Other Charges	<u> </u>	\$ 1,397

(Continued)

Exhibit K-7

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

Community Development/Industrial Park Fund (Cont.)

Other Debt Service

General Government

Financial Advisory Services	\$ 25,000	
Legal Services	12,250	
Printing, Stationery, and Forms	1,500	
Underwriter's Discount	65,000	
Other Debt Issuance Charges	<u>11,557</u>	
Total General Government		\$ 115,307

Capital Projects

General Administration Projects

Consultants	\$ 2,721	
Total General Administration Projects		<u>2,721</u>

Total Community Development/Industrial Park Fund \$ 119,425

HUD Grant Projects Fund

Capital Projects

Public Health and Welfare Projects

Other Charges	\$ 54	
Total Public Health and Welfare Projects		<u>\$ 54</u>

Total HUD Grant Projects Fund 54

Highway Capital Projects Fund

Highways

Highway and Bridge Maintenance

Road Signs	\$ 2,737	
Total Highway and Bridge Maintenance		<u>\$ 2,737</u>

Total Highway Capital Projects Fund 2,737

Other Capital Projects Fund

Other Operations

Other Charges

Trustee's Commission	\$ 5,291	
Total Other Charges		\$ 5,291

Capital Projects

General Administration Projects

Engineering Services	\$ 106,250	
Other Charges	22	

(Continued)

Exhibit K-7

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

<u>Other Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>General Administration Projects (Cont.)</u>		
Other Construction	<u>\$ 190,047</u>	
Total General Administration Projects		<u>\$ 296,319</u>
Total Other Capital Projects Fund		<u>\$ 301,610</u>
Total Governmental Funds - Primary Government		<u><u>\$ 11,657,150</u></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, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,689,325	
Career Ladder Program	76,000	
Career Ladder Extended Contracts	49,771	
Homebound Teachers	2,919	
Clerical Personnel	21,016	
Educational Assistants	201,539	
Other Salaries and Wages	9,895	
Non-certified Substitute Teachers	64,224	
Social Security	360,626	
State Retirement	374,361	
Medical Insurance	956,837	
Unemployment Compensation	6,453	
Employer Medicare	85,212	
Other Fringe Benefits	731	
Other Contracted Services	53,349	
Instructional Supplies and Materials	120,436	
Textbooks	176,102	
Fee Waivers	14,999	
Other Charges	1,350	
Regular Instruction Equipment	459,426	
Total Regular Instruction Program		\$ 8,724,571

Special Education Program

Teachers	\$ 613,807	
Career Ladder Program	8,000	
Homebound Teachers	14,634	
Educational Assistants	51,213	
Speech Pathologist	82,045	
Non-certified Substitute Teachers	7,975	
Social Security	45,976	
State Retirement	47,566	
Medical Insurance	131,099	
Unemployment Compensation	824	
Employer Medicare	10,754	
Communication	1,000	
Maintenance and Repair Services - Equipment	1,355	
Other Contracted Services	32,069	
Other Charges	341	
Total Special Education Program		1,048,658

(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	\$ 428,681	
Career Ladder Program	5,000	
Guidance Personnel	42,666	
Non-certified Substitute Teachers	5,750	
Social Security	28,238	
State Retirement	29,441	
Medical Insurance	73,217	
Unemployment Compensation	400	
Employer Medicare	6,611	
Other Fringe Benefits	91	
Maintenance and Repair Services - Equipment	3,991	
Instructional Supplies and Materials	17,040	
Vocational Instruction Equipment	14,960	
Total Vocational Education Program		\$ 656,086

Adult Education Program

Teachers	\$ 94,527	
Career Ladder Program	1,000	
Paraprofessionals	14,315	
Social Security	5,986	
State Retirement	6,345	
Medical Insurance	10,845	
Unemployment Compensation	174	
Employer Medicare	1,525	
Communication	2,051	
Evaluation and Testing	130	
Maintenance and Repair Services - Equipment	627	
Postal Charges	240	
Other Contracted Services	4,252	
Instructional Supplies and Materials	4,006	
Other Charges	76	
Regular Instruction Equipment	277	
Total Adult Education Program		146,376

Support Services

Attendance

Supervisor/Director	\$ 59,465
Career Ladder Program	1,000
Social Security	3,628

(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.)

Attendance (Cont.)

State Retirement	\$ 3,615	
Medical Insurance	7,434	
Unemployment Compensation	36	
Employer Medicare	849	
Travel	910	
Total Attendance		\$ 76,937

Health Services

Medical Personnel	\$ 101,566	
Paraprofessionals	57,862	
Social Security	9,801	
State Retirement	5,575	
Medical Insurance	26,586	
Unemployment Compensation	200	
Employer Medicare	2,292	
Postal Charges	250	
Travel	6,150	
Drugs and Medical Supplies	1,750	
Instructional Supplies and Materials	3,312	
Other Supplies and Materials	130	
Total Health Services		215,474

Other Student Support

Career Ladder Program	\$ 4,500	
Guidance Personnel	253,201	
Social Security	15,284	
State Retirement	15,384	
Medical Insurance	31,276	
Unemployment Compensation	218	
Employer Medicare	3,575	
Evaluation and Testing	18,173	
Travel	467	
Total Other Student Support		342,078

Regular Instruction Program

Supervisor/Director	\$ 123,736
Career Ladder Program	8,550
Librarians	219,520
Instructional Computer Personnel	51,335

(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.)

Social Security	\$	21,417	
State Retirement		23,273	
Medical Insurance		55,268	
Unemployment Compensation		309	
Employer Medicare		5,361	
Legal Notices, Recording, and Court Costs		240	
Postal Charges		1,250	
Travel		4,278	
Library Books/Media		34,962	
In Service/Staff Development		1,734	
Other Charges		344	
Total Regular Instruction Program			\$ 551,577

Special Education Program

Supervisor/Director	\$	27,725	
Career Ladder Program		1,000	
Psychological Personnel		41,641	
Social Security		4,095	
State Retirement		4,391	
Medical Insurance		8,134	
Unemployment Compensation		55	
Employer Medicare		958	
Travel		2,951	
Total Special Education Program			90,950

Vocational Education Program

Supervisor/Director	\$	64,345	
Career Ladder Program		1,000	
Secretary(ies)		21,016	
Social Security		5,288	
State Retirement		5,586	
Medical Insurance		9,939	
Unemployment Compensation		73	
Employer Medicare		1,237	
Travel		10,780	
Custodial Supplies		2,449	
Gasoline		350	
Other Supplies and Materials		138	
Total Vocational Education Program			122,201

