

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
HAYWOOD COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

NORM R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

MARVIN E. BOND, CGFM
ELISHA CROWELL
State Auditors

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

HAYWOOD COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit/Table	Page
Audit Highlights		i
 <u>INTRODUCTORY SECTION</u>		
Haywood County Officials		1
 <u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	12
Proprietary Funds:		
Statement of Net Assets	C-1	13
Statement of Revenues, Expenses, and Changes in Net Assets	C-2	14
Statement of Cash Flows	C-3	16
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	17
Notes to the Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	41
Highway/Public Works Fund	E-2	43
Notes to the Required Supplementary Information		45
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		
Nonmajor Governmental Funds :		
Combining Balance Sheet	F-1	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	52
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	F-3	53
Drug Control Fund	F-4	54

	Exhibit/Table	Page
Major Governmental Fund:		
Schedule of Revenues, Expenditures, and		
Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	57
Fiduciary Funds:		
Combining Statement of Fiduciary Assets and		
Liabilities	H-1	61
Combining Statements of Changes in Assets and		
Liabilities – All Agency Funds	H-2	62
Miscellaneous Schedules:		
Schedule of Changes in Capital Leases,		
Other Loans, and Bonds	I-1	65
Schedule of Bond and Interest Requirements by Year	I-2	66
Schedule of Transfers – All Funds	I-3	67
Schedule of Salaries and Official Bonds of Principal		
Officials	I-4	68
Schedule of Detailed Revenues – All Governmental		
Fund Types	I-5	69
Schedule of Detailed Expenditures – All		
Governmental Fund Types	I-6	74
Schedule of Detailed Receipts, Disbursements, and		
Changes in Cash Balance – City Agency Fund	I-7	95

STATISTICAL SECTION

Uncollected Taxes Filed in Chancery Court	1	99
Tax Rates and Assessments – Last Ten Years	2	100

Audit Highlights

Annual Financial Report
Haywood County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Haywood County as of and for the year ended June 30, 2005.

Results

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

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

Findings

The following are summaries of the audit findings:

HAYWOOD COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ The Solid Waste Disposal Fund had a deficit of \$953,075 in unrestricted net assets at June 30, 2005.
- ◆ The office did not issue purchase orders for some applicable purchases and issued some purchase orders with no dollar amounts indicated.

OFFICE OF CHIEF ADMINISTRATIVE HIGHWAY OFFICER

- ◆ The Highway Department did not maintain a system to account for materials used on some types of road projects.
 - ◆ The actual beginning fund balance of the Highway/Public Works Fund exceeded the estimated beginning fund balance by \$334,178.
-

OFFICE OF GENERAL SESSIONS COURT CLERK

- ◆ A deputy clerk was indicted by the Haywood County Grand Jury on allegations of remitting false documents to the Tennessee Department of Safety for personal gain.
-

OFFICE OF REGISTER

- ◆ Duties were not segregated adequately between the official and his employee.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ The county did not report to the Internal Revenue Service certain fringe benefits provided to the county farm supervisor.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Haywood County Officials

June 30, 2005

Officials:

Franklin Smith, County Mayor
Greg McCarley, Chief Administrative Highway Officer
William Howse, Trustee
Dare Simpson, Assessor of Property
Ann Medford, County Clerk
Joe Moore, Circuit and General Sessions Courts Clerk
Judy Hardister, Clerk and Master
Steve Smith, Register
Melvin Bond, Sheriff

Board of County Commissioners:

Franklin Smith, Chairman	Richard Jameson
Allen King, Chairman Pro Tempore	Leonard Jones, Jr.
Brad Bishop	Janice King
Becky Booth	James Morgan
Robert Campbell	Helen Morris
Kathy Chapman	Edwin Necaie
Danny Claiborne	Pamela Russell
Robert English	Jerry Smith
John P. Gorman, Jr.	Robert Earl Thornton
Robert Green	Ronald Woods
Goldie Harwell	

Highway Commission:

William Jack Brummett, Jr., Chairman
Milton Booth
Robert Morris English, Jr.
Barney Garrett
Willie Ross

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

December 21, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Haywood County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 38 which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Haywood County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Haywood County, Tennessee, as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

The financial statements of the Elma Ross Public Library (Special Revenue Fund) had not been made available by other auditors as of the date of this report. Accordingly, the aggregate remaining fund information of Haywood County, Tennessee, referred to above does not include the financial statements of the Elma Ross Public Library, which should be included to conform with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee. The effects on the financial statements are not reasonably determinable.

However, in our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Haywood County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

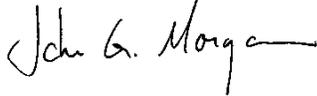
In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2005, on our consideration of Haywood County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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 IV.B., Haywood County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 41 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Haywood 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, miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Haywood County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 78,184	\$ 78,184
Equity in Pooled Cash and Investments	1,729,637	1,024,254	4,499,372	465,468	7,718,731
Accounts Receivable	74,085	4,738	56	25,144	104,023
Due from Other Governments	252,017	302,594	40,708	7,945	603,264
Due from Other Funds	548	0	0	0	548
Due from Component Units	0	0	20,062	0	20,062
Property Taxes Receivable	3,441,280	441,804	166,521	0	4,049,605
Allowance for Uncollectible Property Taxes	(206,287)	(30,234)	(14,134)	0	(250,655)
Accrued Interest Receivable	0	0	51,335	0	51,335
Total Assets	\$ 5,291,280	\$ 1,743,156	\$ 4,763,920	\$ 576,741	\$ 12,375,097
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 82,622	\$ 8,881	\$ 0	\$ 1,448	\$ 92,951
Payroll Deductions Payable	28,708	0	0	372	29,080
Due to Other Funds	0	0	0	36,167	36,167
Due to Component Units	53,479	0	0	0	53,479
Deferred Revenue - Current Property Taxes	3,091,065	386,383	137,994	0	3,615,442
Deferred Revenue - Delinquent Property Taxes	136,235	23,841	13,624	0	173,700
Other Deferred Revenues	66,631	149,954	20,443	0	237,028
Total Liabilities	\$ 3,458,740	\$ 569,059	\$ 172,061	\$ 37,987	\$ 4,237,847
<u>Fund Balances</u>					
Reserved for Alcohol and Drug Treatment	\$ 18,901	\$ 0	\$ 0	\$ 0	\$ 18,901
Reserved for Computer System - Register	70,495	0	0	0	70,495
Reserved for Automation Purposes - Circuit Court	1,483	0	0	0	1,483
Reserved for Automation Purposes - General Sessions	60,804	0	0	0	60,804
Reserved for Automation Purposes - Juvenile Court	689	0	0	0	689
Reserved for Automation Purposes - Chancery Court	4,064	0	0	0	4,064
Reserved for Automation Purposes - Sheriff	4,456	0	0	0	4,456
Reserved for Other General Purposes	26,950	0	0	0	26,950
Unreserved, Reported In:					
General Fund	1,644,698	0	0	0	1,644,698
Special Revenue Funds	0	1,174,097	0	254,927	1,429,024
Debt Service Funds	0	0	4,591,859	0	4,591,859
Capital Projects Funds	0	0	0	283,827	283,827
Total Fund Balances	\$ 1,832,540	\$ 1,174,097	\$ 4,591,859	\$ 538,754	\$ 8,137,250
Total Liabilities and Fund Balances	\$ 5,291,280	\$ 1,743,156	\$ 4,763,920	\$ 576,741	\$ 12,375,097

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

Exhibit B

Haywood County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues					
Local Taxes	\$ 3,260,993	\$ 567,276	\$ 601,818	\$ 0	\$ 4,430,087
Licenses and Permits	33,631	0	0	0	33,631
Fines, Forfeitures and Penalties	148,773	0	0	8,105	156,878
Charges for Current Services	761,512	65	0	681,777	1,443,354
Other Local Revenues	86,359	178,964	298,830	271	564,424
Fees Received from County Officials	850,543	0	0	0	850,543
State of Tennessee	545,514	2,110,662	0	30,233	2,686,409
Federal Government	505,359	10,000	0	30,425	545,784
Other Governments and Citizens Groups	567,123	0	236,026	114,121	917,270
Total Revenues	\$ 6,759,807	\$ 2,866,967	\$ 1,136,674	\$ 864,932	\$ 11,628,380
Expenditures					
Current:					
General Government	\$ 732,422	\$ 0	\$ 0	\$ 0	\$ 732,422
Finance	417,524	0	0	309,827	727,351
Administration of Justice	731,696	0	0	0	731,696
Public Safety	2,600,980	0	0	2,559	2,603,539
Public Health and Welfare	1,341,239	0	0	358,149	1,699,388
Social, Cultural, and Recreational Services	739,954	0	0	0	739,954
Agricultural and Natural Resources	185,679	0	0	0	185,679
Other Operations	613,355	0	0	52,025	665,380
Highways	0	3,025,718	0	0	3,025,718
Debt Service:					
Principal	0	0	362,565	0	362,565
Interest	0	0	69,551	0	69,551
Other Debt Service	0	0	8,766	0	8,766
Capital Projects	0	0	0	1,354,241	1,354,241
Total Expenditures	\$ 7,362,849	\$ 3,025,718	\$ 440,882	\$ 2,076,801	\$ 12,906,250
Excess (Deficiency) of Revenues Over Expenditures	\$ (603,042)	\$ (158,751)	\$ 695,792	\$ (1,211,869)	\$ (1,277,870)
Other Financing Sources (Uses)					
Capital Leases Issued	\$ 0	\$ 0	\$ 0	\$ 157,083	\$ 157,083
Other Loans Issued	0	0	0	761,331	761,331
Transfers In	0	0	0	29,145	29,145
Transfers Out	(88,750)	0	0	(153,880)	(242,630)
Total Other Financing Sources (Uses)	\$ (88,750)	\$ 0	\$ 0	\$ 793,679	\$ 704,929
Net Change in Fund Balances	\$ (691,792)	\$ (158,751)	\$ 695,792	\$ (418,190)	\$ (572,941)
Fund Balance, July 1, 2004	2,524,332	1,332,848	3,896,067	956,944	8,710,191
Fund Balance, June 30, 2005	\$ 1,832,540	\$ 1,174,097	\$ 4,591,859	\$ 538,754	\$ 8,137,250

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

Haywood County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>Major Fund</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 393,992
Accounts Receivable	1,000
Due from Other Governments	5,890
Due from Other Funds	35,619
Total Current Assets	<u>\$ 394,992</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 235,000
Buildings and Improvements	163,132
Machinery and Equipment	54,858
Total Noncurrent Assets	<u>\$ 452,990</u>
Total Assets	<u>\$ 847,982</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 40,005
Payroll Deductions Payable	981
Accrued Liability for Landfill Closure/Postclosure Care Costs	28,000
Total Current Liabilities	<u>\$ 68,986</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	<u>\$ 1,320,590</u>
Total Noncurrent Liabilities	<u>\$ 1,320,590</u>
Total Liabilities	<u>\$ 1,389,576</u>
<u>Net Assets</u>	
Invested in Capital Assets	\$ 452,990
Unrestricted (Deficit)	<u>(953,075)</u>
Total Net Assets	<u>\$ (500,085)</u>

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

Haywood County, Tennessee
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Major Fund</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Operating Revenues</u>	
Tipping Fees	\$ 395,340
Sale of Materials and Supplies	10,412
Miscellaneous Refunds	173
Total Operating Revenues	<u>\$ 405,925</u>
<u>Operating Expenses</u>	
Supervisor/Director	\$ 35,447
Equipment Operators	83,119
Secretary(s)	23,606
Overtime Pay	5,377
Social Security	11,012
State Retirement	16,897
Employee and Dependent Insurance	17,613
Unemployment Compensation	309
Other Fringe Benefits	2,787
Communication	1,642
Contracts with Government Agencies	2,849
Contracts with Private Agencies	375,425
Contributions	3,075
Maintenance & Repair Services-Equipment	422
Postal Charges	85
Printing, Stationery and Forms	698
Travel	229
Tuition	4,688
Crushed Stone	3,641
Diesel Fuel	4,173
Electricity	2,629
Equipment and Machinery Parts	19,334
Gasoline	2,743
Lubricants	1,014
Office Supplies	769
Tires and Tubes	2,626
Other Supplies and Materials	5,162
Premiums on Corporate Surety Bonds	100
Trustee's Commission	5,557
Vehicle and Equipment Insurance	3,653
Workers' Compensation Insurance	7,621
Depreciation	35,850
Landfill Closure/Postclosure Care Costs	33,359
Other Charges	7,759
Data Processing Equipment	7,499
Maintenance Equipment	10,249
Other Construction	8,756
Total Operating Expenses	<u>\$ 747,774</u>
Operating Income (Loss)	<u>\$ (341,849)</u>

(Continued)

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

	Major Fund Enterprise Fund Solid Waste Disposal Fund
<u>Nonoperating Revenues</u>	
Wholesale Beer Tax	\$ 155,056
Solid Waste Grants	16,087
Litter Program	7,500
Total Nonoperating Revenues	<u>\$ 178,643</u>
Loss Before Transfers	\$ (163,206)
Transfers In	<u>153,880</u>
Change in Net Assets	\$ (9,326)
Net Assets, July 1, 2004	<u>(490,759)</u>
Net Assets, June 30, 2005	<u><u>\$ (500,085)</u></u>

The accompanying notes are an integral part of this statement.

Haywood County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customer and Users	\$ 357,769
Other Cash Receipts (Payments)	10,585
Waste Collections and Disposal Activity - Uses	(703,424)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (335,070)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Wholesale Beer Tax	\$ 155,056
Grants Received	23,587
Transfers In	153,880
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 332,523</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (2,547)
Cash and Cash Equivalents, July 1, 2004	<u>396,539</u>
Cash and Cash Equivalents, June 30, 2005	<u><u>\$ 393,992</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (341,849)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Depreciation	35,850
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	3,938
(Increase) Decrease in Due From Other Governements	(5,890)
(Increase) Decrease in Due From Other Funds	(35,619)
Increase (Decrease) in Accounts Payable	2,824
Increase (Decrease) in Payroll Deductions Payable	(201)
Increase (Decrease) in Accrued Liability for Landfill Closure	5,877
Net Cash Provided by (Used In) Operating Activities	<u><u>\$ (335,070)</u></u>

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

Exhibit D

Haywood County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,417,848
Due from Other Governments	<u>166,836</u>
Total Assets	<u><u>\$ 1,584,684</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 166,836
Due to Litigants, Heirs, and Others	<u>1,417,848</u>
Total Liabilities	<u><u>\$ 1,584,684</u></u>

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

HAYWOOD COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Haywood County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Haywood County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Haywood County's auditor to issue an adverse opinion on the county's financial statements.

Although Haywood County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Haywood County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Haywood County (the primary government). Although required by GAAP, the financial statements of the Elma Ross Public Library, a Special Revenue Fund, were not available from other auditors in time for inclusion in this report.

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

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Haywood County is presenting fund financial statements only; therefore, the financial information of entities that meet the criteria for discretely presented component units is not included in the financial statements of this report. These entities would have been presented as separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Haywood County School Department operates the public school system in the county, and the voters of Haywood 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 Haywood County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Haywood County, and the Haywood 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 Haywood County Utility District provides water services to customers within the district. The district has a three-member governing body appointed by the Haywood County Commission. The district is funded primarily from charges to customers for water services and grants. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Haywood County School Department, Haywood County Emergency Communications District, and Haywood County Utility District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Haywood County Emergency Communications District's and the Haywood County Utility District's financial statements are published as separate reports. Complete financial statements can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Haywood County Utility District
94 Burg Kendrick Loop
Brownsville, TN 38012

Haywood County Emergency Communications District
1 North Washington Street
Brownsville, TN 38012

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

Fund financial statements of Haywood 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. Haywood County only reports one proprietary fund, an enterprise fund.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other governmental funds and enterprise funds are aggregated into single columns 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. Haywood County considers grant 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.

Proprietary fund and fiduciary fund financial statements are reported using the economic resources 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.

Haywood County reports the following major governmental funds:

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

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

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

Haywood County reports the following major enterprise fund:

Solid Waste Disposal Fund – This fund accounts for the transactions of the county-owned landfill.

Additionally, Haywood County reports the following fund types:

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

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 Haywood 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the 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 enterprise funds, subject to this same limitation. Haywood County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund to account for the operations of the county's landfill. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's enterprise fund are tipping fees.

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.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes funds held by the county trustee as Equity in Pooled Cash 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 Haywood County and Haywood County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Haywood County and the Haywood County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the

same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.66 percent of total taxes levied.

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

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

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

3. Capital Assets

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

Capital assets are reported in the statement of net assets of the proprietary funds. Haywood County defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than three years. 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. Interest incurred during the construction phase of capital assets of the enterprise funds is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the proprietary funds are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30
Machinery and Equipment	3-30

4. Compensated Absences

The general policy of Haywood County (with the exception of sick and vacation leave for employees of the Haywood County Highway Department) does not allow employees to accumulate sick and vacation days beyond year-end.

