

***TRI-COUNTY VOCATIONAL SCHOOL  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2008***

***HUGH W. SMITH, SR.  
CERTIFIED PUBLIC ACCOUNTANT***



America Counts on CPAs

**Tri-County Vocational School  
Basic Financial Statement Annual Report  
June 30, 2008**

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*Certified Public Accountant*

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Independent Auditor's Report

Members of The Board of Directors  
and Mr. Jerry Spivey, Director  
Tri-County Vocational School  
Red Boiling Springs, Tennessee

I have audited the accompanying financial statements of the governmental activities, general fund, and fiduciary fund information of Tri-County Vocational School as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tri-County Vocational School management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general, and fiduciary fund of Tri-County Vocational School as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 18, 2008, on my consideration of Tri-County Vocational School's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of 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 my audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board; however, management has chosen to exclude this information.

The budgetary comparison on page 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements of Tri-County Vocational School taken as a whole. The accompanying supplementary financial information, as listed in the table of contents, is presented for the purpose of additional analysis, and is not a required part of the financial statements of Tri-County Vocational School. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole

A handwritten signature in blue ink that reads "Hugh W. Smith, Sr." The signature is written in a cursive style with a prominent initial "H" and a long, sweeping underline.

December 18, 2008

Red Boiling Springs, Tennessee

**Tri – County Vocational School  
Governmental Funds Balance Sheet/Statement of Net Assets  
June 30, 2008**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash – checking, Lafayette	\$ 41,940	\$	\$ 41,940
Cash – checking, Red Boiling Springs	11,689		11,689
Grant receivable	12,093		12,093
Capital assets, net of accumulated Depreciation		613,239	613,239
Total assets	<u>\$ 65,722</u>	<u>\$ 613,239</u>	<u>\$ 678,961</u>
<b>LIABILITIES</b>			
Insurance payable	2,484		2,484
Contracts payable – Hartsville	48,647		48,647
Total liabilities	<u>51,132</u>	<u>0</u>	<u>51,132</u>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balances:			
General fund	14,590	(14,590)	--
Total fund balances	<u>14,590</u>	<u>(14,590)</u>	<u>--</u>
Total liabilities and fund balance	<u>\$ 65,722</u>		
Net assets:			
Invested in capital assets		613,239	613,239
Unrestricted		14,590	14,590
Total net assets		<u>\$ 627,829</u>	<u>\$ 627,829</u>

See accompanying notes to financial statements

**Tri-County Vocational School  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to The Statement of Net Assets  
 June 30, 2008**

Fund balance of governmental funds	\$	14,590
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Amounts reported for governmental activities in The Statement of Net Assets are different because:

Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.

Capital assets	1,532,892
Accumulated depreciation	(919,653)
	<u>613,239</u>

	\$	<u><u>627,829</u></u>
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See accompanying notes to financial statements

**Tri – County Vocational School  
Statement of Governmental Fund Revenues, Expenditures,  
and Changes in Fund Balances/Statement of Activities  
For the Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement Of Activities</b>
<b>Revenues:</b>			
County funding	\$ 577,802	\$	\$ 577,802
Interest	1,211		1,211
Rent	2,600		2,600
County Grant	46,319		46,319
Career Ladder	2,845		2,845
E-Rate	4,064		4,064
Activity funds	47,779		47,779
Total revenues	<u>682,621</u>	<u>0</u>	<u>682,621</u>
<b>Expenditures/expenses:</b>			
Current:			
Special education	53,755		53,755
Vocational education (instruction)	393,356		393,356
Vocational education (support services)	98,640		98,640
Board of education (support services)	8,315		8,315
Fiscal services	21,927		21,927
Operation of plant	74,756		74,756
Maintenance of plant	57,693		57,693
Capital outlay	81,570	(81,570)	0
Depreciation	0	35,124	35,124
Activity funds	51,005		51,005
Total expenditures/ expenses	<u>841,016</u>	<u>(46,446)</u>	<u>794,570</u>
Excess (deficiency) of revenues over expenditures	(158,396)	(46,446)	
Other financing sources/uses:			
Transfers—Internal activities	---	---	---
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(158,396)	(158,396)	
Change in net assets	---	111,950	(111,950)
Fund balances/net assets:			
Beginning of the year	172,986	---	739,779
End of the year	<u>\$ 14,590</u>	<u>\$ 0</u>	<u>\$ 627,829</u>

