

**ANNUAL FINANCIAL REPORT
OF
LEWIS COUNTY, TENNESSEE
AND
LEWIS 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
LEWIS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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

LEWIS COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Lewis 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 Lewis County as of and for the year ended June 30, 2005.

Results

Our report on Lewis 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 eight findings and recommendations, which we have reviewed with Lewis County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

LEWIS 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 office had not established a formal purchase order system.
 - ◆ All financial activity of the J. H. Warf Public Library was not subject to the budgetary control of the County Commission. Also, the library's checking account was not audited.
 - ◆ Payments made for concrete exceeded the amount bid.
 - ◆ General Fund expenditures exceeded appropriations approved by the County Commission in two major categories (the legal level of control).
-

OFFICE OF ROAD SUPERINTENDENT

- ◆ The office did not issue purchase orders on some applicable purchases. Documentation that goods had been received or services had been rendered was not always maintained, and the office did not properly bid the purchase of a truck (\$17,981) and a tandem axle dump truck (\$86,529).
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately in the Offices of County Mayor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register.
- ◆ 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

Lewis County Officials

June 30, 2005

Officials:

Kenneth Turnbow, County Mayor
Ronnie Darnell, Road Superintendent
Joe Garner, Trustee
Bobby Johnston, Assessor of Property
Sandra Clayton, County Clerk
Donna Couch, Circuit and General Sessions Courts Clerk
Janet Williams, Clerk and Master
Ophelia Green, Register
Dwayne Kilpatrick, Sheriff

Members of the Lewis County Board of Commissioners:

Kenneth Turnbow, Chairman	Paul Reed, Jr.
Don Graham	Joseph Churchwell
James Webb	Raymond Lomax
David Barnes	Leon Hunter
Rodney Odom	Gene Kealhofer
Bobby James	Dr. Joey Hensley
Charles Talley	Paul Spears
Austin Earl Floyd	J.P. Harris
Bobby Staggs	Marty Spears
Donnie Pollock	

Highway Commission:

Kenneth Turnbow, Chairman
Sandra Hatton
Gene Kealhofer

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 15, 2005

Lewis County Mayor and
Board of County Commissioners
Lewis 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 Lewis County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 31, 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 Lewis County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

As described in Note I, Lewis 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 Lewis County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Lewis 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.

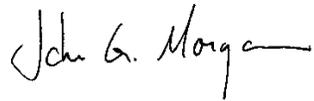
In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2005, on our consideration of Lewis County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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., Lewis 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 35 through 41 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 Lewis 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 flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 16	\$ 10	\$ 0	\$ 622	\$ 648
Equity in Pooled Cash and Investments	436,815	712,137	152,428	459,559	1,760,939
Accounts Receivable	8,373	0	0	31,684	40,057
Due from Other Governments	140,315	284,637	66,485	0	491,437
Due from Other Funds	422	0	3,760	0	4,182
Due from Component Units	0	0	157,905	0	157,905
Property Taxes Receivable	1,659,533	59,633	266,397	40,527	2,026,090
Allowance for Uncollectible Property Taxes	(59,716)	(2,949)	(9,480)	(805)	(72,950)
Total Assets	<u>\$ 2,185,758</u>	<u>\$ 1,053,468</u>	<u>\$ 637,495</u>	<u>\$ 531,587</u>	<u>\$ 4,408,308</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Payroll Deductions Payable	\$ 0	\$ 320	\$ 0	\$ 0	\$ 320
Contracts Payable	0	54,397	0	0	54,397
Due to Other Funds	0	3,760	0	422	4,182
Deferred Revenue - Current Property Taxes	1,549,256	53,376	249,002	39,722	1,891,356
Deferred Revenue - Delinquent Property Taxes	44,481	2,936	6,966	0	54,383
Other Deferred Revenues	43,969	119,354	32,325	22,605	218,253
Total Liabilities	<u>\$ 1,637,706</u>	<u>\$ 234,143</u>	<u>\$ 288,293</u>	<u>\$ 62,749</u>	<u>\$ 2,222,891</u>
<u>Fund Balances</u>					
Reserved for Alcohol and Drug Treatment	\$ 21,442	\$ 0	\$ 0	\$ 0	\$ 21,442
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	12,013	0	0	0	12,013
Reserved for Drug Court	4,589	0	0	0	4,589
Reserved for Sexual Offender Registration	300	0	0	0	300
Reserved for Computer System - Register	16,189	0	0	0	16,189
Reserved for Automation Purposes - Circuit Court	442	0	0	0	442
Reserved for Automation Purposes - General Sessions Court	3,977	0	0	0	3,977
Reserved for Automation Purposes - Chancery Court	2,347	0	0	0	2,347
Reserved for Automation Purposes - Sheriff	3,195	0	0	0	3,195
Other Local Education Reserves	0	0	221,156	0	221,156
Reserved for Capital Outlay	124,632	0	0	0	124,632
Reserved for Other General Purposes	13,463	0	0	73,863	87,326
Unreserved, Reported In:					
General Fund	345,463	0	0	0	345,463
Special Revenue Funds	0	819,325	0	394,975	1,214,300
Debt Service Funds	0	0	128,046	0	128,046
Total Fund Balances	<u>\$ 548,052</u>	<u>\$ 819,325</u>	<u>\$ 349,202</u>	<u>\$ 468,838</u>	<u>\$ 2,185,417</u>
Total Liabilities and Fund Balances	<u>\$ 2,185,758</u>	<u>\$ 1,053,468</u>	<u>\$ 637,495</u>	<u>\$ 531,587</u>	<u>\$ 4,408,308</u>

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

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

Exhibit B

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,812,406	\$ 97,032	\$ 542,948	\$ 0	\$ 2,452,386
Licenses and Permits	1,915	0	0	0	1,915
Fines, Forfeitures, and Penalties	74,989	0	0	21,396	96,385
Charges for Current Services	62,973	0	0	453,229	516,202
Other Local Revenues	97,072	14,363	97,692	20,836	229,963
Fees Received from County Officials	434,328	0	0	0	434,328
State of Tennessee	617,433	1,666,196	0	8,200	2,291,829
Federal Government	101,518	179,877	0	0	281,395
Other Governments and Citizens Groups	45,783	17,577	343,709	0	407,069
Total Revenues	\$ 3,248,417	\$ 1,975,045	\$ 984,349	\$ 503,661	\$ 6,711,472
<u>Expenditures</u>					
Current:					
General Government	\$ 564,525	\$ 0	\$ 0	\$ 0	\$ 564,525
Finance	276,407	0	0	10	276,417
Administration of Justice	274,059	0	0	295	274,354
Public Safety	988,567	0	0	33,394	1,021,961
Public Health and Welfare	225,581	0	0	414,932	640,513
Social, Cultural, and Recreational Services	185,780	0	0	0	185,780
Agricultural and Natural Resources	49,079	0	0	0	49,079
Other Operations	583,695	0	9,029	25,591	618,315
Highways	0	2,130,991	0	0	2,130,991
Instruction	5,800	0	0	0	5,800
Debt Service:					
Principal	0	0	842,223	0	842,223
Interest	0	0	193,182	0	193,182
Other Debt Service	0	0	2,130	0	2,130
Capital Projects	32,684	0	0	160	32,844
Total Expenditures	\$ 3,186,177	\$ 2,130,991	\$ 1,046,564	\$ 474,382	\$ 6,838,114
Excess (Deficiency) of Revenues Over Expenditures	\$ 62,240	\$ (155,946)	\$ (62,215)	\$ 29,279	\$ (126,642)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 90,247	\$ 0	\$ 90,247
Transfers Out	0	(69,107)	0	(21,140)	(90,247)
Total Other Financing Sources (Uses)	\$ 0	\$ (69,107)	\$ 90,247	\$ (21,140)	\$ 0
Net Change in Fund Balances	\$ 62,240	\$ (225,053)	\$ 28,032	\$ 8,139	\$ (126,642)
Fund Balance, July 1, 2004	485,812	1,044,378	321,170	460,699	2,312,059
Fund Balance, June 30, 2005	\$ 548,052	\$ 819,325	\$ 349,202	\$ 468,838	\$ 2,185,417

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 439,300
Due from Other Governments	<u>101,277</u>
Total Assets	<u>\$ 540,577</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 101,277
Due to Litigants, Heirs, and Others	<u>439,300</u>
Total Liabilities	<u>\$ 540,577</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lewis 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.

Lewis County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Lewis 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 Lewis County's auditor to issue an adverse opinion on the county's financial statements.

Although Lewis 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 Lewis County:

A. Reporting Entity

Lewis County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Lewis County (the primary government).

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

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

The Lewis County School Department operates the public school system in the county, and the voters of Lewis 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 Lewis County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Lewis County, and the Lewis 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 Lewis County School Department and the Lewis County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. The Lewis County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Lewis County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Lewis County Emergency Communications District
P. O. Box 611
Hohenwald, TN 38462

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

Fund financial statements of Lewis County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Lewis County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

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.

Lewis 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.

Additionally, Lewis County reports the following fund types:

Capital Projects Fund – The Highway Capital Projects Fund accounts for state and local funds to be used for bridge construction.

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 Lewis County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Lewis County and Lewis County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service Funds. Lewis County and the Lewis 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 two 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. Lewis 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, Lewis County does not present government-wide statements.

4. Compensated Absences

It is the county's policy to permit employees to accumulate earned but unused sick leave benefits. There is no liability for unpaid accumulated sick leave since Lewis County does not have a policy to pay any amounts when employees separate from service with the government. The county's policy does not allow for the accumulation of unused vacation days beyond the fiscal year.

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.

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

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2005, the General Fund had \$6,761 designated for the purchase of patrol cars.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Sheriff's Department (\$21,737) and Jail (\$51,380) major appropriation categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

B. 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	\$ 422
General Debt Service	Highway/Public Works	3,760

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
Primary government:	Component unit:	
General Debt Service	School Department:	
	General Purpose School	\$ 157,905

The receivable in the General Debt Service Fund was in transit from the General Purpose School Fund at June 30, 2005.

Interfund Transfers:

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

Transfers Out	Transfers In General Debt Service Fund
Highway/Public Works Fund	\$ 69,107
Nonmajor governmental fund	21,140
Total	<u>\$ 90,247</u>

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

C. Operating Leases

Lewis County leases office equipment. The lease expenditures for the year ended June 30, 2005, were \$403 for the governmental funds. The lease agreements provide for termination on July 1 of any year in which the county fails to appropriate funds to meet lease payments. There are no provisions for contingent or subleases in the agreements. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2006	\$ 1,610
2007	1,610
2008	1,610
2009	1,610
2010	1,206
Total	<u>\$ 7,646</u>

D. Long-term Debt

Since Lewis 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 Lewis County is not presenting government-wide financial statements.

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 14 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds - Refunding	2.75 to 3.85%	\$ 4,780,000	\$ 3,555,000
Capital Outlay Notes	0 to 4.9	2,034,451	1,483,997

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 490,000	\$ 123,402	\$ 274,463	\$ 47,054
2007	545,000	107,185	242,933	40,091
2008	560,000	88,108	234,933	33,458
2009	580,000	67,860	238,334	26,617
2010	150,000	46,230	238,334	19,551
2011-2015	845,000	151,923	255,000	25,320
2016-2017	385,000	19,430	0	0
Total	\$ 3,555,000	\$ 604,138	\$ 1,483,997	\$ 192,091

There is \$349,202 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$313, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$443, 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:

	Bonds	Notes
Governmental Activities:		
Balance, July 1, 2004	\$ 4,030,000	\$ 1,851,220
Deductions	(475,000)	(367,223)
Balance, June 30, 2005	\$ 3,555,000	\$ 1,483,997
Balance Due Within One Year	\$ 490,000	\$ 274,463

IV. OTHER INFORMATION

A. Risk Management

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

Lewis County decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. Lewis County joined the Local Government Workers' Compensation Fund (LWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. Lewis County pays annual premiums to the LWCF for its workers' compensation coverage. The creation of the LWCF provides for it to be self-sustaining through member premiums.

B. Accounting Change

During the year, Lewis County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment 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 sheriff has filed suit against the county seeking funds for additional deputies and equipment. In the event the court awarded all the additional deputies and equipment sought by the sheriff's lawsuit, the Sheriff's Department budget would increase by approximately \$400,000.

There are several other pending lawsuits in which the county is involved. The county attorney and officials estimate that potential claims against the county that are not covered by insurance but resulting from such litigation would not materially affect the county's financial statements.

D. Joint Ventures

The Hohenwald/Lewis County Economic Development Council is a joint venture between Lewis County and the City of Hohenwald. The council comprises the mayor of the City of Hohenwald, the mayor of Lewis County, and the president of the Lewis County Chamber of Commerce. The purpose of the council is to expand and diversify the economy of the City of Hohenwald and Lewis County. The city and county provide the majority of the funding for the council. Lewis County contributed \$26,000 to the Hohenwald/Lewis County Economic Development Council during the 2004-05 year.

The Joint Economic and Community Development Board of Lewis County is a joint venture between Lewis County and the City of Hohenwald. The board comprises the mayor of the City of Hohenwald, the mayor of Lewis County, the president of the Lewis County Chamber of Commerce, a private citizen who owns greenbelt property, and a local industry representative. The purpose of the board is to develop, recommend, and direct a strategic plan of policies and action that improve the economic well-being of the community and those activities and services that support economic growth and improve the quality of life of the community's members. The city and county provide the majority of funding for the board based on the percentage of their population compared to the total census of the county. Lewis County did not appropriate any funds to the Joint Economic and Community Development Board of Lewis County during the 2004-05 year.

The Twenty-First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-First Judicial District, Williamson, Lewis, Hickman, and Perry

Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Lewis County did not appropriate any funds to the DTF for the year ended June 30, 2005.

Lewis County does not retain an equity interest in any of the above-noted joint ventures.

Complete financial statements for the Twenty-First Judicial District Drug Task Force can be obtained from its administrative office at the following address:

Administrative Office:

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

E. Jointly Governed Organization

Lewis County, in conjunction with Hickman, Perry, and Wayne Counties, and the cities of Hohenwald, Centerville, Waynesboro, and Linden, has created the South Central Tennessee Railroad Authority (SCTRA). The SCTRA's board comprises 16 members, consisting of the county mayors, city mayors, and appointed members from the respective County Commissions and City Councils. Lewis County does not have any ongoing financial interest or responsibility for the entity, and the county did not appropriate any funds to the SCTRA during the audit period. Funding sources for the SCTRA are lease payments, switching fees, interest, and grants.