(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

Supervisor/Director	\$	57,365	
Career Ladder Program		1,000	
Social Security		3,279	
State Retirement		3,642	
Medical Insurance		9,072	
Unemployment Compensation		36	
Employer Medicare		767	
Travel		2,137	
Total Adult Programs			\$ 77,298

Other Programs

On-Behalf Payments to OPEB	\$	77,609	
Total Other Programs			77,609

Board of Education

Secretary to Board	\$	825	
Board and Committee Members Fees		13,162	
Social Security		867	
State Retirement		59	
Employer Medicare		203	
Audit Services		24,380	
Dues and Memberships		4,705	
Legal Services		1,886	
Legal Notices, Recording, and Court Costs		597	
Travel		1,211	
Building and Contents Insurance		93,584	
Trustee's Commission		119,453	
Workers' Compensation Insurance		52,309	
In Service/Staff Development		1,440	
Criminal Investigation of Applicants - TBI		48	
Refund to Applicant for Criminal Investigation		624	
Other Charges		1,154	
Total Board of Education			316,507

Director of Schools

County Official/Administrative Officer	\$	82,144	
Career Ladder Program		1,000	
Social Security		5,059	
State Retirement		5,188	

(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.)

Life Insurance	\$	802	
Medical Insurance		8,111	
Unemployment Compensation		36	
Employer Medicare		1,183	
Communication		5,654	
Dues and Memberships		1,652	
Postal Charges		3,000	
Travel		2,877	
Total Director of Schools			\$ 116,706

Office of the Principal

Principals	\$	342,134	
Career Ladder Program		11,000	
Assistant Principals		215,755	
Secretary(ies)		101,836	
Social Security		40,234	
State Retirement		42,811	
Medical Insurance		88,562	
Unemployment Compensation		582	
Employer Medicare		9,410	
Communication		60,801	
Postal Charges		3,000	
Total Office of the Principal			916,125

Fiscal Services

Accountants/Bookkeepers	\$	28,011	
Clerical Personnel		58,962	
Social Security		5,283	
State Retirement		6,245	
Medical Insurance		18,825	
Unemployment Compensation		127	
Employer Medicare		1,235	
Data Processing Services		5,465	
Travel		77	
Office Supplies		3,287	
Administration Equipment		3,624	
Total Fiscal Services			131,141

(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

Custodial Personnel	\$ 271,448	
Social Security	16,631	
State Retirement	15,900	
Medical Insurance	112,514	
Unemployment Compensation	973	
Employer Medicare	3,890	
Other Fringe Benefits	183	
Janitorial Services	26,904	
Disposal Fees	13,504	
Permits	1,362	
Custodial Supplies	65,800	
Electricity	452,479	
Natural Gas	154,967	
Water and Sewer	39,918	
Other Supplies and Materials	9,500	
Other Charges	703	
Plant Operation Equipment	17,200	
Total Operation of Plant		\$ 1,203,876

Maintenance of Plant

Supervisor/Director	\$ 36,991	
Maintenance Personnel	234,006	
Social Security	16,809	
State Retirement	17,669	
Medical Insurance	62,001	
Unemployment Compensation	437	
Employer Medicare	3,931	
Other Fringe Benefits	46	
Maintenance and Repair Services - Equipment	28,147	
Maintenance and Repair Services - Vehicles	2,750	
Travel	31	
Other Contracted Services	960	
Equipment and Machinery Parts	22,000	
Gasoline	8,725	
Other Supplies and Materials	43,891	
Other Charges	17	
Maintenance Equipment	13,447	
Total Maintenance of Plant		491,858

(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

Other Fringe Benefits	\$	2,338	
Communication		5,429	
Contracts with Vehicle Owners		762,603	
Maintenance and Repair Services - Vehicles		14,831	
Travel		570	
Other Contracted Services		18,850	
Diesel Fuel		22,223	
Other Charges		16,361	
Transportation Equipment		24,377	
Total Transportation			\$ 867,582

Central and Other

Computer Programmer(s)	\$	65,150	
Social Security		4,015	
State Retirement		4,678	
Medical Insurance		10,392	
Unemployment Compensation		73	
Employer Medicare		939	
Travel		3,422	
Total Central and Other			88,669

Operation of Non-Instructional Services

Food Service

Medical Insurance	\$	85,179	
Payments to Schools - Breakfast		358,326	
Payments to Schools - Lunch		559,359	
Travel		450	
In-Service/Staff Development		1,577	
Total Food Service			1,004,891

Community Services

Contributions	\$	4,000	
Total Community Services			4,000

Early Childhood Education

Teachers	\$	73,278	
Educational Assistants		38,778	
Non-certified Substitute Teachers		750	
Social Security		6,671	

(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.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

State Retirement	\$	6,465	
Medical Insurance		32,764	
Unemployment Compensation		218	
Employer Medicare		1,560	
Postal Charges		33	
Travel		1,227	
Instructional Supplies and Materials		20,483	
Other Charges		810	
Regular Instruction Equipment		30,556	
Total Early Childhood Education	\$		213,593

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	8,200	
Building Improvements		474,197	
Heating and Air Conditioning Equipment		119,924	
Site Development		220,933	
Total Regular Capital Outlay			823,254

Principal on Debt

Education

Principal on Notes	\$	26,609	
Principal on Capital Leases		34,149	
Total Education			60,758

Interest on Debt

Education

Interest on Notes	\$	9,000	
Interest on Capital Leases		9,956	
Total Education			18,956

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	394,091	
Total Education			394,091

Total General Purpose School Fund \$ 18,781,822

(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

Instruction

Regular Instruction Program

Teachers	\$ 396,299	
Educational Assistants	77,225	
Non-certified Substitute Teachers	4,250	
Social Security	28,074	
State Retirement	29,959	
Medical Insurance	99,588	
Unemployment Compensation	365	
Employer Medicare	6,567	
Evaluation and Testing	195	
Tuition	1,304	
Other Contracted Services	10,000	
Instructional Supplies and Materials	20,271	
In Service/Staff Development	3,252	
Other Charges	524	
Regular Instruction Equipment	902	
Total Regular Instruction Program		\$ 678,775