It is the policy of the Haywood County Highway Department to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Haywood County does not have a policy to pay any amounts when employees separate from service with the government. A liability for the vacation benefits is reported in governmental funds only if they

have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line 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.

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

6. Net Assets and Fund Equity

In the proprietary funds, 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.

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 specified purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Net Assets Deficit

The Solid Waste Disposal Fund had a total net assets deficit of \$500,085 and an unrestricted net assets deficit of \$953,075 at June 30, 2005. These deficits primarily resulted from the recognition of a liability (\$1,348,590) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.

B. The Actual Fund Balance Exceeded The Estimated Beginning Fund Balance By A Material Amount

The actual fund balance in the Highway/Public Works Fund was \$1,332,848 at July 1, 2004; however, the estimated fund balance reflected in the county's budget for that date was \$998,670. Therefore, the actual fund balance was \$334,178 more than the estimated fund balance presented to the County Commission during the budget approval process.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Haywood County and the Haywood County School Department participate in an internal cash and investment pool through the Office of Trustee. The Haywood County School Department meets the criteria for a discretely presented component unit of Haywood County. Since Haywood County is presenting fund financial statements only, the financial information for the Haywood County School Department is not included in these financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at

least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. Haywood County had no pooled or nonpooled investments as of June 30, 2005.

B. Capital Assets

Capital assets activity of the proprietary fund for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 235,000	\$ 0	\$ 235,000
Total Capital Assets Not Depreciated	<u>\$ 235,000</u>	<u>\$ 0</u>	<u>\$ 235,000</u>
Capital Assets Depreciated:			
Buildings & Improvements	\$ 225,797	\$ 0	\$ 225,797
Machinery & Equipment	656,213	0	656,213
Total Capital Assets, Depreciated	<u>\$ 882,010</u>	<u>\$ 0</u>	<u>\$ 882,010</u>
Less Accumulated Depreciation For:			
Buildings & Improvements	\$ 55,129	\$ 7,536	\$ 62,665
Machinery & Equipment	573,041	28,314	601,355
Total Accumulated Depreciation	<u>\$ 628,170</u>	<u>\$ 35,850</u>	<u>\$ 664,020</u>
Total Capital Assets Depreciated, Net	<u>\$ 253,840</u>	<u>\$ (35,850)</u>	<u>\$ 217,990</u>
Governmental Activities Capital Assets, Net	<u>\$ 488,840</u>	<u>\$ (35,850)</u>	<u>\$ 452,990</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 548
Solid Waste Disposal	Nonmajor governmental	35,619

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Component unit: School Department: Central Cafeteria	Primary government: General	\$ 53,479
Primary government: General Debt Service	Component unit: School Department: General Purpose School	20,062

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Transfers Out	Transfers In	
	Solid Waste Disposal	Nonmajor Governmental Funds
General	\$ 0	\$ 88,750
Nonmajor governmental funds	153,880	0
Total	<u>\$ 153,880</u>	<u>\$ 88,750</u>

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

The county made transfers of \$59,605 from the General Fund to the Elma Ross Public Library (Special Revenue Fund) to provide funds for operations. The financial statements of the Elma Ross Public Library had not been made available by other auditors as of the date of this report.

D. Capital Leases

On April 15, 2005, Haywood County entered into a four-year lease-purchase agreement for a sanitation truck. The terms of the agreement require total lease payments of \$157,083 plus interest of 5.4 percent. Title to the truck transfers to Haywood County at the end of the lease period. The lease payments are made by the Solid Waste/Sanitation Fund.

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

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 43,445
2007	43,445
2008	43,445
2009	<u>36,201</u>
Total Minimum Lease Payments	\$ 166,536
Amounts Represent Interest	<u>(15,386)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 151,150</u></u>

E. Long-term Debt

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

General Obligation Bonds 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.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 40 years for bonds and up to 11 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 and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	1.25 to 4.875%	\$ 1,632,300	\$ 1,336,909
General Obligation Bonds - Refunding	1.05 to 2.4	1,375,000	730,000
Other Loans	Variable	761,331	761,331
Capital Leases	5.4	157,083	151,150

On May 1, 2005, Haywood County entered into a loan agreement with the Sevier County Public Building Authority. This loan agreement provided for the authority to make \$5,000,000 available for loan to Haywood County on an as-needed basis for various renovation and construction projects. As of June 30, 2005, Haywood County had borrowed \$761,331 of the loan which is repayable at a variable interest rate based on the Bond Market Association Municipal Index. In addition, the county pays various fees (liquidity, trustee, remarketing, and issuer) in connection with this loan. At June 30, 2005, the variable interest rate was 2.08 percent, and other fees were approximately .45 percent.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 377,937	\$ 63,991
2007	398,327	56,941
2008	408,737	47,171
2009	164,167	37,141
2010	169,618	32,195
2011-2015	55,672	128,393
2016-2020	70,780	115,285
2021-2025	89,991	93,074
2026-2030	114,416	68,649
2031-2035	145,472	37,593
2036-2038	71,792	4,602
Total	<u>\$ 2,066,909</u>	<u>\$ 685,035</u>

Year Ending June 30	Other Loan (\$761,331)			
	Principal	Interest	Other Fees	Total
2006	\$ 425,000	\$ 15,836	\$ 3,426	\$ 444,262
2007	336,331	6,996	1,513	344,840
Total	<u>\$ 761,331</u>	<u>\$ 22,832</u>	<u>\$ 4,939</u>	<u>\$ 789,102</u>

There is \$4,591,859 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$104, based on the 2000 federal census. Total debt per capita, including bonds, capital leases, and other loans, amounted to \$151, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Capital Leases
Balance, July 1, 2004	\$ 2,429,474	\$ 20,325
Additions	0	157,083
Deductions	(362,565)	(26,258)
Balance, June 30, 2005	<u>\$ 2,066,909</u>	<u>\$ 151,150</u>
Balance Due Within One Year	<u>\$ 377,937</u>	<u>\$ 36,666</u>
	Other Loans	Compensated Absences
Balance, July 1, 2004	\$ 0	\$ 22,008
Additions	761,331	21,150
Deductions	0	(18,676)
Balance, June 30, 2005	<u>\$ 761,331</u>	<u>\$ 24,482</u>
Balance Due Within One Year	<u>\$ 425,000</u>	<u>\$ 24,482</u>

Haywood County Solid Waste Disposal Fund (Enterprise Fund)

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:

	<u>Closure/ Postclosure Care Costs</u>
Balance, July 1, 2004	\$ 1,342,713
Additions	33,359
Deductions	<u>(27,482)</u>
Balance, June 30, 2005	<u>\$ 1,348,590</u>
Balance Due Within One Year	<u>\$ 28,000</u>

IV. OTHER INFORMATION

A. Risk Management

Employee Health Insurance

Haywood County 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 (TCA), 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.

Workers' Compensation Insurance

Haywood County 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 county 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

Haywood County is exposed to various risks related to general liability, property, and casualty losses. The county participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Change

During the year, Haywood County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposits and Investments Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Contingent Liabilities

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

D. Changes in Administration

John Sharpe, Jr., resigned as county mayor effective August 31, 2004. Barbara Phillips was appointed as interim county mayor effective September 9, 2004. Franklin Smith was elected county mayor effective December 1, 2004.

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs are generally paid near or after the date that the landfill stops accepting waste, the Solid Waste Disposal Fund reports a portion of these closure and postclosure care costs as an operating

expense in each period based on landfill capacity used as of each balance sheet date. The county stopped accepting household waste at the landfill in December 1996. The \$1,348,590 reported as accrued liability for landfill closure/postclosure care costs in the Solid Waste Disposal Fund at June 30, 2005, represents the remaining estimated costs for future postclosure care functions. This amount is based on what it would cost to perform all postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Also, it should be noted that the above amounts have not been reviewed by the state Department of Environment and Conservation's central office staff as of the date of this report.

F. Joint Venture

The Brownsville – Haywood County Emergency Management Agency is a joint venture between the county and the City of Brownsville. The agency's three-member board includes the county mayor, the mayor of the City of Brownsville, and one member who is jointly selected by the county mayor and the city mayor. The agency is jointly funded by the county and the City of Brownsville with additional revenues received from the State of Tennessee, the federal government, and private contributions. The county and city do not retain an equity interest in the entity. During the year ended June 30, 2005, the county provided financial assistance of \$18,610 to the agency. Complete financial statements for the Brownsville – Haywood County Emergency Management Agency can be obtained from the agency's administrative office at the following address:

Brownsville – Haywood County Emergency Management Agency
City Hall
Brownsville, TN 38012

G. Retirement Commitments

Plan Description

Employees of Haywood 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 Haywood 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Haywood County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 11.96 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Haywood County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Haywood County's annual pension cost of \$844,807 to TCRS was equal to Haywood County's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Haywood 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, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$844,807	100%	\$0
6-30-04	671,441	100	0
6-30-03	643,522	100	0

Required Supplementary Information
Schedule of Funding Progress for Haywood County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$15,628	\$16,080	\$452	97.19%	\$6,822	6.63%
6-30-01	13,821	14,381	560	96.11	6,127	9.14
6-30-99	11,728	12,124	396	96.73	5,633	7.03

H. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Chief Administrative Highway Officer

Purchasing procedures for the Highway Department are governed by provisions of Chapter 24, Private Acts of 1991, as amended and Section 54-7-113, TCA (Uniform Road Law), which requires all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Haywood County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,260,993	\$ 3,360,847	\$ 3,360,847	\$ (99,854)
Licenses and Permits	33,631	27,600	27,600	6,031
Fines, Forfeitures and Penalties	148,773	129,923	129,923	18,850
Charges for Current Services	761,512	687,633	687,633	73,879
Other Local Revenues	86,359	89,100	89,580	(3,221)
Fees Received from County Officials	850,543	1,230,452	1,230,452	(379,909)
State of Tennessee	545,514	452,496	468,139	77,375
Federal Government	505,359	180,000	277,051	228,308
Other Governments and Citizens Groups	567,123	482,000	482,000	85,123
Total Revenues	\$ 6,759,807	\$ 6,640,051	\$ 6,753,225	\$ 6,582
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 29,718	\$ 53,296	\$ 53,296	\$ 23,578
Beer Board	1,600	3,000	3,000	1,400
County Mayor	209,503	226,214	232,714	23,211
County Attorney	19,986	58,608	58,608	38,622
Election Commission	92,699	99,526	99,526	6,827
Register of Deeds	130,182	114,691	137,055	6,873
Development	45,300	47,713	47,713	2,413
County Buildings	203,434	206,519	229,259	25,825
<u>Finance</u>				
Accounting and Budgeting	3,300	5,000	5,000	1,700
Property Assessor's Office	246,441	262,575	262,575	16,134
Reappraisal Program	31,431	40,992	40,992	9,561
County Trustee's Office	64,899	218,110	218,110	153,211
County Clerk's Office	71,453	290,794	290,794	219,341
<u>Administration of Justice</u>				
Circuit Court	427,251	465,106	465,106	37,855
General Sessions Judge	132,803	131,165	133,665	862
General Sessions Court Clerk	6,346	12,300	12,300	5,954
Chancery Court	132,372	136,408	136,408	4,036
Juvenile Court	32,924	38,524	38,524	5,600
<u>Public Safety</u>				
Sheriff's Department	870,074	867,750	888,684	18,610
Special Patrols	54,086	57,205	57,205	3,119
Jail	994,286	878,593	1,022,959	28,673
Workhouse	165,496	168,170	168,170	2,674
Fire Prevention and Control	241,783	297,901	297,901	56,118
Civil Defense	105,476	49,999	107,310	1,834
Public Safety Grant Programs	21,609	0	21,733	124
Other Public Safety	148,170	158,363	158,363	10,193

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 68,034	\$ 68,654	\$ 68,654	\$ 620
Rabies and Animal Control	47,789	50,000	50,814	3,025
Ambulance/Emergency Medical Services	1,170,800	1,186,057	1,186,057	15,257
Dental Health Program	51,116	84,255	84,255	33,139
Alcohol and Drug Programs	2,500	2,500	2,500	0
Other Local Health Services	1,000	1,000	1,000	0
<u>Social, Cultural and Recreational Services</u>				
Libraries	51,356	116,429	56,824	5,468
Parks and Fair Boards	578,968	617,274	617,274	38,306
Other Social, Cultural and Recreational	109,630	26,000	111,488	1,858
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	103,520	123,009	123,009	19,489
Forest Service	2,000	2,000	2,000	0
Soil Conservation	80,159	81,030	81,030	871
<u>Other Operations</u>				
Industrial Development	11,073	65,000	65,000	53,927
Other Economic and Community Development	202,785	0	202,785	0
Other Charges	37,921	38,672	38,672	751
Contributions to Other Agencies	139,441	132,241	140,241	800
Miscellaneous	222,135	225,000	225,000	2,865
Total Expenditures	\$ 7,362,849	\$ 7,707,643	\$ 8,243,573	\$ 880,724
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (603,042)	\$ (1,067,592)	\$ (1,490,348)	\$ 887,306
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (88,750)	\$ 0	\$ (88,750)	\$ 0
Total Other Financing Sources (Uses)	\$ (88,750)	\$ 0	\$ (88,750)	\$ 0
Net Change in Fund Balance	\$ (691,792)	\$ (1,067,592)	\$ (1,579,098)	\$ 887,306
Fund Balance, July 1, 2004	2,524,332	2,570,462	2,570,462	(46,130)
Fund Balance, June 30, 2005	\$ 1,832,540	\$ 1,502,870	\$ 991,364	\$ 841,176

Exhibit E-2

Haywood County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 567,276	\$ 564,069	\$ 564,069	\$ 3,207
Charges for Current Services	65	110	110	(45)
Other Local Revenues	178,964	154,800	154,800	24,164
State of Tennessee	2,110,662	2,177,715	2,177,715	(67,053)
Federal Government	10,000	10,000	10,000	0
Total Revenues	<u>\$ 2,866,967</u>	<u>\$ 2,906,694</u>	<u>\$ 2,906,694</u>	<u>\$ (39,727)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 135,027	\$ 135,174	\$ 143,174	\$ 8,147
Highway and Bridge Maintenance	1,455,176	1,621,000	1,621,000	165,824
Operation and Maintenance of Equipment	533,976	584,600	634,600	100,624
Other Charges	130,060	136,750	137,440	7,380
Employee Benefits	184,885	209,700	209,700	24,815
Capital Outlay	586,594	920,491	861,801	275,207
Total Expenditures	<u>\$ 3,025,718</u>	<u>\$ 3,607,715</u>	<u>\$ 3,607,715</u>	<u>\$ 581,997</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (158,751)</u>	<u>\$ (701,021)</u>	<u>\$ (701,021)</u>	<u>\$ 542,270</u>
Net Change in Fund Balance	\$ (158,751)	\$ (701,021)	\$ (701,021)	\$ 542,270
Fund Balance, July 1, 2004	<u>1,332,848</u>	<u>998,670</u>	<u>998,670</u>	<u>334,178</u>
Fund Balance, June 30, 2005	<u>\$ 1,174,097</u>	<u>\$ 297,649</u>	<u>\$ 297,649</u>	<u>\$ 876,448</u>

HAYWOOD COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

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 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, Beer Board, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body 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 statement.

B. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT

The Highway/Public Works Fund's actual fund balance at July 1, 2004, was \$1,332,848; however, the estimated fund balance reflected in the county's budget at July 1, 2004, was \$998,670. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by \$334,178.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Haywood County’s garbage collection operations.

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 financial resources to be used for the acquisition or construction of major capital facilities.

General Capital Projects Fund – The General Capital Projects is used to account for general capital expenditures of the county and for debt issued for Haywood County that is subsequently contributed to the discretely presented Haywood County School Department for school construction.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for revenues received from public works grants provided for community development projects.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for revenues provided for an industrial park project.

