

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

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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

WARREN COUNTY, TENNESSEE

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Audit Highlights

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

Results

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

Findings

The following are summaries of the audit findings:

WARREN COUNTY

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

OFFICE OF COUNTY EXECUTIVE

- ◆ The actual fund balances of the Ambulance Service Fund and the General Debt Service Fund at July 1, 2004, exceeded the estimated beginning fund balances by material amounts.
 - ◆ An internal control weakness was noted relating to the write-off policy of uncollectible accounts of the Ambulance Service. The write-off policy gave sole authority for the write-off to one individual with no oversight from management.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ The actual fund balance of the Highway/Public Works Fund at July 1, 2004, exceeded the estimated beginning fund balance by a material amount.
 - ◆ The highway superintendent did not submit a list of county roads to the County Commission for its approval as required by state statute. This list should include the classification, width and distance of each road, a summary of changes from the prior year by road name, date the change was approved, and the reason for the change.
-

OFFICE OF TRUSTEE

- ◆ An employee, who was ill and physically unable to be at work, was paid her full salary; however, time reports filed with the director of accounts indicated that this employee was present at work every hour that the Trustee's Office was open.
-

OFFICE OF SHERIFF

- ◆ Several deficiencies in the operations of the commissary were noted. General ledger accounts were not properly maintained, some commissary transactions were not reflected on the official cash journal, official prenumbered receipts were not issued for some collections; some commissary funds were not deposited within three days of collection, and prenumbered checks were not issued for some disbursements.
 - ◆ Confiscated cash awarded to the office was not deposited within three days of the award as required by state statute.
-

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 Executive; Highway Superintendent; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.

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

INTRODUCTORY SECTION

Warren County Officials

June 30, 2005

Officials:

Kenneth Rogers, County Executive
Harold Glenn, Superintendent of Roads
Joy Slatton, Trustee
Carolyn Miller, Assessor of Property
David Smartt, County Clerk
Bernadette Morris, Circuit, General Sessions, and Juvenile Courts Clerk
Richard McGregor, Clerk and Master
Terry K. Smith, Register
Jackie Matheny, Sheriff
Linda Hillis, Director of Accounts

Board of County Commissioners:

Kenneth Rogers, Chairman	
Terry L. Bell	Gary Prater
Carl E. Bouldin	Wayne Pryor
Teddy D. Boyd	George Smartt
Sally Brock	Bessie Smithson
Donnie Caldwell	Danice Taylor
Bryan Denton	Les Trotman
David K. Grissom	Bobby Turner
David G. Hill	David E. Vandagriff
Carl L. Hulett	Herschel Wells
Ken Martin	Herbert L. Wright
Michael Martin	Bill Yancy
Roy J. Pierce, IV	William H. Zechman

Purchasing Commission:

Linda Hillis, Chairperson
Kenneth Rogers
Carl L. Hulett
Herbert L. Wright

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

August 26, 2005

Warren County Executive and
Board of County Commissioners
Warren County, Tennessee

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Warren County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 36, 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 Warren County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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, Warren 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 Warren County, Tennessee, as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

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 Warren County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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.

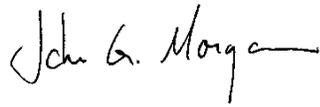
In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2005, on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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 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., Warren 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 37 through 41 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds					Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>							
Cash	\$ 250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 274,715	\$ 274,965
Equity in Pooled Cash and Investments	1,802,319	814,608	532,282	6,390,836	292,269	373,141	10,205,455
Accounts Receivable	53,721	115,464	0	31,057	0	17,954	218,196
Due from Other Governments	123,189	4,952	323,255	38,496	0	3,926	493,818
Due from Other Funds	3,348	0	0	0	0	0	3,348
Due from Component Units	30,673	0	0	0	0	0	30,673
Property Taxes Receivable	5,001,312	618,140	533,848	2,556,850	0	337,167	9,047,317
Allowance for Uncollectible Property Taxes	(178,520)	(22,065)	(19,055)	(91,265)	0	(12,035)	(322,940)
Notes Receivable - Current	0	0	0	322,152	0	0	322,152
Notes Receivable - Long-Term	0	0	0	1,324,169	0	0	1,324,169
Total Assets	\$ 6,836,292	\$ 1,531,099	\$ 1,370,330	\$ 10,572,295	\$ 292,269	\$ 994,868	\$ 21,597,153
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 92,782	\$ 2,992	\$ 69,921	\$ 0	\$ 0	\$ 9,711	\$ 175,406
Accrued Payroll	118,716	23,119	0	0	0	6,962	148,797
Payroll Deductions Payable	45,056	9,855	0	0	0	2,502	57,413
Due to Other Funds	0	0	0	0	0	3,348	3,348
Deferred Revenue - Current Property Taxes	4,628,724	572,089	20,715	2,366,370	0	312,049	7,899,947
Deferred Revenue - Delinquent Property Taxes	194,068	23,986	494,078	99,215	0	13,083	824,430
Other Deferred Revenues	72,945	0	152,566	18,000	0	0	243,511
Total Liabilities	\$ 5,152,291	\$ 632,041	\$ 737,280	\$ 2,483,585	\$ 0	\$ 347,655	\$ 9,352,852
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 479,825	\$ 0	\$ 479,825
Reserved for Alcohol and Drug Treatment	102,624	0	0	0	0	0	102,624
Reserved for Litter Enforcement Awards	6,816	0	0	0	0	0	6,816
Reserved for Drug Court	8,090	0	0	0	0	0	8,090
Reserved for Sexual Offender Registration	840	0	0	0	0	0	840
Reserved for Computer System - Register	3,677	0	0	0	0	0	3,677
Reserved for Automation Purposes - General Sessions Court	4,929	0	0	0	0	0	4,929

(Continued)

Exhibit A

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

	Major Funds					Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Reserved for Automation Purposes - Chancery Court	\$ 4,504	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,504
Reserved for Automation Purposes - Sheriff	9,178	0	0	0	0	0	9,178
Reserved for Long-Term Notes Receivable	0	0	0	1,646,321	0	0	1,646,321
Unreserved, Reported In:							
General Fund	1,543,343	0	0	0	0	0	1,543,343
Special Revenue Funds	0	899,058	633,050	0	0	616,350	2,148,458
Debt Service Funds	0	0	0	6,442,389	0	0	6,442,389
Capital Projects Funds (Deficit)	0	0	0	0	(187,556)	30,863	(156,693)
Total Fund Balances	<u>\$ 1,684,001</u>	<u>\$ 899,058</u>	<u>\$ 633,050</u>	<u>\$ 8,088,710</u>	<u>\$ 292,269</u>	<u>\$ 647,213</u>	<u>\$ 12,244,301</u>
Total Liabilities and Fund Balances	<u>\$ 6,836,292</u>	<u>\$ 1,531,099</u>	<u>\$ 1,370,330</u>	<u>\$ 10,572,295</u>	<u>\$ 292,269</u>	<u>\$ 994,868</u>	<u>\$ 21,597,153</u>