Special Education Program

Teachers	\$ 72,970	
Educational Assistants	231,739	
Non-certified Substitute Teachers	475	
Social Security	18,434	
State Retirement	18,320	
Medical Insurance	129,108	
Unemployment Compensation	511	
Employer Medicare	4,312	
Other Fringe Benefits	160	
Maintenance and Repair Services - Equipment	468	
Instructional Supplies and Materials	19,629	
Special Education Equipment	20,513	
Total Special Education Program		516,639

Vocational Education Program

Travel	\$ 6,000	
Instructional Supplies and Materials	8,000	
Other Charges	2,111	
Vocational Instruction Equipment	73,113	
Total Vocational Education Program		89,224

(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

Other Student Support

Secretary(ies)	\$	19,324	
Other Salaries and Wages		67,526	
Social Security		5,450	
State Retirement		4,895	
Medical Insurance		10,845	
Unemployment Compensation		60	
Employer Medicare		1,246	
Evaluation and Testing		300	
Postal Charges		50	
Travel		11,972	
Other Contracted Services		2,660	
Other Supplies and Materials		2,280	
In Service/Staff Development		6,657	
Other Charges		7,591	
Total Other Student Support			\$ 140,856

Regular Instruction Program

Supervisor/Director	\$	29,073	
Clerical Personnel		12,973	
Other Salaries and Wages		1,700	
Social Security		3,010	
State Retirement		3,154	
Medical Insurance		5,268	
Unemployment Compensation		28	
Employer Medicare		704	
Consultants		2,490	
Operating Lease Payments		3,931	
Postal Charges		32	
Travel		4,221	
Other Contracted Services		9,279	
Office Supplies		55	
In Service/Staff Development		4,020	
Other Charges		959	
Other Equipment		1,320	
Total Regular Instruction Program			82,217

Special Education Program

Supervisor/Director	\$	27,725
Secretary(ies)		15,861

(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.)

Special Education Program (Cont.)

Social Security	\$	2,670	
State Retirement		2,869	
Medical Insurance		8,134	
Unemployment Compensation		28	
Employer Medicare		624	
Postal Charges		254	
Travel		9,463	
Other Contracted Services		7,367	
Other Charges		863	
Total Special Education Program			\$ 75,858

Vocational Education Program

Travel	\$	1,724	
Total Vocational Education Program			<u>1,724</u>

Total School Federal Projects Fund \$ 1,585,293

Total Governmental Funds - Benton County School Department \$ 20,367,115

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, 2008

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,375,996
Total Cash Receipts	<u>\$ 1,375,996</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,143,387
Trustee's Commission	13,760
Contributions	254,086
Total Cash Disbursements	<u>\$ 1,157,147</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ (35,237)
Cash Balance, July 1, 2007	<u>35,237</u>
Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402

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

June 8, 2009

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

To the County Mayor and Board of 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, 2008, which collectively comprise Benton County's basic financial statements and have issued our report thereon dated June 8, 2009. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Industrial Development Board of the County of Benton, a discretely presented component unit, which were not available from other auditors as of the date of this report. Also, our report on the aggregate remaining fund information 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) and the discretely presented Benton County Emergency Communications District 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: 08.01, 08.02, 08.05, 08.08(B,E), 08.10, 08.13, 08.14, 08.15, 08.17, 08.20, 08.22(A,C), 08.23(A,B,C,D,E,G), 08.24(B,C), and 08.27.

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, of the significant deficiencies described above, we consider items 08.01 and 08.02 to be material weaknesses.

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 08.03, 08.04, 08.06, 08.07, 08.08(A,C,D), 08.09, 08.11, 08.12, 08.16, 08.18, 08.19, 08.21, 08.22(B,D), 08.23(F), 08.24(A), and 08.25.

We consider item 08.26 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, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a long vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

June 8, 2009

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, 2008. 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, 2008.

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

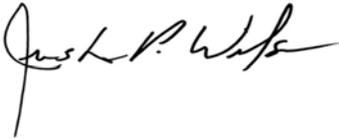
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Benton County as of and for the year ended June 30, 2008, and have issued our report thereon dated June 8, 2009. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Industrial Development Board of the County of Benton, a discretely presented component unit, which were not available from other auditors as of the date of

this report. Also, our report on the aggregate remaining fund information 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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Benton County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year-Ended June 30, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 76,812 (3)
Passed-through State Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	N/A	358,326
National School Lunch Program	10.555	N/A	559,359 (3)
Passed-through Delta Regional Authority:			
Rural Business Enterprise Grants	10.769	(2)	25,000
Total U.S. Department of Agriculture			<u>\$ 1,019,497</u>
U.S. Department of Justice:			
Direct Federal Revenue:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,122
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-08-022732-00	9,000
Passed-through State Department of Finance and Administration:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Z-06-02-7553-00	18,000
Total U.S. Department of Justice			<u>\$ 31,122</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resources Agency:			
WIA Youth Activities	17.259	(2)	\$ 40,483
Total U.S. Department of Labor			<u>\$ 40,483</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(4)	\$ 331,196
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-07-035707-00	1,245
Passed-through State Department of Environment and Conservation:			
Recreational Trails Program	20.219	Z-05-023531-00	5,850
Total U.S. Department of Transportation			<u>\$ 338,291</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 53,686
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	631,879
Special Education Cluster:			
Special Education - Grants to State	84.027	N/A	585,262
Special Education - Preschool Grants	84.173	N/A	24,123
Career and Technical Education - Basic Grants to States	84.048	N/A	116,473
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	12,896
State Grants for Innovative Programs	84.298	N/A	44,072
Education Technology State Grants	84.318	(2)	6,179
Rural Education	84.358	N/A	37,901
English Language Acquisition Grants	84.365	N/A	7,607
Improving Teacher Quality State Grants	84.367	N/A	154,633
Total U.S. Department of Education			<u>\$ 1,674,711</u>

(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. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-08-201043-00	\$ 1,773
Total U.S. Elections Assistance Commission			\$ 1,773
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	(2)	\$ 20,638
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Citizens	93.044	(2)	43,500
Total U.S. Department of Health and Human Services			\$ 64,138
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-07-20592-00	\$ 1,525
Homeland Security Grant Program	97.067	(5)	73,201
Total U.S. Department of Homeland Security			\$ 74,726
Total Expenditures of Federal Awards			\$ 3,244,741

Contract Number

State Grants:

Adult Basic Education - State Department of Education	N/A	(2)	\$ 20,727
Safe Schools Act - State Department of Education	N/A	(2)	14,400
Coordinated School Health - State Department of Education	N/A	(2)	83,991
Airport Maintenance Program - State Department of Transportation	N/A	Z-08-02-1563-00	4,530
Hangar Improvement - State Department of Transportation	N/A	Z-07-03-7578-00	2,950
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	GG-08-21639-00	113,691
Airport Land Acquisition Grant - State Department of Transportation	N/A	Z-05-02-4880-00	284,630
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	10,061
Waste Tire Option Grant - State Department of Environment and Conservation	N/A	(6)	8,714
Drug Court Treatment Resources Fund Grant - State Department of Finance and Administration	N/A	Z-05-025539-00	73,790
Local Health Services - State Department of Health	N/A	(7)	3,546
Litter Program - State Department of Transportation	N/A	Z-08-020968-00	29,781
Courtroom Security Enhancement Grant - Administrative Office of the Courts	N/A	(2)	14,125
Courtroom Audio/Visual Enhancement Grant - Administrative Office of the Courts	N/A	(2)	8,000
Tobacco Cessation - State Department of Health	N/A	GG-08-23287-00	15,789
Total State Grants			\$ 688,725

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles.

(2) Information not available.

(3) Total for CFDA No. 10.555 is \$636,171.

(4) Z-06-02-9466-00: \$234,221; Z-06-02-9465-00: \$96,975.

(5) GG-07-20821-00: \$26,387; Z-05-025132-01: \$46,814.

(6) Z-08-020195-00: \$8,000; Z-03-011326-00: \$714.

(7) Z-08-020409-00: \$3,275; information not available: \$271.

Benton County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

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, 2007, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.01	168	Requisitions and purchase orders were not issued for some purchases
07.02	168	The office had deficiencies in budget operations
07.03	169	Accounting deficiencies were noted in funds administered by the county mayor

OFFICE OF GENERAL SESSIONS COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.07	171	The execution docket trial balance did not reconcile with cash journal accounts
07.08	171	The general sessions court's bank statements were not reconciled with cash journal accounts, and outstanding check lists were not accurately prepared

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.09	172	The execution docket trial balance did not reconcile with cash journal accounts

OTHER FINDINGS

Finding Number	Page Number	Subject
07.13	174	A central system of accounting, budgeting, and purchasing had not been adopted
07.14	174	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, 2008

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. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed two instances of noncompliance that were 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 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 trustee and the circuit and general sessions court clerk 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.

BENTON COUNTY AND BENTON COUNTY SCHOOL DEPARTMENT

FINDING 08.01 **BENTON COUNTY AND THE BENTON COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Benton County's and the Benton County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Benton County and the Benton County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

FINDING 08.02 THE GENERAL, HIGHWAY/PUBLIC WORKS, GENERAL DEBT SERVICE, GENERAL PURPOSE SCHOOL, AND OTHER CAPITAL PROJECTS FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2008, certain general ledger account balances in the General, Highway/Public Works, General Debt Service, General Purpose School, and Other Capital Projects funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Benton County and the Benton County School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because the county's and the School Department's financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Benton County and the Benton County School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

OFFICE OF COUNTY MAYOR

FINDING 08.03 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. This deficiency can be attributed to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Requisitions and purchase orders should be issued for all applicable purchases in accordance with Chapter 541, Private Acts of 1939.

FINDING 08.04 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(A. and B. – Noncompliance Under Government Auditing Standards;
C. – Material Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. Special Purpose Fund expenditures exceeded total appropriations approved by the County Commission by \$9,524. This deficiency occurred because the Office of County Mayor does not maintain accounting records for this fund.
- B. Expenditures exceeded appropriations approved by the County Commission in the County Coroner/Medical Examiner (\$285) and the Transfers Out (\$2,584) major appropriation categories (the legal level of control) of the General Fund. This deficiency exists because management failed to properly monitor budget operations during the year and failed to correct the finding noted in the prior-year audit report.
- C. The Public Library Fund (nonmajor special revenue fund) was not budgeted. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. Financial statements for the Public Library are audited by other auditors; however, their report on the Public Library Fund was not available 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

The Office of County Mayor should maintain accounting records for the Special Purpose Fund. Expenditures should be held within appropriations approved by the County Commission, and the Public Library Fund should be budgeted.

FINDING 08.05 ACCOUNTING DEFICIENCIES WERE NOTED IN FUNDS ADMINISTERED BY THE COUNTY MAYOR
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit revealed the following deficiencies. These deficiencies can be attributed to the failure of management to correct the finding noted in the prior-year audit report.

- A. General ledger payroll deduction accounts in the General Fund did not reconcile with payroll reports and payments. Officials failed to reconcile payroll deduction accounts regularly, which allowed errors to remain undiscovered and uncorrected.

- B. Receivables were established in the General Fund at June 30, 2008. However, when these receivables were collected during 2008-09, they were erroneously posted as 2008-09 revenues instead of reductions to the 2008 receivables. Audit adjustments were accepted by management 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. Year-end receivables should be decreased as they are subsequently collected.

FINDING 08.06 **PAYROLL TAXES WERE NOT ALWAYS REPORTED TIMELY TO THE INTERNAL REVENUE SERVICE RESULTING IN INTEREST AND PENALTY ASSESSMENTS TOTALING \$8,832**
(Noncompliance Under Government Auditing Standards)

Payroll taxes were deposited to a payroll clearing account; however, the county did not notify the Internal Revenue Service (IRS) of these deposits on a timely basis for the quarters ending September 30, 2007, December 31, 2007, and March 31, 2008. IRS Circular E – Employer’s Tax Guide requires employers to deposit employee payroll taxes in a U.S. Treasury bank account within three days of each payroll and to notify the IRS of the deposits. This deficiency was the result of a lack of management oversight. As a result of the late notifications, the office was assessed interest and penalty charges totaling \$8,832.

RECOMMENDATION

Federal payroll taxes should be deposited and reported timely to the IRS to avoid interest and penalty assessments.