See accompanying notes to financial statements

**Tri-County Vocational School**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and changes in fund balance of governmental funds**  
**to the Statement of Activities**  
**June 30, 2008**

Net change in fund balance – governmental funds	\$ (158,396)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation taken for the period.	<u>(35,124)</u>
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of construction in progress is capitalized as an asset.	81,570
Change in net assets of governmental activities	<u>\$ (111,950)</u>

See accompanying notes to financial statements

**Tri-County Vocational School  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008**

	<b>Employee Christmas Club Account</b>
<b>Assets</b>	
Cash	\$ 6,480
Total assets	<u>\$ 6,480</u>
<b>Liabilities</b>	<u>0</u>
<b>Net assets</b>	
Held in trust for employees	<u>\$ 6,480</u>

See accompanying notes to financial statements

**Tri-County Vocational School**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2008**

	<b>Employee Christmas Club Account</b>
<b>Additions</b>	
Member contributions	\$ <u>8,835</u>
<b>Deductions</b>	
Member withdrawals	<u>8,595</u>
Change in net assets	<u>240</u>
Net assets – beginning	<u>6,240</u>
Net assets – ending	\$ <u><u>6,480</u></u>

See accompanying notes to financial statements

**TRI-COUNTY VOCATIONAL SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

***NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**A. Financial Reporting Entity**

The Tri-County Vocational School is a Vocational Educational Cooperative created by enabling legislation for the establishment of educational cooperatives enacted by The General Assembly of the State of Tennessee in 1970, Chapter 511, Public Acts of 1970. The Governing Body of the Tri-County Vocational School is the Tri-County Educational Cooperative Board of Directors, consisting of the County Judges (or Chairman of the Quarterly Court), the Chairman of the County Board of Education, and one member selected by the County Court from the Counties of Clay, Jackson and Macon. According to the Application for Approval And Financial Support For Area Vocational Education Construction, prepared by the Tri-County Educational Cooperative, the primary emphasis of the vocational program will be the instruction of in-school youth, to keep them in school and prepare them for entry level jobs and advanced post-secondary training offered by State vocational technical schools within the area. This Vocational Educational Cooperative was established February 20, 1973. At this time a funding formula was set up requiring Clay to fund twenty four percent (24%); Macon, forty six percent (46%); and Jackson, thirty percent (30%) of school operations.

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation**

*Government-wide Financial Statements:* The statement of net assets and the statement of activities display information about the School. These statements include the financial activities of the school, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities are financed pursuant to the above note. Although other governments may report both governmental activities and business-type activities, the School has no business-type activities.

The Statement of Activities is a presentation of sources of revenue and direct operating expenses of the School's governmental activities. Direct expenses are those that are specifically associated with a program and, therefore, are clearly identifiable to a particular program. The School does not allocate indirect expenses to the various programs. Program revenues include a) county funding that are restricted to meting the operational or capital requirements of the school b) grants and contributions.

*Fund Financial Statements:* The fund financial statements provide information about the School's fund, including its fiduciary fund. Governmental funds are presented on pages 3 and 5. Fiduciary funds are presented on pages 7 and 8. The emphasis of fund financial statements is on major governmental funds, the general fund (its only major fund) is displayed in a separate column.

The School reports the following major governmental fund:

**General Fund** – this is the Schools primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the School's programs. The School reports the following fiduciary fund:

Agency funds generally account for assets held by the School in a purely custodial capacity. Agency funds consist of one Christmas Club Account held at Macon Bank & Trust Company, Lafayette, Tennessee.

### **Measurement Focus, Basils of Accounting**

*Government-wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed (if any) by the provider have been met.