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

Exhibit B

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

	Major Funds					Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 5,582,022	\$ 656,756	\$ 590,945	\$ 3,798,663	\$ 0	\$ 469,085	\$ 11,097,471
Licenses and Permits	67,467	0	0	0	0	0	67,467
Fines, Forfeitures, and Penalties	285,203	0	0	0	0	86,850	372,053
Charges for Current Services	48,597	996,254	0	0	0	1,053,910	2,098,761
Other Local Revenues	265,479	184	1,160	412,919	0	44,508	724,250
Fees Received from County Officials	714,571	0	0	0	0	0	714,571
State of Tennessee	1,581,691	22,600	1,925,569	0	0	545,156	4,075,016
Federal Government	75,663	419,541	0	0	0	0	495,204
Other Governments and Citizens Groups	146,927	0	0	291,025	0	15,898	453,850
Total Revenues	\$ 8,767,620	\$ 2,095,335	\$ 2,517,674	\$ 4,502,607	\$ 0	\$ 2,215,407	\$ 20,098,643
<u>Expenditures</u>							
Current:							
General Government	\$ 890,443	\$ 0	\$ 0	\$ 0	\$ 0	\$ 130,709	\$ 1,021,152
Finance	372,312	0	0	0	0	462,736	835,048
Administration of Justice	487,822	0	0	0	0	461,495	949,317
Public Safety	3,796,273	196,500	0	0	0	93,667	4,086,440
Public Health and Welfare	589,090	1,724,458	0	0	0	1,130,820	3,444,368
Social, Cultural, and Recreational Services	144,750	0	0	0	0	0	144,750
Agricultural and Natural Resources	256,048	0	0	0	0	0	256,048
Other Operations	2,154,284	15,448	0	0	0	8,420	2,178,152
Highways	0	0	2,773,967	0	0	0	2,773,967
Debt Service:							
Principal	0	0	0	2,635,516	0	0	2,635,516
Interest	0	0	0	870,409	0	0	870,409
Other Debt Service	0	0	0	80,577	0	0	80,577
Capital Projects	0	0	0	0	2,576,795	0	2,576,795
Total Expenditures	\$ 8,691,022	\$ 1,936,406	\$ 2,773,967	\$ 3,586,502	\$ 2,576,795	\$ 2,287,847	\$ 21,852,539
Excess (Deficiency) of Revenues Over Expenditures	\$ 76,598	\$ 158,929	\$ (256,293)	\$ 916,105	\$ (2,576,795)	\$ (72,440)	\$ (1,753,896)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 160,000	\$ 0	\$ 150,000	\$ 0	\$ 0	\$ 0	\$ 310,000
Other Loans Issued	0	0	0	0	2,470,000	0	2,470,000
Total Other Financing Sources (Uses)	\$ 160,000	\$ 0	\$ 150,000	\$ 0	\$ 2,470,000	\$ 0	\$ 2,780,000

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
Net Change in Fund Balances	\$ 236,598	\$ 158,929	\$ (106,293)	\$ 916,105	\$ (106,795)	\$ (72,440)	\$ 1,026,104
Fund Balance, July 1, 2004	1,447,403	740,129	739,343	7,172,605	399,064	719,653	11,218,197
Fund Balance, June 30, 2005	\$ 1,684,001	\$ 899,058	\$ 633,050	\$ 8,088,710	\$ 292,269	\$ 647,213	\$ 12,244,301

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

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

	Governmental Activities - Internal Service Fund <hr/> Self- Insurance Fund <hr/>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 20,183
Equity in Pooled Cash and Investments	4,816,000
Total Assets	<hr/> \$ 4,836,183 <hr/>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 1,353
Claims and Judgments	976,222
Total Liabilities	<hr/> \$ 977,575 <hr/>
<u>NET ASSETS</u>	
Unrestricted	<hr/> \$ 3,858,608 <hr/>
Total Net Assets	<hr/> <hr/> \$ 3,858,608 <hr/> <hr/>

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

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

	Governmental Activities - Internal Service Fund
	<u>Self- Insurance Fund</u>
<u>Operating Revenues</u>	
Self-Insurance Premiums/Contributions	\$ 818,663
Total Operating Revenue	<u>\$ 818,663</u>
<u>Operating Expenses</u>	
Other Contracted Services	\$ 58,139
Boiler Insurance	4,296
Building and Contents Insurance	129,734
Liability Insurance	107,057
Worker's Compensation Insurance	92,276
Other Self-Insured Claims	452,174
Other Charges	2,075
Total Operating Expenses	<u>\$ 845,751</u>
Operating Income (Loss)	<u>\$ (27,088)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 115,702
Bank Charges and Investment Activities	(12,839)
Total Nonoperating Revenues (Expenses)	<u>\$ 102,863</u>
Net Income (Loss)	\$ 75,775
Net Assets, July 1, 2004	<u>3,782,833</u>
Net Assets, June 30, 2005	<u>\$ 3,858,608</u>

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

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

	Governmental Activities - Internal Service Fund <hr/> Self- Insurance Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Self-Insurance Premiums/Contributions	\$ 818,663
Other Contracted Services	(56,786)
Insurance Premiums	(333,363)
Other Self-Insured Claims	(293,517)
Other Charges	(2,075)
Net Cash Provided by (Used In) Operating Activities	<hr/> \$ 132,922 <hr/>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 115,702
Bank Charges on Investing Activities	(12,839)
Net Cash Provided by (Used In) Investing Activities	<hr/> \$ 102,863 <hr/>
Net Increase (Decrease) in Cash	\$ 235,785
Cash, July 1, 2004	<hr/> 4,600,398 <hr/>
Cash, June 30, 2005	<hr/> <hr/> \$ 4,836,183 <hr/> <hr/>
<u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	\$ (27,088)
Adjustment to Reconcile Net Operating Loss to Net Cash Provided By (Used In) Operating Activities:	
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	1,353
Increase (Decrease) in Claims and Judgements Payable	158,657
Net Cash Provided by (Used In) Operating Activities	<hr/> <hr/> \$ 132,922 <hr/> <hr/>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 4,303
Cash	732,894
Accounts Receivable	546
Due from Other Governments	<u>328,550</u>
Total Assets	<u>\$ 1,066,293</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 328,550
Due to Litigants, Heirs, and Others	733,416
Due to Joint Venture	<u>4,327</u>
Total Liabilities	<u>\$ 1,066,293</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Warren 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.

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

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

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

A. Reporting Entity

Warren County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Warren County, the primary government

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

Warren County Emergency Communications District
902 Bridge Builder Road
McMinnville, TN 37110

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

Fund financial statements of Warren County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Warren County only reports one

proprietary fund, an internal service fund. It has no enterprise funds to report.

Separate financial statements are provided for governmental funds, the proprietary fund, 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 internal service fund and the fiduciary funds in total are reported in single columns by fund type.

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. Warren 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.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Warren 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.

Ambulance Service Fund – This fund accounts for transactions relating to the county-operated ambulance service.

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

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

Other Capital Projects Fund – This fund accounts for jail construction projects.

Additionally, Warren County reports the following fund types:

Internal Service Fund – The Self-Insurance Fund accounts for the county’s self-insurance program. Premiums charged to the various county funds are placed in this fund for the payment of claims against the county not covered by excess risk insurance coverage.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received from the state to be forwarded to the various cities in the county, federal grant/loans received and forwarded to a private industry in the county, and state grants and other restricted revenues held for the benefit of the Thirty-First Judicial District Drug Task Force. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an internal service fund used to account for the county’s self-insurance program. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The principal operating revenues of the county’s internal service fund are self-insurance premiums/contributions. Operating expenses for the internal service fund include purchase of commercial insurance and various claims.

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

C. **Assets, Liabilities, and Net Assets or Equity**

1. **Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash with boards, agencies and commissions, and cash on deposit with the county trustee.

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

2. **Receivables and Payables**

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

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also

defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.9 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 after year-end are considered to be immaterial for reporting purposes. 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. Warren 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, Warren County does not present government-wide statements.

4. Compensated Absences

It is the county's policy to not allow for the accumulation of unused vacation days beyond year-end. Sick leave policies vary from department to department. Employees of the general government may

accumulate unlimited sick leave days based on earning one day per month. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded. The general policy of the Highway Department does allow for the accumulation of unlimited sick leave days based on earning one day per month. Any unused accumulated sick leave would be paid to the employee when employment with the Highway Department ceases. The amount of unused sick leave for Highway Department employees at June 30, 2005, is not considered material and is not presented in the county's financial statements. The general policy of the Ambulance Service allows full-time employees to earn and accumulate paid time off which may be used as vacation and/or sick leave. Employees earn paid time off at rates based on length of employment. Employees are allowed to accumulate up to one year's worth of paid time off. The granting of paid time off has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. Long-term Obligations

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

6. Net Assets and Fund Equity

In proprietary funds, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Deficit

The Other Capital Projects Fund had a fund deficit of \$187,556 at June 30, 2005. This fund deficit resulted from the unperformed portions of construction projects of \$479,825 being reserved as encumbrances. Funding for these future expenditures will be received from authorized building authority loan proceeds and authorized capital outlay notes.