FINDING 08.07 **A LEASE-PURCHASE AGREEMENT WAS NOT EXECUTED IN COMPLIANCE WITH STATE STATUTES**
(Noncompliance Under Government Auditing Standards)

On September 17, 2007, the office entered into a two-year lease-purchase agreement for sheriff’s patrol cars (\$75,773) without the approval of the County Commission as required by Section 7-51-904, Tennessee Code Annotated (TCA). Additionally, the office did not file a Report on Debt Obligation with the state director of Local Finance. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, the county must provide to the state director of Local Finance certain information, such as a description of the purchase/construction for which the debt was issued, a description of the debt obligation, and an itemized description of the costs of issuance.

RECOMMENDATION

The office should obtain the County Commission's approval prior to entering into a lease-purchase agreement and file the Report on Debt Obligation with the state director of Local Finance within 45 days of the issuance of the debt.

FINDING 08.08 ANIMAL SHELTER COLLECTIONS WERE NOT RECEIPTED, DEPOSITED, AND DISBURSED PROPERLY
(A., C. and D – Noncompliance Under Government Auditing Standards; B. and E. – Internal Control – Significant Deficiency Under Government Auditing Standards)

The Benton County Animal Shelter charges fees for services at the facility and takes these collections to the Benton County Mayor's Office for deposit with the county trustee. Our examination of animal shelter collections and deposits noted the following deficiencies:

- A. Receipts were not issued for some collections at the animal shelter. Several deposits with the county trustee included individual checks that we could not trace to shelter receipts. Section 9-2-103, Tennessee Code Annotated (TCA), requires official prenumbered receipts to be issued for all collections. Since receipts were not always issued, we could not verify total collections for the animal shelter. The absence of official prenumbered receipts for all collections increases the risks of fraud and misappropriation.
- B. Some funds collected by the animal shelter were not deposited intact with the county trustee; i.e., funds collected during a specific time were not deposited together. Also, employees did not maintain a set amount of cash on hand. This is a significant deficiency in internal control. Sound business practices dictate that collections be deposited intact and that a set amount of cash on hand be maintained to enhance internal controls. Since collections were not deposited intact, it was extremely difficult to trace collections to deposits.
- C. Collections from the animal shelter were not always deposited with the county trustee within three days of collection as required by Section 5-8-207, TCA. This statute requires county officials to deposit public funds within three days of collection. During the period under examination, as many as 23 days lapsed between the date funds were received by animal shelter personnel and the date funds were deposited with the county trustee.
- D. Some disbursements were made in cash at the animal shelter. We were advised by the animal control officer that they made refunds to customers and occasionally purchased supplies from available cash on hand. Section 5-8-207, TCA, requires disbursements to be made by official prenumbered checks. In addition, the Benton County Commission did not appropriate these cash disbursements. Section 5-9-401, TCA, provides 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.”

- E. Adequate documentation was not provided to support all of the cash disbursements as noted in Part D above. In some instances, this documentation consisted of the employees’ personal credit card receipts without descriptions of items purchased. The employees apparently reimbursed themselves in cash from animal shelter collections for these credit card transactions. Also, in some instances the documentation provided for purchases was notations made on index cards. We were unable to determine if other disbursements had been made in cash without any documentation.

Due to the above-noted deficiencies, we could not account for all transactions of the animal shelter. We attempted to reconcile receipts with deposits and to determine the amount of cash disbursements; however, we were unable to determine the disposition of receipts totaling \$412 for the audit period. In addition, we could not determine if additional funds had been received and disbursed by the animal shelter.

RECOMMENDATION

Official prenumbered receipts should be issued for all collections. To strengthen internal controls over cash collections and deposits, animal shelter personnel should deposit all collections with the county trustee intact within three days of collection. Disbursements should be made by checks issued by the County Mayor’s Office, from funds appropriated by the County Commission, and supported by adequate documentation.

FINDING 08.09 **A THEFT OCCURRED AT THE ANIMAL SHELTER AND WAS NOT REPORTED TO THE COMPTROLLER OF THE TREASURY** (Noncompliance Under Government Auditing Standards)

In the fall of 2008, the animal control officer suspected a volunteer worker of theft, and the officer conducted an internal investigation. It was determined that the volunteer had stolen \$370 from the animal shelter, as well as personal property of an employee. The suspect was subsequently arrested, pled guilty to theft charges on December 10, 2008, and was ordered to pay restitution of \$370 to the animal shelter. However, as of the date of this report, the defendant has not paid the restitution. We were not informed of this theft until March 24, 2009. Section 8-24-503, Tennessee Code Annotated (TCA), requires that “a public official with knowledge based upon available information, which reasonably causes him/her to believe that a theft, forgery, credit card fraud, or any other act of the unlawful taking of public money, property, or services has occurred shall report such information in a reasonable amount of time to the Office of the Comptroller of the Treasury.” Section 8-24-502, TCA, defines a reasonable amount of time to make this report as not exceeding five days. The county mayor subsequently advised us that he was also not aware of this theft, as animal shelter personnel had not reported it to him.

RECOMMENDATION

Benton County should follow-up with court officials to ensure restitution is collected. The Office of the Comptroller of the Treasury should be informed of the suspected unlawful taking of public money, property, or services within five days of becoming aware of the situation. As chief financial officer for the county, the county mayor should be informed of any theft.

OFFICE OF ROAD SUPERVISOR

FINDING 08.10 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site on a regular basis. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures are now in place.

OFFICE OF TRUSTEE

FINDING 08.11 **UNAUTHORIZED SECURITIES WERE PLEDGED AS COLLATERAL**
(Noncompliance Under Government Auditing Standards)

County funds at one of the trustee's depositories were secured by collateral pledged by the depository. However, the types of securities pledged included obligations of municipalities, counties, and school districts of other states, which are not a type of security authorized by Section 9-4-103, Tennessee Code Annotated. This statute requires securities to be bonds of the United States, bonds of this state, bonds of any county or municipal corporation of this state, or loans to students guaranteed 100 percent by the Tennessee Student Assistance Corporation.

RECOMMENDATION

The trustee should require the depository to pledge securities authorized by state statute.

MANAGEMENT'S RESPONSE – TRUSTEE

Protecting county funds is a priority to this office and to the bank. Our focus had been to make sure that the market values of pledges exceeded the recommended level. Both the bank and I are now watching to see that no securities are from out of state.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 08.12 **THE OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK DID NOT DEPOSIT FUNDS WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under Government Auditing Standards)**

Some collections in circuit and general sessions courts were not deposited to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. A review of receipts and deposits indicated as many as seven days lapsed between the date funds were received and the date funds were deposited in circuit court and as many as 12 days lapsed between the date funds were received and the date funds were deposited in general sessions court.