*Governmental Fund Financial Statements.* Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considered revenues reported in the governmental funds to be available if the revenues are collected within thirty (30) days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the governmental Accounting Standards board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School has elected not to follow subsequent private-sector guidance.

### **C. Assets, Liabilities, and Net Assets**

#### **Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the School.

#### **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net assets. Donated assets are recorded at their estimated fair value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The School has no general infrastructure assets.

Depreciation of capital assets is recorded in the statement of activities on a straight-line basis over the estimated useful life of the asset. Capitalization thresholds (the dollar values above which assets acquisitions are added to the capital asset accounts) and the estimated useful lives of capital assets reported in the government-wide statements are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Building improvements	20 years
Portable buildings (trailers)	9 years
Vehicles	5 years
Equipment	5 years

Capitalization threshold \$10,000 (passed by the board of directors January 6, 2005).

Capital asset activity for year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ <u>26,545</u>	-	-	\$ <u>26,545</u>
Capital assets, being depreciated:				
Building	1,296,071	31,570	-	1,327,641
Driving range	41,450	-	-	41,450
Sewer Facility	47,728	-	-	47,728
Equipment	<u>39,529</u>	<u>50,000</u>	<u>-</u>	<u>89,529</u>
Total assets being depreciated	1,424,770	81,570	-	1,506,347
Less accumulated depreciation for:				
Building	803,553	26,554	-	830,106
Driving range	36,705	1,184	-	37,889
Sewer Facility	2,386	2,386	-	4,773
Equipment	<u>41,885</u>	<u>5,000</u>	<u>-</u>	<u>46,885</u>
Total accumulated depreciation	<u>884,529</u>	<u>35,124</u>	<u>-</u>	<u>919,653</u>
Total assets being depreciated, net	\$ <u>566,792</u>	\$ <u>46,453</u>	\$ <u>-</u>	\$ <u>613,239</u>

Depreciation expense charged to governmental activities (general fund) -- \$35,124

#### **D. Budget Procedures:**

The Board of Directors adopts the budget prior to the beginning of the school year. Amendments are made if necessary. Monthly financial reports compares budget to actual expenditures.

#### **NOTE 2 Salary Supplements**

There were no salary supplements paid from the activity fund for the year ending June 30, 2008.

**NOTE 3 Deposits**

All cash of the Tri-County Vocational School is maintained in accounts collateralized in accordance with *Tennessee Code Annotated*, 9-4-502 or covered by federal depository insurance.

At year-end, the book value of the Tri-County Vocational School's Fiscal Agent deposits with Macon Bank & Trust Company, Lafayette, Tennessee, was \$41,940.00, and the bank balance was \$99,913. The book value of the Tri-County School located in Red Boiling Springs was \$11,689, and the bank balance was \$12,139. No accounts were above the FDIC coverage limits.

**NOTE 4 Compensated Absences**

It is the School's policy to permit employees to accumulate vacation and sick pay days (benefits). The vacation days must be used before the end of the school year or the unused days will rollover into sick days. There is no liability for unpaid accumulated sick leave since the School does not have a policy to pay any amounts when employees separate from service with the School.

**NOTE 5 Risk Management**

The Tri-County Vocational School insurance coverage is as follows:

1. Workers compensation - Monumental General Casualty Insurance Company.
2. Property coverage - Great River Insurance Company
  - A. General aggregate limit \$ 1,500,000
  - B. Completed operations aggregate limit \$ 1,500,000
  - C. Personal \$ 500,000
  - D. Employee blanket bond \$ 70,000
  - E. Building \$ 4,505,528
  - F. Business personal property \$ 1,500,000

No claims have been paid by the insurance carrier during the past three years.

**Note 6 - Discontinued Operations**

The Tri-County Vocational School ceased operations as of June 30, 2008. Future operations will be under the name of Tri-County Career & Technical Education, and will be under the Tennessee Board of Regents – Tennessee Technical Education, Hartsville, Tennessee.

