

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

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
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State Auditors

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

VAN BUREN COUNTY, TENNESSEE

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Audit Highlights

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

Results

Our report on Van Buren 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 16 findings and recommendations, which we have reviewed with Van Buren County management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

VAN BUREN 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 Ambulance Service Fund had a fund deficit of \$23,288 at June 30, 2005.
- ◆ The office utilizes a computer accounting system; however, manually written warrants were issued for several disbursements, and one of the warrants (\$30,000) was not posted to the general ledger. General ledger payroll deduction accounts were not reconciled with subsidiary payroll records monthly, and several errors were noted in the classification of revenues and expenditures on the accounting records.
- ◆ Purchase orders were not issued for some applicable purchases. Invoices were not on file to support some purchases. Several invoices were paid without documentation that goods had been received or services had been rendered. In several instances, invoices were paid late, travel reimbursements were not reviewed and approved, and bids were not solicited on an ambulance and a building system.
- ◆ The Local Purpose Tax Fund was established to account for the volunteer fire departments; however, unrelated grants were channeled through the fund.

OFFICE OF COUNTY MAYOR (CONT.)

- ◆ Convenience center collections were not deposited with the county trustee within three days of collection as required by state statute.
 - ◆ Supplemental payments to some employees were not made through the county's payroll system.
 - ◆ The office had deficiencies in contracts for maintenance, cleaning, and environmental services.
 - ◆ Department heads did not sign some of the employee's time sheets, time sheets were not properly completed, and the official and bookkeeper in the County Mayor's Office received payroll checks prior to the scheduled payroll dates.
 - ◆ Ambulance Service collections were not deposited within three days of collection, personnel did not follow the write-off policy for accounts receivable, receipts were either not issued when collections were received or they were not issued at all, trip tickets were not prenumbered, one employee did not complete trip tickets and these runs were not billed, and the checking account was not reconciled for April through June 2005.
 - ◆ A \$65,000 tax anticipation note issued in the prior year to provide cash for the General Fund was still unpaid at June 30, 2005.
 - ◆ Inventory records were not maintained as required by generally accepted accounting principles.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ The actual fund balance in the Highway/Public Works Fund at July 1, 2004, exceeded the estimated fund balance presented to the County Commission during the budget process by \$344,973.
-

OFFICE OF SHERIFF

- ◆ Sheriff's Department employees were not required to comply with the department's personnel policy regarding leave.
-

OTHER FINDINGS

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

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

INTRODUCTORY SECTION

Van Buren County Officials
June 30, 2005

Officials:

Carolyn Houston, County Mayor
Wendell Wheeler, Highway Superintendent
Tammie H. Clendenon, Trustee
Pam Mooneyham, Assessor of Property
Linda Pettit, County Clerk
Teresa Simmons Delong, Circuit and General Sessions Courts Clerk
Tina Shockley, Clerk and Master
Linda Davis Simmons, Register
Donnie Evans, Sheriff

Board of County Commissioners:

Leon Deweese, Chairman
Bennie T. Bryant
Joey Grissom
Johnny Guy
Lesa A. Guy
Darin Lance
Sandra Shockley
Kenneth Simmons
David Solomon
David Sullivan

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

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

We conducted our audit in accordance with the 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 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, Van Buren 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 Van Buren 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 Van Buren 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.

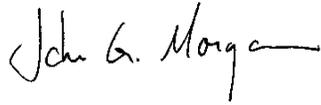
In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2005, on our consideration of Van Buren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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., Van Buren 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 33 through 38 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 Van Buren County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 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" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Van Buren County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds		Nonmajor	Total Govern- mental Funds
	General	Highway / Public Works	Other Govern- mental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 900	\$ 900
Equity in Pooled Cash and Investments	92,752	1,048,969	325,154	1,466,875
Accounts Receivable	261	0	8,580	8,841
Due from Other Governments	65,065	312,361	4,489	381,915
Due from Other Funds	18,056	0	26,734	44,790
Notes Receivable - Current	0	0	65,000	65,000
Property Taxes Receivable	859,893	0	214,973	1,074,866
Allowance for Uncollectible Property Taxes	(38,743)	0	(9,685)	(48,428)
Prepaid Items	8,948	0	1,326	10,274
Total Assets	<u>\$ 1,006,232</u>	<u>\$ 1,361,330</u>	<u>\$ 637,471</u>	<u>\$ 3,005,033</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 8,215	\$ 79,643	\$ 17,588	\$ 105,446
Accrued Payroll	3,631	0	0	3,631
Payroll Deductions Payable	504	0	0	504
Retainage Payable	0	0	1,000	1,000
Due to Other Funds	26,036	0	18,754	44,790
Notes Payable - Current	65,000	0	0	65,000
Capital Outlay Notes Payable	0	0	8,667	8,667
Deferred Revenue - Current Property Taxes	775,362	0	193,841	969,203
Deferred Revenue - Delinquent Property Taxes	45,788	0	11,447	57,235
Other Deferred Revenues	36,278	116,370	52	152,700
Total Liabilities	<u>\$ 960,814</u>	<u>\$ 196,013</u>	<u>\$ 251,349</u>	<u>\$ 1,408,176</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 0	\$ 139,842	\$ 139,842
Reserved for Alcohol and Drug Treatment	263	0	0	263
Reserved for Computer System - Register	3,986	0	0	3,986
Reserved for Automation Purposes - Circuit Court	56	0	0	56
Reserved for Automation Purposes - General Sessions Court	6,397	0	0	6,397
Reserved for Automation Purposes - Chancery Court	362	0	0	362
Reserved for Capital Outlay	4,843	0	37,958	42,801
Reserved for Other General Purposes	1,410	0	0	1,410
Reserved for Notes Receivable	0	0	65,000	65,000
Unreserved, Reported In:				
General Fund	28,101	0	0	28,101
Special Revenue Funds	0	1,165,317	75,267	1,240,584
Debt Service Funds	0	0	68,065	68,065
Total Fund Balances	<u>\$ 45,418</u>	<u>\$ 1,165,317</u>	<u>\$ 386,122</u>	<u>\$ 1,596,857</u>
Total Liabilities and Fund Balances	<u>\$ 1,006,232</u>	<u>\$ 1,361,330</u>	<u>\$ 637,471</u>	<u>\$ 3,005,033</u>

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

Exhibit B

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

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 945,291	\$ 0	\$ 318,505	\$ 1,263,796
Licenses and Permits	2,505	0	0	2,505
Fines, Forfeitures, and Penalties	44,452	0	7,924	52,376
Charges for Current Services	7,457	0	120,657	128,114
Other Local Revenues	47,522	9,506	5,570	62,598
Fees Received from County Officials	266,147	0	0	266,147
State of Tennessee	202,027	1,672,425	48,167	1,922,619
Federal Government	0	0	21,112	21,112
Other Governments and Citizens Groups	3,432	0	0	3,432
Total Revenues	\$ 1,518,833	\$ 1,681,931	\$ 521,935	\$ 3,722,699
<u>Expenditures</u>				
Current:				
General Government	\$ 310,867	\$ 0	\$ 103,863	\$ 414,730
Finance	161,723	0	151	161,874
Administration of Justice	162,726	0	629	163,355
Public Safety	596,307	0	165,241	761,548
Public Health and Welfare	37,787	0	475,681	513,468
Social, Cultural, and Recreational Services	35,862	0	0	35,862
Agricultural and Natural Resources	36,279	0	0	36,279
Other Operations	241,368	0	2,203	243,571
Highways	32,253	1,597,789	0	1,630,042
Debt Service:				
Principal	0	0	46,736	46,736
Interest	0	0	1,604	1,604
Other Debt Service	0	0	740	740
Total Expenditures	\$ 1,615,172	\$ 1,597,789	\$ 796,848	\$ 4,009,809
Excess (Deficiency) of Revenues Over Expenditures	\$ (96,339)	\$ 84,142	\$ (274,913)	\$ (287,110)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 30,000	\$ 0	\$ 271,915	\$ 301,915
Total Other Financing Sources (Uses)	\$ 30,000	\$ 0	\$ 271,915	\$ 301,915
Net Change in Fund Balances	\$ (66,339)	\$ 84,142	\$ (2,998)	\$ 14,805
Fund Balance, July 1, 2004	111,757	1,081,175	389,120	1,582,052
Fund Balance, June 30, 2005	\$ 45,418	\$ 1,165,317	\$ 386,122	\$ 1,596,857

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 391,675
Due from Other Governments	<u>13,285</u>
Total Assets	<u>\$ 404,960</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 13,285
Due to Litigants, Heirs, and Others	<u>391,675</u>
Total Liabilities	<u>\$ 404,960</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Van Buren 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.

Van Buren 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. Van Buren 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 Van Buren County's auditor to issue an adverse opinion on the county's financial statements.

Although Van Buren 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 that are 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 Van Buren County:

A. Reporting Entity

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

Blended Component Units – There are no legally separate component units of Van Buren 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 Van Buren 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 Van Buren County School Department operates the public school system in the county, and the voters of Van Buren 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 Van Buren County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Van Buren County, and the Van Buren 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 Van Buren County School Department and the Van Buren 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 Van Buren County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Van Buren County Emergency Communications District can be obtained from its administrative office at the following address:

Van Buren County Emergency Communications District
112 Generations Drive
Spencer, TN 38585

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

Fund financial statements of Van Buren 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, Van Buren 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. Van Buren 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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.

Van Buren 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 the transactions of the county Highway Department.

Additionally, Van Buren County reports the following fund types:

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

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 Van Buren 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 Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Van Buren County and Van Buren County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Van Buren County and the Van Buren 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 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 that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as notes payable/receivable. All other outstanding balances are reported as due to/from other funds.

Notes receivable between funds, as reported in the fund financial statements, are offset by a fund balance reserve to indicate that they are not available for current appropriation and are not expendable available financial resources.

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 2.48 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 not material for financial reporting purposes and are thus not accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable represents amounts withheld from payments made to contractors on construction projects to ensure contract performance. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

3. Prepaid Items

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

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Van Buren 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, Van Buren County does not present government-wide statements.

5. Compensated Absences

The general policy of Van Buren County (with the exception of the Highway Department) permits employees to accumulate earned but unused vacation and sick leave. Vacation and sick leave is granted at a rate of one day per month. Employees of the county are allowed to accumulate up to 24 vacation days and do not have a limit on the number of sick days that can be accumulated. Upon termination of employment an employee will be paid for any unused vacation days up to the 24 day limit, however, all sick leave will be forfeited.

The policy of the Highway Department allows employees to accumulate earned but unused sick leave. Sick leave is granted at a rate of one day per month. Employees are paid for their unused sick leave balance as of each December 31.

A liability for vacation and sick leave 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, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term

obligations, including compensated absences, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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.

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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Deficit

The Ambulance Service Fund (a nonmajor special revenue fund) had a deficit fund balance of \$23,288 as of June 30, 2005. This fund deficit resulted from expenditures exceeding available funds. This deficit was liquidated subsequent to June 30, 2005.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
General	County Mayor	\$ 6,932
"	Election Commission	861
"	Judicial Commissioners	156
"	Regional Mental Health Center	606
"	Convenience Centers	159
"	Other Social, Cultural, and Recreational	500
"	Soil Conservation	505
"	Employee Benefits	4,832
"	Miscellaneous	2,255
"	Litter and Trash Collection	46
Solid Waste/Sanitation	Landfill Operation and Maintenance	4,565

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance in the General Fund

and by greater than anticipated revenues in the Solid Waste/Sanitation Fund.

C. The Actual Fund Balance Exceeded The Estimated Beginning Fund Balance by a Material Amount

The Highway/Public Works Fund's actual fund balance was \$1,081,175 at July 1, 2004; however, the estimated fund balance reflected in the county's budget was \$736,202. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$344,973.

D. A Revenue Anticipation Note Was Not Retired In Compliance With State Statutes

In the 2003-04 year, Van Buren County issued revenue anticipation notes of \$65,000 from the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General Fund. These funds should have been repaid by June 30, 2004; however, the funds were still unpaid at June 30, 2005.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Van Buren County and the Van Buren County School Department participate in an internal cash and investment pool through the Office of Trustee. The Van Buren County School Department meets the criteria for a discretely presented component unit of Van Buren County. Since Van Buren County is presenting fund financial statements only, the financial information for the Van Buren 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 or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf

of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the 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. Van Buren County had no pooled or nonpooled investments at June 30, 2005.

B. Construction Commitments

At June 30, 2005, the Solid Waste/Sanitation Fund had uncompleted construction projects of approximately \$138,842 for the construction of a solid waste recycling center. Funding for these future expenditures is expected to be received from a solid waste reduction/recycling grant.

C. Interfund Receivables and Payables

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	Nonmajor governmental	\$ 18,056
Nonmajor governmental	General	26,036
Nonmajor governmental	Nonmajor governmental	698

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.

D. Capital Lease

On November 10, 2003, Van Buren County entered into a three-year lease-purchase agreement for patrol cars. The terms of the agreement require total lease payments of \$35,976 plus interest of 3.6 percent. Title to the patrol cars transfers to Van Buren County at the end of the lease period. The lease payments are made by the General Debt Service Fund.

Since Van Buren County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Van Buren County is not presenting government-wide financial statements. Future minimum lease payments and the net present value these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 12,420
Total Minimum Lease Payments	\$ 12,420
Amounts Representing Interest	(433)
Present Value of Minimum Lease Payments	<u>\$ 11,987</u>

E. Long-term Debt

Since Van Buren 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 Van Buren County 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 a direct obligation and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for the original terms of up to nine years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund and the Solid Waste/Sanitation Fund.

The capital outlay notes and capital lease outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
Capital Outlay Notes	0 to 4.55 %	\$ 539,915	\$ 363,581
Capital Lease	3.6	35,976	11,987

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

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 131,377	\$ 14,051
2007	127,076	9,332
2008	105,128	4,778
Total	<u>\$ 363,581</u>	<u>\$ 28,161</u>

There is \$68,055 available in the General Debt Service Fund to service long-term debt. Total debt per capita including notes and the capital lease amounted to \$68, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Capital Leases	Landfill Postclosure Care Costs
Balance, July 1, 2004	\$ 96,833	\$ 27,347	\$ 418,593
Additions	301,915	0	0
Deductions	(35,167)	(15,360)	(10,989)
Balance, June 30, 2005	<u>\$ 363,581</u>	<u>\$ 11,987</u>	<u>\$ 407,604</u>
Balance Due Within One Year	<u>\$ 131,377</u>	<u>\$ 11,987</u>	<u>\$ 11,800</u>

F. Short-term Debt

During the 2003-04 year, Van Buren County issued revenue anticipation notes of \$65,000 from the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General Fund. These funds were necessary because funds were not available to meet the current expenditures of the fund. This note should have been retired by June 30, 2004; however, the note remained unpaid as of June 30, 2005, and therefore has been reflected in the financial statements of this report as a note receivable in the General Debt Service Fund and a note payable in the General Fund. The revenue anticipation note issued in 2004-05 was properly retired by June 30, 2005. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Revenue Anticipation Note	\$ 65,000	\$ 65,000	\$ (65,000)	\$ 65,000

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county's risk of loss relating to general liability, property, casualty, and workers' compensation is covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund (LGWCF),

which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to these pools for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of these pools provides for it to be self-sustaining through member premiums. The LGPCF and LGWCF reinsure through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Change

During the year, Van Buren 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 risks, 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

Van Buren County is contingently liable for a capital outlay note of the Van Buren County Industrial Development Board. Van Buren County would become liable for these bonds and the interest thereon, in the event of default by the Van Buren County Industrial Development Board. The county made payments of \$16,257 in principal and interest toward this note during the year, and the outstanding balance was \$67,427 on June 30, 2005.

Van Buren County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans with Disabilities Act (ADA). This lawsuit applies to all Van Buren County facilities. As of the date of this report, Van Buren County has not completed any studies of the estimated costs to renovate the existing county facilities to bring them into compliance with the ADA. Therefore, a reasonable estimate, or range of potential loss to the county, resulting from this lawsuit cannot be made.

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

D. Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the

date that the landfill stops accepting waste. The landfill was closed October 3, 1997. The \$407,604 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported to date, based on the use of 100 percent of the capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual costs may vary from the estimate due to inflation, changes in technology, or changes in regulations.