RECOMMENDATION

The circuit and general sessions courts clerk should ensure that all funds are deposited to the office bank accounts within three days of collection as required by state statute.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Deposits are now made on a daily basis.

FINDING 08.13 **THE OFFICE OF GENERAL SESSIONS COURT CLERK HAD A CASH SHORTAGE OF \$693
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

The Office of General Sessions Court Clerk had a cash shortage of \$693 on June 30, 2008. The following discrepancies comprise the \$693 cash shortage.

- A. On August 10, 2006, a deposit totaling \$167 had been posted to the accounting records; however, these funds were never deposited to the official bank account.
- B. On July 31, 2007, a bank deposit was \$30 short of the funds actually collected.
- C. In February 2007, the bank returned a litigant's check totaling \$451 for insufficient funds. This check had not been subsequently collected, and the actual returned check could not initially be located by office personnel.
- D. Two checks, one deposited on July 27, 2007, and the other deposited on July 31, 2007, were each receipted for \$20 less than the amounts of the checks received.

- E. On August 23, 2007, office personnel voided a receipt written for \$5 to make the bank deposit agree with the available cash. The voided receipt listing had a notation that office personnel had lost the check.

On July 17, 2008, the clerk was informed of the cash shortage. A replacement check was received from the litigant for the lost \$5 check on July 25, 2008. The clerk located the \$451 returned check and collected the funds from the litigant. On July 31, 2008, the clerk deposited the \$451 received from the litigant and \$237 from his personal funds to liquidate the remaining cash shortage.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

All money has been accounted for, and the policies that led to clerical collection errors have been corrected and new policies put in place.

FINDING 08.14 **DEFICIENCIES WERE NOTED IN CASH COLLECTION AND DEPOSIT PROCEDURES OF THE GENERAL SESSIONS COURT CLERK**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following deficiencies were noted in the office's cash collection and deposit procedures:

- A. Totals of checks and cash from the deposit reports were not always reconciled with totals of cash and checks actually deposited. The deposit reports printed by office personnel included a detailed listing of receipts by payment type (cash, business check, personal check). Because of some of the discrepancies in deposits discussed in Finding 08.13, images of checks comprising some of the bank deposits were requested for review. As a result of this review, we determined two checks were each receipted for \$20 less than the amounts of the checks.
- B. Separate cash drawers were not maintained for each employee handling cash.
- C. During the daily reconciliation process, if cash collected exceeded receipts, the office placed the unaccounted for cash into an envelope so receipts would equal the bank deposit. Auditors observed a notation on a deposit report stating that a deputy clerk had taken cash from the envelope to force the deposit to agree with collections. When asked about the incident, the deputy clerk stated that she took \$100 from the over/short envelope to make the deposit balance. On June 19, 2008, all monies in the over/under envelope were deposited (\$23.48) into the clerk's fee account.

RECOMMENDATION

Totals for cash and checks on deposit reports should be reconciled with totals for cash and checks deposited to the bank. Separate cash drawers should be maintained for each employee handling cash.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Each clerk now maintains a cash drawer and is responsible for their own accounting. A former employee who began a practice of keeping an over/under envelope, unknown to the clerk, is no longer employed with the office.

FINDING 08.15 **THE GENERAL SESSIONS COURT CLERK'S BANK STATEMENTS WERE NOT RECONCILED WITH GENERAL LEDGER ACCOUNTS AND OUTSTANDING CHECK LISTS WERE NOT PREPARED CURRENTLY**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The bank statements in General Sessions Court had not been reconciled with general ledger accounts, and lists of outstanding checks had not been prepared currently. In April 2008, the clerk requested assistance from their software vendor in reconciling the bank statements utilizing the office's computer software bank reconciliation function. A vendor representative reconciled the bank statements with the general ledger accounts for July 2007 through March 2008. Reconciliations for April through June 2008 were not completed until July and October 2008. The reconciliation of bank statements with general ledger accounts and the preparation of accurate lists of outstanding checks are necessary procedures to ensure that all cash collections and disbursements are recorded accurately on the accounting records.

RECOMMENDATION

The office should reconcile bank statements with general ledger accounts and prepare accurate lists of outstanding checks monthly.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

After working closely with county audit and our software vendor, all problems that were keeping us from reconciling our bank accounts have been corrected.

FINDING 08.16 THE EXECUTION DOCKET TRIAL BALANCE IN GENERAL SESSIONS COURT DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS
(Noncompliance Under Government Auditing Standards)

At June 30, 2008, the general sessions court clerk 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 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 should reconcile the execution docket trial balances 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.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

We continue to work with our software vendor to address problems that occurred when we transferred our software program from TCAST to TNCIS. Most problems have been addressed, and we continue to work toward a solution.

FINDING 08.17 THE OFFICE OF CIRCUIT COURT CLERK HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES
(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site on a regular basis. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures are now in place.

OFFICE OF CLERK AND MASTER

FINDING 08.18 THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS (Noncompliance Under Government Auditing Standards)

At June 30, 2008, 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 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.

FINDING 08.19 PRENUMBERED RECEIPTS WERE NOT ISSUED FOR ALL COLLECTIONS (Noncompliance Under Government Auditing Standards)

The Office of Clerk and Master did not issue prenumbered receipts for all collections as required by Section 9-2-103, Tennessee Code Annotated (TCA). The office uses manual receipts that are not prenumbered. Manual receipts are issued for child support collections because child support payments cannot be receipted on the computer system used. In addition, the office issues manual receipts for all other collections until the bookkeeper completes the month-end closing process. After the month-end process is completed, the bookkeeper receipts the collections in the computer system and a prenumbered receipt is generated.

RECOMMENDATION

Prenumbered receipts should be issued at the time of collection for all collections as required by state statute.

FINDING 08.20 THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS (Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be

reviewed daily for inappropriate activity. Because they were not aware of its importance, management did not begin reviewing this log until several months into the fiscal year. Procedures for reviewing this log are currently in place.

OFFICE OF GENERAL SESSIONS JUDGE

The following five findings and recommendations are a result of our limited review of the Office of General Sessions Judge and the various programs associated with the operations of the Benton County General Sessions Court, including the Drug Court. On September 10, 2008, in an agreement with the State Department of Finance and Administration, Office of Criminal Justice, the Benton County Drug Court ceased operations. General Sessions Judge Ron Darby resigned from office on May 5, 2009.