**NOTE 7 - Pension Plan.**

**Continued on page 13**

**TRI COUNTY VOCATIONAL SCHOOL  
89230**

***Plan Description***

Employees of TRI COUNTY VOCATIONAL SCHOOL 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, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as TRI COUNTY VOCATIONAL SCHOOL 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 Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

***Funding Policy***

TRI COUNTY VOCATIONAL SCHOOL requires employees to contribute 5.0 percent of earnable compensation.

TRI COUNTY VOCATIONAL SCHOOL is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 6.42% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for TRI COUNTY VOCATIONAL SCHOOL is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the year ending June 30, 2008, TRI COUNTY VOCATIONAL SCHOOL's annual pension cost of \$2,341 to TCRS was equal to TRI COUNTY VOCATIONAL SCHOOL's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 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. TRI COUNTY VOCATIONAL SCHOOL'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 12 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**TRI COUNTY VOCATIONAL SCHOOL 89230**  
**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$2,341	100.00%	\$0.00
June 30, 2007	\$2,327	100.00%	\$0.00
June 30, 2006	\$1,176	100.00%	\$0.00

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 91.17% percent funded. The actuarial accrued liability for benefits was \$0.05 million, and the actuarial value of assets was \$0.04 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.02 million, and the ratio of the UAAL to the covered payroll was 19.37% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) 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.

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Liability (AAL) -Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
July 01, 2007	\$42	\$46	\$4	91.17%	\$21	19.37%

**Required Supplementary Information**

**Schedule of Funding Progress for TRI COUNTY VOCATIONAL SCHOOL 89230**

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Liability (AAL) -Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
July 01, 2007	\$42	\$46	\$4	91.17%	\$21	19.37%

The Governmental Accounting Standards Board (GASB) 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 and therefore only the most current year is presented.

**TRI- COUNTY VOCATIONAL SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, TRANSFERS, AND**  
**CHANGES IN FUND BALANCE - ACTIVITY FUND**  
*year ended June 30, 2008*

	<b>Fund Balance <u>6/30/07</u></b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Fund Balance <u>6/30/08</u></b>
General Fund	\$ 1,475	\$ 8,815	\$ 11,160	\$ 1,181		\$ 311
Machine Shop	154	2,851	0			3,005
Cosmetology	0	10,810	10,745			65
Auto Technology	300	301	484			117
Air Conditioning	174	235	104			305
Residential Construction	6,134	754	1,048			5,840
Welding	1,006	2,577	3,355			228
Culinary Arts	4,491	21,436	24,109			1,818
Health Science	411	0	0		411	0
Information Technology	770	0	0		770	0
Total Activity Funds	\$ <u>14,915</u>	\$ <u>47,779</u>	\$ <u>51,005</u>	\$ <u>1,181</u>	\$ <u>1,181</u>	\$ <u>11,689</u>

**TRI-COUNTY VOCATIONAL SCHOOL**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
*year ended June 30, 2008*

	<b>Original</b>	<b>Amended</b>		<b>Over</b>
	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>(Under)</u></b>
<i>Revenues</i>				<b><u>Budget</u></b>
Basic Education Program/County Fun \$	161,235 \$	161,235 \$	577,802 \$	416,567
Interest	1,500	1,500	1,211	(289)
Vocational Program Improvement	85,000	85,000	49,165	(35,835)
Rent	-	-	2,600	2,600
E-Rate	-	-	4,064	4,064
Activity fund	-	-	47,779	47,779
Misc Refunds	8,400	8,400		(8,400)
<i>Total Revenue</i>	<u>256,135</u>	<u>256,135</u>	<u>682,621</u>	<u>426,486</u>
 <i>Expenditures</i>				
Special Education	53,720	53,775	53,755	(20)
Vocational Education (instruction)	456,157	456,157	393,356	(62,801)
Vocational Education (support services)	112,430	112,430	98,640	(13,790)
Board of Education (support services)	10,000	8,950	8,315	(635)
Fiscal Services	20,900	22,259	21,927	(332)
Operation of Plant	93,740	79,110	74,756	(4,354)
Maintenance of Plant	25,000	61,346	57,693	(3,653)
Capital outlay	5,000	36,570	81,570	45,000
Activity Funds	-	-	51,005	51,005
<i>Total Expenditures</i>	<u>776,947</u>	<u>830,597</u>	<u>841,017</u>	<u>10,420</u>
 Net Income	 \$ <u>(520,812)</u>	 \$ <u>(574,462)</u>	 \$ <u>(158,396)</u>	
Net Income (Loss) per Budget & actual	\$ (158,396)			
Add: Capital outlay	81,570			
Less: Depreciation	<u>(35,124)</u>			
Net Income (Loss) per Financial Statements	\$ <u>(111,950)</u>			