E. Retirement Commitments

Plan Description

Employees of Van Buren 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 Van Buren 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

Van Buren 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 5.15 percent of annual covered payroll. The contribution requirement of plan

members is set by state statute. The contribution requirement for Van Buren County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Van Buren County’s annual pension cost of \$102,427 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. Van Buren 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	\$102,427	100%	\$0
6-30-04	59,683	100	0
6-30-03	57,861	100	0

Required Supplementary Information

Schedule of Funding Progress for Van Buren County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$2,724	\$2,753	\$29	98.95%	\$1,673	1.73%
6-30-01	2,392	2,462	70	97.16	1,632	4.29
6-30-99	2,099	2,099	0	100	1,365	0

F. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Van Buren County Mayor's Office are governed by Chapter 36, Private Acts of 1973, and Chapter 111, Private Acts of 1986, which provide for competitive bids to be solicited on all purchases exceeding \$2,500.

Office of Highway Superintendent

Chapter 565, Private Acts of 1951, as amended, and Section 54-7-113, Tennessee Code Annotated (Uniform Road Law), govern purchasing procedures for the Highway Department. Provisions of the Uniform Road Law require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 945,291	\$ 898,394	\$ 927,813	\$ 17,478
Licenses and Permits	2,505	1,900	2,500	5
Fines, Forfeitures, and Penalties	44,452	45,720	45,720	(1,268)
Charges for Current Services	7,457	6,100	6,100	1,357
Other Local Revenues	47,522	20,000	38,641	8,881
Fees Received from County Officials	266,147	259,300	270,581	(4,434)
State of Tennessee	202,027	221,480	230,259	(28,232)
Other Governments and Citizens Groups	3,432	0	3,308	124
Total Revenues	\$ 1,518,833	\$ 1,452,894	\$ 1,524,922	\$ (6,089)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 30,769	\$ 24,826	\$ 31,468	\$ 699
Board of Equalization	1,000	1,000	1,000	0
County Mayor	108,792	93,079	101,860	(6,932)
County Attorney	4,600	7,200	7,200	2,600
Election Commission	65,591	66,013	64,730	(861)
Register of Deeds	53,312	50,659	54,859	1,547
County Buildings	46,803	58,900	51,400	4,597
<u>Finance</u>				
Property Assessor's Office	50,354	61,001	61,001	10,647
County Trustee's Office	44,250	46,619	45,619	1,369
County Clerk's Office	67,119	67,136	68,232	1,113
<u>Administration of Justice</u>				
Circuit Court	78,902	79,124	79,827	925
General Sessions Court	26,854	28,879	28,879	2,025
Chancery Court	44,414	47,219	45,519	1,105
Juvenile Court	10,300	10,500	10,500	200
Judicial Commissioners	2,256	2,100	2,100	(156)
<u>Public Safety</u>				
Sheriff's Department	410,881	355,395	414,225	3,344
Jail	80,646	85,000	85,000	4,354
Fire Prevention and Control	1,000	1,000	1,000	0
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	1,200	1,200	1,200	0
County Coroner/Medical Examiner	10,418	2,600	11,661	1,243
Other Public Safety	89,662	87,304	91,824	2,162
<u>Public Health and Welfare</u>				
Local Health Center	9,599	10,890	13,591	3,992
Regional Mental Health Center	3,029	2,423	2,423	(606)
Appropriation to State	25,000	25,000	25,000	0
Convenience Centers	159	0	0	(159)

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	\$ 9,808	\$ 12,160	\$ 10,518	\$ 710
Libraries	21,604	21,604	21,604	0
Parks and Fair Boards	1,200	1,200	1,200	0
Other Social, Cultural and Recreational	3,250	2,750	2,750	(500)
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	28,622	30,179	30,179	1,557
Soil Conservation	7,657	7,152	7,152	(505)
<u>Other Operations</u>				
Industrial Development	29,004	18,000	30,318	1,314
Other Charges	80,234	95,233	94,771	14,537
Employee Benefits	98,332	93,500	93,500	(4,832)
Miscellaneous	33,798	25,000	31,543	(2,255)
<u>Highways</u>				
Litter and Trash Collection	32,253	31,987	32,207	(46)
Total Expenditures	\$ 1,615,172	\$ 1,556,332	\$ 1,658,360	\$ 43,188
Excess (Deficiency) of Revenues Over Expenditures	\$ (96,339)	\$ (103,438)	\$ (133,438)	\$ 37,099
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 30,000	\$ 0	\$ 30,000	\$ 0
Total Other Financing Sources (Uses)	\$ 30,000	\$ 0	\$ 30,000	\$ 0
Net Change in Fund Balance	\$ (66,339)	\$ (103,438)	\$ (103,438)	\$ 37,099
Fund Balance, July 1, 2004	111,757	124,686	124,686	(12,929)
Fund Balance, June 30, 2005	\$ 45,418	\$ 21,248	\$ 21,248	\$ 24,170

Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 15,000	\$ 15,000	\$ (15,000)
Other Local Revenues	9,506	15,000	15,000	(5,494)
State of Tennessee	1,672,425	1,517,636	1,517,636	154,789
Total Revenues	<u>\$ 1,681,931</u>	<u>\$ 1,547,636</u>	<u>\$ 1,547,636</u>	<u>\$ 134,295</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 110,677	\$ 115,565	\$ 115,565	\$ 4,888
Highway and Bridge Maintenance	1,129,740	1,134,300	1,134,300	4,560
Operation and Maintenance of Equipment	187,132	289,400	289,400	102,268
Quarry Operations	10,245	11,560	11,560	1,315
Other Charges	88,047	104,000	104,000	15,953
Employee Benefits	67,482	101,000	101,000	33,518
Capital Outlay	4,466	176,500	176,500	172,034
Total Expenditures	<u>\$ 1,597,789</u>	<u>\$ 1,932,325</u>	<u>\$ 1,932,325</u>	<u>\$ 334,536</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 84,142</u>	<u>\$ (384,689)</u>	<u>\$ (384,689)</u>	<u>\$ 468,831</u>
Net Change in Fund Balance	\$ 84,142	\$ (384,689)	\$ (384,689)	\$ 468,831
Fund Balance, July 1, 2004	<u>1,081,175</u>	<u>736,202</u>	<u>736,202</u>	<u>344,973</u>
Fund Balance, June 30, 2005	<u>\$ 1,165,317</u>	<u>\$ 351,513</u>	<u>\$ 351,513</u>	<u>\$ 813,804</u>

VAN BUREN 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 Van Buren County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Appropriation Category</u>	<u>Amount</u>
County Mayor	\$ 6,932
Election Commission	861
Judicial Commissioners	156
Regional Mental Health Center	606
Convenience Centers	159
Other Social, Cultural, and Recreational	500
Soil Conservation	505
Employee Benefits	4,832
Miscellaneous	2,255
Litter and Trash Collection	46

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

The Highway/Public Works Fund's actual fund balance July 1, 2004, was \$1,081,175; however, the estimated fund balance reflected in the county's budget was \$736,202. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$344,973.

**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 expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste disposal.

Ambulance Service Fund – The Ambulance Service Fund is used to account for transactions relating to the county-operated Ambulance Service.

Local Purpose Tax Fund – The Local Purpose Tax Fund is used to account for a special property tax levied to provide funding for Van Buren County Volunteer Fire Departments.

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 transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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

Exhibit E-1

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

	Special Revenue Funds							Debt Service Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Total	General Debt Service	
ASSETS									
Cash	\$ 0	\$ 0	\$ 500	\$ 0	\$ 0	\$ 400	\$ 900	\$ 0	\$ 900
Equity in Pooled Cash and Investments	19,340	193,795	1,892	49,707	9,718	0	274,452	50,702	325,154
Accounts Receivable	0	757	7,756	0	0	67	8,580	0	8,580
Due from Other Governments	0	0	0	4,385	0	0	4,385	104	4,489
Due from Other Funds	68	0	0	698	0	0	766	25,968	26,734
Notes Receivable - Current	0	0	0	0	0	0	0	65,000	65,000
Property Taxes Receivable	0	33,073	99,218	82,682	0	0	214,973	0	214,973
Allowance for Uncollectible Property Taxes	0	(1,490)	(4,470)	(3,725)	0	0	(9,685)	0	(9,685)
Prepaid Items	0	105	1,221	0	0	0	1,326	0	1,326
Total Assets	\$ 19,408	\$ 226,240	\$ 106,117	\$ 133,747	\$ 9,718	\$ 467	\$ 495,697	\$ 141,774	\$ 637,471
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	\$ 0	\$ 0	\$ 17,588	\$ 0	\$ 0	\$ 0	\$ 17,588	\$ 0	\$ 17,588
Retainage Payable	0	1,000	0	0	0	0	1,000	0	1,000
Due to Other Funds	520	0	17,069	0	698	467	18,754	0	18,754
Capital Outlay Notes Payable	0	0	0	0	0	0	0	8,667	8,667
Deferred Revenue - Current Property Taxes	0	29,822	89,465	74,554	0	0	193,841	0	193,841
Deferred Revenue - Delinquent Property Taxes	0	1,761	5,283	4,403	0	0	11,447	0	11,447
Other Deferred Revenues	0	0	0	0	0	0	0	52	52
Total Liabilities	\$ 520	\$ 32,583	\$ 129,405	\$ 78,957	\$ 698	\$ 467	\$ 242,630	\$ 8,719	\$ 251,349
Fund Balances									
Reserved for Encumbrances	\$ 0	\$ 139,842	\$ 0	\$ 0	\$ 0	\$ 0	\$ 139,842	\$ 0	\$ 139,842
Reserved for Capital Outlay	0	37,958	0	0	0	0	37,958	0	37,958
Reserved for Notes Receivable	0	0	0	0	0	0	0	65,000	65,000
Unreserved (Deficit)	18,888	15,857	(23,288)	54,790	9,020	0	75,267	68,055	143,322
Total Fund Balances	\$ 18,888	\$ 193,657	\$ (23,288)	\$ 54,790	\$ 9,020	\$ 0	\$ 253,067	\$ 133,055	\$ 386,122
Total Liabilities and Fund Balances	\$ 19,408	\$ 226,240	\$ 106,117	\$ 133,747	\$ 9,718	\$ 467	\$ 495,697	\$ 141,774	\$ 637,471

Exhibit E-2

Van Buren 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							Debt Service Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax	Drug Control	Constitu- tional Officers - Fees	Total	General Debt Service	
<u>Revenues</u>									
Local Taxes	\$ 58,126	\$ 29,911	\$ 93,425	\$ 75,023	\$ 0	\$ 0	\$ 256,485	\$ 62,020	\$ 318,505
Fines, Forfeitures and Penalties	0	0	0	0	7,924	0	7,924	0	7,924
Charges for Current Services	0	11,936	107,941	0	0	780	120,657	0	120,657
Other Local Revenues	185	5,001	289	95	0	0	5,570	0	5,570
State of Tennessee	0	0	20,900	15,646	0	0	36,546	11,621	48,167
Federal Government	0	0	0	21,112	0	0	21,112	0	21,112
Total Revenues	\$ 58,311	\$ 46,848	\$ 222,555	\$ 111,876	\$ 7,924	\$ 780	\$ 448,294	\$ 73,641	\$ 521,935
<u>Expenditures</u>									
Current:									
General Government	\$ 103,863	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 103,863	\$ 0	\$ 103,863
Finance	0	0	0	0	0	151	151	0	151
Administration of Justice	0	0	0	0	0	629	629	0	629
Public Safety	12,914	0	0	146,733	5,594	0	165,241	0	165,241
Public Health and Welfare	0	81,014	394,667	0	0	0	475,681	0	475,681
Other Operations	617	0	0	1,536	50	0	2,203	0	2,203
Debt Service:									
Principal	0	0	0	0	0	0	0	46,736	46,736
Interest	0	0	0	0	0	0	0	1,604	1,604
Other Debt Service	0	0	0	0	0	0	0	740	740
Total Expenditures	\$ 117,394	\$ 81,014	\$ 394,667	\$ 148,269	\$ 5,644	\$ 780	\$ 747,768	\$ 49,080	\$ 796,848
Excess (Deficiency) of Revenues Over Expenditures	\$ (59,083)	\$ (34,166)	\$ (172,112)	\$ (36,393)	\$ 2,280	\$ 0	\$ (299,474)	\$ 24,561	\$ (274,913)
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 51,915	\$ 220,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 271,915	\$ 0	\$ 271,915
Total Other Financing Sources (Uses)	\$ 51,915	\$ 220,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 271,915	\$ 0	\$ 271,915
Net Change in Fund Balances	\$ (7,168)	\$ 185,834	\$ (172,112)	\$ (36,393)	\$ 2,280	\$ 0	\$ (27,559)	\$ 24,561	\$ (2,998)
Fund Balance, July 1, 2004	26,056	7,823	148,824	91,183	6,740	0	280,626	108,494	389,120
Fund Balance, June 30, 2005	\$ 18,888	\$ 193,657	\$ (23,288)	\$ 54,790	\$ 9,020	\$ 0	\$ 253,067	\$ 133,055	\$ 386,122

Exhibit E-3

Van Buren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse & Jail Maintenance Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 58,126	\$ 67,000	\$ 67,000	\$ (8,874)
Other Local Revenues	185	0	0	185
Total Revenues	<u>\$ 58,311</u>	<u>\$ 67,000</u>	<u>\$ 67,000</u>	<u>\$ (8,689)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 103,863	\$ 49,000	\$ 106,531	\$ 2,668
<u>Public Safety</u>				
Jail	12,914	35,000	29,384	16,470
<u>Other Operations</u>				
Other Charges	617	800	800	183
Total Expenditures	<u>\$ 117,394</u>	<u>\$ 84,800</u>	<u>\$ 136,715</u>	<u>\$ 19,321</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (59,083)</u>	<u>\$ (17,800)</u>	<u>\$ (69,715)</u>	<u>\$ 10,632</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 51,915	0	\$ 51,915	0
Total Other Financing Sources (Uses)	<u>\$ 51,915</u>	<u>\$ 0</u>	<u>\$ 51,915</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (7,168)	\$ (17,800)	\$ (17,800)	\$ 10,632
Fund Balance, July 1, 2004	<u>26,056</u>	<u>18,902</u>	<u>18,902</u>	<u>7,154</u>
Fund Balance, June 30, 2005	<u>\$ 18,888</u>	<u>\$ 1,102</u>	<u>\$ 1,102</u>	<u>\$ 17,786</u>

Exhibit E-4

Van Buren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation 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>						
Local Taxes	\$ 29,911	\$ 0	\$ 29,911	\$ 27,509	\$ 27,509	\$ 2,402
Charges for Current Services	11,936	0	11,936	0	0	11,936
Other Local Revenues	5,001	0	5,001	0	3,350	1,651
Total Revenues	\$ 46,848	\$ 0	\$ 46,848	\$ 27,509	\$ 30,859	\$ 15,989
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Convenience Centers	\$ 68,449	\$ 139,842	\$ 208,291	\$ 12,200	\$ 249,304	\$ 41,013
Landfill Operation and Maintenance	12,565	0	12,565	7,500	8,000	(4,565)
Total Expenditures	\$ 81,014	\$ 139,842	\$ 220,856	\$ 19,700	\$ 257,304	\$ 36,448
Excess (Deficiency) of Revenues Over Expenditures	\$ (34,166)	\$ (139,842)	\$ (174,008)	\$ 7,809	\$ (226,445)	\$ 52,437
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 220,000	\$ 0	\$ 220,000	\$ 0	\$ 220,000	\$ 0
Total Other Financing Sources (Uses)	\$ 220,000	\$ 0	\$ 220,000	\$ 0	\$ 220,000	\$ 0
Net Change in Fund Balance	\$ 185,834	\$ (139,842)	\$ 45,992	\$ 7,809	\$ (6,445)	\$ 52,437
Fund Balance, July 1, 2004	7,823	0	7,823	7,769	7,769	54
Fund Balance, June 30, 2005	\$ 193,657	\$ (139,842)	\$ 53,815	\$ 15,578	\$ 1,324	\$ 52,491