F. Retirement Commitments

Plan Description

Employees of Lewis 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 Lewis 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

County Officials

Lewis County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 3.64 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lewis County is established and may be amended by the TCRS Board of Trustees.

Highway Department Employees

Lewis County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 16.78 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lewis County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

County Officials

For the year ended June 30, 2005, Lewis County's annual pension cost of \$15,980 to TCRS was equal to the 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. Lewis 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 19 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$15,980	100%	\$0
6-30-04	11,352	100	0
6-30-03	11,150	100	0

Highway Department Employees

For the year ended June 30, 2005, Lewis County's annual pension cost of \$78,093 to TCRS was equal to the 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. Lewis 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 Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$78,093	100%	\$0
6-30-04	65,292	100	0
6-30-03	68,106	100	0

Required Supplementary Information
Schedule of Funding Progress for Lewis County

County Officials

(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 ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
6-30-03	\$1,231	\$1,281	\$50	96.10%	\$386	12.95%
6-30-01	1,064	1,119	55	95.08	393	13.99
6-30-99	924	952	28	97.06	371	7.55

Highway Department Employees

(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 ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
6-30-03	\$1,060	\$1,455	\$395	72.85%	\$446	88.57%
6-30-01	973	1,412	439	68.91	408	107.60
6-30-99	874	1,288	414	67.86	449	92.17

G. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 395, Private Acts of 1937, as amended, and provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which provide for purchases exceeding \$10,000 to be made after public advertisement, solicitation of competitive bids, and approval by the county Highway Advisory Commission.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,812,406	\$ 0	\$ 1,812,406	\$ 1,787,489	\$ 1,787,489	\$ 24,917
Licenses and Permits	1,915	0	1,915	1,725	1,725	190
Fines, Forfeitures, and Penalties	74,989	0	74,989	60,475	60,475	14,514
Charges for Current Services	62,973	0	62,973	46,950	48,569	14,404
Other Local Revenues	97,072	0	97,072	76,200	86,005	11,067
Fees Received from County Officials	434,328	0	434,328	417,000	417,000	17,328
State of Tennessee	617,433	0	617,433	682,269	711,958	(94,525)
Federal Government	101,518	0	101,518	85,443	124,583	(23,065)
Other Governments and Citizens Groups	45,783	0	45,783	10,000	34,202	11,581
Total Revenues	\$ 3,248,417	\$ 0	\$ 3,248,417	\$ 3,167,551	\$ 3,272,006	\$ (23,589)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 50,174	\$ 0	\$ 50,174	\$ 55,624	\$ 55,624	\$ 5,450
Board of Equalization	600	0	600	1,000	1,000	400
County Mayor	94,247	0	94,247	101,897	102,895	8,648
County Attorney	6,733	0	6,733	10,000	10,000	3,267
Election Commission	57,035	0	57,035	62,746	62,746	5,711
Register of Deeds	75,124	0	75,124	73,148	80,148	5,024
Building	64,611	0	64,611	0	64,611	0
Geographical Information Systems	30,691	0	30,691	35,169	35,168	4,477
County Buildings	169,971	0	169,971	199,733	198,735	28,764
Risk Management	15,339	0	15,339	25,060	25,060	9,721
<u>Finance</u>						
Property Assessor's Office	75,583	0	75,583	74,160	76,065	482
Reappraisal Program	18,671	0	18,671	16,835	18,683	12
County Trustee's Office	98,496	0	98,496	99,479	99,479	983

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 83,657	\$ 0	\$ 83,657	\$ 87,728	\$ 87,728	\$ 4,071
<u>Administration of Justice</u>						
Circuit Court	61,019	(5,000)	56,019	62,590	62,870	6,851
General Sessions Judge	69,191	0	69,191	70,622	70,622	1,431
General Sessions Court Clerk	54,008	(6,209)	47,799	51,854	51,854	4,055
Chancery Court	71,449	0	71,449	74,317	74,317	2,868
Judicial Commissioners	18,392	0	18,392	19,864	19,864	1,472
<u>Public Safety</u>						
Sheriff's Department	481,953	0	481,953	449,947	460,216	(21,737)
Jail	444,225	0	444,225	391,701	392,845	(51,380)
Juvenile Services	11,310	0	11,310	11,524	11,524	214
Fire Prevention and Control	19,000	0	19,000	19,000	19,000	0
Civil Defense	3,121	0	3,121	22,000	22,971	19,850
Other Emergency Management	23,295	0	23,295	10,383	23,338	43
County Coroner/Medical Examiner	5,663	0	5,663	7,084	7,084	1,421
<u>Public Health and Welfare</u>						
Local Health Center	81,284	0	81,284	97,976	97,976	16,692
Ambulance/Emergency Medical Services	81,120	0	81,120	81,120	81,120	0
Other Local Health Services	23,796	0	23,796	114,800	114,800	91,004
Regional Mental Health Center	7,500	0	7,500	7,500	7,500	0
Sanitation Education/Information	31,881	0	31,881	31,737	32,237	356
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	23,348	0	23,348	18,000	24,834	1,486
Libraries	66,230	0	66,230	66,786	66,972	742
Parks and Fair Boards	96,202	0	96,202	97,962	99,962	3,760

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	\$ 35,079	\$ 0	\$ 35,079	\$ 36,091	\$ 36,091	\$ 1,012
Soil Conservation	14,000	0	14,000	14,000	14,000	0
<u>Other Operations</u>						
Housing and Urban Development	46,926	0	46,926	50,000	58,000	11,074
Other Economic and Community Development	28,840	0	28,840	29,968	32,968	4,128
Airport	130,890	0	130,890	102,160	161,314	30,424
Veterans' Services	3,037	0	3,037	3,320	3,320	283
Contributions to Other Agencies	852	0	852	1,100	1,100	248
Employee Benefits	266,803	0	266,803	264,400	270,400	3,597
Payments to Cities	233	0	233	0	233	0
Miscellaneous	106,114	0	106,114	94,470	106,679	565
<u>Instruction</u>						
Adult Education Program	5,800	0	5,800	5,800	5,800	0
<u>Capital Projects</u>						
Public Utility Projects	32,684	0	32,684	0	32,685	1
Total Expenditures	\$ 3,186,177	\$ (11,209)	\$ 3,174,968	\$ 3,150,655	\$ 3,382,438	\$ 207,470
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 62,240	\$ 11,209	\$ 73,449	\$ 16,896	\$ (110,432)	\$ 183,881
Net Change in Fund Balance						
Fund Balance, July 1, 2004	\$ 485,812	(11,209)	474,603	486,900	486,900	(12,297)
Fund Balance, June 30, 2005						
	\$ 548,052	0	\$ 548,052	\$ 503,796	\$ 376,468	\$ 171,584

Exhibit D-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 97,032	\$ 0	\$ 97,032	\$ 98,515	\$ 98,515	\$ (1,483)
Other Local Revenues	14,363	0	14,363	0	0	14,363
State of Tennessee	1,666,196	0	1,666,196	1,657,115	1,607,115	59,081
Federal Government	179,877	0	179,877	0	179,980	(103)
Other Governments and Citizens Groups	17,577	0	17,577	0	0	17,577
Total Revenues	<u>\$ 1,975,045</u>	<u>\$ 0</u>	<u>\$ 1,975,045</u>	<u>\$ 1,755,630</u>	<u>\$ 1,885,610</u>	<u>\$ 89,435</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 155,383	\$ 0	\$ 155,383	\$ 159,693	\$ 159,693	\$ 4,310
Highway and Bridge Maintenance	849,668	0	849,668	675,748	855,728	6,060
Operation and Maintenance of Equipment	227,541	0	227,541	246,018	246,018	18,477
Other Charges	78,493	0	78,493	77,980	78,780	287
Employee Benefits	206,996	0	206,996	182,500	207,500	504
Capital Outlay	612,910	(90,187)	522,723	413,691	608,771	86,048
Total Expenditures	<u>\$ 2,130,991</u>	<u>\$ (90,187)</u>	<u>\$ 2,040,804</u>	<u>\$ 1,755,630</u>	<u>\$ 2,156,490</u>	<u>\$ 115,686</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (155,946)</u>	<u>\$ 90,187</u>	<u>\$ (65,759)</u>	<u>\$ 0</u>	<u>\$ (270,880)</u>	<u>\$ 205,121</u>
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (69,107)	\$ 0	\$ (69,107)	\$ 0	\$ (69,107)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (69,107)</u>	<u>\$ 0</u>	<u>\$ (69,107)</u>	<u>\$ 0</u>	<u>\$ (69,107)</u>	<u>\$ 0</u>

(Continued)

Exhibit D-2

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (225,053)	\$ 90,187	\$ (134,866)	\$ 0	\$ (339,987)	\$ 205,121
Fund Balance, July 1, 2004	1,044,378	(90,187)	954,191	994,375	994,375	(40,184)
Fund Balance, June 30, 2005	\$ 819,325	\$ 0	\$ 819,325	\$ 994,375	\$ 654,388	\$ 164,937

LEWIS 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, Board of Equalization, 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. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Sheriff's Department (\$21,737) and Jail (\$51,380) major appropriation categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

**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 transactions relating to Lewis County’s waste disposal program.

Special Purpose Fund – The Special Purpose Fund is used to account for the accumulation of resources for future projects.

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

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

Capital Projects Fund

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

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

Exhibit E-1

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

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Total	Highway Capital Projects	
<u>ASSETS</u>							
Cash	\$ 200	\$ 0	\$ 0	\$ 422	\$ 622	\$ 0	622
Equity in Pooled Cash and Investments	183,247	253,016	23,296	0	459,559	0	459,559
Accounts Receivable	31,684	0	0	0	31,684	0	31,684
Property Taxes Receivable	0	0	0	0	0	40,527	40,527
Allowance for Uncollectible Property Taxes	0	0	0	0	0	(805)	(805)
Total Assets	\$ 215,131	\$ 253,016	\$ 23,296	\$ 422	\$ 491,865	\$ 39,722	\$ 531,587
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 422	\$ 422	\$ 0	422
Deferred Revenue - Current Property Taxes	0	0	0	0	0	39,722	39,722
Other Deferred Revenues	22,605	0	0	0	22,605	0	22,605
Total Liabilities	\$ 22,605	\$ 0	\$ 0	\$ 422	\$ 23,027	\$ 39,722	\$ 62,749
<u>Fund Balances</u>							
Reserved for Other General Purposes	\$ 73,863	\$ 0	\$ 0	\$ 0	\$ 73,863	\$ 0	73,863
Unreserved	118,663	253,016	23,296	0	394,975	0	394,975
Total Fund Balances	\$ 192,526	\$ 253,016	\$ 23,296	\$ 0	\$ 468,838	\$ 0	\$ 468,838
Total Liabilities and Fund Balances	\$ 215,131	\$ 253,016	\$ 23,296	\$ 422	\$ 491,865	\$ 39,722	\$ 531,587

Exhibit E-2

Lewis 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					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Total	
<u>Revenues</u>						
Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 21,396	\$ 0	\$ 21,396	\$ 21,396
Charges for Current Services	452,868	0	0	361	453,229	453,229
Other Local Revenues	19,508	1,328	0	0	20,836	20,836
State of Tennessee	8,200	0	0	0	8,200	8,200
Total Revenues	\$ 480,576	\$ 1,328	\$ 21,396	\$ 361	\$ 503,661	\$ 503,661
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 10	\$ 10	\$ 10
Administration of Justice	0	0	0	295	295	295
Public Safety	0	0	33,338	56	33,394	33,394
Public Health and Welfare	414,932	0	0	0	414,932	414,932
Other Operations	25,591	0	0	0	25,591	25,591
Capital Projects	160	0	0	0	160	160
Total Expenditures	\$ 440,683	\$ 0	\$ 33,338	\$ 361	\$ 474,382	\$ 474,382
Excess (Deficiency) of Revenues Over Expenditures	\$ 39,893	\$ 1,328	\$ (11,942)	\$ 0	\$ 29,279	\$ 29,279
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (21,140)	\$ 0	\$ 0	\$ 0	\$ (21,140)	\$ (21,140)
Total Other Financing Sources (Uses)	\$ (21,140)	\$ 0	\$ 0	\$ 0	\$ (21,140)	\$ (21,140)
Net Change in Fund Balances	\$ 18,753	\$ 1,328	\$ (11,942)	\$ 0	\$ 8,139	\$ 8,139
Fund Balance, July 1, 2004	173,773	251,688	35,238	0	460,699	460,699
Fund Balance, June 30, 2005	\$ 192,526	\$ 253,016	\$ 23,296	\$ 0	\$ 468,838	\$ 468,838

Exhibit E-3

Lewis County, Tennessee
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	\$ 452,868	\$ 444,300	\$ 444,300	\$ 8,568
Other Local Revenues	19,508	13,400	13,400	6,108
State of Tennessee	8,200	8,744	8,744	(544)
Total Revenues	<u>\$ 480,576</u>	<u>\$ 466,444</u>	<u>\$ 466,444</u>	<u>\$ 14,132</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Transfer Stations	\$ 389,210	\$ 365,405	\$ 392,183	\$ 2,973
Landfill Operation and Maintenance	25,722	32,032	32,032	6,310
<u>Other Operations</u>				
Employee Benefits	21,009	20,700	21,700	691
Miscellaneous	4,582	4,500	4,582	0
<u>Capital Projects</u>				
General Administration Projects	160	5,000	4,918	4,758
Total Expenditures	<u>\$ 440,683</u>	<u>\$ 427,637</u>	<u>\$ 455,415</u>	<u>\$ 14,732</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 39,893</u>	<u>\$ 38,807</u>	<u>\$ 11,029</u>	<u>\$ 28,864</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (21,140)	\$ (21,179)	\$ (21,179)	\$ 39
Total Other Financing Sources (Uses)	<u>\$ (21,140)</u>	<u>\$ (21,179)</u>	<u>\$ (21,179)</u>	<u>\$ 39</u>
Net Change in Fund Balance	\$ 18,753	\$ 17,628	\$ (10,150)	\$ 28,903
Fund Balance, July 1, 2004	<u>173,773</u>	<u>189,992</u>	<u>189,992</u>	<u>(16,219)</u>
Fund Balance, June 30, 2005	<u>\$ 192,526</u>	<u>\$ 207,620</u>	<u>\$ 179,842</u>	<u>\$ 12,684</u>