B. Actual Fund Balances Exceeded Estimated Beginning Fund Balances by Material Amounts

The actual fund balances in the Ambulance Service, General Debt Service, and Highway/Public Works Funds at July 1, 2004, were significantly more than the estimated fund balances at July 1, 2004, presented to the Warren County Commission as noted in the following schedule:

<u>Fund</u>	<u>Actual Fund Balance 7-1-04</u>	<u>Estimated Fund Balance 7-1-04</u>	<u>Variance</u>
Ambulance Service Fund	\$ 740,129	\$ 544,941	\$ 195,188
General Debt Service Fund	7,172,605	5,386,986	1,785,619
Highway/Public Works Fund	739,343	534,590	204,753

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Warren County and the Warren County School Department participate in an internal cash and investment pool through the Office of Trustee. The Warren County School Department meets the criteria for a discretely presented component unit of Warren County. Since Warren County is presenting fund

financial statements only, the financial information for the Warren 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 represent nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

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

executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Warren County had the following investments carried at fair value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Warren County and the discretely presented Warren County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value
State Treasurer's Investment Pool	Daily	<u>\$ 10,381,053</u>
Total		<u><u>\$ 10,381,053</u></u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Warren County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Warren County has no investment policy that would further limit its investment choices. Warren County's investment in the State Treasurer's Investment Pool was unrated.

B. Notes Receivable

Warren County issued general obligation bonds of \$3,600,000 on August 1, 1990. The proceeds were used by the West Warren-Viola Utility District to construct extensions and improvements to the water and sewer system in the industrial park. These bonds were refunded on August 15, 1997, with a general obligation refunding bond issue of \$3,080,000. An agreement between Warren County and the utility district requires the utility district to repay the county for the principal and interest paid on the bonds by remitting 70 percent of certain industrial park revenues to the county. As of June 30, 2005, the county had paid \$1,646,321 more in principal and interest expenses on the bonds than they had received from the utility district. This amount has been reflected in the financial statements of this report as Notes Receivable – Current (\$322,152) and Notes Receivable – Long-term (\$1,324,169) and offset by Reserve for Notes Receivable (\$1,646,321) in the General Debt Service Fund. The amount of the notes that is not expected to be collected within one year is \$1,324,169.

C. Construction Commitments

At June 30, 2005, the county had uncompleted construction projects of \$479,825 for jail construction. Funding for these future expenditures will be received from authorized building authority loan proceeds and authorized capital outlay notes.

D. 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	Nonmajor governmental	\$ 3,348

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.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government: General	Component unit: General Purpose School	\$ 30,673

E. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General

obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 15 years for bonds, up to 3 years for notes, 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, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation			
Bonds - Refunding	2 to 5.2 %	\$ 19,915,000	\$ 14,950,000
Capital Outlay Notes	1.75 to 2.78	321,548	243,849
Other Loans	variable	6,385,591	6,385,591

In prior years, Warren County entered into a loan agreement with the Blount County Public Building Authority. This loan agreement provided for the authority to issue variable rate bonds of \$6,500,000 and loan the proceeds to Warren County on an as-needed basis for the construction and renovation of the county jail. As of June 30, 2005, Warren County had borrowed \$6,385,591 of the available amount. This loan is repayable at a 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 on this loan. In addition, the county pays various fees (remarking fees, administrative fees, letter of credit fees, etc.) in connection with this loan program which total approximately .49 percent of the outstanding loan principal and a trustee fee which is charged at \$100 per month.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 1,900,000	\$ 641,011	\$ 140,517	\$ 6,963
2007	1,975,000	565,636	103,332	3,080
2008	2,060,000	482,848	0	0
2009	2,145,000	394,970	0	0
2010	2,225,000	307,573	0	0
2011-2013	4,645,000	332,567	0	0
Total	\$ 14,950,000	\$ 2,724,605	\$ 243,849	\$ 10,043

Year Ending June 30	Other Loan (\$6,385,591)			Total
	Principal	Interest	Other Fees	
2006	\$ 0	\$ 149,500	\$ 33,050	\$ 182,550
2007	0	149,500	33,050	182,550
2008	0	149,500	33,050	182,550
2009	0	149,500	33,050	182,550
2010	0	149,500	33,050	182,550
2011-2015	1,470,000	719,325	159,248	2,348,573
2016-2020	3,405,000	429,640	97,532	3,932,172
2021-2022	1,510,591	56,580	14,454	1,581,625
Total	\$ 6,385,591	\$ 1,953,045	\$ 436,484	\$ 8,775,120

There is \$6,442,389 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$391, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans amounted to \$564, 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	Notes	Other Loans
Balance, July 1, 2004	\$ 17,445,000	\$ 74,365	\$ 3,915,591
Additions	0	310,000	2,470,000
Deductions	(2,495,000)	(140,516)	0
Balance, June 30, 2005	\$ 14,950,000	\$ 243,849	\$ 6,385,591
Balance Due Within One Year	\$ 1,900,000	\$ 140,517	\$ 0

IV. OTHER INFORMATION

A. Risk Management

Warren County's risk of loss relating to property, general liability, automobile liability, and workers' compensation are covered through a self-insurance program and by the purchase of commercial insurance to cover losses exceeding certain limits. The county is self-insured for individual property losses up to \$250,000. The county carries excess commercial coverage on buildings and contents totaling \$138,281,273. The county is self-insured up to the liability limits of \$250,000 per person, \$600,000 per occurrence for bodily injury, and \$85,000 for property damage. Warren County self-insures workers' compensation losses of \$250,000 per accident or

disease with an aggregate liability of \$1,000,000. The county carries commercial liability insurance coverage for losses up to \$10,000,000, with a \$250,000 deductible. Warren County maintains the Self-Insurance Fund, which is shown as an internal service fund, to account for transactions pertaining to the county's self-insured group liability and property plan. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The fund establishes the claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

		Beginning of Year Liability		Claims and Estimates Incurred		Payments		End of Year Liability
2003-2004	\$	420,370	\$	901,277	\$	(504,082)	\$	817,565
2004-2005		817,565		452,174		(293,517)		976,222

Warren County provides health insurance coverage to their 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 Change

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

C. Subsequent Event

On August 15, 2005, the County Commission authorized the county to issue \$100,000 in capital outlay notes to complete the construction, furnishing, and equipping of the jail.

D. Contingent Liabilities

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

E. Joint Venture

The Industrial Development Board of McMinnville-Warren County is a joint venture in which the county and the City of McMinnville participate in for the purpose of industrial recruitment. The Industrial Development Board is governed by a nine-member board from the private sector appointed by the participating governments. During the year ended June 30, 2005, the county appropriated \$382,150 to the Industrial Development Board of McMinnville-Warren County.

Warren County does not have an equity interest in the above-noted joint venture. Complete financial statements for the Industrial Development Board of McMinnville-Warren County can be obtained from its administrative office at the following address:

Industrial Development Board of McMinnville-Warren County
200 Colville Street
McMinnville, TN 37110

F. Jointly Governed Organization

The Tri-County Railroad Authority is jointly operated by Warren County, in conjunction with Coffee and White Counties. The authority's board comprises the county mayor of each county and one member selected by the governing body of each county; however, the counties do not have any ongoing financial interest or responsibility for the entity.

G. Retirement Commitments

Plan Description

Employees of Warren 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 Warren 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

Warren County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 11.73 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Warren County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Warren County's annual pension cost of \$1,227,683 to TCRS was equal to Warren 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. Warren County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$1,227,683	100%	\$0
6-30-04	983,815	100	0
6-30-03	705,880	100	0

Required Supplementary Information

Schedule of Funding Progress for Warren County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$19,030	\$20,198	\$1,168	94.22%	\$9,859	11.85%
6-30-01	16,711	18,051	1,340	92.58	8,867	15.11
6-30-99	14,322	15,371	1,049	93.18	7,433	14.11

H. Purchasing Laws

Office of County Executive

Purchasing procedures for this office are governed by Chapter 16, Private Acts of 1951, as amended. This act provides for a Purchasing Commission comprising two members elected by the County Commission: the director of accounts, who serves as chairperson, and the county executive, who serves as an ex-officio member. This act provides for the Purchasing Commission to purchase all supplies and materials and further requires the various departments to file a purchase requisition with the commission. Purchases of less than \$5,000 may be made or approved by the Purchasing Commission chairperson. Purchases exceeding \$5,000 are required to be approved by the Purchasing Commission based on publicly advertised competitive bids.