Exhibit F-1

Haywood County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>ASSETS</u>									
Cash	\$ 0	\$ 0	\$ 78,184	\$ 78,184	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,184
Equity in Pooled Cash and Investments	155,969	25,672	0	181,641	162,890	42,180	78,757	283,827	465,468
Accounts Receivable	25,000	0	144	25,144	0	0	0	0	25,144
Due from Other Governments	7,945	0	0	7,945	0	0	0	0	7,945
Total Assets	\$ 188,914	\$ 25,672	\$ 78,328	\$ 292,914	\$ 162,890	\$ 42,180	\$ 78,757	\$ 283,827	\$ 576,741
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 1,448	\$ 0	\$ 0	\$ 1,448	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,448
Payroll Deductions Payable	372	0	0	372	0	0	0	0	372
Due to Other Funds	35,619	0	548	36,167	0	0	0	0	36,167
Total Liabilities	\$ 37,439	\$ 0	\$ 548	\$ 37,987	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,987
<u>Fund Balances</u>									
Unreserved	\$ 151,475	\$ 25,672	\$ 77,780	\$ 254,927	\$ 162,890	\$ 42,180	\$ 78,757	\$ 283,827	\$ 538,754
Total Fund Balances	\$ 151,475	\$ 25,672	\$ 77,780	\$ 254,927	\$ 162,890	\$ 42,180	\$ 78,757	\$ 283,827	\$ 538,754
Total Liabilities and Fund Balances	\$ 188,914	\$ 25,672	\$ 78,328	\$ 292,914	\$ 162,890	\$ 42,180	\$ 78,757	\$ 283,827	\$ 576,741

Exhibit F-2

Haywood County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>Revenues</u>									
Fines, Forfeitures and Penalties	\$ 0	\$ 8,105	\$ 0	\$ 8,105	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,105
Charges for Current Services	373,470	0	308,307	681,777	0	0	0	0	681,777
Other Local Revenues	271	0	0	271	0	0	0	0	271
State of Tennessee	30,233	0	0	30,233	0	0	0	0	30,233
Federal Government	0	0	0	0	0	30,425	0	30,425	30,425
Other Governments and Citizens Groups	0	0	0	0	0	0	114,121	114,121	114,121
Total Revenues	\$ 403,974	\$ 8,105	\$ 308,307	\$ 720,386	\$ 0	\$ 30,425	\$ 114,121	\$ 144,546	\$ 864,932
<u>Expenditures</u>									
Current:									
Finance	\$ 0	\$ 0	\$ 309,827	\$ 309,827	\$ 0	\$ 0	\$ 0	\$ 0	\$ 309,827
Public Safety	0	2,559	0	2,559	0	0	0	0	2,559
Public Health and Welfare	358,149	0	0	358,149	0	0	0	0	358,149
Other Operations	52,025	0	0	52,025	0	0	0	0	52,025
Capital Projects	0	0	0	0	1,228,275	50,042	75,924	1,354,241	1,354,241
Total Expenditures	\$ 410,174	\$ 2,559	\$ 309,827	\$ 722,560	\$ 1,228,275	\$ 50,042	\$ 75,924	\$ 1,354,241	\$ 2,076,801
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,200)	\$ 5,546	\$ (1,520)	\$ (2,174)	\$ (1,228,275)	\$ (19,617)	\$ 38,197	\$ (1,209,695)	\$ (1,211,869)
<u>Other Financing Sources (Uses)</u>									
Capital Leases Issued	\$ 157,083	\$ 0	\$ 0	\$ 157,083	\$ 0	\$ 0	\$ 0	\$ 0	\$ 157,083
Other Loans Issued	0	0	0	0	761,331	0	0	761,331	761,331
Transfers In	0	0	0	0	0	12,451	16,694	29,145	29,145
Transfers Out	(153,880)	0	0	(153,880)	0	0	0	0	(153,880)
Total Other Financing Sources (Uses)	\$ 3,203	\$ 0	\$ 0	\$ 3,203	\$ 761,331	\$ 12,451	\$ 16,694	\$ 790,476	\$ 793,679
Net Change in Fund Balances	\$ (2,997)	\$ 5,546	\$ (1,520)	\$ 1,029	\$ (466,944)	\$ (7,166)	\$ 54,891	\$ (419,219)	\$ (418,190)
Fund Balance, July 1, 2004	154,472	20,126	79,300	253,898	629,834	49,346	23,866	703,046	956,944
Fund Balance, June 30, 2005	\$ 151,475	\$ 25,672	\$ 77,780	\$ 254,927	\$ 162,890	\$ 42,180	\$ 78,757	\$ 283,827	\$ 538,754

Exhibit F-3

Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 373,470	\$ 357,483	\$ 357,483	\$ 15,987
Other Local Revenues	271	250	250	21
State of Tennessee	30,233	30,233	30,233	0
Total Revenues	<u>\$ 403,974</u>	<u>\$ 387,966</u>	<u>\$ 387,966</u>	<u>\$ 16,008</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 358,149	\$ 200,170	\$ 365,947	\$ 7,798
<u>Other Operations</u>				
Other Charges	22,085	21,138	21,138	(947)
Employee Benefits	29,940	30,777	30,777	837
Total Expenditures	<u>\$ 410,174</u>	<u>\$ 252,085</u>	<u>\$ 417,862</u>	<u>\$ 7,688</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,200)</u>	<u>\$ 135,881</u>	<u>\$ (29,896)</u>	<u>\$ 23,696</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 157,083	\$ 0	\$ 157,083	\$ 0
Transfers Out	(153,880)	(153,880)	(153,880)	0
Total Other Financing Sources (Uses)	<u>\$ 3,203</u>	<u>\$ (153,880)</u>	<u>\$ 3,203</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (2,997)	\$ (17,999)	\$ (26,693)	\$ 23,696
Fund Balance, July 1, 2004	154,472	122,339	122,339	32,133
Fund Balance, June 30, 2005	<u>\$ 151,475</u>	<u>\$ 104,340</u>	<u>\$ 95,646</u>	<u>\$ 55,829</u>

Exhibit F-4

Haywood County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 8,105	\$ 7,500	\$ 7,500	\$ 605
Total Revenues	\$ 8,105	\$ 7,500	\$ 7,500	\$ 605
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 2,559	\$ 6,590	\$ 6,590	\$ 4,031
Total Expenditures	\$ 2,559	\$ 6,590	\$ 6,590	\$ 4,031
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,546	\$ 910	\$ 910	\$ 4,636
Net Change in Fund Balance	\$ 5,546	\$ 910	\$ 910	\$ 4,636
Fund Balance, July 1, 2004	20,126	20,126	20,126	0
Fund Balance, June 30, 2005	\$ 25,672	\$ 21,036	\$ 21,036	\$ 4,636

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, debt principal, interest, and related costs.

Exhibit G

Haywood County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 601,818	\$ 637,127	\$ 637,127	\$ (35,309)
Other Local Revenues	298,830	255,153	255,153	43,677
Other Governments and Citizens Groups	236,026	235,600	235,600	426
Total Revenues	<u>\$ 1,136,674</u>	<u>\$ 1,127,880</u>	<u>\$ 1,127,880</u>	<u>\$ 8,794</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 362,565	\$ 363,000	\$ 363,000	\$ 435
<u>Interest</u>				
General Government	69,551	70,000	70,000	449
<u>Other Debt Service</u>				
General Government	8,766	11,000	11,000	2,234
Total Expenditures	<u>\$ 440,882</u>	<u>\$ 444,000</u>	<u>\$ 444,000</u>	<u>\$ 3,118</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 695,792</u>	<u>\$ 683,880</u>	<u>\$ 683,880</u>	<u>\$ 11,912</u>
Net Change in Fund Balance	\$ 695,792	\$ 683,880	\$ 683,880	\$ 11,912
Fund Balance, July 1, 2004	<u>3,896,067</u>	<u>3,860,809</u>	<u>3,860,809</u>	<u>35,258</u>
Fund Balance, June 30, 2005	<u>\$ 4,591,859</u>	<u>\$ 4,544,689</u>	<u>\$ 4,544,689</u>	<u>\$ 47,170</u>

Fiduciary Funds

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

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

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

Exhibit H-1

Haywood County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,417,848	\$ 1,417,848
Due from Other Governments	166,836	0	166,836
Total Assets	<u>\$ 166,836</u>	<u>\$ 1,417,848</u>	<u>\$ 1,584,684</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 166,836	\$ 0	\$ 166,836
Due to Litigants, Heirs, and Others	0	1,417,848	1,417,848
Total Liabilities	<u>\$ 166,836</u>	<u>\$ 1,417,848</u>	<u>\$ 1,584,684</u>

Exhibit H-2

Haywood County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 979,960	\$ 979,960	\$ 0
Due from Other Governments	165,657	166,836	165,657	166,836
Total Assets	\$ 165,657	\$ 1,146,796	\$ 1,145,617	\$ 166,836
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 165,657	\$ 1,146,796	\$ 1,145,617	\$ 166,836
Total Liabilities	\$ 165,657	\$ 1,146,796	\$ 1,145,617	\$ 166,836
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,573,859	\$ 5,343,798	\$ 5,499,809	\$ 1,417,848
Total Assets	\$ 1,573,859	\$ 5,343,798	\$ 5,499,809	\$ 1,417,848
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,573,859	\$ 5,343,798	\$ 5,499,809	\$ 1,417,848
Total Liabilities	\$ 1,573,859	\$ 5,343,798	\$ 5,499,809	\$ 1,417,848
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 979,960	\$ 979,960	\$ 0
Cash	1,573,859	5,343,798	5,499,809	1,417,848
Due from Other Governments	165,657	166,836	165,657	166,836
Total Assets	\$ 1,739,516	\$ 6,490,594	\$ 6,645,426	\$ 1,584,684
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 165,657	\$ 1,146,796	\$ 1,145,617	\$ 166,836
Due to Litigants, Heirs, and Others	1,573,859	5,343,798	5,499,809	1,417,848
Total Liabilities	\$ 1,739,516	\$ 6,490,594	\$ 6,645,426	\$ 1,584,684

MISCELLANEOUS SCHEDULES

Exhibit I-1

Haywood County, Tennessee
Schedule of Changes in Capital Leases, Other Loans, and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable Through Solid Waste/Sanitation Fund</u>								
Sanitation Truck	\$ 134,528	6.2 %	3-17-00	2-17-05	\$ 20,325	\$ 0	\$ 20,325	\$ 0
Sanitation Truck	157,083	5.4	4-15-05	4-25-09	0	157,083	5,933	151,150
Total Capital Leases Payable					\$ 20,325	\$ 157,083	\$ 26,258	\$ 151,150
<u>OTHER LOANS PAYABLE</u>								
<u>Payable Through General Debt Service Fund</u>								
Public Works / School Projects	(1)	Variable	5-1-05	6-1-07	\$ 0	\$ 761,331	\$ 0	\$ 761,331
Total Other Loans Payable					\$ 0	\$ 761,331	\$ 0	\$ 761,331
<u>BONDS PAYABLE</u>								
<u>Payable Through General Debt Service Fund</u>								
Waterline (USDA Rural Development)	560,000	4.875	2-5-1998	2-5-38	\$ 531,039	\$ 0	\$ 6,677	\$ 524,362
Waterline (USDA Rural Development)	72,300	4.75	6-4-1999	6-4-37	68,435	0	888	67,547
General Obligation Refunding	1,375,000	1.05 to 2.4	1-1-03	6-1-08	955,000	0	225,000	730,000
General Obligation Improvements	1,000,000	1.25 to 3.25	1-1-03	6-1-10	875,000	0	130,000	745,000
Total Bonds Payable					\$ 2,429,474	\$ 0	\$ 362,565	\$ 2,066,909

(1) – Total amount available under Public Building Authority of Sevier County Loan Agreement is \$5,000,000, of which \$761,331 has been drawn as of June 30, 2005.

Exhibit I-2

Haywood County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 377,937	\$ 63,991	\$ 441,928
2007	398,327	56,941	455,268
2008	408,737	47,171	455,908
2009	164,167	37,141	201,308
2010	169,618	32,195	201,813
2011	10,091	26,522	36,613
2012	10,588	26,025	36,613
2013	11,109	25,504	36,613
2014	11,655	24,958	36,613
2015	12,229	25,384	37,613
2016	12,830	23,783	36,613
2017	13,461	26,152	39,613
2018	14,124	22,489	36,613
2019	14,818	21,795	36,613
2020	15,547	21,066	36,613
2021	16,312	20,301	36,613
2022	17,115	19,498	36,613
2023	17,957	18,656	36,613
2024	18,840	17,773	36,613
2025	19,767	16,846	36,613
2026	20,740	15,873	36,613
2027	21,760	14,853	36,613
2028	22,830	13,783	36,613
2029	23,954	12,659	36,613
2030	25,132	11,481	36,613
2031	26,369	10,244	36,613
2032	27,666	8,947	36,613
2033	29,027	7,586	36,613
2034	30,456	6,157	36,613
2035	31,954	4,659	36,613
2036	33,526	3,087	36,613
2037	35,104	1,438	36,542
2038	3,162	77	3,239
Total	\$ 2,066,909	\$ 685,035	\$ 2,751,944

Exhibit I-3

Haywood County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Other Capital Projects	To provide funds for industrial park improvements	\$ 16,694
General Fund	Community Development/Industrial Park	To provide funds to extend waterline	12,451
General Fund	Public Library	To provide funds for operations	59,605
Solid Waste/Sanitation	Solid Waste Disposal	To provide funds for solid waste disposal	<u>153,880</u>
Total Transfers			<u>\$ 242,630</u>

Exhibit I-4

Haywood County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
John Sharpe, Jr. (7-1-04 through 8-31-04)	Section 8-24-102, <u>TCA</u>	\$ 9,780	\$ 50,000	State Automobile Mutual Insurance Company
Barbara Phillips (9-9-04 through 11-30-04)	Section 8-24-102, <u>TCA</u>	12,225	50,000	"
Franklin Smith (12-1-04 through 6-30-05)	Section 8-24-102, <u>TCA</u> , and County Commission	36,751 (1)	50,000	"
Chief Administrative Highway Officer	Section 8-24-102, <u>TCA</u> , and County Commission	59,191 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u> , and County Commission	51,928 (1)	717,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u> , and County Commission	51,928 (1)	10,000	Auto Owners Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	51,928 (1)	50,000	State Automobile Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u> , and County Commission	51,928 (1)	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and County Commission	51,928 (1)	70,000	"
Register	Section 8-24-102, <u>TCA</u> , and County Commission	51,928 (1)	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	57,387 (1,2)	25,000	"
Employee Blanket Bonds:				
Office of County Mayor and Highway Department:				
All Employees			150,000	The Local Government Property and Casualty Fund

(1) Includes certified public administrator supplement of \$2,520.

(2) Includes law enforcement training supplement of \$519.

Exhibit I-5

Haywood County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2005

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 2,198,843	\$ 0	\$ 0	\$ 0	\$ 386,150	\$ 219,887	\$ 0	\$ 0	\$ 2,804,880
Discount on Property Taxes	(20,434)	0	0	0	(3,576)	(2,044)	0	0	(26,054)
Trustee's Collections - Prior Year	156,928	0	0	0	25,405	3,309	0	0	185,642
Trustee's Collections - Bankruptcy	423	0	0	0	74	42	0	0	539
Circuit/Clerk & Master Collections - Prior Years	68,443	0	0	0	12,199	6,877	0	0	87,519
Interest and Penalty	22,454	0	0	0	3,812	1,936	0	0	28,202
Payments in Lieu of Taxes - T.V.A.	474	0	0	0	83	47	0	0	604
Payments in Lieu of Taxes - Local Utilities	47,460	0	0	0	0	0	0	0	47,460
Payments in Lieu of Taxes - Other	167,061	0	0	0	0	14,218	0	0	181,279
<u>County Local Option Taxes</u>									
Local Option Sales Tax	92,092	0	0	0	0	238,410	0	0	330,502
Hotel/Motel Tax	41,710	0	0	0	0	0	0	0	41,710
Wheel Tax	0	0	0	0	143,129	0	0	0	143,129
Litigation Tax - General	228,365	0	0	0	0	0	0	0	228,365
Litigation Tax - Special Purpose	5,842	0	0	0	0	0	0	0	5,842
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	119,136	0	0	119,136
Business Tax	109,478	0	0	0	0	0	0	0	109,478
Other County Local Option Taxes	47,338	0	0	0	0	0	0	0	47,338
<u>Statutory Local Taxes</u>									
Bank Excise Tax	16,987	0	0	0	0	0	0	0	16,987
Wholesale Beer Tax	77,529	0	0	0	0	0	0	0	77,529
Total Local Taxes	\$ 3,260,993	\$ 0	\$ 0	\$ 0	\$ 567,276	\$ 601,818	\$ 0	\$ 0	\$ 4,430,087
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 1,428	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,428
<u>Permits</u>									
Beer Permits	5,766	0	0	0	0	0	0	0	5,766
Building Permits	26,437	0	0	0	0	0	0	0	26,437
Total Licenses and Permits	\$ 33,631	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,631

(Continued)