Exhibit E-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,328	\$ 1,000	\$ 1,000	\$ 328
Total Revenues	<u>\$ 1,328</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 328</u>
Total Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,328</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 328</u>
Net Change in Fund Balance	\$ 1,328	\$ 1,000	\$ 1,000	\$ 328
Fund Balance, July 1, 2004	<u>251,688</u>	<u>251,688</u>	<u>251,688</u>	<u>0</u>
Fund Balance, June 30, 2005	<u><u>\$ 253,016</u></u>	<u><u>\$ 252,688</u></u>	<u><u>\$ 252,688</u></u>	<u><u>\$ 328</u></u>

Exhibit E-5

Lewis 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	\$ 21,396	\$ 9,850	\$ 9,850	\$ 11,546
Other Local Revenues	0	0	2,500	(2,500)
Total Revenues	<u>\$ 21,396</u>	<u>\$ 9,850</u>	<u>\$ 12,350</u>	<u>\$ 9,046</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 33,338	\$ 17,000	\$ 42,897	\$ 9,559
Total Expenditures	<u>\$ 33,338</u>	<u>\$ 17,000</u>	<u>\$ 42,897</u>	<u>\$ 9,559</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,942)</u>	<u>\$ (7,150)</u>	<u>\$ (30,547)</u>	<u>\$ 18,605</u>
Net Change in Fund Balance	\$ (11,942)	\$ (7,150)	\$ (30,547)	\$ 18,605
Fund Balance, July 1, 2004	<u>35,238</u>	<u>35,238</u>	<u>35,238</u>	<u>0</u>
Fund Balance, June 30, 2005	<u>\$ 23,296</u>	<u>\$ 28,088</u>	<u>\$ 4,691</u>	<u>\$ 18,605</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

Lewis 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	\$ 542,948	\$ 570,226	\$ 520,226	\$ 22,722
Other Local Revenues	97,692	97,700	97,700	(8)
Other Governments and Citizens Groups	343,709	0	343,709	0
Total Revenues	<u>\$ 984,349</u>	<u>\$ 667,926</u>	<u>\$ 961,635</u>	<u>\$ 22,714</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 9,029	\$ 10,500	\$ 10,500	\$ 1,471
<u>Principal</u>				
General Government	326,110	297,776	326,110	0
Education	516,113	515,950	516,113	0
<u>Interest</u>				
General Government	54,288	54,943	54,779	491
Education	138,894	139,036	139,036	142
<u>Other Debt Service</u>				
General Government	540	500	550	10
Education	1,590	1,200	1,600	10
Total Expenditures	<u>\$ 1,046,564</u>	<u>\$ 1,019,905</u>	<u>\$ 1,048,688</u>	<u>\$ 2,124</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (62,215)</u>	<u>\$ (351,979)</u>	<u>\$ (87,053)</u>	<u>\$ 24,838</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 90,247	\$ 429,475	\$ 85,766	\$ 4,481
Transfers Out	0	(50,000)	0	0
Total Other Financing Sources (Uses)	<u>\$ 90,247</u>	<u>\$ 379,475</u>	<u>\$ 85,766</u>	<u>\$ 4,481</u>
Net Change in Fund Balance	\$ 28,032	\$ 27,496	\$ (1,287)	\$ 29,319
Fund Balance, July 1, 2004	<u>321,170</u>	<u>321,121</u>	<u>321,121</u>	<u>49</u>
Fund Balance, June 30, 2005	<u>\$ 349,202</u>	<u>\$ 348,617</u>	<u>\$ 319,834</u>	<u>\$ 29,368</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.

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

	Agency Funds		
	Cities - Sales Tax	Constitu - tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 439,300	\$ 439,300
Due from Other Governments	101,277	0	101,277
Total Assets	<u>\$ 101,277</u>	<u>\$ 439,300</u>	<u>\$ 540,577</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 101,277	\$ 0	\$ 101,277
Due to Litigants, Heirs, and Others	0	439,300	439,300
Total Liabilities	<u>\$ 101,277</u>	<u>\$ 439,300</u>	<u>\$ 540,577</u>

Exhibit G-2

Lewis 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	\$ 683,973	\$ 683,973	\$ 0
Due From Other Governments	97,006	101,277	97,006	101,277
Total Assets	\$ 97,006	\$ 785,250	\$ 780,979	\$ 101,277
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 97,006	\$ 785,250	\$ 780,979	\$ 101,277
Total Liabilities	\$ 97,006	\$ 785,250	\$ 780,979	\$ 101,277
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 368,139	\$ 2,242,479	\$ 2,171,318	\$ 439,300
Total Assets	\$ 368,139	\$ 2,242,479	\$ 2,171,318	\$ 439,300
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 368,139	\$ 2,242,479	\$ 2,171,318	\$ 439,300
Total Liabilities	\$ 368,139	\$ 2,242,479	\$ 2,171,318	\$ 439,300
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 683,973	\$ 683,973	\$ 0
Cash	492,435	2,242,479	2,171,318	439,300
Due From Other Governments	95,175	101,277	97,006	101,277
Total Assets	\$ 587,610	\$ 3,027,729	\$ 2,952,297	\$ 540,577
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 97,006	\$ 785,250	\$ 780,979	\$ 101,277
Due to Litigants, Heirs, and Others	368,139	2,242,479	2,171,318	439,300
Total Liabilities	\$ 465,145	\$ 3,027,729	\$ 2,952,297	\$ 540,577

MISCELLANEOUS SCHEDULES

Exhibit H-1

Lewis County, Tennessee
Schedule of Changes in Long-Term Notes 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	Paid and/or Matured During Period	Outstanding 6-30-05
NOTES PAYABLE							
<u>Payable through General Debt Service Fund</u>							
Courthouse and Schools	\$ 96,000	0	% 9-8-1997	9-8-07	\$ 30,400	\$ 9,600	\$ 20,800
County Buildings Renovations	850,000	3.5 to 4.9	7-1-01	6-1-13	675,000	65,000	610,000
Highway Equipment	72,620	2.75	1-14-03	7-14-04	36,310	36,310	0
Sheriff Vehicles	85,000	3.25	1-14-03	1-14-05	56,667	56,667	0
School Land	108,451	1.5	6-17-03	6-17-06	72,843	36,313	36,530
Public Works Projects and Refunding	980,000	2.26	6-11-04	6-10-10	980,000	163,333	816,667
Total Notes Payable					<u>\$ 1,851,220</u>	<u>\$ 367,223</u>	<u>\$ 1,483,997</u>
BONDS PAYABLE							
<u>Payable through General Debt Service Fund</u>							
School Refunding	2,810,000	2.75 to 3.85	10-1-01	3-1-09	\$ 2,060,000	\$ 85,000	\$ 1,975,000
School Refunding	1,970,000	3.35	5-1-03	5-1-17	1,970,000	390,000	1,580,000
Total Bonds Payable					<u>\$ 4,030,000</u>	<u>\$ 475,000</u>	<u>\$ 3,555,000</u>

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 490,000	\$ 123,402	\$ 613,402
2007	545,000	107,185	652,185
2008	560,000	88,108	648,108
2009	580,000	67,860	647,860
2010	150,000	46,230	196,230
2011	155,000	41,205	196,205
2012	160,000	36,013	196,013
2013	170,000	30,652	200,652
2014	175,000	24,958	199,958
2015	185,000	19,095	204,095
2016	190,000	12,897	202,897
2017	195,000	6,533	201,533
Total	\$ 3,555,000	\$ 604,138	\$ 4,159,138

Exhibit H-3

Lewis 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>
Solid Waste/Sanitation	General Debt Service	To provide funds for retirement of debt	\$ 21,140
Highway/Public Works	General Debt Service	To provide funds for retirement of debt	<u>69,107</u>
Total			<u>\$ 90,247</u>

Exhibit H-4

Lewis 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	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 65,003 (1)	\$ 25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	52,765	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	42,469	373,500	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	47,969	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Circuit and General Sessions Courts Clerk and Master	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	42,719 (2)	25,000	"
Register	Section 8-24-102, <u>TCA</u>	42,469	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	53,234 (3)	25,000	"
<u>Other Bonds</u>				
Lewis County Employees			150,000	Local Government Property and Casualty Fund

- (1) Includes \$6,000 for serving as chairman of the County Commission and \$3,600 for serving as chairman of the Highway Commission.
(2) Includes special commissioner fees of \$250.
(3) Includes \$6,000 for serving as workhouse superintendent and a law enforcement training supplement of \$519.

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,231,794	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,028	\$ 192,305	\$ 1,505,127
Trustee's Collections - Prior Year	27,856	0	0	0	0	2,132	5,055	35,043
Circuit/Clerk & Master Collections - Prior Years	29,241	0	0	0	0	1,962	4,556	35,759
Interest and Penalty	8,263	0	0	0	0	528	1,305	10,096
Payments in Lieu of Taxes - T.V.A.	5,526	0	0	0	0	349	830	6,705
Payments in Lieu of Taxes - Local Utilities	123,202	0	0	0	0	8,127	19,287	150,616
Payments in Lieu of Taxes - Other	4,469	0	0	0	0	0	0	4,469
<u>County Local Option Taxes</u>								
Local Option Sales Tax	41,483	0	0	0	0	0	313,539	355,022
Hotel/Motel Tax	12,020	0	0	0	0	0	0	12,020
Wheel Tax	210,295	0	0	0	0	0	0	210,295
Litigation Tax - General	30,775	0	0	0	0	0	0	30,775
Litigation Tax - Special Purpose	3,138	0	0	0	0	0	0	3,138
Litigation Tax - Jail, Workhouse, or Courthouse	12,013	0	0	0	0	0	0	12,013
Litigation Tax - Victim/Offender Mediation Center	852	0	0	0	0	0	0	852
Business Tax	31,286	0	0	0	0	2,355	4,760	38,401
<u>Statutory Local Taxes</u>								
Bank Excise Tax	8,377	0	0	0	0	551	1,311	10,239
Wholesale Beer Tax	30,456	0	0	0	0	0	0	30,456
Interstate Telecommunications Tax	1,360	0	0	0	0	0	0	1,360
Total Local Taxes	\$ 1,812,406	\$ 0	\$ 0	\$ 0	\$ 0	\$ 97,032	\$ 542,948	\$ 2,452,386
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 1,297	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,297
<u>Permits</u>								
Beer Permits	618	0	0	0	0	0	0	618
Total Licenses and Permits	\$ 1,915	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,915
<u>Fines, Forfeitures and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 7,781	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,781

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Officers Costs	\$ 4,773	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,773
Drug Control Fines	0	0	0	6,766	0	0	0	6,766
Drug Court Fees	330	0	0	0	0	0	0	330
Jail Fees	3,592	0	0	0	0	0	0	3,592
DUI Treatment Fines	798	0	0	0	0	0	0	798
Data Entry Fee - Circuit Court	208	0	0	0	0	0	0	208
<u>General Sessions Court</u>								
Fines	17,403	0	0	0	0	0	0	17,403
Officers Costs	12,745	0	0	0	0	0	0	12,745
Game and Fish Fines	891	0	0	0	0	0	0	891
Drug Control Fines	0	0	0	8,631	0	0	0	8,631
Drug Court Fees	2,840	0	0	0	0	0	0	2,840
Jail Fees	6,276	0	0	0	0	0	0	6,276
DUI Treatment Fines	5,206	0	0	0	0	0	0	5,206
Data Entry Fee - General Sessions Court	2,135	0	0	0	0	0	0	2,135
<u>Juvenile Court</u>								
Fines	4,336	0	0	0	0	0	0	4,336
Drug Court Fees	281	0	0	0	0	0	0	281
<u>Chancery Court</u>								
Officers Costs	4,171	0	0	0	0	0	0	4,171
Data Entry Fee - Chancery Court	1,223	0	0	0	0	0	0	1,223
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	5,999	0	0	0	5,999
Total Fines, Forfeitures and Penalties	\$ 74,989	\$ 0	\$ 0	\$ 21,396	\$ 0	\$ 0	\$ 0	96,385
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Transfer Waste Stations Collection Charge	\$ 0	\$ 6,230	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,230
Solid Waste Disposal Fee	0	446,638	0	0	0	0	0	446,638
Work Release Charges for Board	38,455	0	0	0	0	0	0	38,455
Other General Service Charges	1,725	0	0	0	0	0	0	1,725

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees</u>								
Airport Fees	\$ 7,780	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,780
Library Fees	22	0	0	0	0	0	0	22
Telephone Commissions	6,973	0	0	0	0	0	0	6,973
Vending Machine Collections	294	0	0	0	0	0	0	294
Constitutional Officers' Fees and Commissions	0	0	0	0	111	0	0	111
Special Commissioner Fees/Special Master Fees	0	0	0	0	250	0	0	250
Data Processing Fee - Register	5,766	0	0	0	0	0	0	5,766
Data Processing Fee - Sheriff	1,658	0	0	0	0	0	0	1,658
Sexual Offender Registration Fee	300	0	0	0	0	0	0	300
Total Charges for Current Services	\$ 62,973	\$ 452,868	\$ 0	\$ 0	\$ 361	\$ 0	\$ 0	\$ 516,202
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 19,518	\$ 0	\$ 1,328	\$ 0	\$ 0	\$ 0	\$ 16,000	\$ 36,846
Lease/Rentals	1,400	0	0	0	0	0	81,692	83,092
Sale of Materials and Supplies	909	0	0	0	0	0	0	909
Sale of Gasoline	8,666	0	0	0	0	0	0	8,666
Sale of Recycled Materials	0	15,379	0	0	0	0	0	15,379
Miscellaneous Refunds	7,634	5	0	0	0	1,716	0	9,355
<u>Nonrecurring Items</u>								
Insurance Recovery	235	4,004	0	0	0	5,374	0	9,613
Sale of Equipment	3,800	120	0	0	0	7,273	0	11,193
Sale of Property	3,700	0	0	0	0	0	0	3,700
<u>Other Local Revenues</u>								
Other Local Revenues	51,210	0	0	0	0	0	0	51,210
Total Other Local Revenues	\$ 97,072	\$ 19,508	\$ 1,328	\$ 0	\$ 0	\$ 14,363	\$ 97,692	\$ 229,963
<u>Fees Received from County Officials</u>								
<u>Fees In Lieu of Salary</u>								
County Clerk	\$ 86,282	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,282
Circuit Court Clerk	50,865	0	0	0	0	0	0	50,865
General Sessions Court Clerk	52,820	0	0	0	0	0	0	52,820