Office of Highway Superintendent

Chapter 61, Private Acts of 1959, as amended, Chapter 16, Private Acts of 1951, as amended, and Section 54-7-113, Tennessee Code Annotated

(Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Warren 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	\$ 5,582,022	\$ 5,230,635	\$ 5,230,635	\$ 351,387
Licenses and Permits	67,467	62,000	62,000	5,467
Fines, Forfeitures and Penalties	285,203	237,700	237,700	47,503
Charges for Current Services	48,597	82,450	82,450	(33,853)
Other Local Revenues	265,479	231,590	251,590	13,889
Fees Received from County Officials	714,571	677,000	677,000	37,571
State of Tennessee	1,581,691	1,259,000	1,486,607	95,084
Federal Government	75,663	85,091	220,594	(144,931)
Other Governments and Citizens Groups	146,927	115,000	115,000	31,927
Total Revenues	\$ 8,767,620	\$ 7,980,466	\$ 8,363,576	\$ 404,044
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 134,194	\$ 187,925	\$ 187,925	\$ 53,731
Board of Equalization	9,849	10,200	10,200	351
County Executive	100,848	105,319	105,319	4,471
County Attorney	48,000	48,000	48,000	0
Election Commission (Including Voter Registration)	190,858	191,686	191,686	828
Register of Deeds	12,955	20,000	20,000	7,045
Development	70	75	75	5
Planning	18,358	65,050	65,050	46,692
County Buildings	119,055	178,372	178,372	59,317
Other Facilities	117,830	124,498	124,498	6,668
Other General Administration	138,426	235,000	235,000	96,574
<u>Finance</u>				
Accounting and Budgeting	127,689	130,235	130,235	2,546
Purchasing	3,461	4,000	4,000	539
Property Assessor's Office	232,701	247,699	247,699	14,998
County Trustee's Office	8,461	18,500	18,500	10,039
<u>Administration of Justice</u>				
Circuit Court	47,480	68,267	68,267	20,787
General Sessions Court	180,157	186,727	186,727	6,570
Drug Court	41,643	105,452	105,452	63,809
Chancery Court	30,000	30,950	50,950	20,950
Juvenile Court	122,801	112,800	125,300	2,499
Judicial Commissioners	65,741	75,515	75,515	9,774
<u>Public Safety</u>				
Sheriff's Department	1,926,518	1,932,566	1,982,566	56,048
Jail	1,700,307	1,814,911	1,764,911	64,604
Juvenile Services	42,606	80,000	80,000	37,394
County Coroner/Medical Examiner	825	1,500	1,500	675
Other Public Safety	126,017	130,700	130,700	4,683

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 41,786	\$ 49,520	\$ 49,520	\$ 7,734
Rabies and Animal Control	80,000	0	80,000	0
Other Local Health Services	324,503	299,700	339,200	14,697
Regional Mental Health Center	0	6,000	6,000	6,000
Appropriation to State	52,203	52,203	52,203	0
General Welfare Assistance	1,236	3,000	3,000	1,764
Aid to Dependent Children	2,480	2,500	2,500	20
Other Local Welfare Services	1,499	1,500	1,500	1
Other Public Health and Welfare	85,383	95,773	95,773	10,390
<u>Social, Cultural and Recreational Services</u>				
Senior Citizens Assistance	28,750	28,750	28,750	0
Libraries	116,000	116,000	116,000	0
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	88,817	91,280	91,280	2,463
Forest Service	2,000	2,000	2,000	0
Soil Conservation	63,976	64,730	64,730	754
Flood Control	101,255	0	111,110	9,855
<u>Other Operations</u>				
Tourism	22,500	22,500	22,500	0
Industrial Development	382,150	407,150	407,150	25,000
Airport	1,096,499	946,590	1,146,590	50,091
Veterans' Services	15,538	18,862	18,862	3,324
Other Charges	326,656	392,000	392,000	65,344
Contributions to Other Agencies	5,500	5,500	5,500	0
Employee Benefits	260,458	307,300	307,300	46,842
Miscellaneous	44,983	17,000	59,885	14,902
Total Expenditures	\$ 8,691,022	\$ 9,035,805	\$ 9,541,800	\$ 850,778
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 76,598	\$ (1,055,339)	\$ (1,178,224)	\$ 1,254,822
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 160,000	\$ 160,000	\$ 160,000	\$ 0
Total Other Financing Sources (Uses)	\$ 160,000	\$ 160,000	\$ 160,000	\$ 0
Net Change in Fund Balance				
Fund Balance, July 1, 2004	\$ 1,447,403	\$ (895,339)	\$ (1,018,224)	\$ 1,254,822
Fund Balance, June 30, 2005	\$ 1,684,001	\$ 127,159	\$ 4,274	\$ 1,679,727

Exhibit E-2

Warren 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	\$ 656,756	\$ 619,365	\$ 619,365	\$ 37,391
Charges for Current Services	996,254	700,100	700,100	296,154
Other Local Revenues	184	0	0	184
State of Tennessee	22,600	0	0	22,600
Federal Government	419,541	9,000	456,089	(36,548)
Other Governments and Citizens Groups	0	2,500	2,500	(2,500)
Total Revenues	<u>\$ 2,095,335</u>	<u>\$ 1,330,965</u>	<u>\$ 1,778,054</u>	<u>\$ 317,281</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Civil Defense	\$ 173,000	\$ 76,155	\$ 284,726	\$ 111,726
Rescue Squad	23,500	23,500	23,500	0
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	1,724,458	1,785,372	2,023,890	299,432
<u>Other Operations</u>				
Miscellaneous	15,448	0	15,448	0
Total Expenditures	<u>\$ 1,936,406</u>	<u>\$ 1,885,027</u>	<u>\$ 2,347,564</u>	<u>\$ 411,158</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 158,929</u>	<u>\$ (554,062)</u>	<u>\$ (569,510)</u>	<u>\$ 728,439</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 60,000	\$ 60,000	\$ (60,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ (60,000)</u>
Net Change in Fund Balance	\$ 158,929	\$ (494,062)	\$ (509,510)	\$ 668,439
Fund Balance, July 1, 2004	<u>740,129</u>	<u>544,941</u>	<u>544,941</u>	<u>195,188</u>
Fund Balance, June 30, 2005	<u>\$ 899,058</u>	<u>\$ 50,879</u>	<u>\$ 35,431</u>	<u>\$ 863,627</u>

Exhibit E-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 590,945	\$ 603,893	\$ 603,893	\$ (12,948)
Other Local Revenues	1,160	1,000	1,000	160
State of Tennessee	1,925,569	2,050,609	2,050,609	(125,040)
Federal Government	0	108,963	108,963	(108,963)
Total Revenues	<u>\$ 2,517,674</u>	<u>\$ 2,764,465</u>	<u>\$ 2,764,465</u>	<u>\$ (246,791)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 173,942	\$ 180,419	\$ 180,419	\$ 6,477
Highway and Bridge Maintenance	1,627,262	1,760,640	1,650,640	23,378
Operation and Maintenance of Equipment	141,636	173,049	173,049	31,413
Other Charges	131,083	140,650	140,650	9,567
Employee Benefits	147,715	169,620	177,290	29,575
Capital Outlay	552,329	441,500	591,500	39,171
Total Expenditures	<u>\$ 2,773,967</u>	<u>\$ 2,865,878</u>	<u>\$ 2,913,548</u>	<u>\$ 139,581</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (256,293)</u>	<u>\$ (101,413)</u>	<u>\$ (149,083)</u>	<u>\$ (107,210)</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 150,000	\$ 150,000	\$ 150,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (106,293)	\$ 48,587	\$ 917	\$ (107,210)
Fund Balance, July 1, 2004	<u>739,343</u>	<u>534,590</u>	<u>534,590</u>	<u>204,753</u>
Fund Balance, June 30, 2005	<u>\$ 633,050</u>	<u>\$ 583,177</u>	<u>\$ 535,507</u>	<u>\$ 97,543</u>

WARREN 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 Warren 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 Executive, County Attorney, etc.). Management may make revisions within major categories, but only the Warren 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. ACTUAL FUND BALANCES EXCEEDED ESTIMATED BEGINNING FUND BALANCES BY MATERIAL AMOUNTS

The actual fund balances in the Ambulance Service and Highway/Public Works Funds at July 1, 2004, were significantly more than the estimated fund balances at July 1, 2004, presented to the Warren County Commission as noted in the following schedule:

<u>Fund</u>	<u>Actual Fund Balance 7-1-04</u>	<u>Estimated Fund Balance 7-1-04</u>	<u>Variance</u>
Ambulance Service Fund	\$ 740,129	\$ 544,941	\$ 195,188
Highway/Public Works Fund	739,343	534,590	204,753

**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.

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

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

District Attorney General Fund – The District Attorney General Fund is used to account for restricted revenues for the benefit of the Office of the District Attorney General.