Exhibit E-5

Van Buren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance 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	\$ 93,425	\$ 90,102	\$ 91,552	\$ 1,873
Charges for Current Services	107,941	200,000	200,000	(92,059)
Other Local Revenues	289	0	300	(11)
State of Tennessee	20,900	0	20,900	0
Total Revenues	<u>\$ 222,555</u>	<u>\$ 290,102</u>	<u>\$ 312,752</u>	<u>\$ (90,197)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 394,667	\$ 380,360	\$ 403,010	\$ 8,343
Total Expenditures	<u>\$ 394,667</u>	<u>\$ 380,360</u>	<u>\$ 403,010</u>	<u>\$ 8,343</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (172,112)</u>	<u>\$ (90,258)</u>	<u>\$ (90,258)</u>	<u>\$ (81,854)</u>
Net Change in Fund Balance	\$ (172,112)	\$ (90,258)	\$ (90,258)	\$ (81,854)
Fund Balance, July 1, 2004	148,824	150,533	150,533	(1,709)
Fund Balance, June 30, 2005	<u>\$ (23,288)</u>	<u>\$ 60,275</u>	<u>\$ 60,275</u>	<u>\$ (83,563)</u>

Exhibit E-6

Van Buren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Local Purpose Tax Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 75,023	\$ 71,460	\$ 72,460	\$ 2,563
Other Local Revenues	95	0	0	95
State of Tennessee	15,646	16,524	32,262	(16,616)
Federal Government	21,112	0	2,646	18,466
Total Revenues	<u>\$ 111,876</u>	<u>\$ 87,984</u>	<u>\$ 107,368</u>	<u>\$ 4,508</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Fire Prevention and Control	\$ 146,733	\$ 111,524	\$ 162,852	\$ 16,119
<u>Other Operations</u>				
Other Charges	1,536	1,600	2,600	1,064
Total Expenditures	<u>\$ 148,269</u>	<u>\$ 113,124</u>	<u>\$ 165,452</u>	<u>\$ 17,183</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (36,393)</u>	<u>\$ (25,140)</u>	<u>\$ (58,084)</u>	<u>\$ 21,691</u>
Net Change in Fund Balance	\$ (36,393)	\$ (25,140)	\$ (58,084)	\$ 21,691
Fund Balance, July 1, 2004	91,183	86,978	86,978	4,205
Fund Balance, June 30, 2005	<u>\$ 54,790</u>	<u>\$ 61,838</u>	<u>\$ 28,894</u>	<u>\$ 25,896</u>

Exhibit E-7

Van Buren 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	\$ 7,924	\$ 4,900	\$ 5,950	\$ 1,974
Total Revenues	<u>\$ 7,924</u>	<u>\$ 4,900</u>	<u>\$ 5,950</u>	<u>\$ 1,974</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 5,594	\$ 10,000	\$ 11,050	\$ 5,456
<u>Other Operations</u>				
Other Charges	50	100	100	50
Total Expenditures	<u>\$ 5,644</u>	<u>\$ 10,100</u>	<u>\$ 11,150</u>	<u>\$ 5,506</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,280</u>	<u>\$ (5,200)</u>	<u>\$ (5,200)</u>	<u>\$ 7,480</u>
Net Change in Fund Balance	\$ 2,280	\$ (5,200)	\$ (5,200)	\$ 7,480
Fund Balance, July 1, 2004	<u>6,740</u>	<u>7,086</u>	<u>7,086</u>	<u>(346)</u>
Fund Balance, June 30, 2005	<u>\$ 9,020</u>	<u>\$ 1,886</u>	<u>\$ 1,886</u>	<u>\$ 7,134</u>

Exhibit E-8

Van Buren 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	\$ 62,020	\$ 50,624	\$ 50,624	\$ 11,396
State of Tennessee	11,621	10,000	10,000	1,621
Total Revenues	<u>\$ 73,641</u>	<u>\$ 60,624</u>	<u>\$ 60,624</u>	<u>\$ 13,017</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 0	\$ 0	\$ 30,000	\$ 30,000
<u>Principal</u>				
General Government	46,736	82,110	81,410	34,674
<u>Interest</u>				
General Government	1,604	2,600	2,600	996
<u>Other Debt Service</u>				
General Government	740	0	700	(40)
Total Expenditures	<u>\$ 49,080</u>	<u>\$ 84,710</u>	<u>\$ 114,710</u>	<u>\$ 65,630</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,561</u>	<u>\$ (24,086)</u>	<u>\$ (54,086)</u>	<u>\$ 78,647</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 0	\$ 30,000	\$ (30,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,000</u>	<u>\$ (30,000)</u>
Net Change in Fund Balance	\$ 24,561	\$ (24,086)	\$ (24,086)	\$ 48,647
Fund Balance, July 1, 2004	108,494	87,511	87,511	20,983
Fund Balance, June 30, 2005	<u>\$ 133,055</u>	<u>\$ 63,425</u>	<u>\$ 63,425</u>	<u>\$ 69,630</u>

Fiduciary Funds

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

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

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

Exhibit F-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 391,675	\$ 391,675
Due from Other Governments	13,285	0	13,285
Total Assets	<u>\$ 13,285</u>	<u>\$ 391,675</u>	<u>\$ 404,960</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 13,285	\$ 0	\$ 13,285
Due to Litigants, Heirs, and Others	0	391,675	391,675
Total Liabilities	<u>\$ 13,285</u>	<u>\$ 391,675</u>	<u>\$ 404,960</u>

Exhibit F-2

Van Buren County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ending 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	\$ 75,098	\$ 75,098	\$ 0
Due From Other Governments	12,234	13,285	12,234	13,285
Total Assets	\$ 12,234	\$ 88,383	\$ 87,332	\$ 13,285
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 12,234	\$ 88,383	\$ 87,332	\$ 13,285
Total Liabilities	\$ 12,234	\$ 88,383	\$ 87,332	\$ 13,285
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 206,708	\$ 3,092,428	\$ 2,907,461	\$ 391,675
Total Assets	\$ 206,708	\$ 3,092,428	\$ 2,907,461	\$ 391,675
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 206,708	\$ 3,092,428	\$ 2,907,461	\$ 391,675
Total Liabilities	\$ 206,708	\$ 3,092,428	\$ 2,907,461	\$ 391,675
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 75,098	\$ 75,098	\$ 0
Cash	206,708	3,092,428	2,907,461	391,675
Due From Other Governments	12,234	13,285	12,234	13,285
Total Assets	\$ 218,942	\$ 3,180,811	\$ 2,994,793	\$ 404,960
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 12,234	\$ 88,383	\$ 87,332	\$ 13,285
Due to Litigants, Heirs, and Others	206,708	3,092,428	2,907,461	391,675
Total Liabilities	\$ 218,942	\$ 3,180,811	\$ 2,994,793	\$ 404,960

MISCELLANEOUS SCHEDULES

Exhibit G-1

Van Buren County, Tennessee
Schedule of Changes in Long-term Notes and Capital Leases
For the Year Ending June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Industrial Park	\$ 212,000	0 %	4-21-1998	4-23-07	\$ 79,500	\$ 0	\$ 26,500	\$ 53,000
Matching Portion - CDBG Communications Grant	26,000	4.1	1-7-03	1-7-06	17,333	0	8,667	8,666
Patrol Car and Roofing Project	81,915	4.5	10-25-04	10-25-07	0	81,915	0	81,915
Solid Waste Recycling Center	20,000	4.55	5-26-05	5-25-08	0	20,000	0	20,000
Total Payable through General Debt Service Fund					<u>\$ 96,833</u>	<u>\$ 101,915</u>	<u>\$ 35,167</u>	<u>\$ 163,581</u>
<u>Payable through Solid Waste/Sanitation Fund</u>								
Solid Waste Recycling Center	200,000	4.55	5-26-05	5-25-08	\$ 0	\$ 200,000	\$ 0	\$ 200,000
Total Notes Payable					<u>\$ 96,833</u>	<u>\$ 301,915</u>	<u>\$ 35,167</u>	<u>\$ 363,581</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Patrol Cars	42,700	5	10-12-01	9-12-04	\$ 3,791	\$ 0	\$ 3,791	\$ 0
<u>Payable through General Debt Service Fund</u>								
Patrol Cars	35,976	3.6	11-10-03	11-10-05	\$ 23,556	\$ 0	\$ 11,569	\$ 11,987
Total Capital Leases Payable					<u>\$ 27,347</u>	<u>\$ 0</u>	<u>\$ 15,360</u>	<u>\$ 11,987</u>

Exhibit G-2

Van Buren County, Tennessee
Schedule of Notes Receivable - All Funds
June 30, 2005

Description/Payee	Debtor	Original Amount of Notes	Date of Maturity	Interest Rate	Balance 6-30-05
Revenue Anticipation Note:					
General Debt Service Fund	General Fund	\$ 65,000	6-30-04	0%	\$ 65,000 (1)

(1) This note was not retired by June 30, 2004 as required by state statutes.

Exhibit G-3

Van Buren County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ending June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 49,051	\$ 25,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	46,715	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	42,469	243,686	Hartford Fire Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,469	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	42,469	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	43,098 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	42,469	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	47,234 (2)	25,000	"
Public Employees Blanket Bond: General County Employees			150,000	Local Government Insurance Pool

(1) Includes special commissioners fees of \$629.

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

Exhibit G-4

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 700,459	\$ 0	\$ 26,953	\$ 80,858	\$ 67,382
Trustee's Collections - Prior Year	49,599	0	1,964	7,365	4,910
Circuit/Clerk & Master Collections - Prior Years	19,115	0	568	3,664	1,666
Interest and Penalty	8,886	0	349	1,298	873
Pick-up Taxes	1,920	0	77	240	192
Payments in Lieu of Taxes - T.V.A.	4,729	0	0	0	0
Payments in Lieu of Taxes - Other	57,616	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	59,731	0	0	0	0
Hotel/Motel Tax	0	0	0	0	0
Litigation Tax - Special Purpose	0	44,540	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	13,586	0	0	0
Business Tax	9,706	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	9,585	0	0	0	0
Wholesale Beer Tax	23,268	0	0	0	0
Interstate Telecommunications Tax	677	0	0	0	0
Total Local Taxes	<u>\$ 945,291</u>	<u>\$ 58,126</u>	<u>\$ 29,911</u>	<u>\$ 93,425</u>	<u>\$ 75,023</u>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 2,505	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	<u>\$ 2,505</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 2,777	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	2,028	0	0	0	0
Drug Control Fines	864	0	0	0	0
DUI Treatment Fines	266	0	0	0	0
Data Entry Fee - Circuit Court	30	0	0	0	0

(Continued)

Exhibit G-4

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax
<u>Fines, Forfeitures and Penalties (Cont.)</u>					
<u>Criminal Court</u>					
Drug Control Fines	\$ 332	\$ 0	\$ 0	\$ 0	0
<u>General Sessions Court</u>					
Fines	19,683	0	0	0	0
Officers Costs	14,367	0	0	0	0
Drug Control Fines	132	0	0	0	0
Jail Fees	65	0	0	0	0
Data Entry Fee - General Sessions Court	2,540	0	0	0	0
<u>Juvenile Court</u>					
Drug Control Fines	66	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	987	0	0	0	0
Data Entry Fee - Chancery Court	315	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	0
Total Fines, Forfeitures and Penalties	\$ 44,452	\$ 0	\$ 0	\$ 0	0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Convenience Waste Centers Collection Charge	\$ 0	\$ 0	11,936	\$ 0	0
Patient Charges	0	0	0	107,941	0
<u>Fees</u>					
Copy Fees	1,015	0	0	0	0
Telephone Commissions	393	0	0	0	0
Vending Machine Collections	835	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0
Data Processing Fee - Register	5,214	0	0	0	0
Total Charges for Current Services	\$ 7,457	\$ 0	\$ 11,936	\$ 107,941	0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 22,266	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit G-4

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Lease/Rentals	\$ 2,446	\$ 0	\$ 0	\$ 0	0
Miscellaneous Refunds	6,377	185	0	289	95
<u>Nonrecurring Items</u>					
Insurance Recovery	8,190	0	0	0	0
Sale of Equipment	0	0	5,001	0	0
Sale of Property	8,243	0	0	0	0
Total Other Local Revenues	<u>\$ 47,522</u>	<u>\$ 185</u>	<u>\$ 5,001</u>	<u>\$ 289</u>	<u>\$ 95</u>
<u>Fees Received from County Officials</u>					
<u>Fees In Lieu of Salary</u>					
County Clerk	\$ 48,389	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	11,722	0	0	0	0
General Sessions Court Clerk	69,579	0	0	0	0
Clerk and Master	9,330	0	0	0	0
Register	55,131	0	0	0	0
Sheriff	3,412	0	0	0	0
Trustee	68,584	0	0	0	0
Total Fees Received from County Officials	<u>\$ 266,147</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	0
Other General Government Grants	0	0	0	0	15,646
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	3,631	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	0
State Aid Program	0	0	0	0	0
Litter Program	3,350	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	2,303	0	0	0	0
Beer Tax	16,778	0	0	0	0

(Continued)

Exhibit G-4

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Local Purpose Tax
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Alcoholic Beverage Tax	\$ 13,161	\$ 0	\$ 0	\$ 0	\$ 0
State Revenue Sharing - T.V.A.	81,350	0	0	0	0
Contracted Prisoner Boarding	45,526	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Reappraisal Program Reimbursement	2,913	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Revenues	7,635	0	0	20,900	0
Total State of Tennessee	<u>\$ 202,027</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,900</u>	<u>\$ 15,646</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	2,646
Other Federal through State	0	0	0	0	4,385
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0	0	0	0	14,081
Total Federal Government	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,112</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 123	\$ 0	\$ 0	\$ 0	0
Contracted Services	3,309	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 3,432</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 1,518,833</u>	<u>\$ 58,311</u>	<u>\$ 46,848</u>	<u>\$ 222,555</u>	<u>\$ 111,876</u>

(Continued)

Exhibit G-4

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

	Special Revenue Funds			Debt Service Fund	Total
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 0	\$ 0	\$ 0	875,652
Trustee's Collections - Prior Year	0	0	0	0	63,838
Circuit/Clerk & Master Collections - Prior Years	0	0	0	247	25,260
Interest and Penalty	0	0	0	0	11,406
Pick-up Taxes	0	0	0	0	2,429
Payments in Lieu of Taxes - T.V.A.	0	0	0	624	5,353
Payments in Lieu of Taxes - Other	0	0	0	0	57,616
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	59,731
Hotel/Motel Tax	0	0	0	61,149	61,149
Litigation Tax - Special Purpose	0	0	0	0	44,540
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	13,586
Business Tax	0	0	0	0	9,706
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	9,585
Wholesale Beer Tax	0	0	0	0	23,268
Interstate Telecommunications Tax	0	0	0	0	677
Total Local Taxes	\$ 0	\$ 0	\$ 0	\$ 62,020	\$ 1,263,796
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	2,505
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	2,505
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	2,777
Officers Costs	0	0	0	0	2,028
Drug Control Fines	1,502	0	0	0	2,366
DUI Treatment Fines	0	0	0	0	266
Data Entry Fee - Circuit Court	0	0	0	0	30

(Continued)

Exhibit G-4

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

	Special Revenue Funds			Debt Service Fund	Total
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>					
<u>Criminal Court</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	332
<u>General Sessions Court</u>					
Fines	0	0	0	0	19,683
Officers Costs	0	0	0	0	14,367
Drug Control Fines	3,741	0	0	0	3,873
Jail Fees	0	0	0	0	65
Data Entry Fee - General Sessions Court	0	0	0	0	2,540
<u>Juvenile Court</u>					
Drug Control Fines	0	0	0	0	66
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	987
Data Entry Fee - Chancery Court	0	0	0	0	315
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	2,681	0	0	0	2,681
Total Fines, Forfeitures and Penalties	\$ 7,924	\$ 0	\$ 0	\$ 0	52,376
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Convenience Waste Centers Collection Charge	\$ 0	\$ 0	\$ 0	\$ 0	11,936
Patient Charges	0	0	0	0	107,941
<u>Fees</u>					
Copy Fees	0	0	0	0	1,015
Telephone Commissions	0	0	0	0	393
Vending Machine Collections	0	0	0	0	835
Constitutional Officers' Fees and Commissions	0	151	0	0	151
Special Commissioner Fees/Special Master Fees	0	629	0	0	629
Data Processing Fee - Register	0	0	0	0	5,214
Total Charges for Current Services	\$ 0	\$ 780	\$ 0	\$ 0	128,114
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	22,266