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees In Lieu of Salary (Cont.)</u>								
Clerk and Master	\$ 52,922	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	52,922
Register	68,113	0	0	0	0	0	0	68,113
Sheriff	6,549	0	0	0	0	0	0	6,549
Trustee	116,777	0	0	0	0	0	0	116,777
Total Fees Received from County Officials	\$ 434,328	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	434,328
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Airport Maintenance Program	15,531	0	0	0	0	0	0	15,531
State Reappraisal Grant	4,578	0	0	0	0	0	0	4,578
Other General Government Grants	39,400	0	0	0	0	0	0	39,400
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	4,150	0	0	0	0	0	0	4,150
<u>Health and Welfare Grants</u>								
Health Department Programs	28,123	0	0	0	0	0	0	28,123
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	0	129,904	0	129,904
State Aid Program	0	0	0	0	0	115,420	0	115,420
Litter Program	27,265	0	0	0	0	0	0	27,265
<u>Other State Revenues</u>								
Income Tax	703	0	0	0	0	0	0	703
Beer Tax	16,778	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	17,683	0	0	0	0	0	0	17,683
State Revenue Sharing - T.V.A.	175,027	0	0	0	0	32,000	0	207,027
Contracted Prisoner Boarding	262,815	0	0	0	0	0	0	262,815
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,378,966	0	1,378,966
Petroleum Special Tax	0	0	0	0	0	9,906	0	9,906
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	0	8,200	0	0	0	0	0	8,200
Total State of Tennessee	\$ 617,433	\$ 8,200	\$ 0	\$ 0	\$ 0	\$ 1,666,196	\$ 0	2,291,829

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 32,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,500
Homeland Security Grants	34,130	0	0	0	0	0	0	34,130
Other Federal through State	0	0	0	0	0	99,154	0	99,154
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	34,888	0	0	0	0	80,723	0	115,611
Total Federal Government	\$ 101,518	\$ 0	\$ 0	\$ 0	\$ 0	179,877	\$ 0	\$ 281,395
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	17,577	\$ 0	17,577
Contributions	0	0	0	0	0	0	343,709	343,709
<u>Citizens Groups</u>								
Donations	22,492	0	0	0	0	0	0	22,492
<u>Other</u>								
Other	23,291	0	0	0	0	0	0	23,291
Total Other Governments and Citizens Groups	\$ 45,783	\$ 0	\$ 0	\$ 0	\$ 0	17,577	\$ 343,709	\$ 407,069
Total	\$ 3,248,417	\$ 480,576	\$ 1,328	\$ 21,396	\$ 361	\$ 1,975,045	\$ 984,349	\$ 6,711,472

Exhibit H-6

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

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	6,000	
Secretary to Board		1,200	
Data Processing Personnel		3,024	
Board and Committee Members Fees		29,100	
Audit Services		2,654	
Dues and Memberships		2,327	
Legal Notices, Recording and Court Costs		94	
Printing, Stationery and Forms		200	
Travel		5,036	
Food Supplies		507	
Other Charges		32	
Total County Commission			\$ 50,174

Board of Equalization

Board and Committee Members Fees	\$	600	
Total Board of Equalization			600

County Mayor

County Official/Administrative Officer	\$	55,403	
Assistant(s)		21,452	
Part-time Personnel		1,112	
Other Salaries & Wages		3,600	
Data Processing Services		4,742	
Dues and Memberships		1,075	
Legal Notices, Recording and Court Costs		23	
Maintenance & Repair Services- Office Equipment		201	
Printing, Stationery and Forms		2,193	
Travel		2,341	
Office Supplies		981	
Periodicals		26	
Premiums on Corporate Surety Bonds		100	
Data Processing Equipment		998	
Total County Mayor			94,247

County Attorney

Contracts with Private Agencies	\$	5,700	
Dues and Memberships		100	
Legal Services		933	
Total County Attorney			6,733

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	38,375	
Part-time Personnel		2,680	
Election Commission		3,540	
Election Workers		6,053	
In-Service Training		845	
Data Processing Services		881	
Legal Notices, Recording and Court Costs		869	
Printing, Stationery and Forms		1,131	
Rentals		800	
Other Contracted Services		1,074	
Office Supplies		787	
Total Election Commission			\$ 57,035

Register of Deeds

County Official/Administrative Officer	\$	42,469	
Secretary(s)		20,312	
Part-time Personnel		3,700	
Data Processing Services		6,067	
Dues and Memberships		352	
Printing, Stationery and Forms		1,570	
Office Supplies		604	
Premiums on Corporate Surety Bonds		50	
Total Register of Deeds			75,124

Building

Maintenance & Repair Services- Buildings	\$	30,066	
Contracts for Development Costs		11,295	
Concrete		18,968	
Crushed Stone		1,071	
Other Road Supplies		1,900	
Pipe		873	
Road Signs		238	
Synthetic Membrane		200	
Total Building			64,611

Geographical Information Systems

Data Processing Personnel	\$	21,264	
In-Service Training		750	
Maintenance Agreements		7,200	
Maintenance & Repair Services- Equipment		600	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Geographical Information Systems (Cont.)

Data Processing Supplies	\$ 877	
Total Geographical Information Systems		\$ 30,691

County Buildings

Supervisor/Director	\$ 21,600	
Custodial Personnel	16,306	
Maintenance Personnel	19,679	
Communication	26,116	
Maintenance Agreements	4,051	
Maintenance & Repair Services- Buildings	17,681	
Maintenance & Repair Services- Equipment	2,765	
Postal Charges	13,501	
Printing, Stationery and Forms	85	
Other Contracted Services	740	
Custodial Supplies	4,188	
Diesel Fuel	90	
Food Supplies	1,677	
Gasoline	692	
Ice	1,315	
Office Supplies	310	
Other Road Supplies	300	
Periodicals	78	
Propane Gas	726	
Tires and Tubes	292	
Utilities	32,515	
Furniture and Fixtures	682	
Maintenance Equipment	4,272	
Office Equipment	310	
Total County Buildings		169,971

Risk Management

Data Processing Personnel	\$ 9,831	
Travel	158	
Data Processing Equipment	5,350	
Total Risk Management		15,339

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 42,469
Assistant(s)	19,924

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Audit Services	\$	7,905	
Data Processing Services		1,889	
Dues and Memberships		1,133	
Legal Notices, Recording and Court Costs		176	
Travel		965	
Data Processing Supplies		158	
Office Supplies		889	
Premiums on Corporate Surety Bonds		75	
Total Property Assessor's Office			\$ 75,583

Reappraisal Program

County Official/Administrative Officer	\$	5,500	
Assistant(s)		10,185	
Other Per Diem & Fees		108	
Data Processing Services		1,798	
Office Supplies		722	
Other Charges		358	
Total Reappraisal Program			18,671

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
Secretary(s)		46,224	
Data Processing Services		3,984	
Dues and Memberships		477	
Legal Notices, Recording and Court Costs		308	
Printing, Stationery and Forms		914	
Travel		144	
Other Contracted Services		1,889	
Office Supplies		1,145	
Premiums on Corporate Surety Bonds		942	
Total County Trustee's Office			98,496

County Clerk's Office

County Official/Administrative Officer	\$	42,469	
Secretary(s)		20,624	
Part-time Personnel		16,303	
Board and Committee Members Fees		76	
Data Processing Services		1,214	
Dues and Memberships		357	
Maintenance & Repair Services- Office Equipment		160	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Printing, Stationery and Forms	\$	1,494	
Travel		106	
Office Supplies		425	
Periodicals		328	
Premiums on Corporate Surety Bonds		50	
Office Equipment		51	
Total County Clerk's Office			\$ 83,657

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,469	
Jury and Witness Fees		6,303	
Data Processing Services		4,671	
Dues and Memberships		317	
Printing, Stationery and Forms		1,522	
Office Supplies		408	
Premiums on Corporate Surety Bonds		50	
Office Equipment		5,279	
Total Circuit Court			61,019

General Sessions Judge

Judge(s)	\$	60,980	
Secretary(s)		5,292	
Dues and Memberships		50	
Travel		1,690	
Office Supplies		40	
Periodicals		1,139	
Total General Sessions Judge			69,191

General Sessions Court Clerk

Secretary(s)	\$	39,721	
Part-time Personnel		2,490	
Data Processing Services		2,801	
Printing, Stationery and Forms		2,032	
Travel		358	
Office Supplies		369	
Periodicals		28	
Office Equipment		6,209	
Total General Sessions Court Clerk			54,008

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	42,469	
Secretary(s)		19,543	
Data Processing Services		5,624	
Dues and Memberships		337	
Operating Lease Payments		454	
Printing, Stationery and Forms		850	
Travel		643	
Office Supplies		1,316	
Premiums on Corporate Surety Bonds		213	
Total Chancery Court			\$ 71,449

Judicial Commissioners

Supervisor/Director	\$	13,464	
Part-time Personnel		3,600	
Maintenance & Repair Services- Office Equipment		239	
Printing, Stationery and Forms		178	
Travel		759	
Office Supplies		54	
Office Equipment		98	
Total Judicial Commissioners			18,392

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	46,715	
Deputy(ies)		191,136	
Salary Supplements		10,150	
Dispatchers/Radio Operators		58,671	
Secretary(s)		20,095	
Other Salaries & Wages		30,655	
In-Service Training		4,898	
Communication		3,012	
Contracts with Government Agencies		28	
Contracts with Other School Systems		43,565	
Dues and Memberships		970	
Freight Expenses		85	
Maintenance Agreements		1,727	
Maintenance & Repair Services- Equipment		458	
Maintenance & Repair Services- Vehicles		9,733	
Matching Share		2,768	
Printing, Stationery and Forms		1,817	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Travel	\$	805	
Veterinary Services		165	
Other Contracted Services		1,542	
Gasoline		26,378	
Ice		303	
Instructional Supplies and Materials		170	
Office Supplies		985	
Periodicals		23	
Tires and Tubes		2,391	
Uniforms		1,998	
Premiums on Corporate Surety Bonds		896	
Law Enforcement Equipment		1,575	
Motor Vehicles		18,239	
Total Sheriff's Department			\$ 481,953

Jail

Supervisor/Director	\$	31,449	
Medical Personnel		6,425	
Guards		207,374	
Secretary(s)		19,627	
Other Salaries & Wages		5,175	
In-Service Training		3,363	
Contracts with Private Agencies		2,090	
Maintenance & Repair Services- Buildings		13,702	
Maintenance & Repair Services- Equipment		7,701	
Maintenance & Repair Services- Vehicles		1,401	
Medical and Dental Services		31,620	
Printing, Stationery and Forms		845	
Travel		528	
Custodial Supplies		5,411	
Drugs and Medical Supplies		16,727	
Food Supplies		42,293	
Gasoline		2,982	
Ice		356	
Office Supplies		604	
Uniforms		1,498	
Utilities		38,570	
Motor Vehicles		4,484	
Total Jail			444,225

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Youth Service Officer(s)	\$	10,524	
Contracts with Government Agencies		<u>786</u>	
Total Juvenile Services	\$		11,310

Fire Prevention and Control

Contracts with Private Agencies	\$	18,950	
Permits		<u>50</u>	
Total Fire Prevention and Control			19,000

Civil Defense

Communication	\$	418	
Travel		1,398	
Food Supplies		38	
Office Supplies		994	
Sand		114	
Other Supplies and Materials		109	
Office Equipment		<u>50</u>	
Total Civil Defense			3,121

Other Emergency Management

Communication	\$	8,005	
Legal Notices, Recording and Court Costs		18	
Other Charges		10,322	
Other Equipment		<u>4,950</u>	
Total Other Emergency Management			23,295

County Coroner/Medical Examiner

County Official/Administrative Officer	\$	1,600	
Medical and Dental Services		4,013	
Premiums on Corporate Surety Bonds		<u>50</u>	
Total County Coroner/Medical Examiner			5,663

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	2,700	
Communication		1,752	
Contributions		11,532	
Legal Services		75	
Maintenance & Repair Services- Buildings		404	
Other Contracted Services		218	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Custodial Supplies	\$	403	
Office Supplies		1,424	
Periodicals		100	
Utilities		8,620	
Furniture and Fixtures		1,387	
Health Equipment		52,669	
Total Local Health Center			\$ 81,284

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	81,120	
Total Ambulance/Emergency Medical Services			81,120

Other Local Health Services

Social Workers	\$	18,502	
Medical Personnel		1,900	
Travel		2,264	
Office Supplies		1,130	
Total Other Local Health Services			23,796

Regional Mental Health Center

Contributions	\$	7,500	
Total Regional Mental Health Center			7,500

Sanitation Education/Information

Other Salaries & Wages	\$	22,923	
Gasoline		2,347	
Instructional Supplies and Materials		4,497	
Other Charges		2,114	
Total Sanitation Education/Information			31,881

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$	6,034	
Gasoline		17,314	
Total Senior Citizens Assistance			23,348

Libraries

Assistant(s)	\$	15,860	
Supervisor/Director		22,658	
Part-time Personnel		5,436	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries (Cont.)