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 transferred to the county's General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

General Capital Projects Fund – The General Capital Projects Fund is used to account for grant funds used for waterline construction in the Warren County Utility District.

Exhibit F-1

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

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 274,715	\$ 274,715	\$ 0	\$ 274,715
Equity in Pooled Cash and Investments	235,880	97,031	9,367	0	342,278	30,863	373,141
Accounts Receivable	13,696	4,058	0	200	17,954	0	17,954
Due from Other Governments	3,926	0	0	0	3,926	0	3,926
Property Taxes Receivable	337,167	0	0	0	337,167	0	337,167
Allowance for Uncollectible Property Taxes	(12,035)	0	0	0	(12,035)	0	(12,035)
Total Assets	\$ 578,634	\$ 101,089	\$ 9,367	\$ 274,915	\$ 964,005	\$ 30,863	\$ 994,868
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 7,732	\$ 1,979	\$ 0	\$ 0	\$ 9,711	\$ 0	\$ 9,711
Accrued Payroll	6,962	0	0	0	6,962	0	6,962
Payroll Deductions Payable	2,502	0	0	0	2,502	0	2,502
Due to Other Funds	0	3,348	0	0	3,348	0	3,348
Deferred Revenue - Current Property Taxes	312,049	0	0	0	312,049	0	312,049
Deferred Revenue - Delinquent Property Taxes	13,083	0	0	0	13,083	0	13,083
Total Liabilities	\$ 342,328	\$ 5,327	\$ 0	\$ 0	\$ 347,655	\$ 0	\$ 347,655
<u>Fund Balances</u>							
Unreserved	\$ 236,306	\$ 95,762	\$ 9,367	\$ 274,915	\$ 616,350	\$ 30,863	\$ 647,213
Total Fund Balances	\$ 236,306	\$ 95,762	\$ 9,367	\$ 274,915	\$ 616,350	\$ 30,863	\$ 647,213
Total Liabilities and Fund Balances	\$ 578,634	\$ 101,089	\$ 9,367	\$ 274,915	\$ 964,005	\$ 30,863	\$ 994,868

Exhibit F-2

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

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>							
Local Taxes	\$ 469,085	\$ 0	\$ 0	\$ 0	\$ 469,085	\$ 0	\$ 469,085
Fines, Forfeitures, and Penalties	0	71,163	15,687	0	86,850	0	86,850
Charges for Current Services	749	0	0	1,053,161	1,053,910	0	1,053,910
Other Local Revenues	44,508	0	0	0	44,508	0	44,508
State of Tennessee	545,156	0	0	0	545,156	0	545,156
Other Governments and Citizens Groups	0	15,898	0	0	15,898	0	15,898
Total Revenues	\$ 1,059,498	\$ 87,061	\$ 15,687	\$ 1,053,161	\$ 2,215,407	\$ 0	\$ 2,215,407
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 0	\$ 0	\$ 130,709	\$ 130,709	\$ 0	\$ 130,709
Finance	0	0	0	462,736	462,736	0	462,736
Administration of Justice	0	0	9,328	452,167	461,495	0	461,495
Public Safety	0	93,667	0	0	93,667	0	93,667
Public Health and Welfare	1,127,575	3,245	0	0	1,130,820	0	1,130,820
Other Operations	8,420	0	0	0	8,420	0	8,420
Total Expenditures	\$ 1,135,995	\$ 96,912	\$ 9,328	\$ 1,045,612	\$ 2,287,847	\$ 0	\$ 2,287,847
Excess (Deficiency) of Revenues Over Expenditures	\$ (76,497)	\$ (9,851)	\$ 6,359	\$ 7,549	\$ (72,440)	\$ 0	\$ (72,440)
Net Change in Fund Balances	\$ (76,497)	\$ (9,851)	\$ 6,359	\$ 7,549	\$ (72,440)	\$ 0	\$ (72,440)
Fund Balance, July 1, 2004	312,803	105,613	3,008	267,366	688,790	30,863	719,653
Fund Balance, June 30, 2005	\$ 236,306	\$ 95,762	\$ 9,367	\$ 274,915	\$ 616,350	\$ 30,863	\$ 647,213

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 469,085	\$ 436,890	\$ 436,890	\$ 32,195
Charges for Current Services	749	200	200	549
Other Local Revenues	44,508	28,000	28,000	16,508
State of Tennessee	545,156	500,700	500,700	44,456
Total Revenues	<u>\$ 1,059,498</u>	<u>\$ 965,790</u>	<u>\$ 965,790</u>	<u>\$ 93,708</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 372,042	\$ 426,534	\$ 400,534	\$ 28,492
Convenience Centers	735,213	744,320	770,320	35,107
Other Waste Disposal	20,320	44,000	44,000	23,680
<u>Other Operations</u>				
Miscellaneous	8,420	0	8,420	0
Total Expenditures	<u>\$ 1,135,995</u>	<u>\$ 1,214,854</u>	<u>\$ 1,223,274</u>	<u>\$ 87,279</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (76,497)</u>	<u>\$ (249,064)</u>	<u>\$ (257,484)</u>	<u>\$ 180,987</u>
Net Change in Fund Balance	\$ (76,497)	\$ (249,064)	\$ (257,484)	\$ 180,987
Fund Balance, July 1, 2004	312,803	284,615	284,615	28,188
Fund Balance, June 30, 2005	<u>\$ 236,306</u>	<u>\$ 35,551</u>	<u>\$ 27,131</u>	<u>\$ 209,175</u>

Exhibit F-4

Warren 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	\$ 71,163	\$ 73,870	\$ 73,870	\$ (2,707)
Other Governments and Citizens Groups	15,898	6,681	6,681	9,217
Total Revenues	<u>\$ 87,061</u>	<u>\$ 80,551</u>	<u>\$ 80,551</u>	<u>\$ 6,510</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 93,667	\$ 65,815	\$ 105,815	\$ 12,148
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	3,245	7,769	7,769	4,524
Total Expenditures	<u>\$ 96,912</u>	<u>\$ 73,584</u>	<u>\$ 113,584</u>	<u>\$ 16,672</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,851)</u>	<u>\$ 6,967</u>	<u>\$ (33,033)</u>	<u>\$ 23,182</u>
Net Change in Fund Balance	\$ (9,851)	\$ 6,967	\$ (33,033)	\$ 23,182
Fund Balance, July 1, 2004	105,613	94,405	94,405	11,208
Fund Balance, June 30, 2005	<u>\$ 95,762</u>	<u>\$ 101,372</u>	<u>\$ 61,372</u>	<u>\$ 34,390</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Warren 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	\$ 3,798,663	\$ 3,416,833	\$ 3,416,833	\$ 381,830
Other Local Revenues	412,919	200,000	200,000	212,919
Other Governments and Citizens Groups	291,025	200,000	200,000	91,025
Total Revenues	<u>\$ 4,502,607</u>	<u>\$ 3,816,833</u>	<u>\$ 3,816,833</u>	<u>\$ 685,774</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 459,044	\$ 480,000	\$ 480,000	\$ 20,956
Highways and Streets	56,472	58,000	58,000	1,528
Education	2,120,000	1,495,000	2,120,000	0
<u>Interest</u>				
General Government	254,137	461,447	461,447	207,310
Highways and Streets	702	2,900	2,900	2,198
Education	615,570	615,570	615,570	0
<u>Other Debt Service</u>				
General Government	80,577	150,000	150,000	69,423
Total Expenditures	<u>\$ 3,586,502</u>	<u>\$ 3,262,917</u>	<u>\$ 3,887,917</u>	<u>\$ 301,415</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 916,105</u>	<u>\$ 553,916</u>	<u>\$ (71,084)</u>	<u>\$ 987,189</u>
Net Change in Fund Balance	\$ 916,105	\$ 553,916	\$ (71,084)	\$ 987,189
Fund Balance, July 1, 2004	<u>7,172,605</u>	<u>5,386,986</u>	<u>5,386,986</u>	<u>1,785,619</u>
Fund Balance, June 30, 2005	<u>\$ 8,088,710</u>	<u>\$ 5,940,902</u>	<u>\$ 5,315,902</u>	<u>\$ 2,772,808</u>

Agency 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.