Exhibit I-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Fines, Forfeitures and Penalties</u>									
<u>Circuit Court</u>									
Officers Costs	\$ 4,414	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,414
Drug Control Fines	4,804	0	2,076	0	0	0	0	0	6,880
Jail Fees	2,848	0	0	0	0	0	0	0	2,848
Data Entry Fee - Circuit Court	202	0	0	0	0	0	0	0	202
<u>General Sessions Court</u>									
Fines	22,623	0	0	0	0	0	0	0	22,623
Officers Costs	38,040	0	0	0	0	0	0	0	38,040
Game and Fish Fines	389	0	0	0	0	0	0	0	389
Drug Control Fines	2,362	0	1,178	0	0	0	0	0	3,540
Jail Fees	31,636	0	0	0	0	0	0	0	31,636
DUI Treatment Fines	7,261	0	0	0	0	0	0	0	7,261
Data Entry Fee - General Sessions Court	24,346	0	0	0	0	0	0	0	24,346
<u>Juvenile Court</u>									
Fines	879	0	0	0	0	0	0	0	879
Officers Costs	3,810	0	0	0	0	0	0	0	3,810
Data Entry Fee - Juvenile Court	411	0	0	0	0	0	0	0	411
<u>Chancery Court</u>									
Officers Costs	2,694	0	0	0	0	0	0	0	2,694
Data Entry Fee - Chancery Court	2,054	0	0	0	0	0	0	0	2,054
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	4,851	0	0	0	0	0	4,851
Total Fines, Forfeitures and Penalties	\$ 148,773	\$ 0	\$ 8,105	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	156,878
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Residential Waste Collection Charge	\$ 0	\$ 373,470	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	373,470
Patient Charges	648,378	0	0	0	0	0	0	0	648,378
Zoning Studies	240	0	0	0	0	0	0	0	240
Health Department Collections	46,862	0	0	0	0	0	0	0	46,862
Other General Service Charges	5,400	0	0	0	0	0	0	0	5,400
<u>Fees</u>									
Recreation Fees	29,304	0	0	0	0	0	0	0	29,304

(Continued)

Exhibit I-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Copy Fees	\$ 238	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 238
Telephone Commissions	17,406	0	0	0	0	0	0	0	17,406
Vending Machine Collections	2,490	0	0	0	65	0	0	0	2,555
Constitutional Officers' Fees and Commissions	0	0	0	308,307	0	0	0	0	308,307
Data Processing Fee - Register	7,616	0	0	0	0	0	0	0	7,616
Data Processing Fee - Sheriff	3,518	0	0	0	0	0	0	0	3,518
Sexual Offender Registration Fee	60	0	0	0	0	0	0	0	60
Total Charges for Current Services	\$ 761,512	\$ 373,470	\$ 0	\$ 308,307	\$ 65	\$ 0	\$ 0	\$ 0	\$ 1,443,354
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 262,177	\$ 0	\$ 0	\$ 262,177
Lease/Rentals	14,750	0	0	0	0	0	0	0	14,750
Sale of Materials and Supplies	31,870	0	0	0	22,563	0	0	0	54,433
Commissary Sales	15,268	0	0	0	0	0	0	0	15,268
Sale of Gasoline	0	0	0	0	154,864	0	0	0	154,864
Miscellaneous Refunds	16,694	0	0	0	1,537	0	0	0	18,231
<u>Nonrecurring Items</u>									
Insurance Recovery	7,735	271	0	0	0	0	0	0	8,006
<u>Other Local Revenues</u>									
Other Local Revenues	42	0	0	0	0	36,653	0	0	36,695
Total Other Local Revenues	\$ 86,359	\$ 271	\$ 0	\$ 0	\$ 178,964	\$ 298,830	\$ 0	\$ 0	\$ 564,424
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 4,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,000
Trustee	120,000	0	0	0	0	0	0	0	120,000
<u>Fees In Lieu of Salary</u>									
Circuit Court Clerk	19,073	0	0	0	0	0	0	0	19,073
General Sessions Court Clerk	480,246	0	0	0	0	0	0	0	480,246
Clerk and Master	91,316	0	0	0	0	0	0	0	91,316
Juvenile Court Clerk	33,655	0	0	0	0	0	0	0	33,655

(Continued)

Exhibit I-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees In Lieu of Salary (Cont.)</u>									
Register	\$ 93,176	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,176
Sheriff	9,077	0	0	0	0	0	0	0	9,077
Total Fees Received from County Officials	\$ 850,543	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 850,543
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,765	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,765
State Reappraisal Grant	7,537	0	0	0	0	0	0	0	7,537
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	6,743	0	0	0	0	0	0	0	6,743
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	170,546	0	0	0	170,546
State Aid Program	0	0	0	0	170,816	0	0	0	170,816
Litter Program	0	30,233	0	0	0	0	0	0	30,233
<u>Other State Revenues</u>									
Income Tax	6,000	0	0	0	0	0	0	0	6,000
Beer Tax	13,778	0	0	0	0	0	0	0	13,778
Alcoholic Beverage Tax	39,197	0	0	0	0	0	0	0	39,197
Mixed Drink Tax	6,495	0	0	0	0	0	0	0	6,495
State Revenue Sharing - T.V.A.	158,171	0	0	0	25,164	0	0	0	183,335
Contracted Prisoner Boarding	266,880	0	0	0	0	0	0	0	266,880
Gasoline and Motor Fuel Tax	0	0	0	0	1,728,211	0	0	0	1,728,211
Petroleum Special Tax	0	0	0	0	15,925	0	0	0	15,925
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	14,568	0	0	0	0	0	0	0	14,568
Total State of Tennessee	\$ 545,514	\$ 30,233	\$ 0	\$ 0	\$ 2,110,662	\$ 0	\$ 0	\$ 0	\$ 2,686,409
<u>Federal Government</u>									
<u>Federal Through State</u>									
USDA - Other	\$ 85,158	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,158
Community Development	0	0	0	0	0	0	30,425	0	30,425
Title XX	202,785	0	0	0	0	0	0	0	202,785

(Continued)

Exhibit I-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Federal Government (Cont.)</u>									
<u>Federal Through State (Cont.)</u>									
Other Federal through State	\$ 162,055	\$ 0	\$ 0	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 172,055
<u>Direct Federal Revenue</u>									
Forest Service	55,361	0	0	0	0	0	0	0	55,361
Total Federal Government	\$ 505,359	\$ 0	\$ 0	\$ 0	\$ 10,000	\$ 0	\$ 30,425	\$ 0	\$ 545,784
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 450,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236,026	\$ 0	\$ 114,121	\$ 801,047
Contracted Services	116,223	0	0	0	0	0	0	0	116,223
Total Other Governments and Citizens Groups	\$ 567,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236,026	\$ 0	\$ 114,121	\$ 917,270
Total	\$ 6,759,807	\$ 403,974	\$ 8,105	\$ 308,307	\$ 2,866,967	\$ 1,136,674	\$ 30,425	\$ 114,121	\$ 11,628,380

Haywood County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	15,650	
Social Security		1,367	
State Retirement		150	
Audit Services		5,920	
Dues and Memberships		5,269	
Travel		1,362	
Total County Commission			\$ 29,718

Beer Board

Secretary to Board	\$	400	
Board and Committee Members Fees		1,050	
Legal Notices, Recording and Court Costs		150	
Total Beer Board			1,600

County Mayor

County Official/Administrative Officer	\$	56,236	
Accountants/Bookkeepers		51,388	
Secretary(s)		17,613	
Temporary Personnel		3,295	
Educational Incentive - Official/Admin Officer		2,520	
Social Security		9,149	
State Retirement		13,066	
Employee and Dependent Insurance		6,593	
Unemployment Compensation		217	
Other Fringe Benefits		420	
Communication		6,083	
Data Processing Services		5,127	
Dues and Memberships		1,728	
Maintenance & Repair Services- Office Equipment		50	
Postal Charges		4,546	
Travel		2,714	
Library Books/Media		604	
Office Supplies		2,928	
Premiums on Corporate Surety Bonds		159	
Workers' Compensation Insurance		544	
Other Charges		23,323	
Office Equipment		1,200	
Total County Mayor			209,503

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

County Official/Administrative Officer	\$	5,400	
Social Security		413	
Operating Lease Payments		1,220	
Legal Services		6,081	
Duplicating Supplies		161	
Library Books/Media		6,711	
Total County Attorney			\$ 19,986

Election Commission

County Official/Administrative Officer	\$	39,526	
Part-time Personnel		1,382	
Election Commission		3,000	
Election Workers		18,704	
Social Security		2,847	
State Retirement		4,727	
Employee and Dependent Insurance		5,524	
Unemployment Compensation		71	
Audit Services		1,160	
Communication		2,060	
Data Processing Services		1,840	
Dues and Memberships		150	
Legal Notices, Recording and Court Costs		1,351	
Maintenance Agreements		2,979	
Postal Charges		1,710	
Printing, Stationery and Forms		2,157	
Travel		1,837	
Office Supplies		771	
Workers' Compensation Insurance		160	
Other Charges		200	
Data Processing Equipment		543	
Total Election Commission			92,699

Register of Deeds

County Official/Administrative Officer	\$	49,408
Deputy(ies)		25,322
Educational Incentive - Official/Admin Officer		2,520
Social Security		5,415
State Retirement		8,963
Employee and Dependent Insurance		5,524
Unemployment Compensation		47

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Other Fringe Benefits	\$	210	
Communication		816	
Dues and Memberships		492	
Postal Charges		375	
Printing, Stationery and Forms		2,567	
Rentals		1,671	
Travel		323	
Maintenance and Repair Services - Records		3,500	
Duplicating Supplies		134	
Office Supplies		185	
Premiums on Corporate Surety Bonds		44	
Workers' Compensation Insurance		302	
Data Processing Equipment		22,364	
Total Register of Deeds			\$ 130,182

Development

Supervisor/Director	\$	26,645	
Secretary(s)		1,200	
Social Security		2,052	
State Retirement		3,212	
Unemployment Compensation		45	
Other Fringe Benefits		210	
Communication		1,293	
Contracts with Government Agencies		7,000	
Maintenance & Repair Services- Vehicles		34	
Travel		475	
Gasoline		635	
Office Supplies		828	
Workers' Compensation Insurance		1,632	
Other Charges		39	
Total Development			45,300

County Buildings

Custodial Personnel	\$	36,967	
Other Salaries & Wages		16,315	
Social Security		4,519	
State Retirement		7,011	
Employee and Dependent Insurance		6,745	
Unemployment Compensation		204	
Other Fringe Benefits		8,610	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance Agreements	\$	25,145	
Travel		20	
Custodial Supplies		4,193	
Duplicating Supplies		784	
Utilities		38,310	
Other Supplies and Materials		20,637	
Workers' Compensation Insurance		3,300	
Other Charges		22,740	
Building Improvements		7,934	
Total County Buildings			\$ 203,434

Finance

Accounting and Budgeting

Board and Committee Members Fees	\$	3,300	
Total Accounting and Budgeting			3,300

Property Assessor's Office

County Official/Administrative Officer	\$	49,408	
Deputy(ies)		91,453	
Educational Incentive - Official/Admin Officer		2,520	
Board and Committee Members Fees		583	
Social Security		11,928	
State Retirement		18,213	
Employee and Dependent Insurance		13,275	
Unemployment Compensation		226	
Other Fringe Benefits		630	
Communication		3,188	
Contracts with Private Agencies		24,555	
Data Processing Services		6,545	
Dues and Memberships		1,218	
Maintenance & Repair Services- Buildings		349	
Maintenance & Repair Services- Vehicles		106	
Postal Charges		1,410	
Rentals		7,200	
Travel		2,869	
Duplicating Supplies		427	
Gasoline		740	
Office Supplies		2,387	
Premiums on Corporate Surety Bonds		100	
Workers' Compensation Insurance		578	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Data Processing Equipment	\$ 6,533	
Total Property Assessor's Office		\$ 246,441

Reappraisal Program

Other Salaries & Wages	\$ 26,745	
Social Security	569	
State Retirement	969	
Unemployment Compensation	53	
Communication	219	
Data Processing Services	1,967	
Maintenance & Repair Services- Vehicles	31	
Postal Charges	72	
Gasoline	269	
Office Supplies	427	
Workers' Compensation Insurance	110	
Total Reappraisal Program		31,431

County Trustee's Office

Educational Incentive - Official/Admin Officer	\$ 2,520	
Social Security	9,403	
State Retirement	15,220	
Employee and Dependent Insurance	17,686	
Unemployment Compensation	196	
Other Fringe Benefits	630	
Communication	3,524	
Data Processing Services	3,211	
Dues and Memberships	994	
Maintenance Agreements	1,675	
Maintenance & Repair Services- Office Equipment	560	
Postal Charges	5,506	
Printing, Stationery and Forms	1,086	
Office Supplies	245	
Premiums on Corporate Surety Bonds	1,918	
Workers' Compensation Insurance	525	
Total County Trustee's Office		64,899

County Clerk's Office

Educational Incentive - Official/Admin Officer	\$ 2,520
Social Security	11,840
State Retirement	14,652

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Employee and Dependent Insurance	\$	20,032	
Unemployment Compensation		330	
Other Fringe Benefits		840	
Communication		2,443	
Dues and Memberships		327	
Operating Lease Payments		1,500	
Maintenance Agreements		9,787	
Postal Charges		3,375	
Printing, Stationery and Forms		1,516	
Office Supplies		1,214	
Premiums on Corporate Surety Bonds		200	
Workers' Compensation Insurance		829	
Office Equipment		48	
Total County Clerk's Office			\$ 71,453

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	49,408	
Deputy(ies)		245,295	
Educational Incentive - Official/Admin Officer		2,520	
Jury and Witness Fees		8,196	
Social Security		21,371	
State Retirement		35,472	
Employee and Dependent Insurance		30,668	
Unemployment Compensation		572	
Other Fringe Benefits		1,890	
Communication		5,306	
Data Processing Services		8,225	
Dues and Memberships		422	
Postal Charges		3,461	
Printing, Stationery and Forms		3,500	
Rentals		4,607	
Travel		769	
Office Supplies		2,474	
Premiums on Corporate Surety Bonds		226	
Workers' Compensation Insurance		1,192	
Other Charges		300	
Office Equipment		1,377	
Total Circuit Court			427,251

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge

Judge(s)	\$	74,958	
Secretary(s)		24,178	
In-Service Training		932	
Social Security		7,116	
State Retirement		11,882	
Employee and Dependent Insurance		8,160	
Unemployment Compensation		53	
Other Fringe Benefits		210	
Communication		827	
Dues and Memberships		1,318	
Postal Charges		111	
Travel		743	
Library Books/Media		595	
Office Supplies		655	
Workers' Compensation Insurance		400	
Office Equipment		665	
Total General Sessions Judge			\$ 132,803

General Sessions Court Clerk

Postal Charges	\$	717	
Printing, Stationery and Forms		5,129	
Office Supplies		500	
Total General Sessions Court Clerk			6,346

Chancery Court

County Official/Administrative Officer	\$	49,408	
Deputy(ies)		48,238	
Educational Incentive - Official/Admin Officer		2,520	
Social Security		7,488	
State Retirement		11,729	
Employee and Dependent Insurance		4,021	
Unemployment Compensation		140	
Other Fringe Benefits		420	
Communication		1,207	
Dues and Memberships		422	
Postal Charges		3,161	
Printing, Stationery and Forms		1,243	
Travel		214	
Office Supplies		1,379	
Premiums on Corporate Surety Bonds		389	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Workers' Compensation Insurance	\$ 393	
Total Chancery Court		\$ 132,372

Juvenile Court

Youth Service Officer(s)	\$ 22,086	
Social Security	1,609	
State Retirement	1,013	
Unemployment Compensation	87	
Communication	1,905	
Dues and Memberships	707	
Legal Services	2,701	
Postal Charges	172	
Travel	493	
Office Supplies	1,482	
Workers' Compensation Insurance	100	
Other Charges	569	
Total Juvenile Court		32,924

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 54,348
Supervisor/Director	33,200
Deputy(ies)	164,862
Detective(s)	34,798
Investigator(s)	32,826
Lieutenant(s)	93,272
Salary Supplements	1,010
Guards	32,744
Secretary(s)	47,645
Educational Incentive - Official/Admin Officer	2,520
Overtime Pay	19,052
In-Service Training	6,743
Social Security	39,079
State Retirement	61,452
Employee and Dependent Insurance	40,516
Unemployment Compensation	842
Other Fringe Benefits	3,150
Communication	16,139
Dues and Memberships	2,432
Legal Notices, Recording and Court Costs	233

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance Agreements	\$	3,165	
Maintenance & Repair Services- Equipment		3,808	
Maintenance & Repair Services- Office Equipment		1,952	
Maintenance & Repair Services- Vehicles		23,289	
Medical and Dental Services		494	
Postal Charges		838	
Printing, Stationery and Forms		1,464	
Travel		4,520	
Tuition		4,555	
Gasoline		44,280	
Instructional Supplies and Materials		90	
Law Enforcement Supplies		2,973	
Library Books/Media		328	
Office Supplies		3,428	
Tires and Tubes		4,400	
Uniforms		5,798	
Other Supplies and Materials		504	
Premiums on Corporate Surety Bonds		642	
Workers' Compensation Insurance		15,000	
Other Charges		824	
Law Enforcement Equipment		11,199	
Motor Vehicles		30,236	
Other Equipment		19,424	
Total Sheriff's Department			\$ 870,074

Special Patrols

Deputy(ies)	\$	32,412	
Overtime Pay		1,033	
Social Security		2,298	
State Retirement		3,001	
Employee and Dependent Insurance		5,524	
Unemployment Compensation		111	
Other Fringe Benefits		210	
Maintenance & Repair Services- Vehicles		3,125	
Gasoline		3,496	
Uniforms		700	
Liability Insurance		613	
Workers' Compensation Insurance		1,311	
Other Charges		252	
Total Special Patrols			54,086