Communication	\$	1,484	
Maintenance Agreements		518	
Maintenance & Repair Services- Buildings		1,384	
Other Contracted Services		357	
Ice		188	
Library Books/Media		8,726	
Office Supplies		974	
Periodicals		407	
Utilities		6,988	
Office Equipment		<u>1,250</u>	
Total Libraries	\$		66,230

Parks and Fair Boards

Supervisor/Director	\$	22,658	
Custodial Personnel		18,504	
Communication		1,918	
Maintenance & Repair Services- Buildings		9,334	
Maintenance & Repair Services- Equipment		626	
Printing, Stationery and Forms		100	
Other Contracted Services		11,981	
Concrete		1,864	
Custodial Supplies		4,269	
Diesel Fuel		111	
Fertilizer, Lime and Seed		262	
Food Supplies		1,839	
Gasoline		356	
Sand		72	
Tires and Tubes		146	
Utilities		21,742	
Furniture and Fixtures		124	
Maintenance Equipment		200	
Office Equipment		<u>96</u>	
Total Parks and Fair Boards			96,202

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	32,044	
Board and Committee Members Fees		340	
Communication		1,538	
Dues and Memberships		185	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Office Supplies	\$ 972	
Total Agriculture Extension Service		\$ 35,079

Soil Conservation

Contributions	\$ 14,000	
Total Soil Conservation		14,000

Other Operations

Housing and Urban Development

Rentals	\$ 46,926	
Total Housing and Urban Development		46,926

Other Economic and Community Development

Salary Supplements	\$ 26,000	
Dues and Memberships	2,818	
Motor Vehicles	22	
Total Other Economic and Community Development		28,840

Airport

Maintenance Personnel	\$ 4,800
Communication	2,369
Legal Notices, Recording and Court Costs	20
Maintenance & Repair Services- Buildings	1,169
Maintenance & Repair Services- Equipment	4,479
Matching Share	547
Printing, Stationery and Forms	97
Other Contracted Services	2,220
Asphalt - Liquid	29,689
Concrete	2,500
Custodial Supplies	67
Food Supplies	85
Gasoline	7,558
Office Supplies	154
Tires and Tubes	20
Utilities	4,705
Fencing	47,106
Excess Risk Insurance	1,662
Airport Improvement	4,965
Furniture and Fixtures	100
Office Equipment	219

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Other Equipment	\$ 16,359	
Total Airport		\$ 130,890

Veterans' Services

County Official/Administrative Officer	\$ 3,000	
Office Supplies	37	
Total Veterans' Services		3,037

Contributions to Other Agencies

Other Charges	\$ 852	
Total Contributions to Other Agencies		852

Employee Benefits

Social Security	\$ 112,662	
State Retirement	15,980	
Employee and Dependent Insurance	113,953	
Unemployment Compensation	10,218	
Workers' Compensation Insurance	13,990	
Total Employee Benefits		266,803

Payments to Cities

Maintenance & Repair Services- Buildings	\$ 233	
Total Payments to Cities		233

Miscellaneous

Bank Charges	\$ 120	
Contributions	6,000	
Dues and Memberships	350	
Legal Notices, Recording and Court Costs	97	
Medical and Dental Services	790	
Animal Food and Supplies	115	
Liability Insurance	53,406	
Premiums on Corporate Surety Bonds	100	
Refunds	877	
Trustee's Commission	35,688	
Other Charges	8,571	
Total Miscellaneous		106,114

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Instruction

Adult Education Program

Contributions	\$ 5,800	
Total Adult Education Program		\$ 5,800

Capital Projects

Public Utility Projects

Advertising	\$ 90	
Engineering Services	30,000	
Printing, Stationery and Forms	94	
Other Contracted Services	2,500	
Total Public Utility Projects		<u>32,684</u>

Total General Fund \$ 3,186,177

Solid Waste/Sanitation Fund

Public Health and Welfare

Transfer Stations

Supervisor/Director	\$ 31,200
Clerical Personnel	20,905
Attendants	31,589
Part-time Personnel	5,694
Other Salaries & Wages	2,878
Contracts with Private Agencies	223,657
Data Processing Services	7,756
Legal Notices, Recording and Court Costs	1,902
Maintenance & Repair Services- Buildings	2,335
Maintenance & Repair Services- Equipment	12,667
Medical and Dental Services	456
Postal Charges	7
Printing, Stationery and Forms	655
Travel	290
Permits	3,000
Other Contracted Services	1,975
Crushed Stone	211
Custodial Supplies	170
Diesel Fuel	3,752
Fertilizer, Lime and Seed	581
Food Supplies	628
Gasoline	3,513
Ice	408
Riprap	656

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Transfer Stations (Cont.)

Office Supplies	\$	665	
Propane Gas		476	
Tires and Tubes		896	
Uniforms		1,962	
Utilities		1,670	
Refunds		336	
Maintenance Equipment		21,252	
Motor Vehicles		<u>5,068</u>	
Total Transfer Stations			\$ 389,210

Landfill Operation and Maintenance

Equipment Operators - Heavy	\$	20,232	
Maintenance Personnel		4,910	
Maintenance & Repair Services- Equipment		<u>580</u>	
Total Landfill Operation and Maintenance			25,722

Other Operations

Employee Benefits

Social Security	\$	8,606	
Employee and Dependent Insurance		8,203	
Workers' Compensation Insurance		<u>4,200</u>	
Total Employee Benefits			21,009

Miscellaneous

Trustee's Commission	\$	<u>4,582</u>	
Total Miscellaneous			4,582

Capital Projects

General Administration Projects

Contracts for Development Costs	\$	<u>160</u>	
Total General Administration Projects			<u>160</u>

Total Solid Waste/Sanitation Fund \$ 440,683

Drug Control Fund

Public Safety

Drug Enforcement

Instructional Supplies and Materials	\$	615	
Other Charges		3,815	
Law Enforcement Equipment		5,366	

(Continued)

Exhibit H-6

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Equipment	\$ 23,542	
Total Drug Enforcement	<u>23,542</u>	\$ 33,338

Total Drug Control Fund \$ 33,338

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Bank Charges	\$ 10	
Total County Clerk's Office	<u>10</u>	\$ 10

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 250	
Legal Notices, Recording and Court Costs	<u>45</u>	
Total Chancery Court		295

Public Safety

Sheriff's Department

Bank Charges	\$ 56	
Total Sheriff's Department	<u>56</u>	<u>56</u>

Total Constitutional Officers - Fees Fund 361

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 52,765
Assistant(s)	33,571
Accountants/Bookkeepers	33,713
Board and Committee Members Fees	840
Advertising	196
Communication	4,032
Contributions	5,000
Dues and Memberships	1,710
Legal Services	479
Legal Notices, Recording and Court Costs	522
Licenses	118
Maintenance & Repair Services- Buildings	3,227

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Maintenance & Repair Services- Office Equipment	\$	1,756	
Postal Charges		520	
Printing, Stationery and Forms		677	
Travel		1,047	
Other Contracted Services		4,306	
Custodial Supplies		1,362	
Data Processing Supplies		167	
Electricity		4,225	
Natural Gas		717	
Office Supplies		1,328	
Water and Sewer		2,390	
Other Supplies and Materials		715	
Total Administration			\$ 155,383

Highway and Bridge Maintenance

Foremen	\$	48,501	
Equipment Operators		122,839	
Equipment Operators - Light		49,260	
Truck Drivers		78,324	
Laborers		32,079	
Engineering Services		15,878	
Other Contracted Services		132,445	
Asphalt - Cold Mix		2,814	
Asphalt - Liquid		196,643	
Concrete		845	
Crushed Stone		85,029	
General Construction Materials		2,625	
Riprap		59,993	
Other Road Supplies		5,552	
Pipe - Metal		10,259	
Road Signs		4,229	
Wood Products		630	
Gravel and Chert		1,723	
Total Highway and Bridge Maintenance			849,668

Operation and Maintenance of Equipment

Foremen	\$	26,978
Mechanic(s)		47,428
Rentals		673
Other Contracted Services		14,715

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Diesel Fuel	\$	44,384	
Equipment and Machinery Parts		49,004	
Garage Supplies		2,910	
Gasoline		19,022	
Lubricants		4,290	
Small Tools		432	
Tires and Tubes		14,537	
Uniforms		2,533	
Other Supplies and Materials		635	
Total Operation and Maintenance of Equipment			\$ 227,541

Other Charges

Liability Insurance	\$	35,196	
Trustee's Commission		15,213	
Workers' Compensation Insurance		28,084	
Total Other Charges			78,493

Employee Benefits

Social Security	\$	40,257	
State Retirement		78,093	
Life Insurance		5,768	
Medical Insurance		76,342	
Unemployment Compensation		5,452	
Other Fringe Benefits		1,084	
Total Employee Benefits			206,996

Capital Outlay

Bridge Construction	\$	54,397	
Highway Construction		320,317	
Motor Vehicles		45,882	
Other Equipment		101,477	
Other Construction		49,897	
Other Capital Outlay		40,940	
Total Capital Outlay			612,910

Total Highway/Public Works Fund \$ 2,130,991

(Continued)

Exhibit H-6

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

General Debt Service Fund

Other Operations

Miscellaneous

Trustee's Commission	\$ 9,029	
Total Miscellaneous		\$ 9,029

Principal

General Government

Principal on Notes	\$ 326,110	
Total General Government		326,110

Education

Principal on Bonds	\$ 475,000	
Principal on Notes	41,113	
Total Education		516,113

Interest

General Government

Interest on Notes	\$ 54,288	
Total General Government		54,288

Education

Interest on Bonds	\$ 137,950	
Interest on Notes	944	
Total Education		138,894

Other Debt Service

General Government

Other Debt Issuance Charges	\$ 540	
Total General Government		540

Education

Other Debt Issuance Charges	\$ 1,590	
Total Education		1,590

Total General Debt Service Fund		\$ 1,046,564
---------------------------------	--	--------------

Total Governmental Funds - Primary Government		\$ 6,838,114
---	--	--------------

Exhibit H-7

Lewis 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	\$ 683,973
Total Cash Receipts	<u>\$ 683,973</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 677,133
Trustee's Commission	6,840
Total Cash Disbursements	<u>\$ 683,973</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

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

<u>Year</u>	<u>Amount</u>
1996	\$ 85
1997	1,732
1998	1,758
1999	2,562
2000	5,475
2001	8,254
2002	21,006
2003	<u>36,403</u>
Total	<u>\$ 77,275</u>

Table 2

Lewis County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.14	\$ 1.12	\$ 1.12	\$ 0.91	\$ 0.91	\$ 0.91	\$ 0.955	\$ 0.870	\$ 1.030	\$ 1.137
Highway/Public Works	0.05	0.05	0.05	0.04	0.04	0.04	0.040	0.035	0.035	0.075
General Purpose School	0.74	0.76	0.76	0.62	0.78	0.78	0.765	0.710	0.710	0.730
General Debt Service	0.25	0.25	0.25	0.20	0.30	0.30	0.270	0.245	0.085	0.178
Total Tax Rate	\$ 2.18	\$ 2.18	\$ 2.18	\$ 1.77	\$ 2.03	\$ 2.03	\$ 2.03	\$ 1.86	\$ 1.86	\$ 2.12
<u>Assessed Valuation</u>										
Real and Personal	\$ 67,578,954	\$ 67,864,300	\$ 72,693,803	\$ 94,588,827	\$ 96,745,062	\$ 99,930,929	\$ 101,684,713	\$ 113,405,383	\$ 114,044,639	\$ 116,022,956
Public Utilities	9,202,202	8,646,693	7,442,612	8,505,391	8,999,219	9,882,228	10,004,069	10,837,112	10,120,831	10,835,783
Total Assessed Valuation	\$ 76,781,156	\$ 76,510,993	\$ 80,136,415	\$ 103,094,218	\$ 105,744,281	\$ 109,813,157	\$ 111,688,782	\$ 124,242,495	\$ 124,165,470	\$ 126,858,739

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

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

WILMA JOHNSTON, CPA, CGFM, CFE
Auditor 4

ROBIN BATES, CFE
WENDY HEATH, CFE
State Auditors

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

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

Annual Financial Report
Lewis County School Department
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 the Lewis County School Department as of and for the year ended June 30, 2005.

Results

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

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

Findings

The following are summaries of the audit findings:

LEWIS COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Documentation that goods had been received or services had been rendered was not always maintained. Competitive bids were not solicited for the purchase of refurbished computers.
- ◆ 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

Lewis County School Officials
June 30, 2005

Official:

Benny Pace, Director of Schools

Board of Education:

Mike Hinson, Chairman
Dustin Flowers
Marty Carroll
Dr. Randy Hankins
Steve Skelton

Phyllis Townsend
Robert Brewer
Clark Bates
Carolyn Duncan

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 15, 2005

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Lewis County School Department, a component unit of Lewis County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 24, which collectively comprise a portion of the Lewis County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Lewis 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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

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

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

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Lewis County School Department as of June 30, 2005, and the respective changes in financial position 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 15, 2005, on our consideration of the Lewis 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 III.B., the Lewis County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 27 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds		Nonmajor	Total Govern- mental Funds
	General	Central	Fund	
	Purpose School	Cafeteria	School Federal Projects	
<u>ASSETS</u>				
Cash	\$ 88,635	\$ 8,525	\$ 0	\$ 97,160
Equity in Pooled Cash and Investments	1,207,872	349,012	65,224	1,622,108
Inventories	0	20,061	0	20,061
Accounts Receivable	479	0	0	479
Due from Other Governments	264,995	22,555	1,799	289,349
Due from Other Funds	373	0	25	398
Property Taxes Receivable	1,008,189	0	0	1,008,189
Allowance for Uncollectible Property Taxes	(37,206)	0	0	(37,206)
Total Assets	\$ 2,533,337	\$ 400,153	\$ 67,048	\$ 3,000,538
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 88,125	\$ 0	\$ 0	\$ 88,125
Due to Other Funds	0	0	373	373
Due to State of Tennessee	0	0	82	82
Deferred Revenue - Current Property Taxes	938,790	0	0	938,790
Deferred Revenue - Delinquent Property Taxes	28,556	0	0	28,556
Other Deferred Revenues	79,749	22,555	0	102,304
Total Liabilities	\$ 1,135,220	\$ 22,555	\$ 455	\$ 1,158,230
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 12,646	\$ 1,618	\$ 14,264
Other Local Education Reserves	1,263	0	0	1,263
Reserved for Career Ladder - Extended Contract	1,658	0	0	1,658
Reserved for Career Ladder Program	1,223	0	0	1,223
Reserved for Basic Education Program	134,458	0	0	134,458
Reserved for Title I Grants to Local Education Agencies	0	0	54,520	54,520
Reserved for Innovative Education Program Strategies	0	0	243	243
Reserved for Special Education - Grants to States	0	0	6,603	6,603
Other Federal Reserves	0	0	3,609	3,609
Unreserved, Reported In:				
General Fund	1,259,515	0	0	1,259,515
Special Revenue Funds	0	364,952	0	364,952
Total Fund Balances	\$ 1,398,117	\$ 377,598	\$ 66,593	\$ 1,842,308
Total Liabilities and Fund Balances	\$ 2,533,337	\$ 400,153	\$ 67,048	\$ 3,000,538

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

Exhibit B

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

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Fund School Federal Projects	
<u>Revenues</u>				
Local Taxes	\$ 1,520,382	\$ 0	\$ 0	\$ 1,520,382
Licenses and Permits	522	0	0	522
Charges for Current Services	2,667	352,542	0	355,209
Other Local Revenues	27,607	1,752	0	29,359
State of Tennessee	8,169,023	11,988	0	8,181,011
Federal Government	332,062	479,078	1,022,415	1,833,555
Total Revenues	<u>\$ 10,052,263</u>	<u>\$ 845,360</u>	<u>\$ 1,022,415</u>	<u>\$ 11,920,038</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 6,023,472	\$ 0	\$ 750,562	\$ 6,774,034
Support Services	3,026,475	0	272,529	3,299,004
Operation of Non-Instructional Services	344,696	837,313	0	1,182,009
Capital Outlay	38,035	0	0	38,035
Debt Service:				
Principal	29,051	0	0	29,051
Interest	3,646	0	0	3,646
Other Debt Service	343,709	0	0	343,709
Total Expenditures	<u>\$ 9,809,084</u>	<u>\$ 837,313</u>	<u>\$ 1,023,091</u>	<u>\$ 11,669,488</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 243,179</u>	<u>\$ 8,047</u>	<u>\$ (676)</u>	<u>\$ 250,550</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 965	\$ 0	\$ 0	\$ 965
Transfers Out	0	0	(965)	(965)
Total Other Financing Sources (Uses)	<u>\$ 965</u>	<u>\$ 0</u>	<u>\$ (965)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 244,144	\$ 8,047	\$ (1,641)	\$ 250,550
Fund Balance, July 1, 2004	1,153,973	369,551	68,234	1,591,758
Fund Balance, June 30, 2005	<u>\$ 1,398,117</u>	<u>\$ 377,598</u>	<u>\$ 66,593</u>	<u>\$ 1,842,308</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

taxing authority of Lewis County and are included as part of Lewis County's total tax levy.