(Continued)

Exhibit G-4

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

	Special Revenue Funds			Debt Service Fund	
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Total
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Lease/Rentals	\$ 0	\$ 0	\$ 0	\$ 0	2,446
Miscellaneous Refunds	0	0	9,506	0	16,452
<u>Nonrecurring Items</u>					
Insurance Recovery	0	0	0	0	8,190
Sale of Equipment	0	0	0	0	5,001
Sale of Property	0	0	0	0	8,243
Total Other Local Revenues	\$ 0	\$ 0	\$ 9,506	\$ 0	\$ 62,598
<u>Fees Received from County Officials</u>					
<u>Fees In Lieu of Salary</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	48,389
Circuit Court Clerk	0	0	0	0	11,722
General Sessions Court Clerk	0	0	0	0	69,579
Clerk and Master	0	0	0	0	9,330
Register	0	0	0	0	55,131
Sheriff	0	0	0	0	3,412
Trustee	0	0	0	0	68,584
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 266,147
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Other General Government Grants	0	0	0	0	15,646
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	3,631
<u>Public Works Grants</u>					
Bridge Program	0	0	207,356	0	207,356
State Aid Program	0	0	138,116	0	138,116
Litter Program	0	0	0	0	3,350
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	2,303
Beer Tax	0	0	0	0	16,778

(Continued)

Exhibit G-4

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

	Special Revenue Funds			Debt Service Fund	Total
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Alcoholic Beverage Tax	\$ 0	\$ 0	\$ 0	\$ 0	13,161
State Revenue Sharing - T.V.A.	0	0	0	11,621	92,971
Contracted Prisoner Boarding	0	0	0	0	45,526
Gasoline and Motor Fuel Tax	0	0	1,322,522	0	1,322,522
Petroleum Special Tax	0	0	4,431	0	4,431
Reappraisal Program Reimbursement	0	0	0	0	2,913
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Revenues	0	0	0	0	28,535
Total State of Tennessee	\$ 0	\$ 0	\$ 1,672,425	\$ 11,621	\$ 1,922,619
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	2,646
Other Federal through State	0	0	0	0	4,385
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0	0	0	0	14,081
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	21,112
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	123
Contracted Services	0	0	0	0	3,309
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	3,432
Total	\$ 7,924	\$ 780	\$ 1,681,931	\$ 73,641	\$ 3,722,699

Exhibit G-5

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	12,148	
Audit Services		1,359	
Consultants		8,064	
Contracts with Government Agencies		4,569	
Dues and Memberships		1,957	
Legal Services		<u>2,672</u>	
Total County Commission			\$ 30,769

Board of Equalization

Board and Committee Members Fees	\$	<u>1,000</u>	
Total Board of Equalization			1,000

County Mayor

County Official/Administrative Officer	\$	49,051	
Accountants/Bookkeepers		33,950	
Communication		5,148	
Data Processing Services		4,431	
Dues and Memberships		2,470	
Legal Notices, Recording and Court Costs		2,126	
Printing, Stationery and Forms		335	
Travel		4,602	
Office Supplies		1,406	
Premiums on Corporate Surety Bonds		300	
Other Charges		1,070	
Data Processing Equipment		<u>3,903</u>	
Total County Mayor			108,792

County Attorney

County Official/Administrative Officer	\$	<u>4,600</u>	
Total County Attorney			4,600

Election Commission

County Official/Administrative Officer	\$	33,975	
Election Commission		6,069	
Election Workers		7,325	
Communication		882	
Data Processing Services		3,363	
Dues and Memberships		150	
Legal Notices, Recording and Court Costs		2,666	
Maintenance & Repair Services- Equipment		320	

(Continued)

Exhibit G-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Printing, Stationery and Forms	\$	4,884	
Travel		1,509	
Other Contracted Services		3,286	
Office Supplies		287	
Other Charges		875	
Total Election Commission			\$ 65,591

Register of Deeds

County Official/Administrative Officer	\$	42,469	
Communication		679	
Data Processing Services		7,781	
Dues and Memberships		295	
Printing, Stationery and Forms		1,905	
Office Supplies		131	
Premiums on Corporate Surety Bonds		52	
Total Register of Deeds			53,312

County Buildings

Communication	\$	1,219	
Custodial Supplies		819	
Electricity		22,801	
Natural Gas		18,548	
Water and Sewer		3,416	
Total County Buildings			46,803

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	42,469	
Communication		456	
Data Processing Services		4,100	
Dues and Memberships		704	
Legal Notices, Recording and Court Costs		32	
Travel		526	
Office Supplies		91	
Premiums on Corporate Surety Bonds		340	
Other Charges		1,636	
Total Property Assessor's Office			50,354

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
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(Continued)

Exhibit G-5

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Communication	\$	678	
Dues and Memberships		335	
Legal Notices, Recording and Court Costs		180	
Printing, Stationery and Forms		89	
Office Supplies		499	
Total County Trustee's Office			\$ 44,250

County Clerk's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		16,040	
Communication		1,262	
Dues and Memberships		215	
Printing, Stationery and Forms		569	
Office Supplies		739	
Premiums on Corporate Surety Bonds		125	
Data Processing Equipment		5,700	
Total County Clerk's Office			67,119

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,469	
Part-time Personnel		16,854	
Board and Committee Members Fees		90	
Jury and Witness Fees		10,466	
Communication		2,373	
Dues and Memberships		215	
Printing, Stationery and Forms		4,573	
Office Supplies		1,474	
Premiums on Corporate Surety Bonds		388	
Total Circuit Court			78,902

General Sessions Court

Judge(s)	\$	18,744	
Secretary(s)		4,857	
Other Fringe Benefits		2,885	
Travel		368	
Total General Sessions Court			26,854

Chancery Court

County Official/Administrative Officer	\$	42,469	
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(Continued)

Exhibit G-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Communication	\$	247	
Dues and Memberships		215	
Printing, Stationery and Forms		1,008	
Office Supplies		25	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			\$ 44,414

Juvenile Court

Contracts with Government Agencies	\$	10,000	
Other Charges		300	
Total Juvenile Court			10,300

Judicial Commissioners

County Official/Administrative Officer	\$	2,156	
Premiums on Corporate Surety Bonds		100	
Total Judicial Commissioners			2,256

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	46,715	
Deputy(ies)		175,388	
Accountants/Bookkeepers		19,059	
Salary Supplements		3,631	
Dispatchers/Radio Operators		85,579	
Clerical Personnel		235	
Communication		6,567	
Dues and Memberships		1,900	
Legal Notices, Recording and Court Costs		20	
Maintenance & Repair Services- Vehicles		15,888	
Printing, Stationery and Forms		13	
Travel		1,043	
Gasoline		20,048	
Office Supplies		1,655	
Uniforms		2,897	
Premiums on Corporate Surety Bonds		1,722	
Other Charges		1,145	
Principal on Capitalized Leases		3,791	
Interest on Capitalized Leases		194	
Communication Equipment		180	
Motor Vehicles		23,211	
Total Sheriff's Department			410,881

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Medical and Dental Services	\$	31,276	
Custodial Supplies		3,565	
Electricity		7,292	
Food Supplies		27,676	
Natural Gas		2,871	
Water and Sewer		6,940	
Other Charges		<u>1,026</u>	
Total Jail			\$ 80,646

Fire Prevention and Control

Contributions	\$	<u>1,000</u>	
Total Fire Prevention and Control			1,000

Rescue Squad

Contributions	\$	<u>2,500</u>	
Total Rescue Squad			2,500

Other Emergency Management

Contributions	\$	<u>1,200</u>	
Total Other Emergency Management			1,200

County Coroner/Medical Examiner

Premiums on Corporate Surety Bonds	\$	100	
Other Charges		<u>10,318</u>	
Total County Coroner/Medical Examiner			10,418

Other Public Safety

Dispatchers/Radio Operators	\$	42,906	
Social Security		2,800	
State Retirement		2,265	
Unemployment Compensation		600	
Employer Medicare		657	
Communication		3,455	
Contracts with Government Agencies		6,295	
Office Supplies		289	
Other Supplies and Materials		80	
Other Charges		315	
Communication Equipment		<u>30,000</u>	
Total Other Public Safety			89,662

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	992	
Communication		1,114	
Travel		184	
Custodial Supplies		523	
Drugs and Medical Supplies		45	
Electricity		2,483	
Natural Gas		2,460	
Office Supplies		150	
Water and Sewer		144	
Other Charges		<u>1,504</u>	
Total Local Health Center			\$ 9,599

Regional Mental Health Center

Contributions	\$	<u>3,029</u>	
Total Regional Mental Health Center			3,029

Appropriation to State

Contracts with Government Agencies	\$	<u>25,000</u>	
Total Appropriation to State			25,000

Convenience Centers

Laborers	\$	<u>159</u>	
Total Convenience Centers			159

Social, Cultural and Recreational Services

Senior Citizens Assistance

Communication	\$	693	
Contributions		8,432	
Office Supplies		164	
Other Charges		<u>519</u>	
Total Senior Citizens Assistance			9,808

Libraries

Contributions	\$	<u>21,604</u>	
Total Libraries			21,604

Parks and Fair Boards

Contributions	\$	<u>1,200</u>	
Total Parks and Fair Boards			1,200

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Other Social, Cultural and Recreational

Contributions	\$ 3,250	
Total Other Social, Cultural and Recreational		\$ 3,250

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 17,603	
Secretary(s)	4,632	
Social Security	1,327	
Other Fringe Benefits	2,292	
Communication	2,768	
Total Agriculture Extension Service		28,622

Soil Conservation

Secretary(s)	\$ 7,465	
Communication	192	
Total Soil Conservation		7,657

Other Operations

Industrial Development

Contributions	\$ 16,257	
Travel	982	
Other Charges	11,765	
Total Industrial Development		29,004

Other Charges

Liability Insurance	\$ 38,038	
Trustee's Commission	21,463	
Workers' Compensation Insurance	20,733	
Total Other Charges		80,234

Employee Benefits

Social Security	\$ 44,283	
State Retirement	37,688	
Unemployment Compensation	6,170	
Employer Medicare	10,191	
Total Employee Benefits		98,332

Miscellaneous

Postal Charges	\$ 10,945	
Duplicating Supplies	12,408	
Other Charges	8,700	

(Continued)

Exhibit G-5

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Interest on Notes	\$ 1,745	
Total Miscellaneous		\$ 33,798

Highways

Litter and Trash Collection

Laborers	\$ 21,176	
Social Security	1,316	
State Retirement	250	
Employer Medicare	308	
Accounting Services	1,900	
Other Supplies and Materials	4,587	
Other Charges	2,436	
Motor Vehicles	280	
Total Litter and Trash Collection		<u>32,253</u>

Total General Fund		\$ 1,615,172
--------------------	--	--------------

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$ 88,290	
Building Improvements	<u>15,573</u>	
Total County Buildings		\$ 103,863

Public Safety

Jail

Maintenance & Repair Services- Buildings	\$ 12,914	
Total Jail		12,914

Other Operations

Other Charges

Trustee's Commission	\$ 617	
Total Other Charges		<u>617</u>

Total Courthouse & Jail Maintenance Fund		117,394
--	--	---------

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Laborers	\$ 10,390	
----------	-----------	--

(Continued)

Exhibit G-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Social Security	\$	675	
Unemployment Compensation		36	
Employer Medicare		154	
Communication		319	
Other Contracted Services		6,567	
Electricity		1,793	
Natural Gas		1,031	
Water and Sewer		298	
Trustee's Commission		725	
Other Charges		16,481	
Building Construction		29,980	
Total Convenience Centers			\$ 68,449

Landfill Operation and Maintenance

Other Charges	\$	12,565	
Total Landfill Operation and Maintenance			12,565

Total Solid Waste/Sanitation Fund \$ 81,014

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Medical Personnel	\$	209,671	
Social Security		10,679	
State Retirement		7,846	
Unemployment Compensation		2,419	
Employer Medicare		2,495	
Communication		3,783	
Data Processing Services		340	
Dues and Memberships		200	
Licenses		450	
Maintenance & Repair Services- Buildings		157	
Maintenance & Repair Services- Equipment		760	
Maintenance & Repair Services- Vehicles		5,618	
Printing, Stationery and Forms		741	
Data Processing Supplies		285	
Diesel Fuel		7,054	
Drugs and Medical Supplies		38,859	
Electricity		3,267	
Natural Gas		2,069	

(Continued)

Exhibit G-5

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

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Office Supplies	\$	996	
Uniforms		317	
Water and Sewer		432	
Other Supplies and Materials		84	
Trustee's Commission		2,925	
Vehicle and Equipment Insurance		4,500	
Workers' Compensation Insurance		10,000	
Other Charges		3,591	
Motor Vehicles		75,129	
Total Ambulance/Emergency Medical Services			\$ 394,667

Total Ambulance Service Fund \$ 394,667

Local Purpose Tax Fund

Public Safety

Fire Prevention and Control

Contributions	\$	75,000	
Building and Contents Insurance		22,617	
Other Charges		4,385	
Communication Equipment		38,223	
Other Equipment		6,508	
Total Fire Prevention and Control			\$ 146,733

Other Operations

Other Charges

Trustee's Commission	\$	1,536	
Total Other Charges			1,536

Total Local Purpose Tax Fund 148,269

Drug Control Fund

Public Safety

Drug Enforcement

Maintenance & Repair Services- Vehicles	\$	3,380	
Other Supplies and Materials		544	
Law Enforcement Equipment		1,670	
Total Drug Enforcement			\$ 5,594

(Continued)

Exhibit G-5

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

Drug Control Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 50	
Total Other Charges		\$ 50

Total Drug Control Fund \$ 5,644

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 151	
Total County Clerk's Office		\$ 151

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 629	
Total Chancery Court		629

Total Constitutional Officers - Fees Fund 780

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 46,715	
Assistant(s)	28,325	
Accountants/Bookkeepers	27,925	
Other Salaries & Wages	2,193	
Communication	1,448	
Dues and Memberships	1,683	
Maintenance & Repair Services- Office Equipment	48	
Postal Charges	248	
Printing, Stationery and Forms	115	
Travel	814	
Electricity	978	
Office Supplies	44	
Other Charges	141	
Total Administration		\$ 110,677

Highway and Bridge Maintenance

Equipment Operators	\$ 52,065
Truck Drivers	72,842
Laborers	152,346

(Continued)

Exhibit G-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Other Contracted Services	\$	779,266	
Asphalt - Cold Mix		3,947	
Crushed Stone		43,910	
Ice		3	
Pipe - Metal		6,619	
Road Signs		2,198	
Salt		16,440	
Wood Products		100	
Other Charges		4	
Total Highway and Bridge Maintenance			\$ 1,129,740

Operation and Maintenance of Equipment

Mechanic(s)	\$	48,993	
Nightwatchmen		44,795	
Laundry Service		764	
Maintenance & Repair Services- Equipment		1,000	
Other Contracted Services		5,979	
Diesel Fuel		20,580	
Equipment and Machinery Parts		27,355	
Garage Supplies		425	
Gasoline		19,232	
Lubricants		5,764	
Propane Gas		1,167	
Small Tools		1,029	
Tires and Tubes		8,523	
Water and Sewer		627	
Other Supplies and Materials		461	
Other Charges		438	
Total Operation and Maintenance of Equipment			187,132

Quarry Operations

Communication	\$	2,009	
Operating Lease Payments		5,060	
Electricity		2,949	
Other Charges		227	
Total Quarry Operations			10,245

Other Charges

Liability Insurance	\$	18,073	
Premiums on Corporate Surety Bonds		400	

(Continued)

Exhibit G-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$	13,212	
Workers' Compensation Insurance		<u>56,362</u>	
Total Other Charges	\$		88,047