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Assistant(s)	\$	28,101	
Supervisor/Director		31,766	
Deputy(ies)		273,520	
Secretary(s)		21,509	
Cafeteria Personnel		56,329	
Overtime Pay		16,520	
Social Security		31,226	
State Retirement		46,193	
Employee and Dependent Insurance		40,729	
Unemployment Compensation		1,140	
Other Fringe Benefits		3,238	
Communication		6,606	
Maintenance Agreements		2,760	
Maintenance & Repair Services- Equipment		20,330	
Maintenance & Repair Services- Office Equipment		2,205	
Maintenance & Repair Services- Vehicles		813	
Medical and Dental Services		148,648	
Postal Charges		94	
Printing, Stationery and Forms		1,202	
Travel		1,380	
Tuition		225	
Custodial Supplies		7,778	
Drugs and Medical Supplies		72,018	
Food Supplies		84,371	
Gasoline		1,585	
Library Books/Media		113	
Office Supplies		2,172	
Prisoners Clothing		1,524	
Uniforms		4,214	
Utilities		58,732	
Other Supplies and Materials		2,288	
Workers' Compensation Insurance		16,500	
Building Improvements		6,179	
Food Service Equipment		1,548	
Office Equipment		730	
Total Jail			\$ 994,286

Workhouse

County Official/Administrative Officer	\$	33,348
Assistant(s)		20,792

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Laborers	\$	18,350	
Social Security		5,291	
State Retirement		8,640	
Employee and Dependent Insurance		11,869	
Unemployment Compensation		149	
Other Fringe Benefits		630	
Communication		1,872	
Maintenance & Repair Services- Buildings		2,648	
Maintenance & Repair Services- Equipment		22,000	
Other Contracted Services		2,615	
Diesel Fuel		5,108	
Fertilizer, Lime and Seed		16,551	
Gasoline		2,610	
Utilities		6,578	
Workers' Compensation Insurance		4,345	
Other Equipment		2,100	
Total Workhouse			\$ 165,496

Fire Prevention and Control

Other Per Diem & Fees	\$	8,821	
Social Security		539	
Unemployment Compensation		49	
Contracts with Government Agencies		185,293	
Maintenance & Repair Services- Equipment		7,686	
Maintenance & Repair Services- Vehicles		2,993	
Diesel Fuel		1,595	
Gasoline		1,685	
Other Supplies and Materials		573	
Vehicle and Equipment Insurance		28,549	
Workers' Compensation Insurance		4,000	
Total Fire Prevention and Control			241,783

Civil Defense

County Official/Administrative Officer	\$	28,074
Part-time Personnel		12,285
Social Security		3,044
State Retirement		843
Employee and Dependent Insurance		2,797
Unemployment Compensation		121
Other Fringe Benefits		210

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Vehicle and Equipment Insurance	\$	891	
Workers' Compensation Insurance		1,772	
Other Charges		41,051	
Other Equipment		14,388	
Total Civil Defense			\$ 105,476

Public Safety Grant Programs

Deputy(ies)	\$	18,130	
Overtime Pay		299	
Social Security		336	
State Retirement		789	
Employee and Dependent Insurance		2,014	
Unemployment Compensation		41	
Total Public Safety Grant Programs			21,609

Other Public Safety

Contracts with Government Agencies	\$	148,170	
Total Other Public Safety			148,170

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	14,415	
Social Security		1,025	
State Retirement		1,749	
Employee and Dependent Insurance		3,362	
Unemployment Compensation		61	
Other Fringe Benefits		210	
Communication		2,759	
Contracts with Government Agencies		15,918	
Maintenance & Repair Services- Buildings		4,686	
Postal Charges		2,839	
Custodial Supplies		2,582	
Drugs and Medical Supplies		3,845	
Office Supplies		7,258	
Utilities		6,360	
Workers' Compensation Insurance		965	
Total Local Health Center			68,034

Rabies and Animal Control

Social Security	\$	66	
-----------------	----	----	--

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Contracts with Government Agencies	\$	46,975	
Maintenance & Repair Services- Vehicles		748	
Total Rabies and Animal Control			\$ 47,789

Ambulance/Emergency Medical Services

Assistant(s)	\$	36,210
Supervisor/Director		48,476
Paraprofessionals		228,810
Salary Supplements		41,150
Secretary(s)		23,962
Attendants		204,392
Part-time Personnel		35,482
Overtime Pay		33,874
In-Service Training		5,550
Social Security		48,676
State Retirement		73,854
Employee and Dependent Insurance		35,358
Unemployment Compensation		1,197
Other Fringe Benefits		3,150
Communication		7,149
Data Processing Services		1,495
Dues and Memberships		265
Laundry Service		685
Licenses		1,088
Maintenance Agreements		10,318
Maintenance & Repair Services- Buildings		112,227
Maintenance & Repair Services- Vehicles		20,269
Postal Charges		1,345
Travel		2,549
Tuition		1,634
Custodial Supplies		3,056
Drugs and Medical Supplies		19,899
Gasoline		17,250
Instructional Supplies and Materials		528
Office Supplies		3,798
Uniforms		6,369
Utilities		6,768
Other Supplies and Materials		1,177
Liability Insurance		20,760
Refunds		2,579

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Workers' Compensation Insurance	\$	51,619	
Motor Vehicles		47,335	
Other Equipment		10,497	
Total Ambulance/Emergency Medical Services			\$ 1,170,800

Dental Health Program

Clerical Personnel	\$	39,336	
Social Security		2,857	
State Retirement		4,755	
Employee and Dependent Insurance		3,319	
Unemployment Compensation		110	
Other Fringe Benefits		420	
Travel		79	
Workers' Compensation Insurance		240	
Total Dental Health Program			51,116

Alcohol and Drug Programs

Contributions	\$	2,500	
Total Alcohol and Drug Programs			2,500

Other Local Health Services

Contributions	\$	1,000	
Total Other Local Health Services			1,000

Social, Cultural and Recreational Services

Libraries

Librarians	\$	43,145	
Social Security		3,337	
State Retirement		4,127	
Unemployment Compensation		137	
Other Fringe Benefits		210	
Workers' Compensation Insurance		400	
Total Libraries			51,356

Parks and Fair Boards

County Official/Administrative Officer	\$	40,303	
Supervisor/Director		16,694	
Foremen		24,485	
Laborers		105,537	
Secretary(s)		26,474	

(Continued)

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Temporary Personnel	\$	26,780	
Overtime Pay		3,417	
Social Security		18,287	
State Retirement		24,524	
Employee and Dependent Insurance		29,998	
Unemployment Compensation		883	
Other Fringe Benefits		1,680	
Communication		5,467	
Dues and Memberships		852	
Maintenance & Repair Services- Buildings		18,571	
Maintenance & Repair Services- Equipment		5,728	
Maintenance & Repair Services- Office Equipment		185	
Maintenance & Repair Services- Vehicles		2,991	
Pest Control		1,100	
Postal Charges		372	
Travel		2,424	
Custodial Supplies		10,547	
Fertilizer, Lime and Seed		21,276	
Gasoline		6,067	
Office Supplies		4,844	
Utilities		64,237	
Other Supplies and Materials		13,769	
Refunds		10,234	
Vehicle and Equipment Insurance		4,905	
Workers' Compensation Insurance		10,600	
Other Charges		1,663	
Building Improvements		13,251	
Heating and Air Conditioning Equipment		3,167	
Maintenance Equipment		4,920	
Site Development		52,736	
Total Parks and Fair Boards			\$ 578,968

Other Social, Cultural and Recreational

Contracts with Government Agencies	\$	85,691	
Other Supplies and Materials		7,376	
Other Charges		3,379	
Site Development		13,184	
Total Other Social, Cultural and Recreational			109,630

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	95,719	
Custodial Personnel		486	
Communication		5,858	
Licenses		955	
Travel		133	
Custodial Supplies		369	
Total Agriculture Extension Service			\$ 103,520

Forest Service

Contributions	\$	2,000	
Total Forest Service			2,000

Soil Conservation

Secretary(s)	\$	18,448	
Other Salaries & Wages		36,773	
Social Security		3,491	
State Retirement		6,655	
Employee and Dependent Insurance		11,049	
Unemployment Compensation		73	
Other Fringe Benefits		420	
Contributions		900	
Workers' Compensation Insurance		2,350	
Total Soil Conservation			80,159

Other Operations

Industrial Development

Other Charges	\$	1,924	
Site Development		9,149	
Total Industrial Development			11,073

Other Economic and Community Development

Contracts with Other Public Agencies	\$	202,785	
Total Other Economic and Community Development			202,785

Other Charges

Supervisor/Director	\$	22,409	
Social Security		1,864	
State Retirement		3,182	
Employee and Dependent Insurance		3,319	
Unemployment Compensation		52	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Other Fringe Benefits	\$	4,200	
Communication		428	
Maintenance Agreements		1,221	
Workers' Compensation Insurance		1,246	
Total Other Charges			\$ 37,921

Contributions to Other Agencies

Contributions	\$	139,441	
Total Contributions to Other Agencies			139,441

Miscellaneous

Building and Contents Insurance	\$	40,000	
Liability Insurance		62,206	
Trustee's Commission		67,635	
Vehicle and Equipment Insurance		35,794	
Other Charges		16,500	
Total Miscellaneous			222,135

Total General Fund \$ 7,362,849

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Equipment Operators	\$	83,504
Overtime Pay		1,083
Other Fringe Benefits		5,040
Legal Notices, Recording and Court Costs		1,297
Maintenance & Repair Services- Equipment		1,235
Maintenance & Repair Services- Office Equipment		2,495
Postal Charges		3,511
Printing, Stationery and Forms		1,041
Crushed Stone		578
Diesel Fuel		23,361
Equipment and Machinery Parts		23,406
Gasoline		4,281
Lubricants		941
Office Supplies		945
Tires and Tubes		10,494
Other Supplies and Materials		1,198
Other Charges		1,790

(Continued)

Exhibit I-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Principal on Capital Leases	\$	26,258	
Interest on Capital Leases		1,783	
Maintenance Equipment		6,825	
Motor Vehicles		157,083	
Total Waste Pickup			\$ 358,149

Other Operations

Other Charges

Trustee's Commission	\$	3,601	
Vehicle and Equipment Insurance		12,561	
Workers' Compensation Insurance		5,923	
Total Other Charges			22,085

Employee Benefits

Social Security	\$	6,199	
State Retirement		9,514	
Employee and Dependent Insurance		13,997	
Unemployment Compensation		230	
Total Employee Benefits			29,940

Total Solid Waste/Sanitation Fund \$ 410,174

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	1,500	
Instructional Supplies and Materials		320	
Law Enforcement Supplies		706	
Trustee's Commission		33	
Total Drug Enforcement			\$ 2,559

Total Drug Control Fund 2,559

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	141,695	
Total County Trustee's Office			\$ 141,695

(Continued)

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

Constitutional Officers - Fees Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 168,132	
Total County Clerk's Office		\$ 168,132

Total Constitutional Officers - Fees Fund \$ 309,827

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 56,671	
Accountants/Bookkeepers	36,583	
Educational Incentive - Official/Admin Officer	2,520	
Board and Committee Members Fees	10,200	
Communication	4,722	
Data Processing Services	3,999	
Dues and Memberships	2,903	
Legal Notices, Recording and Court Costs	239	
Postal Charges	518	
Printing, Stationery and Forms	38	
Travel	1,909	
Drugs and Medical Supplies	781	
Electricity	10,514	
Office Supplies	1,779	
Other Charges	1,651	
Total Administration		\$ 135,027

Highway and Bridge Maintenance

Laborers	\$ 413,259	
Asphalt	204,753	
Asphalt - Hot Mix	500,000	
Crushed Stone	168,200	
Fertilizer, Lime and Seed	83,873	
Other Road Supplies	2,647	
Pipe	72,572	
Road Signs	9,872	
Total Highway and Bridge Maintenance		1,455,176

Operation and Maintenance of Equipment

Laborers	\$ 130,472
Diesel Fuel	175,527
Equipment and Machinery Parts	90,511

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Gasoline	\$	108,283	
Lubricants		5,357	
Tires and Tubes		23,826	
Total Operation and Maintenance of Equipment			\$ 533,976

Other Charges

Liability Insurance	\$	9,847	
Premiums on Corporate Surety Bonds		870	
Trustee's Commission		27,472	
Vehicle and Equipment Insurance		42,570	
Workers' Compensation Insurance		49,301	
Total Other Charges			130,060

Employee Benefits

Social Security	\$	46,528	
State Retirement		73,286	
Employee and Dependent Insurance		61,485	
Unemployment Compensation		477	
Other Fringe Benefits		3,109	
Total Employee Benefits			184,885

Capital Outlay

Engineering Services	\$	4,144	
Bridge Construction		173,546	
Highway Equipment		187,078	
State Aid Projects		215,299	
Other Capital Outlay		6,527	
Total Capital Outlay			586,594

Total Highway/Public Works Fund \$ 3,025,718

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	362,565	
Total General Government			\$ 362,565

Interest

General Government

Interest on Bonds	\$	69,551	
Total General Government			69,551

(Continued)

Exhibit I-6

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 8,766	
Total General Government	<u>8,766</u>	\$ 8,766
Total General Debt Service Fund		\$ 440,882
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Architects	\$ 108,810	
Contributions	650,000	
Underwriter's Discount	14,744	
Other Debt Issuance Charges	46,587	
Building Improvements	81,685	
Food Service Equipment	2,308	
Heating and Air Conditioning Equipment	3,500	
Office Equipment	30,508	
Other Construction	<u>290,133</u>	
Total General Administration Projects		\$ 1,228,275
Total General Capital Projects Fund		1,228,275
<u>Community Development/Industrial Park Fund</u>		
<u>Capital Projects</u>		
<u>Public Health and Welfare Projects</u>		
Advertising	\$ 343	
Engineering Services	35,925	
Other Contracted Services	9,476	
Other Charges	<u>4,298</u>	
Total Public Health and Welfare Projects		\$ 50,042
Total Community Development/Industrial Park Fund		50,042
<u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Refunds	\$ 8,500	
Site Development	1,440	
Other Construction	<u>65,984</u>	
Total Other General Government Projects		\$ 75,924
Total Other Capital Projects Fund		<u>75,924</u>
Total Governmental Funds - Primary Government		<u>\$ 12,906,250</u>

Haywood County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 979,960
Total Cash Receipts	<u>\$ 979,960</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 970,160
Trustee's Commission	9,800
Total Cash Disbursements	<u>\$ 979,960</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	<u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

Haywood County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

Year	Amount
1994	\$ 2,536
1995	31,349
1996	34,469
1997	24,981
1998	22,017
1999	15,117
2000	25,155
2001	41,697
2002	81,481
2003	<u>191,181</u>
Total	<u>\$ 469,983</u>

Table 2

Haywood County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.65	\$ 0.70	\$ 0.73	\$ 0.68	\$ 0.68	\$ 0.79	\$ 0.75	\$ 0.75	\$ 0.80	\$ 0.80
Highway/Public Works	0.19	0.19	0.19	0.16	0.16	0.15	0.14	0.14	0.14	0.14
General Purpose School	1.37	1.37	1.42	1.17	1.17	1.17	1.09	1.09	1.09	1.09
General Debt Service	0.16	0.11	0.16	0.14	0.14	0.14	0.13	0.13	0.08	0.08
Total Tax Rates	\$ 2.37	\$ 2.37	\$ 2.50	\$ 2.15	\$ 2.15	\$ 2.25	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.11
<u>Assessed Valuation</u>										
Real and Personal	\$ 175,939,944	\$ 178,973,175	\$ 184,374,843	\$ 227,366,312	\$ 233,543,590	\$ 234,496,240	\$ 257,022,448	\$ 260,461,140	\$ 268,974,736	\$ 275,249,862
Public Utilities	24,597,723	24,531,257	21,173,367	23,831,878	25,979,358	25,535,761	27,750,047	28,590,368	25,356,929	25,715,776
Total Assessed Valuation	\$ 200,537,667	\$ 203,504,432	\$ 205,548,210	\$ 251,198,190	\$ 259,522,948	\$ 260,032,001	\$ 284,772,495	\$ 289,051,508	\$ 294,331,665	\$ 300,965,638

ANNUAL FINANCIAL REPORT
HAYWOOD COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAYWOOD COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

NORM R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

MARVIN E. BOND, CGFM
ELISHA CROWELL
State Auditors

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

**HAYWOOD COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAYWOOD COUNTY, TENNESSEE
TABLE OF CONTENTS**

	Exhibit	Page
Audit Highlights		i
 <u>INTRODUCTORY SECTION</u>		
Haywood County School Officials		1
 <u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Assets	A	9
Statement of Activities	B	10
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	D-1	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-2	14
Notes to the Financial Statements		15
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	E	31
Notes to the Required Supplementary Information		33
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	40

	Exhibit	Page
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	F-3	41
Central Cafeteria Fund	F-4	43
Miscellaneous Schedules:		
Schedule of Salaries and Official Bonds of Principal Officials	G-1	47
Schedule of Detailed Revenues – All Governmental Fund Types	G-2	48
Schedule of Detailed Expenditures – All Governmental Fund Types	G-3	50

Audit Highlights

Annual Financial Report
Haywood County School Department
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of the Haywood County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Haywood County School Department's financial statements was unqualified.