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

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department 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. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Purpose School 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 School Department receives cash.

The School Department reports the following major governmental funds:

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

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Lewis County primary government funds and the Lewis County School Department. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General and General Debt Service Funds. Lewis 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 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 two 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. Inventories

Inventories of the School Department consist of expendable supplies held for consumption and are recorded at cost, determined on the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

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

however, as previously noted, the School Department does not present government-wide statements.

5. Compensated Absences

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. 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. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

7. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2005, the General Purpose School Fund had \$205,000 designated for the purchase of school buses.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Lewis County and the Lewis 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, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected 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. Lewis County, the School Department's primary government, is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

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

B. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 373
Nonmajor governmental	General Purpose School	25

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

The receivable in the nonmajor governmental fund (\$25) was in transit from the General Purpose School Fund at June 30, 2005.

Interfund Transfers:

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

<u>Transfer Out</u>	<u>Transfer In</u>
	General Purpose School Fund
Nonmajor governmental fund	\$ 965

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

C. Operating Lease

The School Department leases office equipment. The lease expenditures for the year ended June 30, 2005, were \$1,118 for the governmental funds. The lease agreement provides for termination on July 1 of any year in which the School Department fails to appropriate funds to meet lease payments. There are no provisions for contingent or subleases in the agreement. The future minimum lease payments for this lease are as follows:

Year Ending June 30	Amount
2006	\$ 1,188
2007	1,188
2008	<u>1,188</u>
Total	<u>\$ 3,564</u>

Long-term Debt

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

Capital Outlay Notes

Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment. Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes were issued for original terms of up to seven years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The note included in long-term debt as of June 30, 2005, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2005, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-05</u>
Capital Outlay Note	3 %	\$ 203,713	\$ 92,477

The annual requirements to amortize all notes outstanding as of June 30, 2005, including interest payments, are as follows:

<u>Year Ending June 30</u>	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 29,923	\$ 2,775
2007	30,820	1,877
2008	<u>31,734</u>	<u>952</u>
Total	<u>\$ 92,477</u>	<u>\$ 5,604</u>

Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Compensated Absences
Balance, July 1, 2004	\$ 121,528	\$ 10,532
Additions	0	8,692
Deductions	(29,051)	(8,665)
Balance, June 30, 2005	<u>\$ 92,477</u>	<u>\$ 10,559</u>
Balance Due Within One Year	<u>\$ 29,923</u>	<u>\$ 9,300</u>

Compensated absences payable will be paid from the employing funds, primarily the General Purpose School Fund.

III. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The School Department decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, casualty, and workers' compensation. 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 Boards 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 the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event.

B. Accounting Change

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 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. Contingent Liabilities

The School Department is involved in one pending lawsuit. The School Department's attorney estimates that potential claims against the School Department not covered by insurance resulting from such litigation would not materially affect the School Department's financial statements.

D. Retirement Commitments

Plan Description

Employees of Lewis 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 Lewis 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 Lewis County School Department participates in Lewis County's plan, retirement information for the Lewis 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. F. of the Annual Financial Report of Lewis County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Lewis County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employers 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 Lewis 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 Lewis 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 \$326,301, \$188,044, and \$180,069, respectively, equal to the required contributions for each year.

E. 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 that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,520,382	\$ 0	\$ 1,520,382	\$ 1,449,738	\$ 1,503,238	\$ 17,144
Licenses and Permits	522	0	522	600	600	(78)
Charges for Current Services	2,667	0	2,667	22,000	22,000	(19,333)
Other Local Revenues	27,607	0	27,607	18,300	47,003	(19,396)
State of Tennessee	8,169,023	0	8,169,023	8,031,030	8,166,429	2,594
Federal Government	332,062	0	332,062	0	338,257	(6,195)
Total Revenues	\$ 10,052,263	\$ 0	\$ 10,052,263	\$ 9,521,668	\$ 10,077,527	\$ (25,264)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 4,976,114	\$ (2,309)	\$ 4,973,805	\$ 5,095,066	\$ 5,172,677	\$ 198,872
Alternative Instruction Program	49,731	0	49,731	54,185	54,690	4,959
Special Education Program	827,267	0	827,267	831,988	850,042	22,775
Vocational Education Program	161,995	0	161,995	162,785	186,350	24,355
Student Body Education Program	8,365	0	8,365	8,382	8,382	17
<u>Support Services</u>						
Attendance	14,807	0	14,807	23,680	23,680	8,873
Health Services	51,213	0	51,213	54,085	54,085	2,872
Other Student Support	278,353	0	278,353	276,989	289,477	11,124
Regular Instruction Program	444,904	0	444,904	452,933	469,610	24,706
Special Education Program	100,503	0	100,503	115,528	116,992	16,489
Board of Education	155,189	0	155,189	157,625	166,142	10,953
Director of Schools	148,200	0	148,200	152,934	152,934	4,734
Office of the Principal	482,831	0	482,831	464,689	492,785	9,954
Fiscal Services	97,840	0	97,840	96,927	100,427	2,587
Operation of Plant	603,537	0	603,537	644,768	644,768	41,231

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Maintenance of Plant	\$ 98,013	\$ 0	\$ 98,013	\$ 107,052	\$ 110,811	\$ 12,798
Transportation	524,521	0	524,521	546,915	554,095	29,574
Central and Other	26,564	0	26,564	27,250	27,250	686
<u>Operation of Non-Instructional Services</u>						
Community Services	344,696	0	344,696	40,355	353,007	8,311
<u>Capital Outlay</u>						
Regular Capital Outlay	38,035	(7,000)	31,035	50,000	50,000	18,965
<u>Principal</u>						
Education	29,051	0	29,051	268,852	29,051	0
<u>Interest</u>						
Education	3,646	0	3,646	112,976	9,068	5,422
<u>Other Debt Service</u>						
Education	343,709	0	343,709	0	343,709	0
Total Expenditures	\$ 9,809,084	\$ (9,309)	\$ 9,799,775	\$ 9,745,964	\$ 10,260,032	\$ 460,257
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 243,179	\$ 9,309	\$ 252,488	\$ (224,296)	\$ (182,505)	\$ 434,993
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 965	\$ 0	\$ 965	\$ 78,974	\$ 28,974	\$ (28,009)
Total Other Financing Sources (Uses)	\$ 965	\$ 0	\$ 965	\$ 78,974	\$ 28,974	\$ (28,009)

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 244,144	\$ 9,309	\$ 253,453	\$ (145,322)	\$ (153,531)	\$ 406,984
Fund Balance, July 1, 2004	1,153,973	(9,309)	1,144,664	1,140,201	1,140,201	4,463
Fund Balance, June 30, 2005	<u>\$ 1,398,117</u>	<u>\$ 0</u>	<u>\$ 1,398,117</u>	<u>\$ 994,879</u>	<u>\$ 986,670</u>	<u>\$ 411,447</u>

Exhibit C-2

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Lewis County School Department
Central Cafeteria 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>							
Charges for Current Services	\$ 352,542	\$ 0	\$ 0	\$ 352,542	\$ 365,500	\$ 365,500	\$ (12,958)
Other Local Revenues	1,752	0	0	1,752	2,250	2,250	(498)
State of Tennessee	11,988	0	0	11,988	12,000	12,000	(12)
Federal Government	479,078	0	0	479,078	435,750	458,400	20,678
Total Revenues	<u>\$ 845,360</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 845,360</u>	<u>\$ 815,500</u>	<u>\$ 838,150</u>	<u>\$ 7,210</u>
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 837,313	\$ (14,397)	\$ 12,646	\$ 835,562	\$ 815,500	\$ 878,150	\$ 42,588
Total Expenditures	<u>\$ 837,313</u>	<u>\$ (14,397)</u>	<u>\$ 12,646</u>	<u>\$ 835,562</u>	<u>\$ 815,500</u>	<u>\$ 878,150</u>	<u>\$ 42,588</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,047</u>	<u>\$ 14,397</u>	<u>\$ (12,646)</u>	<u>\$ 9,798</u>	<u>\$ 0</u>	<u>\$ (40,000)</u>	<u>\$ 49,798</u>
Net Change in Fund Balance	\$ 8,047	\$ 14,397	\$ (12,646)	\$ 9,798	\$ 0	\$ (40,000)	\$ 49,798
Fund Balance, July 1, 2004	369,551	(14,397)	0	355,154	352,373	352,373	2,781
Fund Balance, June 30, 2005	<u>\$ 377,598</u>	<u>\$ 0</u>	<u>\$ (12,646)</u>	<u>\$ 364,952</u>	<u>\$ 352,373</u>	<u>\$ 312,373</u>	<u>\$ 52,579</u>

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Instruction-Regular Instruction Program, Support Services-Attendance, Operation of Non-Instructional Services-Community Services, etc.). Management may make revisions within major categories, but only the Lewis 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 Fund

Special Revenue Fund

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.

Exhibit D

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Lewis 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>						
Federal Government	\$ 1,022,415	\$ 0	\$ 1,022,415	\$ 1,054,036	\$ 1,059,760	\$ (37,345)
Total Revenues	\$ 1,022,415	\$ 0	\$ 1,022,415	\$ 1,054,036	\$ 1,059,760	\$ (37,345)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 435,852	\$ 1,618	\$ 437,470	\$ 496,183	\$ 496,456	\$ 58,986
Special Education Program	252,119	0	252,119	265,054	262,885	10,766
Vocational Education Program	62,591	0	62,591	62,605	62,591	0
<u>Support Services</u>						
Other Student Support	30,778	0	30,778	34,016	33,948	3,170
Regular Instruction Program	65,563	0	65,563	80,180	80,406	14,843
Special Education Program	159,960	0	159,960	177,636	185,332	25,372
Transportation	16,228	0	16,228	17,212	17,212	984
Total Expenditures	\$ 1,023,091	\$ 1,618	\$ 1,024,709	\$ 1,132,886	\$ 1,138,830	\$ 114,121
Excess (Deficiency) of Revenues Over Expenditures	\$ (676)	\$ (1,618)	\$ (2,294)	\$ (78,850)	\$ (79,070)	\$ 76,776
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 3,500	\$ 0	\$ 0
Transfers Out	(965)	0	(965)	(11,939)	(8,219)	7,254
Total Other Financing Sources (Uses)	\$ (965)	\$ 0	\$ (965)	\$ (8,439)	\$ (8,219)	\$ 7,254

(Continued)

Exhibit D

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Lewis 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	\$ (1,641)	\$ (1,618)	\$ (3,259)	\$ (87,289)	\$ (87,289)	\$ 84,030
Fund Balance, July 1, 2004	68,234	0	68,234	87,289	87,289	(19,055)
Fund Balance, June 30, 2005	\$ 66,593	\$ (1,618)	\$ 64,975	\$ 0	\$ 0	\$ 64,975

MISCELLANEOUS SCHEDULES

Exhibit E-1

Lewis County, Tennessee
Schedule of Changes in Long-Term Notes
Lewis County School Department
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	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTE PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Energy Efficiency	\$ 203,713	3 %	1-18-01	3-15-08	<u>\$ 121,528</u>	<u>\$ 29,051</u>	<u>\$ 92,477</u>

Exhibit E-2

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 945
Total			<u>\$ 945</u>

Exhibit E-3

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

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	State Board of Education and Local Board of Education	\$ 69,048 (1)	\$ 50,000	RLI Insurance Company
<u>Other Bonds</u>				
Lewis County Board of Education Employees			10,000	"

(1) Includes \$1,000 chief executive officer training supplement. The Board of Education also paid 100 percent of the director's medical (\$5,988) and dental benefits (\$1,182) that are not included in this schedule

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 788,689	\$ 0	\$ 0	\$ 788,689
Trustee's Collections - Prior Year	19,956	0	0	19,956
Circuit/Clerk & Master Collections - Prior Years	19,651	0	0	19,651
Interest and Penalty	5,146	0	0	5,146
Payments in Lieu of Taxes - T.V.A.	3,275	0	0	3,275
Payments in Lieu of Taxes - Local Utilities	79,395	0	0	79,395
<u>County Local Option Taxes</u>				
Local Option Sales Tax	568,637	0	0	568,637
Business Tax	28,391	0	0	28,391
<u>Statutory Local Taxes</u>				
Bank Excise Tax	5,378	0	0	5,378
Interstate Telecommunications Tax	1,864	0	0	1,864
Total Local Taxes	\$ 1,520,382	\$ 0	\$ 0	\$ 1,520,382
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 522	\$ 0	\$ 0	\$ 522
Total Licenses and Permits	\$ 522	\$ 0	\$ 0	\$ 522
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Lunch Payments - Children	0	0	171,831	171,831
Lunch Payments - Adults	0	0	27,346	27,346
Income from Breakfast	0	0	21,536	21,536
A la carte Sales	0	0	130,779	130,779
School Based Health Services - FFS	667	0	0	667
TBI Criminal Background Fee	0	0	528	528
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	522	522
Total Charges for Current Services	\$ 2,667	\$ 0	\$ 352,542	\$ 355,209
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 7,736	\$ 0	\$ 1,720	\$ 9,456
Lease/Rentals	900	0	0	900
Miscellaneous Refunds	0	0	32	32
<u>Nonrecurring Items</u>				
Insurance Recovery	18,453	0	0	18,453
<u>Other Local Revenues</u>				
Other Local Revenues	518	0	0	518
Total Other Local Revenues	\$ 27,607	\$ 0	\$ 1,752	\$ 29,359
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 7,846,053	\$ 0	\$ 0	\$ 7,846,053
School Food Service	0	0	11,988	11,988
Driver Education	6,900	0	0	6,900