Employee Benefits

Social Security	\$	36,473	
State Retirement		22,756	
Employee and Dependent Insurance		5,415	
Unemployment Compensation		1,208	
Other Fringe Benefits		<u>1,630</u>	
Total Employee Benefits			67,482

Capital Outlay

Building Improvements	\$	4,236	
Communication Equipment		<u>230</u>	
Total Capital Outlay			<u>4,466</u>

Total Highway/Public Works Fund \$ 1,597,789

General Debt Service Fund

Principal

General Government

Principal on Notes	\$	35,167	
Principal on Capitalized Leases		<u>11,569</u>	
Total General Government	\$		46,736

Interest

General Government

Interest on Notes	\$	753	
Interest on Capitalized Leases		<u>851</u>	
Total General Government			1,604

Other Debt Service

General Government

Trustee's Commission	\$	740	
Total General Government			<u>740</u>

Total General Debt Service Fund 49,080

Total Governmental Funds - Primary Government \$ 4,009,809

Exhibit G-6

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 75,098
Total Cash Receipts	<u>\$ 75,098</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 74,347
Trustee's Commission	<u>751</u>
Total Cash Disbursements	<u>\$ 75,098</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u>\$ 0</u>

STATISTICAL SECTION

Table 1

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

Year	Amount
2000	\$ 563
2001	471
2002	589
2003	19,289
Total	\$ 20,912

Table 2

Van Buren County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.59	\$ 1.59	\$ 1.50	\$ 1.00	\$ 1.30	\$ 1.02	\$ 1.02	\$ 1.06	\$ 1.01	\$ 1.04
Solid Waste/Sanitation	0.34	0.34	0.00	0.50	0.00	0.02	0.02	0.02	0.04	0.04
Ambulance Service	0.00	0.00	0.00	0.00	0.20	0.15	0.15	0.23	0.15	0.12
Local Purpose Tax	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
General Purpose School	1.25	1.25	1.01	1.01	1.01	0.78	0.78	0.78	0.66	0.66
General Debt Service	0.20	0.20	0.20	0.20	0.20	0.12	0.12	0.00	0.00	0.00
Total Tax Rate	\$ 3.48	\$ 3.48	\$ 2.81	\$ 2.81	\$ 2.81	\$ 2.19	\$ 2.19	\$ 2.19	\$ 1.96	\$ 1.96
<u>Assessed Valuation</u>										
Real and Personal	\$ 27,977,389	\$ 28,740,835	\$ 38,550,908	\$ 39,080,455	\$ 40,735,967	\$ 53,665,634	\$ 55,059,162	\$ 56,422,532	\$ 68,729,672	\$ 69,045,247
Public Utilities	3,118,547	3,042,631	3,325,003	2,890,786	2,844,275	3,195,266	3,302,364	3,666,842	4,401,055	4,646,931
Total Assessed Valuation	\$ 31,095,936	\$ 31,783,466	\$ 41,875,911	\$ 41,971,241	\$ 43,580,242	\$ 56,860,900	\$ 58,361,526	\$ 60,089,374	\$ 73,130,727	\$ 73,692,178

ANNUAL FINANCIAL REPORT
VAN BUREN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF VAN BUREN 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

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

DEVAN N. FLYNN
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

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

Scope

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

Results

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

Our audit resulted in five findings and recommendations, which we have reviewed with the Van Buren County School Department management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following is a summary of the audit findings:

- ◆ The Central Cafeteria Fund had a fund deficit of \$3,322, at June 30, 2005.
- ◆ School Department officials did not maintain adequate controls over inventory. Some assets were not included on the inventory. Certain assets at the vocational education shop were not tagged or marked as School Department property, and the inventory was not verified by personnel independent of maintaining the inventory records.
- ◆ The School Department disposed of several computers and monitors during the year that were not declared surplus by the Board of Education. Also, the School Department did not maintain any documentation on the disposal of these assets.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

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

INTRODUCTORY SECTION

Van Buren County School Officials
June 30, 2005

Official:

Neal O'Neal, Director of Schools

Board of Education:

Ricky Walling, Chairman

J. W. Deweese

Robert Delon

Tabitha Denney

Tim Hodges

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

Van Buren County Director of Schools and
Board of Education
Van Buren County, Tennessee

To the Director of Schools and Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Van Buren County School Department as of June 30, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2005, on our consideration of the Van Buren 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 V.B., the Van Buren County School Department has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include government-wide financial statements.

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

The management of the Van Buren County School Department did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 37 through 39 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 Van Buren County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental

funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 1,141,442
Accounts Receivable	944
Due from Other Governments	139,227
Property Taxes Receivable	545,701
Allowance for Uncollectible Property Taxes	(24,586)
Assets Not Depreciated:	
Land	90,256
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	4,867,641
Infrastructure	53,486
Other Capital Assets	493,605
Total Assets	<u>\$ 7,307,716</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 6,457
Accrued Payroll	365
Accrued Interest Payable	6,335
Payroll Deductions Payable	474
Deferred Revenue - Current Property Taxes	492,057
Noncurrent Liabilities:	
Due Within One Year	187,447
Due In More Than One Year	1,609,000
Total Liabilities	<u>\$ 2,302,135</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 3,732,988
Restricted for:	
Other Purposes	926,256
Unrestricted	346,337
Total Net Assets	<u>\$ 5,005,581</u>

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 3,227,843	\$ 15,247	\$ 443,991	\$ (2,768,605)
Support Services	1,883,262	0	120,426	(1,762,836)
Operation of Non-Instructional Services	569,484	178,152	250,621	(140,711)
Interest on Long-term Debt	61,532	0	0	(61,532)
Other Debt Service	6,373	0	0	(6,373)
Total Governmental Activities	\$ 5,748,494	\$ 193,399	\$ 815,038	\$ (4,740,057)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 504,553
Local option sales tax				365,362
Other local taxes				105,038
Grants & Contributions not restricted for specific programs				4,007,610
Interest income				167
Miscellaneous				12,049
Total General Revenues				\$ 4,994,779
Change in net assets				\$ 254,722
Net assets, July 1, 2004				4,750,859
Net assets, June 30, 2005				\$ 5,005,581

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

Exhibit C-1

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,109,449	\$ 31,993	\$ 1,141,442
Accounts Receivable	929	15	944
Due from Other Governments	105,612	33,615	139,227
Due from Other Funds	31,275	0	31,275
Property Taxes Receivable	545,701	0	545,701
Allowance for Uncollectible Property Taxes	(24,586)	0	(24,586)
Total Assets	\$ 1,768,380	\$ 65,623	\$ 1,834,003
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 6,457	\$ 6,457
Accrued Payroll	0	365	365
Payroll Deductions Payable	474	0	474
Due to Other Funds	0	31,275	31,275
Deferred Revenue - Current Property Taxes	492,057	0	492,057
Deferred Revenue - Delinquent Property Taxes	29,058	0	29,058
Other Deferred Revenues	38,735	0	38,735
Total Liabilities	\$ 560,324	\$ 38,097	\$ 598,421
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 7,615	\$ 0	\$ 7,615
Reserved for Career Ladder Program	3,158	0	3,158
Reserved for Basic Education Program	884,635	0	884,635
Reserved for Title I Grants to Local Education Agencies	0	9,422	9,422
Reserved for Innovative Education Program Strategies	0	1,730	1,730
Reserved for Special Education - Grants to States	0	19,661	19,661
Other Federal Reserves	0	35	35
Unreserved, Reported In:			
General Fund	312,648	0	312,648
Special Revenue Funds (Deficit)	0	(3,322)	(3,322)
Total Fund Balances	\$ 1,208,056	\$ 27,526	\$ 1,235,582
Total Liabilities and Fund Balances	\$ 1,768,380	\$ 65,623	\$ 1,834,003

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)	\$ 1,235,582
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,504,988
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(1,802,782)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>67,793</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 5,005,581</u>

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

Exhibit D-1

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>		
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 971,198	\$ 0	\$ 971,198	
Licenses and Permits	200	0	200	
Charges for Current Services	14,952	178,152	193,104	
Other Local Revenues	13,055	333	13,388	
State of Tennessee	4,065,140	5,491	4,070,631	
Federal Government	52,453	685,817	738,270	
Total Revenues	<u>\$ 5,116,998</u>	<u>\$ 869,793</u>	<u>\$ 5,986,791</u>	
<u>Expenditures</u>				
Current:				
Instruction	\$ 2,716,828	\$ 329,996	\$ 3,046,824	
Support Services	1,752,634	123,422	1,876,056	
Operation of Non-Instructional Services	136,142	417,326	553,468	
Capital Outlay	37,062	0	37,062	
Debt Service:				
Principal	154,000	0	154,000	
Interest	62,853	0	62,853	
Other Debt Service	6,373	0	6,373	
Total Expenditures	<u>\$ 4,865,892</u>	<u>\$ 870,744</u>	<u>\$ 5,736,636</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 251,106</u>	<u>\$ (951)</u>	<u>\$ 250,155</u>	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 14,979	\$ 0	\$ 14,979	
Transfers Out	0	(14,979)	(14,979)	
Total Other Financing Sources (Uses)	<u>\$ 14,979</u>	<u>\$ (14,979)</u>	<u>\$ 0</u>	
Net Change in Fund Balances	\$ 266,085	\$ (15,930)	\$ 250,155	
Fund Balance, July 1, 2004	941,971	43,456	985,427	
Fund Balance, June 30, 2005	<u>\$ 1,208,056</u>	<u>\$ 27,526</u>	<u>\$ 1,235,582</u>	

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

Exhibit D-2

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

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

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ 250,155
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was less than depreciation in the current period.	(148,969)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.	(846)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,755
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	154,000
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(3,373)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 254,722</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of the School Department:

A. Reporting Entity

The Van Buren County School Department operates the public school system in the county, and the voters of Van Buren 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 Van Buren 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department does not have any 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 fund:

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

Additionally, the School Department reports the following fund type:

Special Revenue Funds – These 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.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds of Van Buren County, the primary government, and the School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund. Van Buren 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**

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.48 percent of total taxes levied.

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

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

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

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-40
Other Capital Assets	5-20
Infrastructure	25

4. Compensated Absences

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end for professional personnel. However, the contract with the director of schools does permit him to accumulate earned but unused vacation benefits of 12 days per year. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded. The director of school's vacation pay is accrued when incurred in the government-wide financial statements for 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.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

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

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

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Exhibit C-2 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$1,802,782 difference are as follows:

Bonds payable	\$ (330,000)
Accrued interest payable	(6,335)
Other loans payable	(1,442,000)
Compensated absences	<u>(24,447)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (1,802,782)</u>

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

Exhibit D-2 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$148,969 difference are as follows:

Capital outlay	\$ 75,906
Depreciation expense	<u>(224,875)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (148,969)</u>

Another element of that reconciliation states that the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. The \$846 difference is due to the sale of capital assets.

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$154,000 difference are as follows:

Principal repayments:	
Bonds	\$ 70,000
Notes	<u>84,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 154,000</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$3,373 difference are as follows:

Net change in compensated absences	\$ (4,694)
Net change in accrued interest on bonds	<u>1,321</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (3,373)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the Van Buren County Commission in the Operation of Non-Instructional Services - Food Service (\$8,326) and the Other Debt Service - Education (\$373) major appropriation categories (the legal level of control) of the General Purpose School Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

B. Fund Deficit

The Central Cafeteria Fund (a nonmajor special revenue fund) had a deficit fund balance of \$3,322 as of June 30, 2005. This fund deficit resulted from expenditures exceeding available funds. This deficit was liquidated subsequent to June 30, 2005.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Van Buren County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments.

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. Van Buren 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 at June 30, 2005.

B. Capital Assets

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

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 90,256	\$ 0	\$ 0	\$ 90,256
Total Capital Assets Not Depreciated	<u>\$ 90,256</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 90,256</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 6,877,975	\$ 0	\$ 0	\$ 6,877,975
Infrastructure	117,160	0	0	117,160
Other Capital Assets	754,028	75,906	(43,337)	786,597
Total Capital Assets Depreciated	<u>\$ 7,749,163</u>	<u>\$ 75,906</u>	<u>\$ (43,337)</u>	<u>\$ 7,781,732</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 1,841,147	\$ 169,187	\$ 0	\$ 2,010,334
Infrastructure	58,809	4,865	0	63,674
Other Capital Assets	284,660	50,823	(42,491)	292,992
Total Accumulated Depreciation	<u>\$ 2,184,616</u>	<u>\$ 224,875</u>	<u>\$ (42,491)</u>	<u>\$ 2,367,000</u>
Total Capital Assets Depreciated, Net	<u>\$ 5,564,547</u>	<u>\$ (148,969)</u>	<u>\$ (846)</u>	<u>\$ 5,414,732</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,654,803</u>	<u>\$ (148,969)</u>	<u>\$ (846)</u>	<u>\$ 5,504,988</u>

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

Governmental Activities:

Instruction	\$ 171,647
Support Services	<u>53,228</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 224,875</u></u>

C. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 31,275

This balance 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.

Interfund Transfers:

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

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
Nonmajor governmental funds	<u><u>\$ 14,979</u></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 in accordance with budgetary authorizations.

D. Long-term Debt

General Obligation Bonds and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans were issued for original terms of up to 20 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2005, will be retired from the General Purpose School Fund.

General obligation bonds and other loans 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>
General Obligation Bonds	7.1 to 9.5 %	\$	1,000,000	\$ 330,000
Other Loans	Variable		2,000,000	1,442,000

In prior years, Van Buren County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority issued variable rate bonds of \$2,000,000 and loaned the proceeds to Van Buren County for the construction of an elementary school. As of June 30, 2005, Van Buren County had borrowed the entire amount. This loan is repayable at tax-exempt variable rate of interest determined by the remarking agent daily or weekly depending on the particular program. At June 30, 2005, the variable interest rate was 2.3 percent and other fees amounted to approximately .3 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal. In addition a trustee fee is charged on this loan at \$100 per month.

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

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 75,000	\$ 25,340
2007	80,000	19,640
2008	85,000	13,520
2009	90,000	6,975
Total	\$ 330,000	\$ 65,475

Year Ending June 30	Other Loan (\$2,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 88,000	\$ 33,165	\$ 6,680	\$ 127,845
2007	93,000	31,142	6,345	130,487
2008	98,000	29,003	5,992	132,995
2009	103,000	26,749	5,619	135,368
2010	109,000	24,380	5,228	138,608
2011-2015	642,000	81,443	19,457	742,900
2016-2017	309,000	10,764	4,178	323,942
Total	\$ 1,442,000	\$ 236,646	\$ 53,499	\$ 1,732,145

Bonded debt per capita amounted to \$60, based on the 2000 federal census. Total debt per capita, including bonds and other loans amounted to \$322, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:	Bonds	Other Loans	Compensated Absences
	Balance, July 1, 2004	\$ 400,000	\$ 1,526,000
Additions	0	0	5,365
Deductions	(70,000)	(84,000)	(671)
Balance, June 30, 2005	\$ 330,000	\$ 1,442,000	\$ 24,447
Balance Due Within One Year	\$ 75,000	\$ 88,000	\$ 24,447

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 1,796,447
Less: Balance Due Within One Year	<u>(187,447)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 1,609,000</u>

V. **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 as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. **Accounting Changes**

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

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and

Investment Risk Disclosures. These provisions modified the School Department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Contingent Liabilities

The School Department's attorney advised us there are no pending lawsuits in which the School Department is involved as of the date of this report.

D. Retirement Commitments

Plan Description

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

Plan Description

The 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 the 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 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 \$165,931, \$97,405, and \$88,794, respectively, equal to the required contributions for each year.

E. Other Post-employment Benefits

In addition to the retirement commitments described above, the School Department provides post-retirement health care benefits to all employees who retire from the School Department with ten or more years service. The employee must be eligible for retirement under the standards set by the state's retirement system, they must have taught for three consecutive years prior to their first eligible retirement date, and they must have been enrolled in the Board-sponsored insurance plan for one full year prior to retirement. Benefits are determined based upon the employees' year of service with 100 percent for 30 year service, 90 percent for 20-29 years service, and 80 percent for 10 to 20 years service. Currently, eight school retirees are receiving benefits under this policy. During the year, expenditures totaling \$25,260 were recognized for post-employment health care.

F. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E

Van Buren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Van Buren County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 971,198	\$ 950,900	\$ 950,900	\$ 20,298
Licenses and Permits	200	300	300	(100)
Charges for Current Services	14,952	11,300	11,300	3,652
Other Local Revenues	13,055	59,860	59,860	(46,805)
State of Tennessee	4,065,140	3,929,500	3,929,500	135,640
Federal Government	52,453	79,200	79,200	(26,747)
Total Revenues	<u>\$ 5,116,998</u>	<u>\$ 5,031,060</u>	<u>\$ 5,031,060</u>	<u>\$ 85,938</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,274,214	\$ 2,421,000	\$ 2,421,000	\$ 146,786
Special Education Program	253,215	290,530	290,530	37,315
Vocational Education Program	158,630	169,350	169,350	10,720
Adult Education Program	30,769	37,000	37,000	6,231
<u>Support Services</u>				
Attendance	58,982	63,370	63,370	4,388
Health Services	42,696	44,470	44,470	1,774
Other Student Support	108,485	112,020	112,020	3,535
Regular Instruction Program	235,222	280,150	280,150	44,928
Special Education Program	29,630	71,490	50,490	20,860
Adult Programs	34,235	37,100	37,100	2,865
Board of Education	88,261	104,310	104,310	16,049
Director of Schools	95,497	104,500	104,500	9,003
Office of the Principal	223,385	230,300	230,300	6,915
Fiscal Services	70,725	79,950	79,950	9,225
Operation of Plant	417,449	410,750	438,750	21,301
Maintenance of Plant	95,009	89,730	96,730	1,721
Transportation	253,058	307,600	293,600	40,542
<u>Operation of Non-Instructional Services</u>				
Food Service	11,746	3,420	3,420	(8,326)
Community Services	124,396	115,420	125,420	1,024
<u>Capital Outlay</u>				
Regular Capital Outlay	37,062	50,000	50,000	12,938
<u>Principal</u>				
Education	154,000	154,000	154,000	0
<u>Interest</u>				
Education	62,853	114,600	104,600	41,747
<u>Other Debt Service</u>				
Education	6,373	6,000	6,000	(373)
Total Expenditures	<u>\$ 4,865,892</u>	<u>\$ 5,297,060</u>	<u>\$ 5,297,060</u>	<u>\$ 431,168</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 251,106</u>	<u>\$ (266,000)</u>	<u>\$ (266,000)</u>	<u>\$ 517,106</u>

(Continued)

Exhibit E

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 14,979	\$ 10,000	\$ 10,000	\$ 4,979
Total Other Financing Sources (Uses)	\$ 14,979	\$ 10,000	\$ 10,000	\$ 4,979
Net Change in Fund Balance	\$ 266,085	\$ (256,000)	\$ (256,000)	\$ 522,085
Fund Balance, July 1, 2004	941,971	707,769	707,769	234,202
Fund Balance, June 30, 2005	\$ 1,208,056	\$ 451,769	\$ 451,769	\$ 756,287

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

A. 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 Van Buren 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: Regular Instruction Program, Special Education Program, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Van Buren 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.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the Van Buren County Commission in the Operation of Non-Instructional Services - Food Service (\$8,326) and the Other Debt Service - Education (\$373) major appropriation categories (the legal level of control) of the General Purpose School Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by 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.

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

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

Exhibit F-1

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 18,549	\$ 13,444	\$ 31,993
Accounts Receivable	0	15	15
Due from Other Governments	20,396	13,219	33,615
Total Assets	<u>\$ 38,945</u>	<u>\$ 26,678</u>	<u>\$ 65,623</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 6,457	\$ 0	\$ 6,457
Accrued Payroll	365	0	365
Due to Other Funds	1,275	30,000	31,275
Total Liabilities	<u>\$ 8,097</u>	<u>\$ 30,000</u>	<u>\$ 38,097</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 9,422	\$ 0	\$ 9,422
Reserved for Innovative Education Program Strategies	1,730	0	1,730
Reserved for Special Education - Grants to States	19,661	0	19,661
Other Federal Reserves	35	0	35
Unreserved (Deficit)	0	(3,322)	(3,322)
Total Fund Balances	<u>\$ 30,848</u>	<u>\$ (3,322)</u>	<u>\$ 27,526</u>
Total Liabilities and Fund Balances	<u>\$ 38,945</u>	<u>\$ 26,678</u>	<u>\$ 65,623</u>

Exhibit F-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 178,152	\$ 178,152
Other Local Revenues	0	333	333
State of Tennessee	0	5,491	5,491
Federal Government	454,203	231,614	685,817
Total Revenues	<u>\$ 454,203</u>	<u>\$ 415,590</u>	<u>\$ 869,793</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 329,996	\$ 0	\$ 329,996
Support Services	123,422	0	123,422
Operation of Non-Instructional Services	0	417,326	417,326
Total Expenditures	<u>\$ 453,418</u>	<u>\$ 417,326</u>	<u>\$ 870,744</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 785</u>	<u>\$ (1,736)</u>	<u>\$ (951)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (14,979)	\$ 0	\$ (14,979)
Total Other Financing Sources (Uses)	<u>\$ (14,979)</u>	<u>\$ 0</u>	<u>\$ (14,979)</u>
Net Change in Fund Balances	\$ (14,194)	\$ (1,736)	\$ (15,930)
Fund Balance, July 1, 2004	45,042	(1,586)	43,456
Fund Balance, June 30, 2005	<u>\$ 30,848</u>	<u>\$ (3,322)</u>	<u>\$ 27,526</u>

Exhibit F-3

Van Buren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Van Buren County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 454,203	\$ 436,656	\$ 468,400	\$ (14,197)
Total Revenues	\$ 454,203	\$ 436,656	\$ 468,400	\$ (14,197)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 225,268	\$ 220,554	\$ 227,644	\$ 2,376
Special Education Program	85,861	91,353	115,885	30,024
Vocational Education Program	18,867	17,413	18,867	0
<u>Support Services</u>				
Other Student Support	0	500	0	0
Regular Instruction Program	33,332	36,515	41,819	8,487
Special Education Program	64,049	64,934	70,734	6,685
Vocational Education Program	1,041	1,995	1,041	0
Transportation	25,000	25,000	25,000	0
Total Expenditures	\$ 453,418	\$ 458,264	\$ 500,990	\$ 47,572
Excess (Deficiency) of Revenues Over Expenditures	\$ 785	\$ (21,608)	\$ (32,590)	\$ 33,375
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 18,828	\$ 18,828	\$ (18,828)
Transfers Out	(14,979)	(29,238)	(35,229)	20,250
Total Other Financing Sources (Uses)	\$ (14,979)	\$ (10,410)	\$ (16,401)	\$ 1,422
Net Change in Fund Balance	\$ (14,194)	\$ (32,018)	\$ (48,991)	\$ 34,797
Fund Balance, July 1, 2004	45,042	77,061	77,061	(32,019)
Fund Balance, June 30, 2005	\$ 30,848	\$ 45,043	\$ 28,070	\$ 2,778

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 178,152	\$ 185,000	\$ 185,000	\$ (6,848)
Other Local Revenues	333	700	700	(367)
State of Tennessee	5,491	5,500	5,500	(9)
Federal Government	231,614	228,000	228,000	3,614
Total Revenues	<u>\$ 415,590</u>	<u>\$ 419,200</u>	<u>\$ 419,200</u>	<u>\$ (3,610)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 417,326	\$ 444,010	\$ 444,010	\$ 26,684
Total Expenditures	<u>\$ 417,326</u>	<u>\$ 444,010</u>	<u>\$ 444,010</u>	<u>\$ 26,684</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,736)</u>	<u>\$ (24,810)</u>	<u>\$ (24,810)</u>	<u>\$ 23,074</u>
Net Change in Fund Balance	\$ (1,736)	\$ (24,810)	\$ (24,810)	\$ 23,074
Fund Balance, July 1, 2004	<u>(1,586)</u>	<u>27,060</u>	<u>27,060</u>	<u>(28,646)</u>
Fund Balance, June 30, 2005	<u><u>\$ (3,322)</u></u>	<u><u>\$ 2,250</u></u>	<u><u>\$ 2,250</u></u>	<u><u>\$ (5,572)</u></u>

MISCELLANEOUS SCHEDULES

Exhibit G-1

Van Buren County, Tennessee
Schedule of Changes in Long-term Other Loans and Bonds
Van Buren County School Department
For the Year Ending June 30, 2005

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7-1-04</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6-30-05</u>
<u>OTHER LOANS PAYABLE</u>							
<u>Public Building Authority Loan Agreement</u>							
<u>Payable through General Purpose School Fund</u> School	\$ 2,000,000	Variable	6-30-1997	5-15-17	\$ 1,526,000	\$ 84,000	\$ 1,442,000
<u>BONDS PAYABLE</u>							
<u>Payable through General Purpose School Fund</u> School	1,000,000	7.1 to 9.5 %	4-1-1989	4-1-09	\$ 400,000	\$ 70,000	\$ 330,000

Exhibit G-2

Van Buren County, Tennessee
Schedule of Bond and Interest Requirements by Year
Van Buren County School Department

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 75,000	\$ 25,340	\$ 100,340
2007	80,000	19,640	99,640
2008	85,000	13,520	98,520
2009	90,000	6,975	96,975
Total	\$ 330,000	\$ 65,475	\$ 395,475

Exhibit G-3

Van Buren County, Tennessee
Schedule of Transfers - All Funds
Van Buren County School Department
For the Year Ending 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	<u>\$ 14,979</u>

Exhibit G-4

Van Buren County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Van Buren County School Department
For the Year Ending June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Van Buren County Board of Education	\$ 73,996	\$ 50,000	Auto Owners Insurance
Public Employees Blanket Bond: School Employees			150,000	Tennessee School Boards Risk Management Trust

Exhibit G-5

Van Buren County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Van Buren 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	\$ 419,432	\$ 0	\$ 0	\$ 419,432
Trustee's Collections - Prior Year	27,029	0	0	27,029
Circuit/Clerk & Master Collections - Prior Years	13,827	0	0	13,827
Interest and Penalty	5,763	0	0	5,763
Pick-up Taxes	1,260	0	0	1,260
Payments in Lieu of Taxes - T.V.A.	5,404	0	0	5,404
Payments in Lieu of Taxes - Local Utilities	30,670	0	0	30,670
<u>County Local Option Taxes</u>				
Local Option Sales Tax	362,775	0	0	362,775
Hotel/Motel Tax	104,118	0	0	104,118
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	920	0	0	920
Total Local Taxes	\$ 971,198	\$ 0	\$ 0	\$ 971,198
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 200	\$ 0	\$ 0	\$ 200
Total Licenses and Permits	\$ 200	\$ 0	\$ 0	\$ 200
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 90,020	\$ 90,020
Lunch Payments - Adults	0	0	9,469	9,469
Income from Breakfast	0	0	24,054	24,054
Special Milk Sales	0	0	786	786
A la carte Sales	0	0	53,823	53,823
Receipts from Individual Schools	14,952	0	0	14,952
Total Charges for Current Services	\$ 14,952	\$ 0	\$ 178,152	\$ 193,104
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 167	\$ 167
Lease/Rentals	50	0	0	50
Sale of Materials and Supplies	245	0	0	245
Miscellaneous Refunds	6,889	0	166	7,055
<u>Nonrecurring Items</u>				
Insurance Recovery	3,672	0	0	3,672
Sale of Equipment	1,527	0	0	1,527
Damages Recovered from Individuals	641	0	0	641
Contributions & Gifts	31	0	0	31
Total Other Local Revenues	\$ 13,055	\$ 0	\$ 333	\$ 13,388
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 3,712,272	\$ 0	\$ 0	\$ 3,712,272
School Food Service	0	0	5,491	5,491
Other State Education Funds	160,584	0	0	160,584
Career Ladder Program	63,172	0	0	63,172

(Continued)

Exhibit G-5

Van Buren County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Van Buren 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>				
Career Ladder - Extended Contract	\$ 28,393	\$ 0	\$ 0	\$ 28,393
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	100,719	0	0	100,719
Total State of Tennessee	\$ 4,065,140	\$ 0	\$ 5,491	\$ 4,070,631
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 150,205	\$ 150,205
Breakfast	0	0	68,190	68,190
USDA - Other	0	0	13,219	13,219
Adult Education State Grant Program	29,951	0	0	29,951
Vocational Education - Basic Grants to States	0	19,908	0	19,908
Title I Grants to Local Education Agencies	0	190,354	0	190,354
Innovative Education Program Strategies	0	4,034	0	4,034
Special Education - Grants to States	0	170,389	0	170,389
Special Education Preschool Grants	0	5,969	0	5,969
Eisenhower Professional Development State Grants	0	58,303	0	58,303
Other Federal through State	22,502	5,246	0	27,748
Total Federal Government	\$ 52,453	\$ 454,203	\$ 231,614	\$ 738,270
Total	\$ 5,116,998	\$ 454,203	\$ 415,590	\$ 5,986,791

Exhibit G-6

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	1,674,638	
Career Ladder Program		27,750	
Career Ladder Extended Contracts		12,000	
Homebound Teachers		4,647	
Educational Assistants		58,743	
Other Salaries & Wages		1,429	
Certified Substitute Teachers		33,765	
Social Security		104,142	
State Retirement		97,264	
Medical Insurance		84,172	
Unemployment Compensation		3,600	
Employer Medicare		24,356	
Contracts with Other School Systems		13,950	
Instructional Supplies and Materials		14,035	
Textbooks		54,812	
Other Supplies and Materials		622	
Other Charges		1,474	
Regular Instruction Equipment		62,815	
Total Regular Instruction Program			\$ 2,274,214

Special Education Program

Teachers	\$	205,448	
Career Ladder Program		3,000	
Social Security		11,311	
State Retirement		11,217	
Medical Insurance		18,631	
Employer Medicare		2,645	
Maintenance & Repair Services- Equipment		132	
Other Charges		831	
Total Special Education Program			253,215

Vocational Education Program

Teachers	\$	130,583
Career Ladder Program		1,870
Social Security		7,571
State Retirement		7,340
Medical Insurance		8,171
Employer Medicare		1,771
Instructional Supplies and Materials		44

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Other Supplies and Materials	\$	148	
Vocational Instruction Equipment		<u>1,132</u>	
Total Vocational Education Program	\$		158,630

Adult Education Program

Teachers	\$	21,706	
Social Security		1,253	
State Retirement		1,194	
Medical Insurance		1,028	
Employer Medicare		293	
Instructional Supplies and Materials		2,125	
Other Charges		246	
Other Equipment		<u>2,924</u>	
Total Adult Education Program			30,769

Support Services

Attendance

Supervisor/Director	\$	50,716	
Career Ladder Program		1,000	
Social Security		3,167	
State Retirement		2,844	
Employer Medicare		741	
Travel		228	
Other Supplies and Materials		211	
In Service/Staff Development		<u>75</u>	
Total Attendance			58,982

Health Services

Medical Personnel	\$	32,490	
Social Security		1,628	
State Retirement		1,673	
Medical Insurance		5,104	
Employer Medicare		381	
Travel		32	
Drugs and Medical Supplies		916	
Other Supplies and Materials		102	
Other Charges		<u>370</u>	
Total Health Services			42,696

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		88,933	
Social Security		5,379	
State Retirement		5,001	
Medical Insurance		2,102	
Employer Medicare		1,258	
Evaluation and Testing		3,812	
Total Other Student Support			\$ 108,485

Regular Instruction Program

Supervisor/Director	\$	56,894	
Career Ladder Program		7,000	
Career Ladder Extended Contracts		6,000	
Librarians		78,873	
Instructional Computer Personnel		40,299	
Social Security		10,684	
State Retirement		10,258	
Medical Insurance		12,584	
Employer Medicare		2,499	
Travel		1,967	
Library Books/Media		7,060	
Other Supplies and Materials		129	
In Service/Staff Development		405	
Other Charges		570	
Total Regular Instruction Program			235,222

Special Education Program

Supervisor/Director	\$	10,917	
Career Ladder Program		2,000	
Psychological Personnel		10,924	
Career Ladder Extended Contracts		2,000	
Clerical Personnel		499	
Social Security		1,487	
State Retirement		1,455	
Employer Medicare		348	
Total Special Education Program			29,630