Community Development - Agency Fund – The Community Development - Agency Fund is used to account for pass-through grant funds on behalf of the West Warren Utility District for a waterline extension project in Warren County.

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, general sessions and juvenile courts clerk; clerk and master; register; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Judicial District Drug Fund – The Judicial District Drug Fund is used to account for state grants and other restricted revenues held in trust for the benefit of the Thirty-First Judicial District Drug Task Force.

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

	<u>Agency Funds</u>					
	Cities - Sales Tax	Comm- unity Develop- ment - Agency	Constitu- tional Officers - Agency	Judicial District Drug		Total
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 732,894	\$ 0	\$ 732,894	
Equity in Pooled Cash and Investments	0	522	0	3,781	4,303	
Accounts Receivable	0	0	0	546	546	
Due from Other Governments	328,550	0	0	0	328,550	
Total Assets	<u>\$ 328,550</u>	<u>\$ 522</u>	<u>\$ 732,894</u>	<u>\$ 4,327</u>	<u>\$ 1,066,293</u>	
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 328,550	\$ 0	\$ 0	\$ 0	\$ 328,550	
Due to Litigants, Heirs, and Others	0	522	732,894	0	733,416	
Due to Joint Ventures	0	0	0	4,327	4,327	
Total Liabilities	<u>\$ 328,550</u>	<u>\$ 522</u>	<u>\$ 732,894</u>	<u>\$ 4,327</u>	<u>\$ 1,066,293</u>	

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,828,371	\$ 1,828,371	\$ 0
Due From Other Governments	141,482	328,550	141,482	328,550
Total Assets	\$ 141,482	\$ 2,156,921	\$ 1,969,853	\$ 328,550
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 141,482	\$ 2,156,921	\$ 1,969,853	\$ 328,550
Total Liabilities	\$ 141,482	\$ 2,156,921	\$ 1,969,853	\$ 328,550
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 155,909	\$ 155,387	\$ 522
Total Assets	\$ 0	\$ 155,909	\$ 155,387	\$ 522
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 155,909	\$ 155,387	\$ 522
Total Liabilities	\$ 0	\$ 155,909	\$ 155,387	\$ 522
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 909,336	\$ 9,413,054	\$ 9,589,496	\$ 732,894
Total Assets	\$ 909,336	\$ 9,413,054	\$ 9,589,496	\$ 732,894
<u>Liabilities</u>				
Due to Other Funds	\$ 51,915	\$ 0	\$ 51,915	\$ 0
Due to Litigants, Heirs, and Others	857,421	9,413,054	9,537,581	732,894
Total Liabilities	\$ 909,336	\$ 9,413,054	\$ 9,589,496	\$ 732,894
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 23,463	\$ 15,756	\$ 35,438	\$ 3,781
Accounts Receivable	1,862	546	1,862	546
Total Assets	\$ 25,325	\$ 16,302	\$ 37,300	\$ 4,327
<u>Liabilities</u>				
Due to Joint Ventures	\$ 25,325	\$ 16,302	\$ 37,300	\$ 4,327
Total Liabilities	\$ 25,325	\$ 16,302	\$ 37,300	\$ 4,327

(Continued)

Warren County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 909,336	\$ 9,413,054	\$ 9,589,496	\$ 732,894
Equity in Pooled Cash and Investments	23,463	2,000,036	2,019,196	4,303
Accounts Receivable	1,862	546	1,862	546
Due From Other Governments	141,482	328,550	141,482	328,550
Total Assets	<u>\$ 1,076,143</u>	<u>\$ 11,742,186</u>	<u>\$ 11,752,036</u>	<u>\$ 1,066,293</u>
<u>Liabilities</u>				
Due to Other Funds	\$ 51,915	\$ 0	\$ 51,915	\$ 0
Due to Other Taxing Units	141,482	2,156,921	1,969,853	328,550
Due to Litigants, Heirs, and Others	857,421	9,568,963	9,692,968	733,416
Due to Joint Ventures	25,325	16,302	37,300	4,327
Total Liabilities	<u>\$ 1,076,143</u>	<u>\$ 11,742,186</u>	<u>\$ 11,752,036</u>	<u>\$ 1,066,293</u>

MISCELLANEOUS SCHEDULES

Exhibit I-1

Warren County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
NOTES PAYABLE								
Payable through General Debt Service Fund:								
Ambulance Changeover	\$ 43,333	1.75 to 2.25 %	5-16-04	6-22-06	\$ 28,889	\$ 0	\$ 14,444	\$ 14,445
Highway Grader	19,416	1.75 to 2.25	3-22-04	6-30-06	12,944	0	6,472	6,472
Building Improvements	48,799	2.48 to 2.68	7-1-03	6-30-06	32,532	0	16,266	16,266
Airport Tractor and Rotary Cutter	50,000	2.78	2-9-05	6-30-07	0	50,000	16,667	33,333
Vehicles - Sheriff's Department	110,000	2.78	2-9-05	6-30-07	0	110,000	36,667	73,333
Dump Trucks, Salt Spreaders, & Snow Plows	50,000	2.78	2-9-05	6-30-07	0	150,000	50,000	100,000
Total Notes Payable					<u>\$ 74,365</u>	<u>\$ 310,000</u>	<u>\$ 140,516</u>	<u>\$ 243,849</u>
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund:								
Public Improvements - Jail Project	(1)	Variable	12-1-02	6-1-22	\$ 3,915,591	(2) \$ 2,470,000	\$ 0	\$ 6,385,591
Total Other Loans Payable					<u>\$ 3,915,591</u>	<u>\$ 2,470,000</u>	<u>\$ 0</u>	<u>\$ 6,385,591</u>
GENERAL BONDED DEBT								
Payable through General Debt Service Fund:								
Public Works Refunding	3,080,000	4 to 5.2	8-15-1997	8-1-10	\$ 1,895,000	\$ 0	\$ 230,000	\$ 1,665,000
School Refunding	5,135,000	3.8 to 5.15	8-15-1997	5-1-05	690,000	0	690,000	0
School Refunding	15,350,000	2.55 to 5	9-1-01	6-1-12	13,385,000	0	1,430,000	11,955,000
Public Works Refunding	1,485,000	2 to 3.5	12-29-03	6-1-13	1,475,000	0	145,000	1,330,000
Total General Bonded Debt					<u>\$ 17,445,000</u>	<u>\$ 0</u>	<u>\$ 2,495,000</u>	<u>\$ 14,950,000</u>

(1) Amount available under a loan agreement with the Blount County Public Building Authority is \$6,500,000 of which \$6,385,591 had been received at June 30, 2005.

(2) The beginning balance of this loan was increased \$200,000 to correct an error in the amount of the loan issued in the prior year.

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 1,900,000	\$ 641,011	\$ 2,541,011
2007	1,975,000	565,636	2,540,636
2008	2,060,000	482,848	2,542,848
2009	2,145,000	394,970	2,539,970
2010	2,225,000	307,573	2,532,573
2011	2,330,000	215,897	2,545,897
2012	2,125,000	110,020	2,235,020
2013	190,000	6,650	196,650
Total	<u>\$ 14,950,000</u>	<u>\$ 2,724,605</u>	<u>\$ 17,674,605</u>

Exhibit I-3

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 62,333	\$ 50,000	Travelers Casualty and Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	59,365	100,000	"
Director of Accounts	County Commission	42,015	10,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	53,969	1,084,200	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	53,969	10,000	State Farm Fire and Casualty Company
County Clerk	Section 8-24-102, <u>TCA</u>	53,969	50,000	Travelers Casualty and Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	53,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	60,971 (1)	50,000	"
	and Chancery Court Judge			
Register	Section 8-24-102, <u>TCA</u>	53,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	59,884 (2)	50,000	Western Surety Company
Employee Dishonesty Bond Coverage:				
	General County Employees		20,000	"
	Ambulance Service Employees		50,000	American Alternative Insurance Corporation

(1) Includes special commissioner fees of \$6,822.