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Other State Education Funds	\$ 143,398	\$ 0	\$ 0	\$ 143,398
Career Ladder Program	110,592	0	0	110,592
Career Ladder - Extended Contract	62,080	0	0	62,080
Total State of Tennessee	<u>\$ 8,169,023</u>	<u>\$ 0</u>	<u>\$ 11,988</u>	<u>\$ 8,181,011</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 350,232	\$ 350,232
Breakfast	0	0	120,651	120,651
USDA - Other	0	0	8,195	8,195
Vocational Education - Basic Grants to States	0	45,478	0	45,478
Other Vocational	0	20,000	0	20,000
Title I Grants to Local Education Agencies	0	401,810	0	401,810
Innovative Education Program Strategies	0	13,603	0	13,603
Special Education - Grants to States	38,256	389,355	0	427,611
Special Education Preschool Grants	0	18,235	0	18,235
Eisenhower Professional Development State Grants	0	128,554	0	128,554
Job Training Partnership Act	15,468	0	0	15,468
Other Federal through State	278,338	5,380	0	283,718
Total Federal Government	<u>\$ 332,062</u>	<u>\$ 1,022,415</u>	<u>\$ 479,078</u>	<u>\$ 1,833,555</u>
Total	<u>\$ 10,052,263</u>	<u>\$ 1,022,415</u>	<u>\$ 845,360</u>	<u>\$ 11,920,038</u>

Exhibit E-5

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,741,019	
Career Ladder Program	69,578	
Career Ladder Extended Contracts	43,400	
Homebound Teachers	491	
Educational Assistants	39,561	
Other Salaries & Wages	2,400	
Certified Substitute Teachers	42,412	
Social Security	223,480	
State Retirement	214,395	
Medical Insurance	304,783	
Dental Insurance	456	
Employer Medicare	53,130	
Instructional Supplies and Materials	71,014	
Textbooks	98,211	
Other Charges	1,052	
Regular Instruction Equipment	70,732	
Total Regular Instruction Program		\$ 4,976,114

Alternative Instruction Program

Teachers	\$ 31,141	
Other Salaries & Wages	5,419	
Certified Substitute Teachers	2,912	
Social Security	2,156	
State Retirement	2,286	
Medical Insurance	4,886	
Employer Medicare	504	
Other Contracted Services	384	
Instructional Supplies and Materials	43	
Total Alternative Instruction Program		49,731

Special Education Program

Teachers	\$ 625,672
Career Ladder Program	7,945
Homebound Teachers	6,999
Clerical Personnel	684
Other Salaries & Wages	20,265
Certified Substitute Teachers	8,578
Social Security	38,850
State Retirement	36,758

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	50,645	
Employer Medicare		9,106	
Other Contracted Services		15,779	
Instructional Supplies and Materials		3,078	
Special Education Equipment		2,908	
Total Special Education Program			\$ 827,267

Vocational Education Program

Teachers	\$	106,443	
Career Ladder Program		2,000	
Educational Assistants		19,838	
Certified Substitute Teachers		473	
Social Security		7,432	
State Retirement		7,859	
Medical Insurance		5,250	
Employer Medicare		1,738	
Contracts with Other School Systems		9,007	
Instructional Supplies and Materials		1,271	
Other Charges		684	
Total Vocational Education Program			161,995

Student Body Education Program

Other Salaries & Wages	\$	5,667	
Social Security		242	
Employer Medicare		56	
Other Contracted Services		2,400	
Total Student Body Education Program			8,365

Support Services

Attendance

Supervisor/Director	\$	6,070	
Social Security		331	
State Retirement		334	
Employer Medicare		77	
Travel		720	
Other Contracted Services		6,811	
Other Supplies and Materials		119	
In Service/Staff Development		295	
Other Charges		50	
Total Attendance			14,807

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Health Services

Medical Personnel	\$	25,205	
Other Salaries & Wages		10,145	
Social Security		2,192	
State Retirement		3,376	
Medical Insurance		5,240	
Employer Medicare		512	
Other Contracted Services		1,697	
Drugs and Medical Supplies		1,026	
Other Supplies and Materials		290	
In Service/Staff Development		145	
Other Charges		1,205	
Health Equipment		180	
Total Health Services			\$ 51,213

Other Student Support

Career Ladder Program	\$	4,500	
Guidance Personnel		185,255	
Career Ladder Extended Contracts		2,000	
Clerical Personnel		9,475	
Social Security		10,517	
State Retirement		10,574	
Medical Insurance		16,003	
Employer Medicare		2,763	
Contracts with Government Agencies		12,888	
Evaluation and Testing		9,791	
Travel		255	
Other Contracted Services		5,787	
Other Supplies and Materials		8,305	
In Service/Staff Development		240	
Total Other Student Support			278,353

Regular Instruction Program

Supervisor/Director	\$	98,358
Career Ladder Program		9,500
Career Ladder Extended Contracts		4,000
Librarians		156,737
Instructional Computer Personnel		38,420
Secretary(s)		17,033
Other Salaries & Wages		27,706

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	18,177	
State Retirement		19,597	
Medical Insurance		21,985	
Employer Medicare		4,599	
Maintenance & Repair Services- Equipment		150	
Travel		973	
Library Books/Media		18,492	
Other Supplies and Materials		18	
In Service/Staff Development		38	
Other Charges		500	
Other Equipment		8,621	
Total Regular Instruction Program			\$ 444,904

Special Education Program

Supervisor/Director	\$	24,831	
Career Ladder Program		2,000	
Psychological Personnel		52,559	
Career Ladder Extended Contracts		2,000	
Social Security		4,452	
State Retirement		4,476	
Medical Insurance		9,125	
Employer Medicare		1,044	
In Service/Staff Development		16	
Total Special Education Program			100,503

Board of Education

Secretary to Board	\$	1,400	
Board and Committee Members Fees		13,150	
Social Security		902	
State Retirement		133	
Unemployment Compensation		184	
Employer Medicare		211	
Audit Services		6,610	
Dues and Memberships		3,104	
Legal Services		1,210	
Travel		3,000	
Maintenance and Repair Services - Records		1,250	
Other Contracted Services		5,209	
Liability Insurance		12,307	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Premiums on Corporate Surety Bonds	\$	894	
Trustee's Commission		44,625	
Workers' Compensation Insurance		52,160	
In Service/Staff Development		4,536	
Criminal Investigation of Applicants - TBI		792	
Refund to Applicant for Criminal Investigation		1,572	
Other Charges		1,940	
Total Board of Education			\$ 155,189

Director of Schools

County Official/Administrative Officer	\$	69,048	
Secretary(s)		28,200	
Social Security		6,030	
State Retirement		6,440	
Medical Insurance		10,980	
Dental Insurance		1,274	
Employer Medicare		1,410	
Communication		6,118	
Dues and Memberships		1,156	
Maintenance & Repair Services- Equipment		519	
Postal Charges		1,644	
Travel		2,421	
Other Contracted Services		3,500	
Office Supplies		6,396	
In Service/Staff Development		1,000	
Other Charges		564	
Administration Equipment		1,500	
Total Director of Schools			148,200

Office of the Principal

Principals	\$	220,936	
Career Ladder Program		5,000	
Accountants/Bookkeepers		73,150	
Career Ladder Extended Contracts		2,000	
Assistant Principals		46,087	
Secretary(s)		49,446	
Other Salaries & Wages		2,000	
Social Security		23,530	
State Retirement		26,794	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Medical Insurance	\$	21,711	
Employer Medicare		5,503	
Communication		3,226	
Travel		1,000	
Other Contracted Services		1,492	
In Service/Staff Development		956	
Total Office of the Principal			\$ 482,831

Fiscal Services

Supervisor/Director	\$	35,805	
Accountants/Bookkeepers		26,164	
Social Security		3,477	
State Retirement		5,918	
Medical Insurance		5,728	
Employer Medicare		813	
Dues and Memberships		50	
Maintenance & Repair Services- Equipment		325	
Travel		1,212	
Other Contracted Services		6,497	
Data Processing Supplies		2,500	
Office Supplies		1,434	
Other Supplies and Materials		500	
In Service/Staff Development		1,944	
Administration Equipment		5,473	
Total Fiscal Services			97,840

Operation of Plant

Supervisor/Director	\$	45,620	
Custodial Personnel		130,994	
Other Salaries & Wages		25,750	
Social Security		12,209	
State Retirement		6,033	
Medical Insurance		5,280	
Employer Medicare		2,855	
Other Contracted Services		9,814	
Custodial Supplies		20,197	
Electricity		208,439	
Natural Gas		64,545	
Water and Sewer		26,144	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Boiler Insurance	\$	2,020	
Building and Contents Insurance		36,796	
In Service/Staff Development		512	
Plant Operation Equipment		6,329	
Total Operation of Plant			\$ 603,537

Maintenance of Plant

Maintenance Personnel	\$	57,220	
Other Salaries & Wages		4,000	
Social Security		3,349	
State Retirement		6,190	
Medical Insurance		4,924	
Employer Medicare		783	
Communication		430	
Laundry Service		1,596	
Maintenance & Repair Services- Buildings		400	
Maintenance & Repair Services- Equipment		676	
Other Contracted Services		5,788	
Other Supplies and Materials		9,093	
In Service/Staff Development		503	
Maintenance Equipment		3,061	
Total Maintenance of Plant			98,013

Transportation

Supervisor/Director	\$	25,192	
Mechanic(s)		38,017	
Bus Drivers		191,914	
Other Salaries & Wages		5,162	
Social Security		15,497	
State Retirement		19,742	
Medical Insurance		9,536	
Employer Medicare		3,622	
Communication		4,210	
Contracts with Parents		1,180	
Laundry Service		1,200	
Medical and Dental Services		1,948	
Travel		1,139	
Other Contracted Services		686	
Diesel Fuel		23,135	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Garage Supplies	\$	1,237	
Gasoline		14,658	
Lubricants		1,475	
Tires and Tubes		11,010	
Vehicle Parts		24,702	
Vehicle and Equipment Insurance		11,360	
In Service/Staff Development		799	
Other Charges		1,100	
Transportation Equipment		<u>116,000</u>	
Total Transportation	\$		524,521

Central and Other

Supervisor/Director	\$	11,935	
Data Processing Personnel		8,721	
Social Security		1,159	
State Retirement		1,973	
Medical Insurance		1,909	
Employer Medicare		271	
Travel		18	
In Service/Staff Development		<u>578</u>	
Total Central and Other			26,564

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	96,440	
Teachers		34,540	
Educational Assistants		68,257	
Other Salaries & Wages		36,714	
Social Security		14,412	
State Retirement		12,198	
Medical Insurance		16,045	
Employer Medicare		3,371	
Travel		1,661	
Other Contracted Services		4,500	
Other Supplies and Materials		43,682	
In Service/Staff Development		366	
Other Charges		4,626	
Other Equipment		<u>7,884</u>	
Total Community Services			344,696

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 38,035	
Total Regular Capital Outlay		\$ 38,035

Principal

Education

Principal on Notes	\$ 29,051	
Total Education		29,051

Interest

Education

Interest on Notes	\$ 3,646	
Total Education		3,646

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 343,709	
Total Education		<u>343,709</u>

Total General Purpose School Fund		\$ 9,809,084
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 308,168	
Educational Assistants	31,266	
Certified Substitute Teachers	1,215	
Social Security	21,053	
State Retirement	20,962	
Medical Insurance	22,738	
Employer Medicare	4,456	
Instructional Supplies and Materials	5,161	
Refunds	82	
Regular Instruction Equipment	20,751	
Total Regular Instruction Program		\$ 435,852

Special Education Program

Teachers	\$ 9,927	
Educational Assistants	117,909	
Other Salaries & Wages	5,018	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	8,884	
State Retirement		13,428	
Employer Medicare		2,042	
Contracts with Other School Systems		18,328	
Contracts with Private Agencies		4,863	
Maintenance & Repair Services- Equipment		678	
Other Contracted Services		41,785	
Instructional Supplies and Materials		16,448	
Special Education Equipment		12,809	
Total Special Education Program			\$ 252,119

Vocational Education Program

Contracts with Other School Systems	\$	16,235	
Travel		1,800	
Instructional Supplies and Materials		33,065	
In Service/Staff Development		2,000	
Vocational Instruction Equipment		9,491	
Total Vocational Education Program			62,591

Support Services

Other Student Support

Clerical Personnel	\$	676	
Attendants		8,856	
Other Salaries & Wages		10,779	
Social Security		1,259	
State Retirement		1,452	
Employer Medicare		294	
Travel		2,432	
Other Contracted Services		4,997	
Other Supplies and Materials		33	
Total Other Student Support			30,778

Regular Instruction Program

Supervisor/Director	\$	7,725	
Secretary(s)		4,120	
Other Salaries & Wages		18,360	
Social Security		1,872	
State Retirement		1,484	
Employer Medicare		438	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Travel	\$	461	
In Service/Staff Development		31,103	
Total Regular Instruction Program			\$ 65,563

Special Education Program

Supervisor/Director	\$	6,000	
Psychological Personnel		29,998	
Assessment Personnel		13,000	
Secretary(s)		17,756	
Other Salaries & Wages		28,515	
Social Security		4,639	
State Retirement		4,766	
Medical Insurance		2,286	
Employer Medicare		1,494	
Maintenance & Repair Services- Equipment		262	
Travel		746	
Other Contracted Services		42,028	
Other Supplies and Materials		3,708	
In Service/Staff Development		2,686	
Other Charges		531	
Other Equipment		1,545	
Total Special Education Program			159,960

Transportation

Bus Drivers	\$	9,198	
Other Salaries & Wages		4,646	
Social Security		861	
State Retirement		1,322	
Employer Medicare		201	
Total Transportation			16,228

Total School Federal Projects Fund \$ 1,023,091

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	36,275
Clerical Personnel		21,225
Cafeteria Personnel		263,472

(Continued)

Exhibit E-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Salaries & Wages	\$	2,079	
In-Service Training		2,194	
Social Security		19,783	
State Retirement		23,521	
Unemployment Compensation		631	
Employer Medicare		4,665	
Other Fringe Benefits		6,886	
Communication		3,092	
Maintenance & Repair Services- Equipment		6,030	
Transportation - Other than Students		5,217	
Other Contracted Services		11,461	
Food Preparation Supplies		20,346	
Food Supplies		320,757	
Office Supplies		4,945	
Utilities		30,982	
Other Supplies and Materials		846	
In Service/Staff Development		1,352	
Other Charges		1,175	
Food Service Equipment		50,379	
Total Food Service			\$ 837,313

Total Central Cafeteria Fund \$ 837,313

Total Governmental Funds - Lewis County School Department \$ 11,669,488

SINGLE AUDIT REPORT
LEWIS COUNTY, TENNESSEE
AND
LEWIS 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

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

WILMA JOHNSTON, CPA, CGFM, CFE
Auditor 4

ROBIN BATES, CFE
WENDY HEATH, CFE
State Auditors

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

SINGLE AUDIT REPORT TABLE OF CONTENTS

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

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

December 15, 2005

Lewis County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Lewis 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 Lewis County, Tennessee, and the Lewis County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Lewis County's and the Lewis County School Department's basic financial statements and have issued our reports thereon dated December 15, 2005. Our reports on the financial statements of Lewis County, Tennessee, and the Lewis County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lewis County's and the Lewis 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 Lewis County's and the Lewis 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, 05.04, 05.06(A,B), 05.07(A), 05.08, and 05.09.