Adult Programs

Supervisor/Director	\$	19,066	
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(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Career Ladder Program	\$	1,000	
Social Security		1,147	
State Retirement		1,104	
Medical Insurance		1,073	
Employer Medicare		268	
Travel		918	
In Service/Staff Development		730	
Other Charges		1,934	
Other Equipment		6,995	
Total Adult Programs			\$ 34,235

Board of Education

Board and Committee Members Fees	\$	2,300	
Social Security		143	
Medical Insurance		25,260	
Employer Medicare		33	
Audit Services		2,500	
Dues and Memberships		1,170	
Travel		231	
Other Contracted Services		1,250	
Trustee's Commission		26,565	
Workers' Compensation Insurance		28,809	
Total Board of Education			88,261

Director of Schools

County Official/Administrative Officer	\$	73,996	
Social Security		4,392	
State Retirement		4,078	
Medical Insurance		2,063	
Employer Medicare		1,027	
Communication		7,692	
Dues and Memberships		706	
Postal Charges		784	
Office Supplies		208	
Other Charges		551	
Total Director of Schools			95,497

Office of the Principal

Principals	\$	102,192	
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(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Program	\$	3,000	
Career Ladder Extended Contracts		4,000	
Assistant Principals		45,061	
Secretary(s)		35,057	
Social Security		10,746	
State Retirement		10,289	
Medical Insurance		10,353	
Unemployment Compensation		31	
Employer Medicare		2,513	
Other Supplies and Materials		143	
Total Office of the Principal			\$ 223,385

Fiscal Services

Accountants/Bookkeepers	\$	27,692	
Secretary(s)		25,600	
Social Security		3,245	
State Retirement		2,745	
Employer Medicare		759	
Data Processing Services		5,873	
Other Contracted Services		1,572	
Data Processing Supplies		397	
Office Supplies		1,018	
Other Charges		224	
Administration Equipment		1,600	
Total Fiscal Services			70,725

Operation of Plant

Custodial Personnel	\$	108,828	
Social Security		6,739	
State Retirement		5,482	
Employer Medicare		1,576	
Janitorial Services		748	
Disposal Fees		15,297	
Other Contracted Services		5,858	
Custodial Supplies		6,032	
Electricity		113,016	
Natural Gas		49,575	
Water and Sewer		22,276	
Other Supplies and Materials		1,623	

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Building and Contents Insurance	\$	74,857	
Other Charges		947	
Plant Operation Equipment		4,595	
Total Operation of Plant			\$ 417,449

Maintenance of Plant

Supervisor/Director	\$	34,798	
Social Security		2,149	
State Retirement		1,792	
Employer Medicare		503	
Communication		379	
Maintenance & Repair Services- Buildings		11,590	
Maintenance & Repair Services- Equipment		15,401	
Maintenance & Repair Services- Vehicles		739	
Other Contracted Services		10,708	
Other Supplies and Materials		15,552	
Maintenance Equipment		1,398	
Total Maintenance of Plant			95,009

Transportation

Mechanic(s)	\$	29,641	
Bus Drivers		92,857	
Other Salaries & Wages		10,976	
Social Security		8,132	
State Retirement		6,635	
Medical Insurance		691	
Unemployment Compensation		100	
Employer Medicare		1,902	
Communication		315	
Travel		273	
Gasoline		34,342	
Lubricants		854	
Tires and Tubes		3,587	
Vehicle Parts		9,670	
Other Supplies and Materials		2,457	
Other Charges		6,569	
Transportation Equipment		44,057	
Total Transportation			253,058

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	5,365	
Career Ladder Program		3,000	
Social Security		801	
State Retirement		745	
Medical Insurance		1,647	
Employer Medicare		188	
Total Food Service			\$ 11,746

Community Services

Supervisor/Director	\$	49,532	
Teachers		30,225	
Educational Assistants		21,187	
Social Security		5,754	
State Retirement		5,478	
Medical Insurance		6,184	
Employer Medicare		1,346	
Instructional Supplies and Materials		4,660	
Other Equipment		30	
Total Community Services			124,396

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	33,599	
Site Development		3,463	
Total Regular Capital Outlay			37,062

Principal

Education

Principal on Bonds	\$	70,000	
Principal on Other Loans Payable		84,000	
Total Education			154,000

Interest

Education

Interest on Bonds	\$	30,625	
Interest on Other Loans Payable		32,228	
Total Education			62,853

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Other Debt Service	\$ 6,373	
Total Education		\$ 6,373

Total General Purpose School Fund \$ 4,865,892

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 190,045	
Social Security	11,783	
State Retirement	10,453	
Medical Insurance	5,200	
Employer Medicare	2,755	
Instructional Supplies and Materials	1,904	
Other Charges	3,128	
Total Regular Instruction Program		\$ 225,268

Special Education Program

Teachers	\$ 1,835	
Educational Assistants	56,957	
Social Security	2,956	
State Retirement	2,582	
Employer Medicare	901	
Contracts with Private Agencies	8,591	
Instructional Supplies and Materials	2,282	
Other Supplies and Materials	2,137	
Special Education Equipment	7,620	
Total Special Education Program		85,861

Vocational Education Program

Instructional Supplies and Materials	\$ 295	
Other Charges	2,000	
Vocational Instruction Equipment	16,572	
Total Vocational Education Program		18,867

Support Services

Regular Instruction Program

Library Books/Media	\$ 15,849	
In Service/Staff Development	12,103	

(Continued)

Exhibit G-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Charges	\$	2,884	
Other Equipment		<u>2,496</u>	
Total Regular Instruction Program			\$ 33,332

Special Education Program

Supervisor/Director	\$	5,400	
Psychological Personnel		24,076	
Clerical Personnel		3,000	
Other Salaries & Wages		19,080	
Social Security		3,196	
State Retirement		2,825	
Employer Medicare		748	
Travel		1,697	
Other Supplies and Materials		2,794	
In Service/Staff Development		<u>1,233</u>	
Total Special Education Program			64,049

Vocational Education Program

Supervisor/Director	\$	995	
Travel		<u>46</u>	
Total Vocational Education Program			1,041

Transportation

Transportation Equipment	\$	<u>25,000</u>	
Total Transportation			<u>25,000</u>

Total School Federal Projects Fund \$ 453,418

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	60,486	
Cafeteria Personnel		117,968	
Social Security		10,669	
State Retirement		9,091	
Medical Insurance		3,898	
Unemployment Compensation		438	
Employer Medicare		2,494	
Communication		868	

(Continued)

Exhibit G-6

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Maintenance & Repair Services- Equipment	\$	905	
Other Contracted Services		3,251	
Food Preparation Supplies		7,468	
Food Supplies		197,814	
Office Supplies		266	
Uniforms		806	
Other Supplies and Materials		834	
Other Charges		70	
Total Food Service			\$ <u>417,326</u>

Total Central Cafeteria Fund \$ 417,326

Total Governmental Funds - Van Buren County School Department \$ 5,736,636

SINGLE AUDIT REPORT
VAN BUREN COUNTY, TENNESSEE
AND
VAN BUREN 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

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

DEVAN N. FLYNN
KELLEY J. McNEAL, CPA, CGFM
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

Van Buren County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Van Buren 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 Van Buren County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Van Buren County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Van Buren County's and the Van Buren County School Department's basic financial statements and have issued our reports thereon dated December 15, 2005. Our report on the financial statements of Van Buren County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Van Buren County School Department expresses an unqualified opinion. 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 Van Buren County's and the Van Buren 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 Van Buren County's and the Van Buren County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.04(A,B,C,D,E), 05.05, 05.08(A,B,C,D,E), 05.09, 05.10(D,E,F), 05.12, 05.13, 05.14, 05.15, 05.18, and 05.19.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions noted above, we consider item 05.13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Buren County's and the Van Buren County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.04(F), 05.06, 05.07, 05.08(F,G), 05.10(A,B,C), 05.11, 05.16, and 05.17.

We also noted certain matters that we reported to the management of Van Buren County and the Van Buren 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
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

December 15, 2005

Van Buren County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Van Buren County, Tennessee

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

Compliance

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

In our opinion, Van Buren County and the Van Buren 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 Van Buren County and the Van Buren 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 Van Buren County's and the Van Buren 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 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 Van Buren County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Van Buren County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated December 15, 2005. Our report on the financial statements of Van Buren County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Van Buren County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional

analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

Van Buren County, Tennessee, and the Van Buren 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	Passed-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 13,516
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	68,190
National School Lunch Program	10.555	N/A	150,205
Summer Food Service Program for Children	10.559	N/A	13,219
Total U.S. Department of Agriculture			<u>\$ 245,130</u>
U.S. Department of Justice:			
Passed through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-05-020437-00	<u>\$ 9,000</u>
U.S. Department of Labor:			
Passed through State Department of Labor and Workforce Development:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-04-025671-01	<u>\$ 711</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-04-016723-00	\$ 1,612 (3)
Adult Education - State Grant Program	84.002	Z-05-022277-00	28,339 (3)
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	185,023
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	174,746
Special Education - Grants to States - Preschool	84.173	N/A	5,929
Vocational Education - Basic Grants to States	84.048	N/A	19,908
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	2,716
State Grants for Innovative Programs	84.298	N/A	24,213
Education Technology State Grants	84.318	(2)	5,929
Improving Teacher Quality State Grants	84.367	N/A	49,934
Total U.S. Department of Education			<u>\$ 498,349</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Human Services:			
State Rural Hospital Flexibility Program	93.241	GG-05-11544-00	\$ 20,900
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022363-00	15,791
Total U.S. Department of Health and Human Services			<u>\$ 36,691</u>
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	GG-05-11276-00	<u>\$ 6,000</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020154-00	\$ 15,646 (4)
State Domestic Preparedness Equipment Support Program	97.004	Z-03-014485-00	14,081 (4)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022502-00	4,385 (4)
Community Emergency Response Teams	97.054	Z-03-019279-00	2,646
Total U.S. Department of Homeland Security			<u>\$ 36,758</u>
Total Expenditures of Federal Awards			<u>\$ 832,639</u>

Van Buren County, Tennessee, and the Van Buren 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	Passed-Through Entity Identifying Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 2,913
Litter Program - State Department of Transportation	N/A	(2)	34,213
Law Enforcement Training - State Department of Safety	N/A	(2)	3,631
Local Health Services - State Department of Health	N/A	(2)	700
Adult Basic Education - State Department of Education	N/A	Z-04-016723-00	428
Adult Basic Education - State Department of Education	N/A	Z-05-022277-00	6,556
Safe Schools Act - State Department of Education	N/A	(2)	9,371
Early Childhood Education - State Department of Education	N/A	Z-05-022176-00	65,000
Families First - State Department of Labor and Workforce Development	N/A	Z-05-022363-00	7,431
Family Resource Center - State Department of Education	N/A	Z-05-021424-00	33,300
 Total State Grants			\$ 163,543

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 was not available.
- (3) Total Adult Education - State Grant Program (CFDA Number 84.002) from the U.S. Department of Education was \$29,951.
- (4) Total State Domestic Preparedness Equipment Support Program (CFDA Number 97.004) from the U.S. Department of Homeland Security was \$34,112.

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

VAN BUREN COUNTY

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

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02(B, C)	13	Payroll deduction accounts were not reconciled with subsidiary payroll records and revenues and expenditures were misclassified
04.03	14	The office had deficiencies in purchasing procedures
04.05	16	Supplemental payments to employees were not made through the payroll system
04.06	17	Written contracts were not maintained for maintenance and cleaning services, and these services were not competitively bid
04.07(A, B)	17	The office had deficiencies in the administration of payroll records
04.08(A, B)	18	Ambulance Service collections were not deposited within three days of collection and trip tickets were not prenumbered
04.10	19	Tax anticipation notes were not retired in compliance with state statute
04.12	20	Inventory records were not maintained

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.14	21	The office did not comply with its personnel policy

OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.15	21	A central system of accounting, budgeting, and purchasing had not been adopted
04.16	22	Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

**VAN BUREN COUNTY, TENNESSEE, AND THE
VAN BUREN COUNTY SCHOOL DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Van Buren County, and an unqualified opinion was issued on the financial statements of the Van Buren County School Department.
2. The audit of the financial statements of Van Buren County and the Van Buren County School Department disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness in Van Buren County.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Van Buren County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Van Buren County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education - Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) 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. Van Buren County and the Van Buren 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 director of the Ambulance Service are paraphrased. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

VAN BUREN COUNTY

FINDING 05.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

Van Buren County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of 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 concur.

OFFICE OF COUNTY MAYOR

FINDING 05.02 **THE AMBULANCE SERVICE FUND HAD A FUND DEFICIT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Ambulance Service Fund had a fund deficit of \$23,288 at June 30, 2005. This fund deficit resulted from the recognition of unrecorded liabilities of \$34,412. Audit adjustments to payables were presented to management for approval and posting to the financial records. As a result of these adjustments, the payables of the Ambulance Service Fund are properly presented in the financial statements of this report. This deficit was liquidated subsequent to June 30, 2005, when customer collections were received.

RECOMMENDATION

Payables should be properly determined and recorded on the accounting records of the Ambulance Service Fund at June 30 of each year. Officials should monitor the financial activity of their funds to ensure that adequate funding is timely provided to prevent the recurrence of a fund deficit.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Ambulance Service experienced software problems which halted the collection process; however, new software has been installed to correct the problem, and receivables should increase.

FINDING 05.03 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The following accounting deficiencies were noted in the County Mayor's Office:

- A. The office utilizes a computerized accounting system that generates warrants and automatically posts these warrants to the general ledger; however, we noted several General Fund warrants were manually issued. These manually issued warrants were properly posted to the general ledger except for one warrant for \$30,000 that was not posted to the general ledger. Issuing warrants manually increases the risks of not posting a warrant to the general ledger or posting the warrant for an incorrect amount.

- B. General ledger payroll liability accounts for the General Fund and Ambulance Service Fund were not reconciled with subsidiary payroll reports and payments on a monthly basis. As a result, unidentified balances accumulated in the liability accounts for social security, income tax, and state retirement. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected. Subsequent to June 30, 2005, a financial consultant, hired by management, reviewed these payroll liability accounts and

recommended adjustments to correct these accounts for financial statement presentation.

- C. Several revenues and expenditures were coded to accounts that did not reflect the true nature of the transactions. Adjustments were presented to management for approval and posting to properly reflect these revenues and expenditures in the financial statements of this report.

RECOMMENDATION

If circumstances require the office to issue a warrant manually, the office should ensure that the warrant is posted to the general ledger. General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly. Revenues and expenditures should be posted to the account that most appropriately reflects the true nature of the transactions.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The manual check for \$30,000 was issued near year-end. Items B. and C. have been corrected.

FINDING 05.04 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES** (A., B., C., D., and E. Internal Control – Reportable Condition Under Government Auditing Standards; F. Noncompliance Under Government Auditing Standards)

Our audit revealed the following purchasing 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. Furthermore, our examination disclosed that the date of issuance and dollar amounts of purchases were not listed on some purchase orders.
- B. In some instances, invoices were not on file to support the purchases. We extended our audit procedures and determined that these disbursements were for the benefit of the county.
- C. Several invoices were paid without documentation that goods had been received or services had been rendered. This practice could result in the county paying for items not received or paying invoices more than once; consequently, we noted a few instances where disbursements were made twice for the same purchase. The County Mayor's Office is taking steps to recover these overpayments. We extended our audit procedures and determined that these goods and services were received.
- D. In several instances, invoices were paid after the due date resulting in late charges.

- E. Several travel reimbursements were made without prior supervisory review and approval.
- F. The county received quotations for the purchase of an ambulance (\$74,995) and a pre-engineered building system (\$28,980). However, the county's purchasing laws governed by Chapter 36, Private Acts of 1973, and Chapter 111, Private Acts of 1986, provide for publicly advertised competitive bids to be solicited on all purchases exceeding \$2,500.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases including the date of issuance and the dollar amounts of items purchased. Invoices should be on file to support all purchases. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. Vendors should be paid on a timely basis to avoid finance charges and loss of allowable discounts. Furthermore, publicly advertised competitive bids should be solicited for all purchases exceeding \$2,500 as required by private act.