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

Exhibit I-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 4,389,314	\$ 295,908	\$ 542,504	\$ 0	\$ 0	\$ 0	468,566	\$ 2,243,973	\$ 7,940,265
Trustee's Collections - Prior Year	182,968	13,024	42,872	0	0	0	21,670	62,951	323,485
Circuit/Clerk & Master Collections - Prior Years	120,526	9,118	28,208	0	0	0	17,985	38,545	214,382
Interest and Penalty	34,125	2,406	7,298	0	0	0	4,061	12,717	60,607
Payments in Lieu of Taxes - T.V.A.	14,260	961	1,762	0	0	0	1,522	7,290	25,795
Payments in Lieu of Taxes - Local Utilities	35,506	2,413	4,947	0	0	0	3,828	17,309	64,003
Payments in Lieu of Taxes - Other	173,688	11,709	21,467	0	0	0	18,540	88,796	314,200
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	0	0	0	0	207,036	207,036
Hotel/Motel Tax	0	0	0	0	0	0	0	55,226	55,226
Wheel Tax	0	0	0	0	0	0	0	1,032,976	1,032,976
Litigation Tax - General	144,868	0	0	0	0	0	0	0	144,868
Litigation Tax - Special Purpose	10,760	0	0	0	0	0	0	0	10,760
Litigation Tax - Jail, Workhouse, or Courthouse	49,336	0	0	0	0	0	0	0	49,336
Business Tax	284,769	0	0	0	0	0	0	0	284,769
Mineral Severance Tax	0	0	0	0	0	0	48,124	0	48,124
<u>Statutory Local Taxes</u>									
Bank Excise Tax	62,288	4,199	7,698	0	0	0	6,649	31,844	112,678
Wholesale Beer Tax	79,614	129,347	0	0	0	0	0	0	208,961
Total Local Taxes	\$ 5,582,022	\$ 469,085	\$ 656,756	\$ 0	\$ 0	\$ 0	590,945	\$ 3,798,663	\$ 11,097,471
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 3,838	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,838
Cable TV Franchise	58,527	0	0	0	0	0	0	0	58,527
<u>Permits</u>									
Beer Permits	5,102	0	0	0	0	0	0	0	5,102
Total Licenses and Permits	\$ 67,467	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	67,467
<u>Fines, Forfeitures and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 32,087	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	32,087

(Continued)

Exhibit I-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Officers Costs	\$ 17,159	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	17,159
Drug Control Fines	0	0	0	36,485	0	0	0	0	36,485
Drug Court Fees	2,636	0	0	0	0	0	0	0	2,636
Jail Fees	9,495	0	0	0	0	0	0	0	9,495
District Attorney General Fees	0	0	0	0	3,389	0	0	0	3,389
DUI Treatment Fines	1,890	0	0	0	0	0	0	0	1,890
Data Entry Fee - Circuit Court	852	0	0	0	0	0	0	0	852
<u>General Sessions Court</u>									
Fines	37,416	0	0	0	0	0	0	0	37,416
Fines for Littering	2,900	0	0	0	0	0	0	0	2,900
Officers Costs	61,874	0	0	0	0	0	0	0	61,874
Game and Fish Fines	594	0	0	0	0	0	0	0	594
Drug Control Fines	0	0	0	7,981	0	0	0	0	7,981
Drug Court Fees	4,057	0	0	0	0	0	0	0	4,057
Jail Fees	40,868	0	0	0	0	0	0	0	40,868
District Attorney General Fees	0	0	0	0	12,298	0	0	0	12,298
DUI Treatment Fines	12,051	0	0	0	0	0	0	0	12,051
Data Entry Fee - General Sessions Court	7,053	0	0	0	0	0	0	0	7,053
<u>Juvenile Court</u>									
Fines	11,670	0	0	0	0	0	0	0	11,670
Officers Costs	18,575	0	0	0	0	0	0	0	18,575
Jail Fees	13,465	0	0	0	0	0	0	0	13,465
Data Entry Fee - Juvenile Court	1,391	0	0	0	0	0	0	0	1,391
<u>Chancery Court</u>									
Officers Costs	5,274	0	0	0	0	0	0	0	5,274
Data Entry Fee - Chancery Court	3,896	0	0	0	0	0	0	0	3,896
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	0	26,697	0	0	0	0	26,697
Total Fines, Forfeitures and Penalties	\$ 285,203	\$ 0	\$ 0	\$ 71,163	\$ 15,687	\$ 0	\$ 0	\$ 0	372,053

(Continued)

Exhibit I-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Solid Waste Disposal Fee	\$ 0	\$ 749	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	749
Patient Charges	0	0	996,129	0	0	0	0	0	996,129
Other General Service Charges	21,222	0	0	0	0	0	0	0	21,222
<u>Fees</u>									
Engineer Review Fees	940	0	0	0	0	0	0	0	940
Vending Machine Collections	201	0	125	0	0	0	0	0	326
Constitutional Officers' Fees and Commissions	0	0	0	0	0	1,053,161	0	0	1,053,161
Data Processing Fee - Register	15,392	0	0	0	0	0	0	0	15,392
Probation Fees	2,918	0	0	0	0	0	0	0	2,918
Data Processing Fee - Sheriff	7,084	0	0	0	0	0	0	0	7,084
Sexual Offender Registration Fee	840	0	0	0	0	0	0	0	840
Total Charges for Current Services	\$ 48,597	\$ 749	\$ 996,254	\$ 0	\$ 0	\$ 1,053,161	\$ 0	\$ 0	2,098,761
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 385,505	\$ 385,505
Lease/Rentals	91,211	0	0	0	0	0	0	0	91,211
Commissary Sales	38,821	0	0	0	0	0	0	0	38,821
Sale of Gasoline	102,931	0	0	0	0	0	0	0	102,931
Sale of Recycled Materials	0	44,508	0	0	0	0	0	0	44,508
Miscellaneous Refunds	319	0	0	0	0	0	1,160	0	1,479
<u>Nonrecurring Items</u>									
Sale of Equipment	0	0	184	0	0	0	0	0	184
Sale of Property	31,180	0	0	0	0	0	0	0	31,180
Damages Recovered from Individuals	1,017	0	0	0	0	0	0	0	1,017
<u>Other Local Revenues</u>									
Other Local Revenues	0	0	0	0	0	0	0	27,414	27,414
Total Other Local Revenues	\$ 265,479	\$ 44,508	\$ 184	\$ 0	\$ 0	\$ 0	\$ 1,160	\$ 412,919	\$ 724,250
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 137,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	137,900

(Continued)

Exhibit I-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fees Received from County Officials (Cont.)</u>									
<u>Excess Fees (Cont.)</u>									
Circuit Court Clerk	\$ 140,401	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	140,401
Register	65,593	0	0	0	0	0	0	0	65,593
Trustee	343,167	0	0	0	0	0	0	0	343,167
<u>Fees In Lieu of Salary</u>									
Sheriff	27,510	0	0	0	0	0	0	0	27,510
Total Fees Received from County Officials	\$ 714,571	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	714,571
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Airport Maintenance Program	\$ 732,307	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	732,307
State Reappraisal Grant	13,412	0	0	0	0	0	0	0	13,412
Solid Waste Grants	0	276,611	0	0	0	0	0	0	276,611
<u>Health and Welfare Grants</u>									
Health Department Programs	313,399	0	0	0	0	0	0	0	313,399
Other Health and Welfare Grants	0	0	22,600	0	0	0	0	0	22,600
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	0	112,281	0	112,281
Litter Program	36,713	0	0	0	0	0	0	0	36,713
<u>Other State Revenues</u>									
Income Tax	17,901	0	0	0	0	0	0	0	17,901
Beer Tax	16,778	0	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	42,274	0	0	0	0	0	0	0	42,274
Mixed Drink Tax	17,836	0	0	0	0	0	0	0	17,836
State Revenue Sharing - T.V.A.	0	268,545	0	0	0	0	16,445	0	284,990
Contracted Prisoner Boarding	356,018	0	0	0	0	0	0	0	356,018
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,766,053	0	1,766,053
Petroleum Special Tax	0	0	0	0	0	0	30,790	0	30,790
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Revenues	18,673	0	0	0	0	0	0	0	18,673
Total State of Tennessee	\$ 1,581,691	\$ 545,156	\$ 22,600	\$ 0	\$ 0	\$ 0	\$ 1,925,569	\$ 0	4,075,016