Our audit resulted in one finding and recommendation, which we have reviewed with the Haywood County School Department's management. The detailed finding and recommendation is included in the Single Audit Report.

Finding

The following is a summary of the audit finding:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit

INTRODUCTORY SECTION

Haywood County School Officials
June 30, 2005

Official:

George Chapman, Director of Schools

Board of Education:

Patricia Gruenewald, Chairperson

Harold Garrett

Kent Moore

Maggie Stewart

Gloria Sweet-Love

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

December 21, 2005

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Haywood County School Department, a component unit of Haywood County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the Haywood County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Haywood County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Haywood County School Department as of June 30, 2005, and the respective changes in financial position 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 December 21, 2005, on our consideration of the Haywood County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Haywood County School Department has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. For the first time, the Haywood County School Department has presented government-wide financial statements.

As described in Note IV.B., the Haywood County School Department has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the School Department’s disclosures for custodial credit risk and adds disclosures about other types of risk.

The management of the Haywood County School Department did not prepare the 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 State of America.

The budgetary comparison information on pages 31 through 33 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Haywood County School Department’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Haywood County, Tennessee
Statement of Net Assets
Haywood County School Department
June 30, 2005

<u>ASSETS</u>	<u>Governmental Activities</u>
Equity in Pooled Cash and Investments	\$ 2,997,033
Accounts Receivable	53,764
Due from Other Governments	295,374
Due from Primary Government	53,479
Property Taxes Receivable	3,439,762
Allowance for Uncollectible Property Taxes	(235,392)
Capital Assets:	
Assets Not Depreciated:	
Land	178,170
Construction in Progress	568,090
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	5,757,071
Other Capital Assets	1,360,716
Total Assets	<u>\$ 14,468,067</u>
 <u>LIABILITIES</u> 	
Payroll Deductions Payable	\$ 480,154
Due to Primary Government	20,062
Deferred Revenue - Current Property Taxes	3,008,269
Total Liabilities	<u>\$ 3,508,485</u>
 <u>NET ASSETS</u> 	
Invested in Capital Assets	\$ 7,864,047
Restricted for:	
Capital Projects	83,090
Other Purposes	530,966
Unrestricted	<u>2,481,479</u>
Total Net Assets	<u>\$ 10,959,582</u>

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

Exhibit B

Haywood County, Tennessee
Statement of Activities
Haywood County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets <u>Total</u> Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 15,621,499	\$ 318,784	\$ 2,242,632	\$ 563,190	\$ (12,496,893)
Support Services	7,030,837	0	164,622	86,810	(6,779,405)
Operation of Noninstructional Services	2,235,451	0	1,730,472	0	(504,979)
Other Debt Service	236,026	0	0	0	(236,026)
Total Governmental Activities	\$ 25,123,813	\$ 318,784	\$ 4,137,726	\$ 650,000	\$ (20,017,303)
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 3,272,542
Local option sales tax					1,310,635
Other local taxes					356,658
Grants & Contributions not restricted for specific programs					14,679,001
Miscellaneous					43,417
Total General Revenues					\$ 19,662,253
Change in net assets					\$ (355,050)
Net assets, July 1, 2004					11,314,632
Net assets, June 30, 2005					\$ 10,959,582

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

Haywood County, Tennessee
Balance Sheet - Governmental Funds
Haywood County School Department
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,496,561	\$ 500,472	\$ 2,997,033
Accounts Receivable	53,764	0	53,764
Due from Other Governments	251,088	44,286	295,374
Due from Primary Government	0	53,479	53,479
Property Taxes Receivable	3,439,762	0	3,439,762
Allowance for Uncollectible Property Taxes	(235,392)	0	(235,392)
Total Assets	\$ 6,005,783	\$ 598,237	\$ 6,604,020
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 424,293	\$ 55,861	\$ 480,154
Due to Primary Government	20,062	0	20,062
Deferred Revenue - Current Property Taxes	3,008,269	0	3,008,269
Deferred Revenue - Delinquent Property Taxes	185,620	0	185,620
Other Deferred Revenues	112,825	0	112,825
Total Liabilities	\$ 3,751,069	\$ 55,861	\$ 3,806,930
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 15,141	\$ 88,611	\$ 103,752
Reserved for Career Ladder Program	12,722	0	12,722
Reserved for Technology	5,421	0	5,421
Reserved for Basic Education Program	53,537	0	53,537
Reserved for Title I Grants to Local Education Agencies	0	39,389	39,389
Reserved for Special Education - Grants to States	0	31,311	31,311
Other Federal Reserves	0	15,669	15,669
Unreserved, Reported In:			
General Fund	2,167,893	0	2,167,893
Special Revenue Funds	0	367,396	367,396
Total Fund Balances	\$ 2,254,714	\$ 542,376	\$ 2,797,090
Total Liabilities and Fund Balances	\$ 6,005,783	\$ 598,237	\$ 6,604,020

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

Exhibit C-2

Haywood County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Haywood County School Department
June 30, 2005

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)	\$	2,797,090
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,864,047
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>298,445</u>
Net assets of governmental activities (Exhibit A)	\$	<u><u>10,959,582</u></u>

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

Exhibit D-1

Haywood County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Haywood County School Department
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 5,157,989	\$ 0	\$ 5,157,989
Licenses and Permits	1,454	0	1,454
Charges for Current Services	31,592	318,784	350,376
Other Local Revenues	330,014	3,382	333,396
State of Tennessee	14,108,045	25,333	14,133,378
Federal Government	231,848	3,818,008	4,049,856
Other Governments and Citizens Groups	0	650,000	650,000
Total Revenues	<u>\$ 19,860,942</u>	<u>\$ 4,815,507</u>	<u>\$ 24,676,449</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 12,808,183	\$ 1,931,610	\$ 14,739,793
Support Services	6,998,766	289,183	7,287,949
Operation of Non-Instructional Services	0	1,966,866	1,966,866
Capital Outlay	554,394	0	554,394
Debt Service:			
Other Debt Service	236,026	0	236,026
Capital Projects	0	566,590	566,590
Total Expenditures	<u>\$ 20,597,369</u>	<u>\$ 4,754,249</u>	<u>\$ 25,351,618</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (736,427)</u>	<u>\$ 61,258</u>	<u>\$ (675,169)</u>
Net Change in Fund Balances	<u>\$ (736,427)</u>	<u>\$ 61,258</u>	<u>\$ (675,169)</u>
Fund Balance, July 1, 2004	<u>2,991,141</u>	<u>481,118</u>	<u>3,472,259</u>
Fund Balance, June 30, 2005	<u>\$ 2,254,714</u>	<u>\$ 542,376</u>	<u>\$ 2,797,090</u>

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

Exhibit D-2

Haywood County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Haywood County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ (675,169)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	344,349
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(24,230)</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ (355,050)</u></u>

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

**HAYWOOD COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAYWOOD COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Haywood County School Department'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 the School Department:

A. Reporting Entity

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

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 School Department. For the most part, the effect of interfund activity has been removed from these statements. 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. However, the School Department does not have any business-type activities to report.

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.

Haywood County issues all debt for the School Department. Net debt issues (\$650,000) were contributed by the county to the School Department during the year ended June 30, 2005.

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. 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 the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental fund:

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

Additionally, the Haywood County School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund accounts for building construction and renovations of the School Department.

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 for use, it is the School Department's policy to use restricted 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 Haywood County, the primary government, and the Haywood County 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 primary government's General Debt Service Fund. Haywood County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's

Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held by the School Department at the balance sheet date.

2. Receivables and Payables

Outstanding balances between funds 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 3.66 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.

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 in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 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 School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Other Capital Assets	5-10
Infrastructure:	
Improvements Other than Buildings	8-20

4. Compensated Absences

It is the policy of the School Department to permit the unlimited accumulation of unused sick leave for professional personnel (teachers). Nonprofessional personnel are allowed to accumulate a limited amount of sick leave. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the School Department.

5. Net Assets and Fund Equity

In the government-wide 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.

As of June 30, 2005, Haywood County had \$650,000 in outstanding debt for capital purposes for the School Department. The debt is a liability of Haywood County, but the capital assets acquired are reported in the financial statements of the School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

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

Exhibit C-2 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets (Exhibit A).

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

Exhibit D-2 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$344,349 difference are as follows:

Capital outlay	\$ 958,388
Depreciation expense	<u>(614,039)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 344,349</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Haywood County and the Haywood County 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.

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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

Investments

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

The School Department had no pooled and nonpooled investments as of June 30, 2005.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 178,170	\$ 0	\$ 0	\$ 178,170
Construction in Progress	0	568,090	0	568,090
Total Capital Assets Not Depreciated	\$ 178,170	\$ 568,090	\$ 0	\$ 746,260

Governmental Activities (Cont.):

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 14,653,509	\$ 0	\$ 0	\$ 14,653,509
Other Capital Assets	3,451,806	390,298	(261,049)	3,581,055
Total Capital Assets				
Depreciated	\$ 18,105,315	\$ 390,298	\$ (261,049)	\$ 18,234,564
Less Accumulated				
Depreciated For:				
Buildings and				
Improvements	\$ 8,519,042	\$ 377,396	\$ 0	\$ 8,896,438
Other Capital Assets	2,244,745	236,643	(261,049)	2,220,339
Total Accumulated				
Depreciation	\$ 10,763,787	\$ 614,039	\$ (261,049)	\$ 11,116,777
Total Capital Assets				
Depreciated, Net	\$ 7,341,528	\$ (223,741)	\$ 0	\$ 7,117,787
Governmental Activities				
Capital Assets, Net	\$ 7,519,698	\$ 344,349	\$ 0	\$ 7,864,047

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

Governmental Activities:

Instruction	\$ 348,506
Support Services	253,149
Operation of Non-Instructional Services	<u>12,384</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 614,039</u>

C. Construction Commitments

At June 30, 2005, the Education Capital Projects Fund had uncompleted construction contracts of \$83,090 for the repaving of tennis courts. Funding has been received for these future expenditures.

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from primary government and school department:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Department:		
Component unit:	Primary government:	
Central Cafeteria	General	\$ 53,479
	School Department:	
Primary government:	Component unit:	
General Debt Service	General Purpose School	20,062

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.

E. Contributions to Primary Government's Debt Service Fund

During the year, the School Department contributed \$236,026 from the General Purpose School Fund to the primary government's General Debt Service Fund to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes.

IV. OTHER INFORMATION

A. Risk Management

Employee Health Insurance

The Haywood County School Department participates in the Local Education Group Insurance Fund (LEGIF), which is a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-203, TCA, provides for the LEGIF to be self-sustaining through member premiums.

Liability, Property, Casualty, and Workers' Compensation Insurance

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Board Association, an association of member school boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance

coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Changes

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department’s previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Retirement Commitments

Plan Description

Employees of Haywood County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member’s high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Haywood 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

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

SCHOOL TEACHERS

Plan Description

The Haywood 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

www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Haywood County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Haywood 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, 2005, 2004, and 2003, were \$667,156, \$384,367, and \$377,251, respectively, equal to the required contributions for each year.

D. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E

Haywood County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Haywood County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,157,989	\$ 0	\$ 0	\$ 5,157,989	\$ 5,263,473	\$ 5,263,473	\$ (105,484)
Licenses and Permits	1,454	0	0	1,454	2,000	2,000	(546)
Charges for Current Services	31,592	0	0	31,592	25,000	30,613	979
Other Local Revenues	330,014	0	0	330,014	97,250	294,917	35,097
State of Tennessee	14,108,045	0	0	14,108,045	13,873,213	14,117,915	(9,870)
Federal Government	231,848	0	0	231,848	280,840	282,436	(50,588)
Total Revenues	\$ 19,860,942	\$ 0	\$ 0	\$ 19,860,942	\$ 19,541,776	\$ 19,991,354	\$ (130,412)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,680,196	\$ (18,367)	\$ 1,027	\$ 10,662,856	\$ 10,505,492	\$ 10,802,551	\$ 139,695
Alternative Instruction Program	203,816	0	0	203,816	190,725	203,938	122
Special Education Program	1,384,347	0	0	1,384,347	1,393,115	1,407,881	23,534
Vocational Education Program	484,345	0	0	484,345	506,780	510,835	26,490
Adult Education Program	55,479	0	0	55,479	52,984	55,479	0
<u>Support Services</u>							
Attendance	82,711	0	2,518	85,229	87,454	87,982	2,753
Health Services	53,056	0	0	53,056	56,475	56,475	3,419
Other Student Support	452,168	0	0	452,168	428,897	453,034	866
Regular Instruction Program	632,673	0	195	632,868	666,166	670,995	38,127
Alternative Instruction Program	65,994	0	0	65,994	69,453	69,981	3,987
Special Education Program	81,081	0	0	81,081	80,908	81,260	179
Vocational Education Program	108,415	0	0	108,415	107,982	108,733	318
Adult Programs	113,099	0	0	113,099	115,610	116,883	3,784
Board of Education	339,469	0	0	339,469	352,615	352,615	13,146
Director of Schools	331,928	(686)	0	331,242	338,957	338,430	7,188

(Continued)

Exhibit E

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 1,276,418	\$ 0	\$ 601	\$ 1,277,019	\$ 1,276,676	\$ 1,285,532	\$ 8,513
Fiscal Services	247,752	0	0	247,752	253,733	253,733	5,981
Operation of Plant	1,229,982	0	0	1,229,982	1,248,222	1,248,222	18,240
Maintenance of Plant	468,665	(7,043)	10,800	472,422	429,550	485,708	13,286
Transportation	1,515,355	0	0	1,515,355	1,499,982	1,521,088	5,733
<u>Capital Outlay</u>							
Regular Capital Outlay	554,394	(41,500)	0	512,894	516,111	516,111	3,217
<u>Other Debt Service</u>							
Education	236,026	0	0	236,026	270,000	270,000	33,974
Total Expenditures	\$ 20,597,369	\$ (67,596)	\$ 15,141	\$ 20,544,914	\$ 20,447,887	\$ 20,897,466	\$ 352,552
<u>Excess (Deficiency) of Revenues Over Expenditures</u>							
	\$ (736,427)	\$ 67,596	\$ (15,141)	\$ (683,972)	\$ (906,111)	\$ (906,112)	\$ 222,140
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2004	\$ 2,991,141	(67,596)	0	2,923,545	2,830,395	2,830,395	93,150
Fund Balance, June 30, 2005	\$ 2,254,714	\$ 0	\$ (15,141)	\$ 2,239,573	\$ 1,924,284	\$ 1,924,283	\$ 315,290

**HAYWOOD COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAYWOOD COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects Fund

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

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

Exhibit F-1

Haywood County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Haywood County School Department
June 30, 2005

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 89,166	\$ 328,216	\$ 417,382	\$ 83,090	\$ 500,472
Due from Other Governments	44,286	0	44,286	0	44,286
Due from Primary Government	0	53,479	53,479	0	53,479
Total Assets	\$ 133,452	\$ 381,695	\$ 515,147	\$ 83,090	\$ 598,237
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Payroll Deductions Payable	\$ 41,562	\$ 14,299	\$ 55,861	\$ 0	\$ 55,861
Total Liabilities	\$ 41,562	\$ 14,299	\$ 55,861	\$ 0	\$ 55,861
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 5,521	\$ 0	\$ 5,521	\$ 83,090	\$ 88,611
Reserved for Title I Grants to Local Education Agencies	39,389	0	39,389	0	39,389
Reserved for Special Education - Grants to States	31,311	0	31,311	0	31,311
Other Federal Reserves	15,669	0	15,669	0	15,669
Unreserved	0	367,396	367,396	0	367,396
Total Fund Balances	\$ 91,890	\$ 367,396	\$ 459,286	\$ 83,090	\$ 542,376
Total Liabilities and Fund Balances	\$ 133,452	\$ 381,695	\$ 515,147	\$ 83,090	\$ 598,237

Exhibit F-2

Haywood County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Haywood County School Department
For the Year Ended June 30, 2005