FINDING 08.21 **DRUG COURT PARTICIPANTS PERFORMED WORK FOR THE PERSONAL BENEFIT OF THE GENERAL SESSIONS JUDGE**

(Material Noncompliance Under Government Auditing Standards)

Benton County General Sessions Judge Ron Darby had participants in the Drug Court program perform work for his personal benefit. This work included various jobs such as yard and repair work at his home, law office, and a lake rental lot. Drug Court policies and procedures require varying amounts of community service work to be completed by the Drug Court participants and gives the responsibility of overseeing the community service work to the Drug Court coordinator; however, Judge Darby personally supervised the participants performing community service work for his benefit.

RECOMMENDATION

Any court ordered community service work should be performed only at approved nonprofit agencies. Public officials should not personally benefit from court ordered community service work.

FINDING 08.22 **AN UNAUTHORIZED BANK ACCOUNT WAS MAINTAINED FOR THE BENTON COUNTY DRUG COURT**

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

Certain financial transactions related to the Benton County Drug Court were not accounted for through the county's General Fund. Instead, some receipts and disbursements of the Drug Court were accounted for in an unauthorized checking account opened by Judge Darby and an attorney in October 2006, contrary to Section 16-22-109, Tennessee Code Annotated (TCA), which provides for Drug Court monies to be deposited to a dedicated county fund. This checking account was purportedly opened to assist in the operation of the Drug Court. From October 2006 through June 2008, \$12,319.58 was deposited to and

\$1,949.77 was disbursed from this checking account. As of June 30, 2008, the balance of this checking account was \$10,369.81. On July 3, 2008, at the recommendation of auditors, the checking account was closed, and the balance in the account was deposited to the county's General Fund on behalf of the Drug Court. In our review of the unauthorized checking account, we noted the following deficiencies:

- A. Several bank statements were not available for our review. Drug Court officials advised that the bank statements were with former Drug Court team members; however, the statements were never produced. We were provided copies of the missing bank statements after county officials requested the statements from the bank.
- B. Receipts were not issued for collections deposited to the checking account. Section 9-2-103, TCA, requires official prenumbered receipts to be issued for all collections. Since receipts were not issued, we could not verify total collections for the Drug Court. We obtained copies of detailed bank account activity (i.e., copies of deposit items) from the bank to identify items deposited to the checking account. Some checks deposited into this account were from the county's probation service provider, and those checks reflected the notation "donation." Other items deposited to the account were for the county's portion of receipts from a driving school program and a substance abuse program (these deposits are also discussed in Finding 08.25). In addition, unidentified cash deposits totaling \$590 were deposited to the account. The absence of official prenumbered receipts for all collections increases the risks of fraud and misappropriation.
- C. Disbursements (\$1,949.77) made from the checking account were for supplies and materials, gift cards, a luncheon for the Drug Court steering committee, and reimbursements to Judge Darby. There was no documentation on file to support the following amounts included in these disbursements:
 - 1. A check issued to Lowes for \$844.58 was noted to be for a drop ceiling. This was purportedly for renovations to a room used for Drug Court meetings at the Camden Police Department. The City of Camden later reimbursed the Drug Court for this expenditure.
 - 2. A bank debit of \$170 was paid to Wal-Mart. This disbursement was for Christmas gift cards. We were advised the gift cards were used as rewards for the Drug Court participants.
 - 3. A check for \$540 was issued to Judge Darby. We were advised by Judge Darby this was a reimbursement for cash he had given to participants in a Drug Court "fun event."
- D. Disbursements from the checking account were not appropriated by the Benton County Commission as required by Section 5-9-401, TCA, which 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

All Drug Court funds should be deposited to and disbursed from a dedicated county fund. Bank statements should be on file and available for inspection. Official prenumbered receipts should be issued for all collections. All disbursements should be supported by adequate documentation and appropriated by the County Commission.

FINDING 08.23 **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE DRUG COURT PROGRAM** (A., B., C., D., E., and G. – Internal Control – Significant Deficiency Under Government Auditing Standards; F. – Noncompliance Under Government Auditing Standards)

Our review revealed the following deficiencies in the administration of the Drug Court program:

- A. Adequate documentation was not maintained on participants in the Benton County Drug Court program. Various sets of court files were maintained by Judge Darby. The judge’s court files detailing the actions of the Drug Court and participants’ performance were not legible and did not contain sufficient information. In addition to the judge’s files, the probation company maintained a set of files that contained some of the same information contained in the judge’s files. We could not determine from the files examined if all participants had met the requirements of the program.
- B. A laptop computer and a projector purchased with grant funds for use in the Drug Court program were used for other purposes. Gill Wright is the Drug Court’s law enforcement representative and is also a paid instructor for an alcohol and drug education course offered by a local probation company. Mr. Wright obtained the laptop computer and projector to copy a DVD for use in the Drug Court. Mr. Wright admitted that he also used the equipment to conduct an alcohol and drug education class that was unrelated to the Drug Court program. He stated that he was not aware that the equipment belonged to the Drug Court.
- C. Drug Court “knock and talk sessions” were not adequately documented. The Drug Court program required knock and talk sessions to be conducted with Drug Court participants. This consisted of home visits to determine sobriety and compliance with curfews. Drug Court grant funds were used to pay Gill Wright, the Drug Court’s law enforcement representative, to conduct these visits. Program policies and procedures provide that the number of knock and talk sessions to be performed range from once per week to once per month depending on the participant’s phase in the Drug Court program. Mr. Wright did not provide any documentation of the knock and talk sessions performed

from December 19, 2007, through April 2, 2008. Mr. Wright said Judge Darby approved that verbal reports at staff meetings on knock and talk sessions would be sufficient. We were unable to determine if knock and talk sessions were performed as required in the policy and procedure manual because of the lack of documentation.