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, we believe that none of the reportable conditions described above is a material weakness.

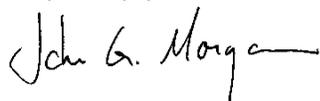
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewis County's and the Lewis County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03, 05.05, 05.06(C,D), and 05.07(B).

We also noted certain matters that we reported to the management of Lewis County and the Lewis 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/rd



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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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 15, 2005

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

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

Compliance

We have audited the compliance of Lewis County and the Lewis 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. Lewis County's and the Lewis 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 Lewis County's and the Lewis County School Department's management. Our responsibility is to express an opinion on Lewis County's and the Lewis 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 Lewis County's and the Lewis 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 Lewis County's and the Lewis County School Department's compliance with those requirements.

As described in items 05.07(B) and 05.10 in the accompanying Schedule of Findings and Questioned Costs, the Lewis County School Department did not comply with requirements regarding competitive bids that are applicable to its Title I Grant to Local Educational Agencies (CFDA No. 84.010). Compliance with such requirements is necessary, in our opinion, for the Lewis County School Department to comply with requirements applicable to that program.

In our opinion, except for the effects of the noncompliance described in the preceding paragraph, Lewis County and the Lewis 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 Lewis County and the Lewis 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 Lewis County's and the Lewis 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.

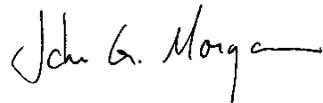
Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Lewis County, Tennessee, and the Lewis County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated December 15, 2005. Our reports on the financial statements of Lewis County and the Lewis County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming

opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of 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/rd

Lewis County, Tennessee, and the Lewis 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:			
Direct Program:			
Watershed Protection and Flood Prevention	10.904	N/A	\$ 80,723
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	(2)	55,313
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	127,089
National School Lunch Program	10.555	(2)	374,544
Total U.S. Department of Agriculture			<u>\$ 637,669</u>
U.S. Department of Housing and Urban Development:			
Direct Program:			
Shelter Plus Care	14.238	N/A	\$ 33,211
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11598-00	32,500
Total U.S. Department of Housing and Urban Development			<u>\$ 65,711</u>
U.S. Department of Interior:			
Direct Program:			
Payments in Lieu of Taxes	15.226	N/A	\$ 4,469
Total U.S. Department of Interior			<u>\$ 4,469</u>
U.S. Department of Labor:			
Passed-through South Central Tennessee Workforce Alliance:			
WIA Youth Activities	17.259	03-10-999-103-98-82	\$ 15,468
Total U.S. Department of Labor			<u>\$ 15,468</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-H-5100(25)	\$ 49,897
Highway Planning and Construction	20.205	STP-H-5100(26)	49,257
Total U.S. Department of Transportation			<u>\$ 99,154</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	\$ 366,460
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	425,210
Special Education - Preschool Grants	84.173	N/A	18,233
Vocational Education - Basic Grants to States	84.048	N/A	65,478
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	7,155
Even Start - State Educational Agencies	84.213C	Z-05-020468-00	122,714
Twenty-First Century Community Learning Centers	84.287C	Z-05-021728-00	133,750
State Grants for Innovative Programs	84.298	N/A	13,360
Education Technology State Grants	84.318	N/A	15,692
Improving Teacher Quality State Grants	84.367	N/A	119,371
Total U.S. Department of Education			<u>\$ 1,287,423</u>

(Continued)

Lewis County, Tennessee, and the Lewis 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
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05-020789-00	\$ 33,401
Total U.S. Department of Health and Human Services			\$ 33,401
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.004	Z-04-022465-01	\$ 12,955 (3)
Homeland Security Grant Program	97.004	Z-03-017772-00	10,029 (3)
Homeland Security Grant Program	97.004	Z-04-020117-00	259 (3)
Emergency Management Performance Grants	97.042	GG-04-10753-00	10,887
Total U.S. Department of Homeland Security			\$ 34,130
Total Expenditures of Federal Awards			\$ 2,177,425
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 4,578
Airport Maintenance Program - State Department of Transportation	N/A	Z-04-01-8088-00	6,531
Airport Maintenance Program - State Department of Transportation	N/A	Z-05-023864-00	9,000
Airport Maintenance Program - State Department of Transportation	N/A	Z-05-024850-00	26,720
Airport Fencing Grant - State Department of Transportation	N/A	Z-04-019000-01	43,898
Juvenile Services Program - State Children's Services Commission	N/A	Z-05-020400-00	9,000
Optional Tire Program - State Department of Environment and Conservation	N/A	Z-03-011290-00	8,200
Litter Program - State Department of Transportation	N/A	Z-05-021520-00	27,265
Health Department - State Department of Health	N/A	Z-05-020517-01	25,826
Block Grants for Prevention and Treatment of Substance Abuse - State Department of Health and Human Services	N/A	Z-05-020789-00	13,000
Safe Schools Act - State Department of Education	N/A	(2)	7,747
Family Resource Center - State Department of Education	N/A	Z-05-21403-00	33,300
Total State Grants			\$ 215,065

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

(1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) - Information not available.

(3) - Total Homeland Security Grant Program (CFDA No. 97.004) from the U.S. Department of Homeland Security \$23,243.

Lewis County, Tennessee, and the Lewis 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 Lewis County, Tennessee, and the Lewis County School Department for the year ended June 30, 2004, which have not been corrected.

LEWIS COUNTY AND LEWIS COUNTY SCHOOL DEPARTMENT

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

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
04.02	13	The office had not established a formal purchase order system
04.05	15	Financial activity of the J. H. Warf Public Library was not audited, and the library was not subject to the budgetary control of the County Commission

OFFICE OF ROAD SUPERINTENDENT

Finding Number	Page Number	Subject
04.06	16	Several purchase orders were not issued properly

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
04.08	17	Competitive bids were not solicited in compliance with state statute

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
04.09	17	Duties were not segregated adequately in the Offices of County Mayor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register
04.10	18	A central system of accounting, budgeting, and purchasing had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Lewis County and the Lewis County School Department.
2. The audit of the financial statements of Lewis County and the Lewis County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Lewis County and the Lewis County School Department.
4. The audit disclosed no reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title 1 Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education Grants to States and Special Education Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) 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. Lewis County and the Lewis County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor and road superintendent are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

LEWIS COUNTY AND LEWIS COUNTY SCHOOL DEPARTMENT

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

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Lewis County’s and the Lewis County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We have made great strides toward GASB 34 compliance and expect to be fully compliant by the fiscal year ending June 30, 2006.

OFFICE OF COUNTY MAYOR

FINDING 05.02 THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The county mayor should establish a formal purchase order system to improve controls over the purchasing process and to document purchasing commitments.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

During the year, a resolution was presented to the County Commission to establish a position of financial manager and purchasing agent; however, the resolution failed due to budget restraints that could not justify a new position.

REBUTTAL

A financial manager and/or purchasing agent is not mandatory for the establishment of a formal purchase order system. A purchase order system could be established with current staff.

FINDING 05.03 ALL FINANCIAL ACTIVITY OF THE J.H. WARF PUBLIC LIBRARY WAS NOT AUDITED AND SUBJECT TO THE BUDGETARY CONTROL OF THE COUNTY COMMISSION
(Noncompliance Under Government Auditing Standards)

The J.H. Warf Public Library operated as a department within the county's General Fund. A significant portion of the library's expenditures was paid through the county's General Fund (\$66,230) which is included in the financial statements of this report; however, the Library Board maintained one checking account to deposit various revenues and pay certain operating expenses which were not audited or included in the financial statements of this report. The balance of this checking account totaled \$7,175 on June 30, 2005. Therefore, funds channeled through this checking account did not flow through the county's budgetary process and are not included in the financial statements of this report. The exclusion of these amounts is not considered material to the financial statements of this report.

Section 5-9-401, Tennessee Code Annotated (TCA), states that "All funds ... including, but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions,

institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” Also, Section 10-3-106, TCA, states that “All library accounts of every character shall be audited annually by or under the county legislative body and/or city governing body.”

RECOMMENDATION

The J.H. Warf Public Library should remit all collections to the county’s General Fund or contract for an audit. All revenues and expenditures related to the library’s operation should be audited and subject to the budgetary control of the County Commission as required by state statutes.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

The Library Board has agreed to close the checking account and channel all activity through the county trustee.

FINDING 05.04 **PAYMENTS MADE FOR CONCRETE EXCEEDED THE BID**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Bids were properly solicited for concrete for a Health Department project, and one bid was submitted for two grades of concrete. This bid was accepted, and the county spent approximately \$18,800 on concrete for this project. However, the county paid some invoices for amounts in excess of the price quoted in the bid. We could not determine the total payments in excess of the bid price because some trip tickets documenting individual loads delivered to the work site were not available for examination. This lack of documentation could result in the office paying for items not received or paying invoices more than once.

RECOMMENDATION

The county should ensure that the price paid for concrete agrees with the price quoted and accepted in the bid process. The office should maintain documentation that goods have been received or services have been rendered.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

Due to weather and contractor availability, this job extended over several months. Fuel prices increased during the period, and the supplier only increased his price by two to three percent.

REBUTTAL

The county should ensure that the price paid agrees with the bid accepted. Bid specifications could provide for escalator clauses to allow for changes in inflation.

FINDING 05.05 EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)

General Fund expenditures exceeded appropriations approved by the County Commission in the Sheriff's Department (\$21,737) and Jail (\$51,380) major appropriation categories (the legal level of control).

Section 5-9-401, Tennessee Code Annotated, states that "All funds ... including, but not limited to, taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The County Commission knowingly elected not to approve year-end budget amendments in these departments due to the sheriff's pending lawsuit.

REBUTTAL

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

OFFICE OF ROAD SUPERINTENDENT

FINDING 05.06 THE OFFICE HAD PURCHASING DEFICIENCIES
(A. and B. – Internal Control – Reportable Condition Under Government Auditing Standards; C. and D. – Noncompliance with Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. 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.
- B. Documentation that goods had been received or services had been rendered was not always maintained. However, our audit indicated that these goods had been received and services had been rendered.
- C. The office did not publicly advertise and solicit competitive bids for the purchase of a truck (\$17,981). The office purchased the truck at the state bid price from a local vendor who had not been awarded the state contract.
- D. The department solicited bids for a tandem axle dump truck using bid specifications supplied by a vendor for a particular truck, and subsequently purchased the truck

(\$86,529) from this vendor. Using bid specifications that apply to a particular brand of equipment violates the intent of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which requires competitive bids on purchases exceeding \$10,000.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. Documentation should be obtained that goods have been received or services have been rendered before invoices are paid. County officials should verify that a vendor indeed has the state contract for the needed item prior to purchasing from the vendor. Bid specifications should not be written so specifically that they can be met by only one manufacturer or vendor.

MANAGEMENT'S RESPONSE TO ITEMS C. AND D. – ROAD SUPERINTENDENT

- C. We received a letter from a dealership that they had been awarded the statewide contract for the vehicle. We had no reason to doubt or check the validity of the letter from this reputable dealership.
- D. The specification proposal was requested to be used as a guide for prospective bidders. Since no one requested the specifications, we had no reason to alter them. Had another bidder requested the specifications, we would have discussed acceptable variations. In the future, bid advertisements will include that equivalents to the specifications can be discussed when requested.

REBUTTAL

- C. It is the Highway Department's responsibility to verify that vendors representing themselves to be on the state contract are indeed on the state contract.
 - D. Bid specifications should be written in a manner to ensure a competitive process.
-

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.07

THE OFFICE HAD PURCHASING DEFICIENCIES

(A. – Internal Control – Reportable Condition Under Government Auditing Standards; B. – Noncompliance Under Government Auditing Standards and OMB Circular A-133)

Our examination disclosed the following deficiencies in purchasing procedures:

- A. Documentation that goods had been received or services had been rendered was not always maintained. However, our audit indicated that these goods had been received and services had been rendered.
- B. Competitive bids were not solicited for the purchase of refurbished computers as required by Section 49-2-203, Tennessee Code Annotated. This statute provides that competitive bids be solicited for all purchases exceeding \$5,000.

RECOMMENDATION

Documentation should be obtained that goods have been received or services have been rendered before invoices are paid. Competitive bids should be solicited through public advertisement for all purchases exceeding \$5,000 as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.08 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

FINDING 05.09 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 either the County Financial Management System of 1981 or a private act which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

During the 2004-05 fiscal year, the county mayor proposed the adoption of the Financial Management Act of 1957. However, the County Commission did not adopt the resolution due to budget constraints.

REBUTTAL

The establishment of a central system of accounting, budgeting, and purchasing not only improves internal control over the accounting, budgeting, and purchasing processes, but could reduce total overall costs and improve efficiency.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Numbers	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through Tennessee Department of Education	05.10	84.010	Circular A-133, Section 300(c)	Noncompliance with state law see Finding No. 05.07(B): Competitive bids were not taken on refurbished computers as required by state law	0

**LEWIS COUNTY, TENNESSEE,
AND THE LEWIS 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. There are two audit findings relative to federal awards in the current audit's Schedule of Findings and Questioned Costs.

Office of Director of Schools – Corrective Action Plan for Current Year Findings

FINDINGS 05.07 (B)and 05.10

Bid procedures will be included in the purchasing section of the internal control plan. Finance office staff, technology staff, and program supervisors will receive training to ensure that all personnel who requisition equipment understand bid regulations and purchasing procedures.