MANAGEMENT'S RESPONSE TO ITEMS A., D., E., and F. – COUNTY MAYOR

- A. Memos have been issued in the past to all departments on the use of purchase orders.
- D. We concur. Departments will be notified to bring all invoices to this office upon receipt to avoid late fees.
- E. We concur. These instances were few; however, in the future these travel claims will be signed by the department official.
- F. We requested competitive bids on the ambulance by facsimile to the few vendors that carry the product.

REBUTTAL

- F. Van Buren County's purchase laws require the public advertisement for competitive bids.

**FINDING 05.05 CERTAIN GRANT TRANSACTIONS WERE IMPROPERLY CHANNELED THROUGH THE LOCAL PURPOSE TAX FUND
(Internal Control – Reportable Condition Under Government Auditing Standards)**

The Local Purpose Tax Fund, a special revenue fund, was established to account for a special property tax levied to provide funding for the Van Buren County Volunteer Fire Departments; however, we noted that Homeland Security Grants were also channeled through this fund. These grants were not solely for the benefit of the Van Buren County Volunteer Fire Departments; therefore, the grant activity not related to the fire departments should have been accounted for through the county's General Fund.

RECOMMENDATION

The Local Purpose Tax Fund should be limited to activity involving the Van Buren County Volunteer Fire Departments.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

The Homeland Security Grants, which are reimbursable grants, were placed in this fund due to cash flow concerns.

REBUTTAL

The Homeland Security Grants were not related to the operations of the fire departments; therefore, these grants should not have been accounted for in the Local Purpose Tax Fund.

FINDING 05.06 **SOLID WASTE COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT**
(Noncompliance Under Government Auditing Standards)

Solid waste funds collected at the convenience centers were not deposited with the county trustee within three days of collection as required by Section 5-8-207, Tennessee Code Annotated.

RECOMMENDATION

Collections at the convenience centers should be deposited with the county trustee within three days of receipt as required by state statute.

FINDING 05.07 **SUPPLEMENTAL PAYMENTS TO EMPLOYEES WERE NOT PAID THROUGH THE COUNTY’S PAYROLL SYSTEM**
(Noncompliance Under Government Auditing Standards)

A Sheriff’s Department employee received \$1,686 for serving as a court officer, a convenience center worker received \$900 for mowing at the convenience centers, and an employee of the Ambulance Service received \$2,250 for instructing a training class for the Ambulance Service. These payments were not paid through the county’s payroll system and were in addition to the employees’ regular salaries. Since these supplemental payments were not paid through the county’s payroll system, the payments were not subjected to income tax, social security, and Medicare deductions. Also, the county did not report and pay its required matching social security and Medicare associated with these supplemental payments.

RECOMMENDATION

All payroll related payments to employees should be paid through the county’s payroll system to properly reflect the employee’s total salary. Also, all wages should be subjected to the proper employee payroll taxes and the county’s matching portions.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Court officers have for years been paid directly for their services. The question remains, is the fee taxable? Also, the \$2,250 came from an OHS grant for training first responders. Due to several reasons an employee of the Ambulance Service conducted the training during off hours, and TEMA/OHS had no issue with this.

REBUTTAL

Any person employed by the county is considered to be on the job regardless of whether he is working his regular job for the Sheriff's Department or working an extra job as a court officer. Therefore, if this employee works a combined total of over 40 hours in a week for both jobs; compliance with wage and hour laws becomes an issue. Compensation from any source of county employment is taxable income to the employee and is reportable to the Internal Revenue Service.

FINDING 05.08 **THE OFFICE HAD DEFICIENCIES IN CONTRACTS FOR MAINTENANCE, CLEANING, AND ENVIRONMENTAL SERVICES**

(A., B, C., D., and E. Internal Control – Reportable Condition Under Government Auditing Standards; F. and G. Noncompliance Under Government Auditing Standards)

The office had the following deficiencies in its contracts for maintenance, cleaning, and environmental services:

- A. Written contracts were not maintained to support payments for maintenance (\$25,588), cleaning (\$5,555), and environmental (\$10,800) services.
- B. The maintenance vendor performed services for the county based upon work orders issued by county personnel describing the required work. The individuals performing the services signed the work orders upon completion of the projects; however, these work orders were not compared with the invoices submitted by the vendor before the invoices were paid to ensure that the services requested were the services performed.
- C. The litter grant administrator, a full-time county employee, signed certain work orders indicating that he had completed various maintenance projects. However, these same projects were invoiced by the county's maintenance vendor. Therefore, the county paid possibly for the same service twice.
- D. Invoices provided by the county's maintenance vendor included travel expenses; however, the invoices did not include any documentation to support these expenses such as the destination, the number of miles traveled, or a mileage rate. A materials charge was also included on these invoices without any detailed description of the materials used.

- E. One vendor employed by the county for cleaning services also performed office duties for the County Mayor's Office such as filing, answering the phone, and issuing purchase orders. The vendor completed a time sheet for the hours worked, but did not include a list of the services performed. The payments to this vendor were all charged to either maintenance and repair services-buildings or building improvements in the Courthouse & Jail Maintenance Fund. Furthermore, since this individual was not a county employee but was performing services as a county employee, the vendor was not covered by the county's employee blanket bond and exposed the county to potential risks.
- F. The maintenance and cleaning services were not competitively bid. Chapter 36, Private Acts of 1973 and Chapter 111, Private Acts of 1986 require competitive bids to be solicited on all purchases exceeding \$2,500.
- G. The county's maintenance vendor was allowed to use the county's tax exempt status and to charge supplies and materials to the county's charge accounts at various stores. Section 67-9-209(B), Tennessee Code Annotated, requires contractors and subcontractors to remit sales tax on tangible personal property that has been furnished to them.

RECOMMENDATION

Written contracts should be maintained to support payments made to independent contractors for maintenance, cleaning, and environmental services. Invoices from vendors should be compared with completed work orders prior to payment. The litter grant administrator should not perform work contracted to a vendor. Detailed invoices should be provided by the vendors. Vendors contracted for cleaning services should not perform office duties for the County Mayor. Maintenance and cleaning services should be competitively bid, and contractors should pay sales tax on all materials that are purchased with the county's tax-exempt number.

MANAGEMENT'S RESPONSE TO ITEMS A, B.,C.,D., AND E. – COUNTY MAYOR

- A. These contracts were on file in my office, and I was told that the administrative assistant showed these contracts to the auditor.
- B. While work orders are used, these may not be perfect. This office will strive to ensure every detail is written.
- C. The litter grant administrator has signed off on work orders showing that the work in fact has been completed but may have signed on the wrong line. We will take steps to ensure that he signs the correct line.
- D. The maintenance vendor does pick up materials while traveling about on his other jobs. This office will request that the time and detail be included on the invoices.
- E. The individual cleaning offices has done some filing to assist in the office and has answered the phone during busy times.

REBUTTAL

- A. Contracts were not provided to auditors for their inspection.
- B. Completed work orders should be detailed; however, the work orders should also be compared with invoices prior to payment.
- C. The litter grant administrator should not be involved in the work order process.
- E. A vendor should not be performing office duties in the County Mayor's Office.

FINDING 05.09 THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF PAYROLL RECORDS
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of the office’s payroll procedures revealed the following deficiencies:

- A. Department heads did not sign some of the employees’ time sheets, many of which included overtime. If the department head does not review and approve time sheets, improper payments could result.
- B. In some instances, time sheets were not filled out completely. Some of the time sheets listed only the total hours worked for the pay period and did not indicate the days and hours worked. Also, some time sheets did not include the dates worked; therefore, we were unable to determine which payroll periods applied to the time sheets.
- C. In several instances, the county mayor and the bookkeeper received manually written or computer-generated payroll checks before the scheduled payroll dates. The checks to the county mayor were issued from one to two days prior to the scheduled payroll dates, and the checks to the bookkeeper were issued from three to 14 days prior to the scheduled payroll dates.

RECOMMENDATION

Department heads should review and approve all time sheets before payments are made to employees. All time sheets should include the date and hours worked on a particular day and any other additional information needed to properly document time worked. Furthermore, payroll checks should not be issued prior to the scheduled payroll dates.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

This office will take steps to ensure all time sheets are properly completed and signed.

FINDING 05.10 DEFICIENCIES WERE NOTED IN AMBULANCE SERVICE OPERATIONS
(A., B., and C. Noncompliance Under Government Auditing Standards; D., E., and F. Internal Control – Reportable Conditions Under Government Auditing Standards)

Our examination of Ambulance Service operations revealed the following deficiencies:

- A. Funds were not deposited to the office bank account within three days of collection. Section 5-8-207, Tennessee Code Annotated (TCA), requires county officials to deposit all public funds to the office bank account within three days of collection.

- B. Ambulance Service personnel wrote off accounts receivable without the approval of the Ambulance Service director and the County Commission as required by policies established by the County Commission.
- C. In several instances, receipts were either not issued at all or were issued well after the funds were received. Officials advised that the bookkeeper works part-time, and she is the only person who writes receipts; therefore, collections remained in the office unreceipted and undeposited.
- D. Trip tickets used by the Ambulance Service were not prenumbered. It should be noted that the Ambulance Service uses a sequential number stamper to number trip tickets. However, the use of this sequential number stamper does not necessarily ensure a proper accounting of unnumbered trip tickets.
- E. During our examination, we noted one employee who did not complete trip tickets for ambulance services provided. This deficiency went uncorrected because the Ambulance Service did not have procedures in place to ensure that all trip tickets were billed. The employee subsequently tried to complete the trip tickets; however, the trip tickets could not be billed because they did not contain all of the required information.
- F. The checking account maintained by the Ambulance Service was not reconciled for April, May, and June 2005.

RECOMMENDATION

Ambulance Service funds should be deposited within three days of collection as required by state statute. Uncollectible accounts should be reviewed and written off in compliance with the policies approved by the County Commission. Receipts should be issued when collections are received as required by state statute. Prenumbered trip tickets should be utilized. A trip ticket should be prepared for all Ambulance Service trips, and the trip tickets should be reconciled with the accounts receivable records to ensure that all trips have been billed. Also, the checking account should be reconciled with the accounting records monthly.

MANAGEMENT'S RESPONSE TO ITEMS A., B., C., D., AND E. – EMERGENCY MANAGEMENT DIRECTOR

- A. We have only two people working on a shift, and the bookkeeper is part-time. Therefore, due to the number of calls, we may not complete all bookkeeping transactions on a daily basis.
- B. The accounts in question were all TennCare accounts with nonallowable charges that are automatically written off each month.
- C. We keep patient files, bills, and receipt books locked-up unless the director or bookkeeper is present. There is a procedure in place that allows employees to collect money and place the money in a secure location; then, receipts can be written when the director or bookkeeper return.
- D. A sequential number is generated by the dispatch center and is stamped on the dispatch card and trip tickets. Our new billing software gives us the ability to cross-check our paperwork with the dispatch center.

- E. This employee no longer works for the Ambulance Center, and we have upgraded our billing software to prevent this problem in the future.

REBUTTAL

- A. State statutes require all funds to be deposited to the office bank account within three business days.
 - B. Accounts receivable should not be automatically written-off without first obtaining the approval of the Ambulance Service Director and County Commission as required by policies established by the County Commission.
 - C. Procedures should be established for receipts to be issued at the time of collection.
-

FINDING 05.11 **TAX ANTICIPATION NOTES WERE NOT RETIRED IN COMPLIANCE WITH STATE STATUTE
(Material Noncompliance Under Government Auditing Standards)**

On September 18, 2003, the General Fund borrowed \$65,000 from the General Debt Service Fund to provide cash for operations. This note should have been retired by June 30, 2004, but was still outstanding as of June 30, 2005. Section 9-21-801, Tennessee Code Annotated, provides that tax anticipation notes shall mature not later than the close of the fiscal year issued. This note has been reflected in the financial statements of this report as a current note receivable in the General Debt Service Fund and a current note payable in the General Fund.

RECOMMENDATION

All tax anticipation notes should be retired prior to the end of the fiscal year issued as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We will correct this deficiency.

FINDING 05.12 **INVENTORY RECORDS WERE NOT MAINTAINED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Inventory records were not maintained for assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles.

RECOMMENDATION

The office should maintain inventory records of all assets as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The inventory system will be improved.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 05.13 **THE ACTUAL FUND BALANCE OF THE HIGHWAY/PUBLIC WORKS FUND AT JULY 1, 2004, EXCEEDED THE ESTIMATED FUND BALANCE BY A MATERIAL AMOUNT**
(Internal Control – Material Weakness Under Government Auditing Standards)

The Highway/Public Works Fund's actual fund balance at July 1, 2004, was \$1,081,175; however, the estimated fund balance reflected in the Highway Department's budget was \$736,202. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by \$344,973.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.14 **THE CENTRAL CAFETERIA FUND HAD A FUND DEFICIT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Central Cafeteria Fund had a fund deficit of \$3,322 at June 30, 2005. This fund deficit resulted from expenditures exceeding total revenues and other sources by \$1,736 and a beginning fund deficit of \$1,586. This deficit was liquidated subsequent to June 30, 2005, with funds from the General Purpose School Fund.

RECOMMENDATION

Officials should monitor the financial activity of their funds to ensure that adequate funding is timely provided to prevent the recurrence of a fund deficit.

FINDING 05.15 THE SCHOOL DEPARTMENT DID NOT PROPERLY MAINTAIN ITS INVENTORY RECORDS AND CONTROLS OVER ASSETS
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of controls over School Department assets revealed the following deficiencies:

- A. We noted several new computers that were not included on the School Department’s inventory.
- B. Certain assets located at the vocational education shop were not properly tagged or marked as School Department property.
- C. Inventory records were not verified by personnel who are independent of maintaining the inventory records.

Generally accepted accounting principles require accountability for all School Department assets, such as equipment, furniture, and vehicles. The failure to properly maintain inventory records results in a loss of control over assets.

RECOMMENDATION

School Department officials should ensure that their inventory records include all applicable assets, and that the assets are properly tagged or marked as School Department property. The School Department should also implement procedures to ensure that personnel independent of the record-keeping process periodically verify the inventory records.

FINDING 05.16 SCHOOL DEPARTMENT ASSETS WERE DISPOSED OF WITHOUT BEING DECLARED SURPLUS PROPERTY AND WITHOUT ANY DOCUMENTATION OF THE DISPOSAL PROCESS
(Noncompliance Under Government Auditing Standards)

During the year, the School Department disposed of several old computers and monitors. Officials advised that these computers and monitors were discarded at a solid waste disposal site in another county; however, officials could not provide any documentation that the assets were declared surplus property by the Board of Education nor could they provide us with any documentation that the assets were actually discarded at a solid waste disposal site. Section 49-6-2006, Tennessee Code Annotated (TCA), gives the Board of Education the authority to declare property surplus, and Section 49-6-2007, TCA, states that surplus property shall be sold to the highest bidder after the sale is advertised in a newspaper of general circulation. However, if the surplus property has no value or a value of less than \$250, it can be disposed of without competitive bids if the principal of the school, the director of schools, and the chair of the Board of Education approve the disposal in writing.

RECOMMENDATION

The Board of Education should declare any assets to be disposed of by the School Department as surplus property and dispose of the surplus property as required by state statutes. Furthermore, documentation should be maintained for the disposal of surplus property.

OFFICE OF SHERIFF

FINDING 05.17 **THE OFFICE DID NOT COMPLY WITH ITS PERSONNEL POLICY**

(Noncompliance Under Government Auditing Standards)

We noted that several employees' time sheets reflected accumulated annual leave of more than five days and various accumulated balances for sick leave. The Sheriff Department's personnel policy permits employees to accumulate a maximum of five days of annual leave. The personnel policy does not provide for the accumulation of sick leave, but does allow for hardship leave at the discretion of the sheriff.

RECOMMENDATION

The office should comply with its personnel policy regarding the accumulation of leave.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Office of County Mayor will work with the Sheriff's Department to ensure compliance.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.18 **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.

FINDING 05.19

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records 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.

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

There were no findings and questioned costs for federal awards.

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

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