- D. Travel claims submitted by Gill Wright related to the knock and talk sessions were not adequately documented. Travel documentation submitted for reimbursement generally included only the total number of miles traveled. A few travel claims had mileage listed by the day. Mr. Wright stated that he used the odometer to determine total mileage but did not keep a subsidiary ledger detailing the mileage to individual clients visited. Mr. Wright also admitted that he sometimes phoned participants instead of visiting them. Because travel claims were not adequately documented for the knock and talk sessions, we were unable to determine if the mileage claimed for reimbursement was accurate or reasonable.
- E. The Drug Court program had a cash shortage of \$90 on September 29, 2008. Policies and procedures provide for Drug Court participants to pay a \$10 weekly fee while in the last two phases of the Drug Court program. The receipts written for fee collections were \$90 more than the Drug Court fees deposited to the General Fund. However, it should be noted that on occasion, more fees were remitted to the county's General Fund than were receipted. Therefore, it appears that official receipts were not issued for all collections as required by Section 9-2-103, Tennessee Code Annotated (TCA). The probation company collected and remitted the Drug Court fees. Probation company activity sheets documented some participants payments as well as other probation payments. The probation company did not maintain ledger accounts reflecting the balance of the fees due and paid for each participant. Due to a lack of adequate documentation in the Drug Court program files as previously discussed, we were unable to determine what phase of the Drug Court program the participants were in or the amount of fees that should have been collected. We could not determine if all Drug Court fee collections were properly accounted for due to receipts not being issued for all collections.
- F. Drug Court fees were not deposited within three days of collection. Section 5-8-207, TCA, requires county officials to deposit public funds within three days after receipt of the funds. During the period under examination, as many as 20 days lapsed between the date funds were received by Drug Court personnel and the date funds were deposited with the county trustee.
- G. Documentation of independent laboratory drug tests was not on file for all positive drug tests sent for further laboratory testing. Program management advised that participants can contest a positive drug test by sending the drug screen to a laboratory for further testing. The court files contained several positive drug test forms with the notation "sent to lab"; however, only some of the files contained independent laboratory testing documentation to support that the drug screen had been sent to a lab. We obtained billings from the

laboratory used for further testing; however, we could not match the billings with all participants whose drug screens were noted as “sent to lab.”

RECOMMENDATION

The judge and the probation company should maintain detailed legible court files. Equipment purchased for specific Drug Court programs should only be used for those programs. Adequate documentation should be maintained to support program requirements, salaries, and travel expenses of the knock and talk program. Officials should take steps to liquidate the \$90 cash shortage. Receipts should be issued for all collections, and all funds should be deposited with the county trustee within three days of collection. Detailed documentation should be on file for all laboratory drug testing.

FINDING 08.24 **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF DRUG TEST KITS PURCHASED FOR THE DRUG COURT PROGRAM**

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

Drug-tests kits on hand did not reconcile with drug tests purchased and used. On August 25, 2008, we conducted an inventory of drug test kits, and the number of drug-test kits reflected on the inventory was 292 less than records indicated should be on hand. We were assured by officials that all of the drug test kits had been presented for inventory. On September 10, 2008, the state Office of Criminal Justice took possession of all drug test kits on hand. The test kits recovered by the Office of Criminal Justice were more than our inventory taken on August 25, 2008. Drug Court program management did not order or receive any additional drug test kits between August 25, 2008, and September 10, 2008. The test kits on hand as of September 10, 2008, were still 145 kits less than records indicated should be on hand. The estimated value of the missing test kits is \$869 based on average costs. The shortage resulted from deficiencies in ordering, receiving, and dispensing test kits as discussed below:

- A. At the beginning of the Drug Court program, a probation company officer ordered drug test kits and shipped the kits to the probation company in violation of Benton County’s purchasing policies. The County Mayor’s Office stopped this practice as soon as they realized the county’s purchasing policy was not followed. The county purchasing policy requires a county employee to obtain a purchase order prior to ordering items for the benefit of the county. In February and March 2008, probation company personnel again ordered drug test kits for the Drug Court in violation of the county’s policy. A purchase order was not obtained for the drug test kits, and the kits were shipped to the home address of the owners of the probation company. Probation company personnel ordering drug test kits and having the kits delivered to a personal address gives the appearance of abuse and increases the risk that the drug test kits may be used for personal gain.

- B. Drug tests kits received were not reconciled with shipping tickets. Janet Hartley, secretary to the general sessions judge, advised us that she only matched the invoice to the purchase order and signed her name to the invoice indicating receipt of the test kits. Reconciling the items received with the shipping ticket or invoice ensures complete orders are received and public funds are expended appropriately.
- C. Drug test kits were not stored in a central location and dispensed to the probation company as needed. These kits were stored in Judge Darby's office, his secretary's office, at the probation company, and at one time, in the judge's personal law office. Furthermore, Drug Court personnel did not monitor the probation company's receipt and usage of test kits. This practice increases the risks that drug court assets could be misplaced or misused.

RECOMMENDATION

County personnel should order all drug test kits needed for Drug Court programs in accordance with the county's purchasing policy. Drug test kits received should be counted and reconciled with the shipping ticket or invoice and stored at a central location. Management should monitor use of drug test kits and dispense them as they are needed.

FINDING 08.25 **COLLECTIONS FROM THE DRIVING SCHOOL AND
SUBSTANCE ABUSE PROGRAM WERE NOT REPORTED AND
PAID TO THE COUNTY IN COMPLIANCE WITH STATE
STATUTES**

(Noncompliance Under Government Auditing Standards)

The driving school and the substance abuse program administrators did not report and pay tuition to the county as required by Section 5-8-105, Tennessee Code Annotated (TCA). Instead, from September 1, 2006, through June 30, 2008, the administrators paid the instructors then disbursed the remaining traffic school collections as donations to the Benton County Drug Court program (\$41,528) and to the fire chiefs association (\$3,606), a nonprofit organization. Judge Darby signed contracts with the program administrators requiring the donations to the fire chiefs association and to the Drug Court program. These practices violate Section 5-9-401, TCA, which requires all funds to be appropriated by the County Commission, and Section 5-9-109, TCA, which authorizes the County Commission to appropriate funds to nonprofit organizations. Of the \$41,528 remitted for the Drug Court program, \$33,793 was deposited to the county's General Fund Reserve for Drug Court account, and \$7,735 was deposited as directed by Judge Darby into the unauthorized bank account discussed in Finding 08.22.

RECOMMENDATION

All court ordered program collections should be remitted to the county trustee and placed in the General Fund, and all disbursements of collections should be made from the General Fund after being appropriated by the County Commission.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 08.26 **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. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

FINDING 08.27 **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 official 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, reconciling bank statements, and/or preparing bank deposits. These same employees also performed the daily reconciliation of receipts with cash. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

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

There were no findings and questioned costs for federal awards.

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**BENTON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

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