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 318,784	\$ 318,784	\$ 0	\$ 318,784
Other Local Revenues	0	3,382	3,382	0	3,382
State of Tennessee	0	25,333	25,333	0	25,333
Federal Government	2,333,829	1,484,179	3,818,008	0	3,818,008
Other Governments and Citizens Groups	0	0	0	650,000	650,000
Total Revenues	<u>\$ 2,333,829</u>	<u>\$ 1,831,678</u>	<u>\$ 4,165,507</u>	<u>\$ 650,000</u>	<u>\$ 4,815,507</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,931,610	\$ 0	\$ 1,931,610	\$ 0	\$ 1,931,610
Support Services	288,863	0	288,863	320	289,183
Operation of Non-Instructional Services	96,645	1,870,221	1,966,866	0	1,966,866
Capital Projects	0	0	0	566,590	566,590
Total Expenditures	<u>\$ 2,317,118</u>	<u>\$ 1,870,221</u>	<u>\$ 4,187,339</u>	<u>\$ 566,910</u>	<u>\$ 4,754,249</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 16,711</u>	<u>\$ (38,543)</u>	<u>\$ (21,832)</u>	<u>\$ 83,090</u>	<u>\$ 61,258</u>
Net Change in Fund Balances	\$ 16,711	\$ (38,543)	\$ (21,832)	\$ 83,090	\$ 61,258
Fund Balance, July 1, 2004	<u>75,179</u>	<u>405,939</u>	<u>481,118</u>	<u>0</u>	<u>481,118</u>
Fund Balance, June 30, 2005	<u>\$ 91,890</u>	<u>\$ 367,396</u>	<u>\$ 459,286</u>	<u>\$ 83,090</u>	<u>\$ 542,376</u>

Exhibit F-3

Haywood County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Haywood County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 5,000	\$ 0	\$ 0
Federal Government	2,333,829	0	2,333,829	2,419,015	2,572,747	(238,918)
Total Revenues	\$ 2,333,829	\$ 0	\$ 2,333,829	\$ 2,424,015	\$ 2,572,747	\$ (238,918)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 1,213,829	\$ 0	\$ 1,213,829	\$ 1,117,431	\$ 1,281,125	\$ 67,296
Alternative Instruction Program	10,040	0	10,040	16,610	11,580	1,540
Special Education Program	610,033	0	610,033	632,876	639,969	29,936
Vocational Education Program	97,708	0	97,708	94,632	97,708	0
Student Body Education Program	0	0	0	11,807	13,518	13,518
<u>Support Services</u>						
Other Student Support	63,483	0	63,483	158,321	146,234	82,751
Regular Instruction Program	50,939	0	50,939	85,265	83,081	32,142
Special Education Program	120,871	0	120,871	118,420	120,871	0
Vocational Education Program	43,799	0	43,799	42,875	43,799	0
Transportation	9,771	0	9,771	19,656	19,656	9,885
<u>Operation of Non-Instructional Services</u>						
Community Services	96,645	5,521	102,166	207,300	207,300	105,134
Total Expenditures	\$ 2,317,118	\$ 5,521	\$ 2,322,639	\$ 2,505,193	\$ 2,664,841	\$ 342,202
Excess (Deficiency) of Revenues Over Expenditures	\$ 16,711	\$ (5,521)	\$ 11,190	\$ (81,178)	\$ (92,094)	\$ 103,284

(Continued)

Exhibit F-3

Haywood County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Haywood County School Department
School Federal Projects Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 16,711	\$ (5,521)	\$ 11,190	\$ (81,178)	\$ (92,094)	\$ 103,284
Fund Balance, July 1, 2004	75,179	0	75,179	81,178	92,094	(16,915)
Fund Balance, June 30, 2005	\$ 91,890	\$ (5,521)	\$ 86,369	\$ 0	\$ 0	\$ 86,369

Exhibit F-4

Haywood County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Haywood County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 318,784	\$ 328,000	\$ 328,000	\$ (9,216)
Other Local Revenues	3,382	4,000	4,000	(618)
State of Tennessee	25,333	27,150	27,150	(1,817)
Federal Government	1,484,179	1,514,748	1,514,748	(30,569)
Total Revenues	<u>\$ 1,831,678</u>	<u>\$ 1,873,898</u>	<u>\$ 1,873,898</u>	<u>\$ (42,220)</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 0	\$ 750	\$ 0	\$ 0
<u>Operation of Non-Instructional Services</u>				
Food Service	1,870,221	1,873,148	1,873,898	3,677
Total Expenditures	<u>\$ 1,870,221</u>	<u>\$ 1,873,898</u>	<u>\$ 1,873,898</u>	<u>\$ 3,677</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (38,543)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (38,543)</u>
Net Change in Fund Balance	\$ (38,543)	\$ 0	\$ 0	\$ (38,543)
Fund Balance, July 1, 2004	<u>405,939</u>	<u>393,086</u>	<u>393,086</u>	<u>12,853</u>
Fund Balance, June 30, 2005	<u>\$ 367,396</u>	<u>\$ 393,086</u>	<u>\$ 393,086</u>	<u>\$ (25,690)</u>

MISCELLANEOUS SCHEDULES

Exhibit G-1

Haywood County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Haywood County School Department
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Haywood County Board of Education	\$ 86,539 (1) \$	50,000	State Automobile Mutual Insurance Company
Employee Blanket Bonds:				
Office of Director of Schools:				
All Employees				
			150,000	Tennessee School Boards Risk Management Trust

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

Exhibit G-2

Haywood County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Haywood County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,006,426	\$ 0	\$ 0	\$ 0	\$ 3,006,426
Discount on Property Taxes	(27,841)	0	0	0	(27,841)
Trustee's Collections - Prior Year	191,857	0	0	0	191,857
Circuit/Clerk & Master Collections - Prior Years	93,748	0	0	0	93,748
Interest and Penalty	31,571	0	0	0	31,571
Payments in Lieu of Taxes - T.V.A.	646	0	0	0	646
Payments in Lieu of Taxes - Other	193,720	0	0	0	193,720
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,311,269	0	0	0	1,311,269
Wheel Tax	286,258	0	0	0	286,258
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	4,714	0	0	0	4,714
Other Statutory Local Taxes	65,621	0	0	0	65,621
Total Local Taxes	\$ 5,157,989	\$ 0	\$ 0	\$ 0	\$ 5,157,989
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,454	\$ 0	\$ 0	\$ 0	\$ 1,454
Total Licenses and Permits	\$ 1,454	\$ 0	\$ 0	\$ 0	\$ 1,454
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 82,413	\$ 0	\$ 82,413
Lunch Payments - Adults	0	0	39,123	0	39,123
Income from Breakfast	0	0	7,466	0	7,466
A la carte Sales	0	0	70,269	0	70,269
School Based Health Services - FFS	7,821	0	0	0	7,821
Receipts from Individual Schools	23,771	0	0	0	23,771
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	119,513	0	119,513
Total Charges for Current Services	\$ 31,592	\$ 0	\$ 318,784	\$ 0	\$ 350,376
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 3,382	\$ 0	\$ 3,382
Lease/Rentals	2,000	0	0	0	2,000
Miscellaneous Refunds	8,159	0	0	0	8,159
<u>Nonrecurring Items</u>					
Insurance Recovery	5,320	0	0	0	5,320
Sale of Equipment	20,527	0	0	0	20,527
Damages Recovered from Individuals	1,590	0	0	0	1,590
<u>Other Local Revenues</u>					
Other Local Revenues	292,418	0	0	0	292,418
Total Other Local Revenues	\$ 330,014	\$ 0	\$ 3,382	\$ 0	\$ 333,396
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 13,275,192	\$ 0	\$ 0	\$ 0	\$ 13,275,192
School Food Service	0	0	24,201	0	24,201
Driver Education	4,565	0	0	0	4,565
Other State Education Funds	149,960	0	0	0	149,960
Career Ladder Program	217,138	0	1,132	0	218,270
Career Ladder - Extended Contract	71,993	0	0	0	71,993

(Continued)

Exhibit G-2

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Mixed Drink Tax	\$ 6,493	\$ 0	\$ 0	\$ 0	\$ 6,493
State Revenue Sharing - T.V.A.	195,917	0	0	0	195,917
Other State Grants	186,787	0	0	0	186,787
Total State of Tennessee	\$ 14,108,045	\$ 0	\$ 25,333	\$ 0	\$ 14,133,378
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 936,258	\$ 0	\$ 936,258
Breakfast	0	0	486,246	0	486,246
USDA - Other	0	0	61,675	0	61,675
Adult Education State Grant Program	119,664	0	0	0	119,664
Vocational Education - Basic Grants to States	0	111,507	0	0	111,507
Title I Grants to Local Education Agencies	0	987,839	0	0	987,839
Innovative Education Program Strategies	0	18,120	0	0	18,120
Special Education - Grants to States	0	726,011	0	0	726,011
Special Education Preschool Grants	0	45,977	0	0	45,977
Eisenhower Professional Development State Grants	0	271,953	0	0	271,953
Other Federal through State	33,336	70,256	0	0	103,592
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	78,848	0	0	0	78,848
Other Direct Federal Revenue	0	102,166	0	0	102,166
Total Federal Government	\$ 231,848	\$ 2,333,829	\$ 1,484,179	\$ 0	\$ 4,049,856
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 650,000	\$ 650,000
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 650,000	\$ 650,000
Total	\$ 19,860,942	\$ 2,333,829	\$ 1,831,678	\$ 650,000	\$ 24,676,449

Haywood County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Haywood County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,251,385	
Career Ladder Program	124,289	
Career Ladder Extended Contracts	56,451	
Educational Assistants	556,424	
Other Salaries & Wages	3,008	
Certified Substitute Teachers	81,003	
Social Security	469,147	
State Retirement	467,988	
Medical Insurance	705,391	
Dental Insurance	54,104	
Unemployment Compensation	6,547	
Employer Medicare	110,457	
Maintenance & Repair Services- Equipment	15,436	
Other Contracted Services	285,355	
Instructional Supplies and Materials	150,055	
Textbooks	225,514	
Other Charges	15,983	
Regular Instruction Equipment	101,659	
Total Regular Instruction Program		\$ 10,680,196

Alternative Instruction Program

Teachers	\$ 94,297	
Career Ladder Program	995	
Career Ladder Extended Contracts	16,763	
Other Salaries & Wages	40,774	
Certified Substitute Teachers	885	
Social Security	8,297	
State Retirement	11,040	
Medical Insurance	25,395	
Dental Insurance	934	
Unemployment Compensation	120	
Employer Medicare	1,941	
Other Contracted Services	1,774	
Instructional Supplies and Materials	536	
Other Equipment	65	
Total Alternative Instruction Program		203,816

Special Education Program

Teachers	\$ 1,046,766
----------	--------------

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	11,919	
Homebound Teachers		30,263	
Educational Assistants		12,932	
Other Salaries & Wages		6,378	
Certified Substitute Teachers		13,213	
Social Security		66,036	
State Retirement		61,545	
Medical Insurance		105,254	
Dental Insurance		7,646	
Unemployment Compensation		873	
Employer Medicare		15,333	
Other Contracted Services		4,205	
Instructional Supplies and Materials		1,195	
Textbooks		789	
Total Special Education Program			\$ 1,384,347

Vocational Education Program

Teachers	\$	362,707	
Career Ladder Program		4,033	
Other Salaries & Wages		720	
Certified Substitute Teachers		7,405	
Social Security		22,294	
State Retirement		20,210	
Medical Insurance		28,397	
Dental Insurance		2,903	
Unemployment Compensation		321	
Employer Medicare		5,214	
Maintenance & Repair Services- Equipment		2,453	
Instructional Supplies and Materials		17,475	
T&I Construction Materials		4,979	
Textbooks		3,102	
Vocational Instruction Equipment		2,132	
Total Vocational Education Program			484,345

Adult Education Program

Teachers	\$	45,335
Social Security		1,090
State Retirement		967
Unemployment Compensation		97

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Employer Medicare	\$	657	
Instructional Supplies and Materials		5,683	
Other Charges		1,650	
Total Adult Education Program			\$ 55,479

Support Services

Attendance

Supervisor/Director	\$	63,209	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		600	
Social Security		4,075	
State Retirement		3,675	
Medical Insurance		3,287	
Dental Insurance		311	
Unemployment Compensation		27	
Employer Medicare		953	
Travel		2,551	
Other Charges		478	
Attendance Equipment		545	
Total Attendance			82,711

Health Services

Medical Personnel	\$	38,439	
Social Security		2,043	
State Retirement		2,114	
Medical Insurance		6,738	
Dental Insurance		311	
Unemployment Compensation		27	
Employer Medicare		478	
Travel		1,888	
Other Contracted Services		30	
Drugs and Medical Supplies		643	
Other Supplies and Materials		345	
Total Health Services			53,056

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		287,605	
Attendants		22,660	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Salaries & Wages	\$	1,817	
Social Security		18,571	
State Retirement		18,488	
Medical Insurance		23,962	
Dental Insurance		1,861	
Unemployment Compensation		247	
Employer Medicare		4,343	
Contracts with Government Agencies		4,000	
Evaluation and Testing		30,288	
Travel		719	
Other Contracted Services		10,474	
Other Supplies and Materials		1,650	
Other Equipment		20,483	
Total Other Student Support			\$ 452,168

Regular Instruction Program

Supervisor/Director	\$	129,039	
Career Ladder Program		12,946	
Career Ladder Extended Contracts		400	
Librarians		262,618	
Instructional Computer Personnel		85,550	
Social Security		28,937	
State Retirement		25,638	
Medical Insurance		38,148	
Dental Insurance		3,119	
Unemployment Compensation		319	
Employer Medicare		6,768	
Travel		6,255	
Library Books/Media		28,225	
Periodicals		3,353	
Other Supplies and Materials		226	
In Service/Staff Development		826	
Other Charges		171	
Other Equipment		135	
Total Regular Instruction Program			632,673

Alternative Instruction Program

Supervisor/Director	\$	55,271
Career Ladder Program		1,000

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Social Security	\$	3,459	
State Retirement		3,095	
Medical Insurance		660	
Dental Insurance		311	
Unemployment Compensation		27	
Employer Medicare		809	
Other Supplies and Materials		1,270	
Other Charges		92	
Total Alternative Instruction Program			\$ 65,994

Special Education Program

Supervisor/Director	\$	59,907	
Career Ladder Program		2,000	
Social Security		3,713	
State Retirement		3,405	
Medical Insurance		3,287	
Dental Insurance		311	
Unemployment Compensation		27	
Employer Medicare		868	
Travel		6,835	
Other Supplies and Materials		618	
In Service/Staff Development		110	
Total Special Education Program			81,081

Vocational Education Program

Supervisor/Director	\$	60,081	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		600	
Secretary(s)		18,296	
Social Security		5,047	
State Retirement		5,691	
Medical Insurance		660	
Dental Insurance		311	
Unemployment Compensation		53	
Employer Medicare		1,180	
Travel		5,882	
Other Contracted Services		3,618	
Other Supplies and Materials		3,996	
Total Vocational Education Program			108,415

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	62,193	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		600	
Other Salaries & Wages		21,871	
Social Security		5,303	
State Retirement		6,235	
Medical Insurance		3,463	
Dental Insurance		311	
Unemployment Compensation		53	
Employer Medicare		1,240	
Travel		643	
In Service/Staff Development		5,010	
Other Charges		3,177	
Total Adult Programs			\$ 113,099

Board of Education

Secretary to Board	\$	2,000	
Board and Committee Members Fees		4,905	
Social Security		424	
State Retirement		110	
Medical Insurance		82	
Dental Insurance		8	
Unemployment Compensation		1	
Employer Medicare		99	
Audit Services		4,000	
Dues and Memberships		8,977	
Legal Services		233	
Travel		9,573	
Other Contracted Services		4,743	
Liability Insurance		23,479	
Premiums on Corporate Surety Bonds		87	
Trustee's Commission		132,689	
Workers' Compensation Insurance		142,892	
Criminal Investigation of Applicants - TBI		2,208	
Other Charges		2,959	
Total Board of Education			339,469

Director of Schools

County Official/Administrative Officer	\$	85,539	
--	----	--------	--

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Assistant(s)	\$	76,125	
Career Ladder Program		1,000	
Clerical Personnel		67,738	
Social Security		13,979	
State Retirement		17,048	
Medical Insurance		3,912	
Dental Insurance		303	
Unemployment Compensation		132	
Employer Medicare		3,269	
Communication		24,754	
Dues and Memberships		2,003	
Postal Charges		5,321	
Travel		7,430	
Other Contracted Services		8,657	
Office Supplies		5,258	
Other Charges		4,002	
Administration Equipment		5,458	
Total Director of Schools			\$ 331,928

Office of the Principal

Principals	\$	356,807	
Career Ladder Program		18,996	
Accountants/Bookkeepers		39,327	
Career Ladder Extended Contracts		20,633	
Assistant Principals		367,478	
Secretary(s)		201,248	
Social Security		58,272	
State Retirement		68,660	
Medical Insurance		78,330	
Dental Insurance		3,691	
Unemployment Compensation		777	
Employer Medicare		13,628	
Communication		19,802	
Dues and Memberships		2,200	
Travel		3,492	
Other Contracted Services		10,096	
Other Supplies and Materials		6,260	
Other Charges		5,826	
Administration Equipment		895	
Total Office of the Principal			1,276,418

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Supervisor/Director	\$	67,275	
Accountants/Bookkeepers		64,415	
Clerical Personnel		50,651	
Social Security		10,318	
State Retirement		21,808	
Medical Insurance		18,645	
Unemployment Compensation		133	
Employer Medicare		2,413	
Data Processing Services		260	
Maintenance & Repair Services- Equipment		99	
Travel		470	
Other Contracted Services		6,013	
Data Processing Supplies		1,964	
Other Supplies and Materials		3,288	
Total Fiscal Services			\$ 247,752