**TRI-COUNTY VOCATIONAL SCHOOL  
ROSTER OF BOARD MEMBERS  
6/30/08**

<u>Name</u>	<u>County Represented</u>
Shelvy Linville, Chairman	Macon
Wayne Wiley	Jackson
Mike Marshall	Macon
Billy Bransford	Macon
Mark Brown	Jackson
Charlie Hix	Jackson
Jerry Spivey, Tri-County Vocational School Director	
<u>County School Directors:</u>	
Joe Barlow	Jackson
Darrell Law	Macon

*Hugh W. Smith, Sr.*  
*Certified Public Accountant*

*Member of the American Institute of Certified Public Accountants*

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

To the Board of Directors  
and Mr. Jerry Spivey, Director  
Tri-County Vocational School  
Red Boiling Springs, Tennessee

I have audited the financial statements of the governmental activities, general fund, and fiduciary fund information of Tri-County Vocational School as of and for the year ended June 30, 2008, and have issued my report thereon dated December 18, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Tri-County Vocational School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tri-County Vocational School's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Tri-County Vocational School's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I 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 Tri-County Vocational School'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 Tri-County Vocational School's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described as 2008-01 in the accompanying schedule of findings and responses, to be a significant deficiency in internal control over financial reporting.

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 the Tri-County Vocational School's internal control.

My 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, I believe that the significant deficiency described above, is a material weaknesses.

### **Compliance and other Matters**

As part of obtaining reasonable assurance about whether the Tri-County Vocational School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not a objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-2 & 2008-3.

The Tri-County Vocational School's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Tri-County Vocational School's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the management of Tri-County Vocational School, the Tennessee State Comptroller's Office, and other regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Hugh W. Smith, Sr." The signature is written in a cursive style with a prominent initial 'H' and 'S'.

December 18, 2008  
Red Boiling Springs, Tennessee

Tri-County Vocational School  
 Schedule of Findings and Responses  
 6/30/08

Segregation of accounting duties, and detailed general fixed asset ledger have not been resolved and are repeated in this schedule.

INTERNAL CONTROL

2008-1

*Condition* Duties over cash receipting, receivables, disbursements, payroll and general ledger functions are not properly segregated.

*Criteria* Essential elements of internal control require the above functions to be segregated.

*Effect* Without proper segregation errors or irregularities could occur and not be detected on a timely basis.

*Recommendation*

Further segregation of accounting duties should be considered and/or alternative measures designed to detect errors or irregularities be developed.

*Management's response*

School is too small to warrant more than one bookkeeper.

2008-2

*Condition* A complete ledger of all the school's fixed assets should be maintained.

*Criteria* Comparability of amounts recorded in the records to the fiscal asset is an element of internal control.

*Effect* No comparison can be made, and computing depreciation at year end is made difficult.

*Recommendation*

A general fixed asset ledger should be prepared and maintained for all the school's asset.

*Management's response*

Will try to comply.

2008-3

*Condition* Capital expenditures exceed budget allowance.

*Criteria* Annual expenditures should not exceed the amount in the amount budgeted for each line item.

*Effect* Exceeding budgeted amounts could cause a cash shortage.

*Management's response*

Capital expenditures exceeded budgeted amounts in conjunction with the imminent takeover by TTCH, Tennessee Technology Center at Hartsville, and the TBR, Tennessee Board of Regents. Tri-County Career and Technical Education Center funded necessary operational and maintenance improvements from its fund balance prior to handover to TTCH and the TBR on July 1, 2008. Budget amendments were not feasible because of time constraints.