Operation of Plant

Custodial Personnel	\$	1,800	
Social Security		112	
Unemployment Compensation		7	
Employer Medicare		26	
Maintenance & Repair Services- Equipment		1,017	
Other Contracted Services		556,980	
Custodial Supplies		1,145	
Electricity		396,189	
Natural Gas		122,426	
Water and Sewer		47,080	
Other Supplies and Materials		13	
Boiler Insurance		5,366	
Building and Contents Insurance		97,771	
Other Charges		50	
Total Operation of Plant			1,229,982

Maintenance of Plant

Supervisor/Director	\$	37,371	
Maintenance Personnel		102,856	
Social Security		8,329	
State Retirement		16,771	
Medical Insurance		12,808	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Unemployment Compensation	\$	160	
Employer Medicare		1,948	
Laundry Service		2,055	
Maintenance & Repair Services- Buildings		158,104	
Maintenance & Repair Services- Equipment		12,727	
Other Contracted Services		75,725	
Other Supplies and Materials		37,547	
Other Charges		275	
Maintenance Equipment		1,989	
Total Maintenance of Plant			\$ 468,665

Transportation

Supervisor/Director	\$	34,856	
Mechanic(s)		115,834	
Bus Drivers		504,454	
Social Security		39,662	
State Retirement		70,110	
Medical Insurance		6,573	
Dental Insurance		164	
Unemployment Compensation		1,316	
Employer Medicare		9,276	
Communication		12,531	
Laundry Service		2,092	
Maintenance & Repair Services- Vehicles		22,716	
Medical and Dental Services		7,722	
Travel		936	
Diesel Fuel		122,858	
Gasoline		24,872	
Lubricants		5,360	
Tires and Tubes		18,946	
Vehicle Parts		56,553	
Other Supplies and Materials		9,642	
Vehicle and Equipment Insurance		30,187	
Other Charges		24,787	
Transportation Equipment		393,908	
Total Transportation			1,515,355

(Continued)

Exhibit G-3

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Architects	\$	9,794	
Building Improvements		544,600	
Total Regular Capital Outlay			\$ 554,394

Other Debt Service

Education

Contributions	\$	236,026	
Total Education			236,026

Total General Purpose School Fund \$ 20,597,369

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	759,789	
Educational Assistants		166,783	
Certified Substitute Teachers		5,455	
Social Security		55,294	
State Retirement		61,171	
Medical Insurance		67,930	
Dental Insurance		5,888	
Unemployment Compensation		942	
Employer Medicare		12,938	
Travel		2,439	
Instructional Supplies and Materials		42,342	
Other Charges		16,000	
Regular Instruction Equipment		16,858	
Total Regular Instruction Program			\$ 1,213,829

Alternative Instruction Program

Other Salaries & Wages	\$	8,385	
Social Security		520	
State Retirement		1,003	
Unemployment Compensation		10	
Employer Medicare		122	
Total Alternative Instruction Program			10,040

Special Education Program

Teachers	\$	30,977	
----------	----	--------	--

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$	375,315	
Other Salaries & Wages		1,440	
Social Security		24,294	
State Retirement		38,881	
Medical Insurance		10,396	
Dental Insurance		311	
Unemployment Compensation		762	
Employer Medicare		5,682	
Contracts with Other School Systems		11,700	
Contracts with Private Agencies		4,730	
Maintenance & Repair Services- Equipment		361	
Other Contracted Services		57,772	
Instructional Supplies and Materials		25,885	
Textbooks		15,840	
Other Supplies and Materials		799	
Special Education Equipment		4,888	
Total Special Education Program			\$ 610,033

Vocational Education Program

Teachers	\$	15,645	
Other Salaries & Wages		20,886	
Certified Substitute Teachers		2,115	
Social Security		2,368	
State Retirement		2,060	
Medical Insurance		1,768	
Unemployment Compensation		113	
Employer Medicare		554	
Instructional Supplies and Materials		35,766	
In Service/Staff Development		10,664	
Vocational Instruction Equipment		5,769	
Total Vocational Education Program			97,708

Support Services

Other Student Support

Other Salaries & Wages	\$	21,159	
In-Service Training		1,134	
Social Security		757	
State Retirement		672	
Unemployment Compensation		31	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	323	
In Service/Staff Development		39,407	
Total Other Student Support			\$ 63,483

Regular Instruction Program

Supervisor/Director	\$	31,372	
Other Salaries & Wages		1,418	
Social Security		2,033	
State Retirement		1,771	
Medical Insurance		7,459	
Unemployment Compensation		4	
Employer Medicare		476	
Travel		542	
In Service/Staff Development		5,864	
Total Regular Instruction Program			50,939

Special Education Program

Psychological Personnel	\$	42,666	
Assessment Personnel		46,244	
Social Security		5,125	
State Retirement		4,890	
Medical Insurance		10,025	
Dental Insurance		623	
Unemployment Compensation		47	
Employer Medicare		1,199	
Travel		2,673	
Other Supplies and Materials		5,034	
In Service/Staff Development		2,345	
Total Special Education Program			120,871

Vocational Education Program

Travel	\$	25,622	
Other Contracted Services		13,562	
In Service/Staff Development		1,505	
Other Equipment		3,110	
Total Vocational Education Program			43,799

Transportation

Bus Drivers	\$	4,515	
-------------	----	-------	--

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Social Security	\$	280	
State Retirement		455	
Unemployment Compensation		7	
Employer Medicare		65	
Contracts with Parents		4,449	
Total Transportation			\$ 9,771

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	20,914	
Other Salaries & Wages		58,135	
Social Security		4,874	
State Retirement		4,490	
Unemployment Compensation		5	
Employer Medicare		1,146	
Travel		974	
Other Contracted Services		487	
Other Supplies and Materials		1,910	
Other Charges		3,710	
Total Community Services			96,645

Total School Federal Projects Fund \$ 2,317,118

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	62,086
Career Ladder Program		1,000
Accountants/Bookkeepers		31,508
Clerical Personnel		25,446
Cafeteria Personnel		655,996
Other Salaries & Wages		17,947
Social Security		46,290
State Retirement		87,669
Medical Insurance		34,258
Dental Insurance		312
Unemployment Compensation		1,715
Employer Medicare		10,826
Other Fringe Benefits		19,381

(Continued)

Exhibit G-3

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Communication	\$	3,748	
Maintenance & Repair Services- Equipment		26,386	
Transportation - Other than Students		11,572	
Travel		7,901	
Other Contracted Services		9,789	
Food Preparation Supplies		45,982	
Food Supplies		705,022	
Office Supplies		6,525	
Uniforms		9,331	
Other Supplies and Materials		39,436	
In Service/Staff Development		3,865	
Other Charges		1,000	
Food Service Equipment		5,230	
Total Food Service			\$ 1,870,221

Total Central Cafeteria Fund \$ 1,870,221

Education Capital Projects Fund

Support Services

Fiscal Services

Other Charges	\$	320	
Total Fiscal Services			\$ 320

Capital Projects

Education Capital Projects

Architects	\$	15,432	
Building Improvements		551,158	
Total Education Capital Projects			566,590

Total Education Capital Projects Fund 566,910

Total Governmental Funds - Haywood County School Department \$ 25,351,618

SINGLE AUDIT REPORT
HAYWOOD COUNTY, TENNESSEE
AND
HAYWOOD COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

NORM R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

MARVIN E. BOND, CGFM
ELISHA CROWELL
State Auditors

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

SINGLE AUDIT REPORT TABLE OF CONTENTS

	Page
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	3
Schedule of Expenditures of Federal Awards and State Grants	7
Schedule of Audit Findings Not Corrected	9
Schedule of Findings and Questioned Costs	11
Auditee Reporting Responsibilities	19



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

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

December 21, 2005

Haywood County Mayor, Board of County Commissioners,
Director of Schools, and Board Of Education
Haywood County, Tennessee

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Haywood County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Haywood County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Haywood County's and the Haywood County School Department's basic financial statements and have issued our reports thereon dated December 21, 2005. Our report on the financial statements of Haywood County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement 34. Our report on the financial statements of the Haywood County School Department was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Haywood County's and the Haywood County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we

consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Haywood County's and the Haywood County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.04, 05.05, 05.07, and 05.08.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.02 and 05.05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haywood County's and the Haywood County School Department's 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 and 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 05.01, 05.06, and 05.09.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



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

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

December 21, 2005

Haywood County Mayor, Board of County Commissioners,
Director of Schools, Board of Education
Haywood County, Tennessee

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

Compliance

We have audited the compliance of Haywood County and the Haywood County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Haywood County's and the Haywood County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Haywood County's and the Haywood County School Department's management. Our responsibility is to express an opinion on Haywood County's and the Haywood County School Department's compliance based on our audit.

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

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

In our opinion, Haywood County and the Haywood County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Haywood County and the Haywood County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Haywood County's and the Haywood County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Haywood County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Haywood County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated December 21, 2005. Our report on the financial statements of Haywood County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement 34. Our report on the financial statements of the Haywood County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

Haywood County, Tennessee, and the Haywood County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 116,544
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	486,246
National School Lunch Program	10.555	N/A	936,258
Summer Food Service Program for Children	10.559	N/A	61,675
Passed through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	85,158
Total U.S. Department of Agriculture			<u>\$ 1,685,881</u>
U.S. Department of Housing and Urban Development:			
Passed through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 30,425
Total U.S. Department of Housing and Urban Development			<u>\$ 30,425</u>
U.S. Department of Justice:			
Passed through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,765
Total U.S. Department of Justice			<u>\$ 9,765</u>
U.S. Department of Labor:			
Passed through State Department of Labor:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z0401947300	\$ 7,336
Total U.S. Department of Labor			<u>\$ 7,336</u>
U.S. Department of Transportation:			
Passed through State Department of Transportation:			
State and Community Highway Safety	20.600	Z0401689400	\$ 10,000
Total U.S. Department of Transportation			<u>\$ 10,000</u>
U.S. Department of Education:			
Passed through State Department of Education:			
Adult Education - State Grant Program	84.002	N/A	\$ 149,664
Title I Grants to Local Educational Agencies	84.010	N/A	975,067
Special Education - Grants to States	84.027	N/A	740,677
Vocational Education - Basic Grants to States	84.048	N/A	111,507
Safe and Drug-Free Schools - State Grants	84.186	(2)	10,039
Eisenhower Professional Development State Grants	84.281	N/A	39,534
21st Century Community Learning Centers	84.287B	(2)	96,644
Innovative Education Program Strategies	84.298	N/A	27,148
Education Technology State Grants	84.318X	(2)	23,634
School Renovation Grant	84.352A	Z0201096900	20,000
English Language Acquisition Grants	84.365	N/A	19,514
Improving Teacher Quality State Grants	84.367	N/A	243,353
Total U.S. Department of Education			<u>\$ 2,456,781</u>
U.S. Department of Health and Human Services:			
Passed through State Department of Human Services:			
Empowerment Zones Program	93.585	(2)	\$ 202,785
Total U.S. Department of Health and Human Services			<u>\$ 202,785</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Corporation for National and Community Service: Passed through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	(2)	\$ 6,000
Total U.S. Department of Health and Human Services			<u>\$ 6,000</u>
Total Expenditures of Federal Awards			<u>\$ 4,408,973</u>
State Grants:			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 7,537
Fingerprint Systems Grant - State Department of Finance and Administration	N/A	(2)	14,568
Litter Program - State Department of Transportation	N/A	(2)	37,733
Safe Schools Act of 1998 - State Department of Education	N/A	(2)	21,283
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	16,087
Family Preservation and Support Services - State Department of Education	N/A	DG050189200	35,504
Early Childhood Center - State Department of Education	N/A	DG050190500	<u>130,000</u>
Total State Grants			<u>\$ 262,712</u>

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

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

Haywood County, Tennessee, and the Haywood County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Haywood County, Tennessee, and the Haywood County School Department for the year ended June 30, 2004, which have not been corrected.

HAYWOOD COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	13	The Solid Waste Disposal Fund had a deficit in net assets
04.03	13	The office did not always issue purchase orders properly

OFFICE OF CHIEF ADMINISTRATIVE HIGHWAY OFFICER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.05	14	The Highway Department did not maintain a system to account for the use of road materials

OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.07	15	A central system of accounting, budgeting, and purchasing had not been adopted
04.08	15	Haywood County did not report to the Internal Revenue Service fringe benefits provided to the county farm supervisor
04.10	16	Duties were not segregated adequately in the Office of Register

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Haywood County, and an unqualified opinion was issued on financial statements of the Haywood County School Department.
2. The audit of the financial statements of Haywood County and the Haywood County School Department disclosed reportable conditions in internal control. Two of these conditions were considered to be material weaknesses in Haywood County.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Haywood County. The audit did not disclose any instances of noncompliance that were material to the financial statements of the Haywood County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings which are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program, the National School Lunch Program, and the Summer Food Service for Children (CFDA Nos. 10.553, 10.555, and 10.559); and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Haywood County and the Haywood County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

HAYWOOD COUNTY

FINDING 05.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Haywood County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 05.02 **THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS**
(Internal Control – Material Weakness Under Government Auditing Standards)

The Solid Waste Disposal Fund had a deficit of \$953,075 in unrestricted net assets at June 30, 2005. This deficit primarily resulted from the recognition of a liability (\$1,348,590) in the financial statements of the Solid Waste Disposal Fund for costs associated with closing the county’s landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

County officials should develop and implement a plan that would fund the deficit in unrestricted net assets.



FINDING 05.03 **THE OFFICE DID NOT ALWAYS PROPERLY ISSUE PURCHASE ORDERS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. Furthermore, our examination of purchase orders disclosed that dollar amounts of purchases were not listed on some purchase orders.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases and should include the dollar amounts of items purchased.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

The Haywood County Commission adopted a resolution on August 15, 2005, requiring a purchase order for any purchase of goods or services exceeding \$500. This resolution covers purchase orders issued by the County Mayor’s Office for the General, Solid Waste/Sanitation, and Solid Waste Disposal Funds.



OFFICE OF CHIEF ADMINISTRATIVE HIGHWAY OFFICER

FINDING 05.04 THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR MATERIALS USED ON SOME TYPES OF ROAD PROJECTS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of road materials, such as bridge lumber and rock, for state-aid road projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for materials used on all types of road projects.

FINDING 05.05 THE ACTUAL FUND BALANCE OF THE HIGHWAY/PUBLIC WORKS FUND EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT
(Internal Control – Material Weakness Under Government Auditing Standards)

The Highway/Public Works Fund’s actual fund balance at July 1, 2004, was \$1,332,848; however, the estimated fund balance reflected in the county’s budget was \$998,670. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget process by \$334,178.

RECOMMENDATION

The estimated beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.

OFFICE OF GENERAL SESSIONS COURT CLERK

FINDING 05.06 IRREGULARITIES INVOLVING A DEPUTY COURT CLERK
(Noncompliance Under Government Auditing Standards)

An investigation by the Tennessee Bureau of Investigation disclosed that on two occasions, deputy clerk Cynthia Witherspoon, remitted false documentation to the Tennessee

Department of Safety to reinstate drivers' licenses that had been previously suspended by the Department of Safety. Their investigation further alleged that Ms. Witherspoon received two payments (\$300 for each license) from an undercover agent to initiate the reinstatement of these drivers' licenses. On April 18, 2005, Ms. Witherspoon's employment with the county was terminated. On April 19, 2005, Ms. Witherspoon was indicted by the Haywood County Grand Jury on nine charges, including bribery of a public servant, making false entries on a government record, forgery, and official misconduct.

OFFICE OF REGISTER

FINDING 05.07 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE REGISTER'S OFFICE**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately between the official and his employee. The employee of the office was responsible for receipting, depositing, and reconciling the daily business, posting the cash journal, and reconciling bank statements. We realize that due to limited resources and personnel, management may not be able to properly segregate duties in his office. However, our professional standards require that we bring this matter to the reader's attention in this report.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.08 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 05.09 HAYWOOD COUNTY DID NOT REPORT TO THE INTERNAL REVENUE SERVICE FRINGE BENEFITS PROVIDED TO THE COUNTY FARM SUPERVISOR
(Noncompliance Under Government Auditing Standards)

Haywood County did not report to the Internal Revenue Service (IRS) fringe benefits provided to the county farm supervisor. These fringe benefits were a utilities allowance (\$3,273), telephone allowance (\$705), and the value of housing provided to the county farm supervisor. IRS regulations require an employer to report fringe benefits provided to an employee as income on the employee's Form W-2.

RECOMMENDATION

Fringe benefits provided to the farm supervisor should be reported on the employee's Form W-2 in compliance with IRS regulations.

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

There were no findings and questioned costs for federal awards.

**HAYWOOD COUNTY, TENNESSEE, AND THE
HAYWOOD COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

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