(Continued)

Exhibit I-4

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General	Constitu - tional - Officers - Fees	Highway / Public Works	General Debt Service	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 0	\$ 0	\$ 238,517	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 238,517
Civil Defense Reimbursement	0	0	16,963	0	0	0	0	0	16,963
Homeland Security Grants	0	0	164,061	0	0	0	0	0	164,061
Law Enforcement Grants	29,928	0	0	0	0	0	0	0	29,928
Other Federal through State	24,393	0	0	0	0	0	0	0	24,393
<u>Direct Federal Revenue</u>									
Forest Service	3,146	0	0	0	0	0	0	0	3,146
Medicare	11,000	0	0	0	0	0	0	0	11,000
Other Direct Federal Revenue	7,196	0	0	0	0	0	0	0	7,196
Total Federal Government	\$ 75,663	\$ 0	\$ 419,541	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 495,204
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 146,927	\$ 0	\$ 0	\$ 15,898	\$ 0	\$ 0	\$ 0	\$ 291,025	\$ 453,850
Total Other Governments and Citizens Groups	\$ 146,927	\$ 0	\$ 0	\$ 15,898	\$ 0	\$ 0	\$ 0	\$ 291,025	\$ 453,850
Total	\$ 8,767,620	\$ 1,059,498	\$ 2,095,335	\$ 87,061	\$ 15,687	\$ 1,053,161	\$ 2,517,674	\$ 4,502,607	\$ 20,098,643

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

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	83,670	
Social Security		5,975	
State Retirement		6,293	
Medical Insurance		10,800	
Audit Services		20,012	
Dues and Memberships		6,698	
Other Charges		746	
Total County Commission			\$ 134,194

Board of Equalization

Board and Committee Members Fees	\$	8,760	
Social Security		670	
Travel		419	
Total Board of Equalization			9,849

County Executive

County Official/Administrative Officer	\$	62,333	
Secretary(s)		23,690	
Social Security		6,581	
State Retirement		7,060	
Travel		1,184	
Total County Executive			100,848

County Attorney

Legal Services	\$	48,000	
Total County Attorney			48,000

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	43,175	
Secretary(s)		21,484	
Other Salaries & Wages		26,409	
Election Commission		12,850	
Election Workers		20,300	
Social Security		7,534	
State Retirement		9,277	
Medical Insurance		5,175	
Communication		2,107	
Data Processing Services		7,378	
Dues and Memberships		300	
Legal Notices, Recording and Court Costs		4,167	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration) (Cont.)

Maintenance Agreements	\$	7,240	
Maintenance & Repair Services- Office Equipment		58	
Postal Charges		2,551	
Printing, Stationery and Forms		3,235	
Rentals		1,250	
Travel		6,097	
Office Supplies		1,872	
Other Supplies and Materials		1,119	
Data Processing Equipment		7,280	
Total Election Commission (Including Voter Registration)			\$ 190,858

Register of Deeds

Other Contracted Services	\$	2,081	
Data Processing Supplies		10,874	
Total Register of Deeds			12,955

Development

Other Charges	\$	70	
Total Development			70

Planning

Board and Committee Members Fees	\$	7,300	
Social Security		558	
Contracts with Government Agencies		10,500	
Total Planning			18,358

County Buildings

Custodial Personnel	\$	30,103	
Social Security		2,303	
State Retirement		2,242	
Maintenance & Repair Services- Buildings		13,864	
Custodial Supplies		8,147	
Utilities		60,815	
Other Supplies and Materials		1,581	
Total County Buildings			119,055

Other Facilities

Maintenance Personnel	\$	25,706	
Social Security		1,887	
State Retirement		2,203	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Other Facilities (Cont.)

Medical Insurance	\$	2,588	
Maintenance & Repair Services- Buildings		85,446	
Total Other Facilities			\$ 117,830

Other General Administration

Communication	\$	26,642	
Data Processing Services		35,396	
Legal Notices, Recording and Court Costs		304	
Maintenance Agreements		3,145	
Maintenance & Repair Services- Office Equipment		1,334	
Postal Charges		25,626	
Printing, Stationery and Forms		27,172	
Office Supplies		16,935	
Premiums on Corporate Surety Bonds		130	
Data Processing Equipment		1,552	
Office Equipment		190	
Total Other General Administration			138,426

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	42,015	
Assistant(s)		33,420	
Accountants/Bookkeepers		27,850	
Social Security		7,428	
State Retirement		11,697	
Medical Insurance		5,175	
Travel		104	
Total Accounting and Budgeting			127,689

Purchasing

Legal Notices, Recording and Court Costs	\$	3,461	
Total Purchasing			3,461

Property Assessor's Office

County Official/Administrative Officer	\$	53,969	
Assistant(s)		113,567	
Social Security		11,645	
State Retirement		18,691	
Medical Insurance		7,762	
Data Processing Services		15,406	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Dues and Memberships	\$	1,280	
Legal Notices, Recording and Court Costs		106	
Postal Charges		2,154	
Travel		6,161	
Other Supplies and Materials		1,875	
Other Charges		85	
Total Property Assessor's Office			\$ 232,701

County Trustee's Office

Legal Notices, Recording and Court Costs	\$	356	
Postal Charges		7,537	
Other Supplies and Materials		192	
Data Processing Equipment		376	
Total County Trustee's Office			8,461

Administration of Justice

Circuit Court

Jury and Witness Fees	\$	33,870	
Postal Charges		555	
Other Charges		12,488	
Data Processing Equipment		567	
Total Circuit Court			47,480

General Sessions Court

Judge(s)	\$	109,192	
Secretary(s)		24,054	
Other Salaries & Wages		11,016	
Other Per Diem & Fees		1,625	
Social Security		8,962	
State Retirement		14,386	
Medical Insurance		5,175	
Communication		1,514	
Postal Charges		122	
Travel		2,450	
Other Contracted Services		480	
Office Supplies		786	
Other Charges		395	
Total General Sessions Court			180,157

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Probation Officer(s)	\$	25,764	
Social Security		1,971	
State Retirement		2,868	
Communication		1,293	
Postal Charges		74	
Printing, Stationery and Forms		260	
Travel		45	
Other Contracted Services		663	
Other Supplies and Materials		3,982	
Other Equipment		4,723	
Total Drug Court			\$ 41,643

Chancery Court

Other Charges	\$	30,000	
Total Chancery Court			30,000

Juvenile Court

Youth Service Officer(s)	\$	60,158	
Other Salaries & Wages		20,192	
Other Per Diem & Fees		1,625	
Social Security		6,768	
State Retirement		9,747	
Communication		1,982	
Contracts with Government Agencies		8,893	
Postal Charges		389	
Travel		2,235	
Other Contracted Services		988	
Office Supplies		552	
Other Supplies and Materials		8,272	
Data Processing Equipment		1,000	
Total Juvenile Court			122,801

Judicial Commissioners

County Official/Administrative Officer	\$	60,139	
In-Service Training		210	
Social Security		4,601	
Communication		791	
Total Judicial Commissioners			65,741

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,884	
Deputy(ies)		753,259	
Investigator(s)		194,940	
Lieutenant(s)		119,842	
Salary Supplements		16,079	
Clerical Personnel		76,899	
Part-time Personnel		885	
Overtime Pay		27,953	
Other Salaries & Wages		30,925	
In-Service Training		6,535	
Social Security		96,681	
State Retirement		143,363	
Medical Insurance		45,562	
Communication		8,362	
Data Processing Services		1,162	
Maintenance & Repair Services- Office Equipment		2,156	
Maintenance & Repair Services- Vehicles		86,015	
Medical and Dental Services		1,480	
Postal Charges		1,500	
Printing, Stationery and Forms		912	
Travel		3,865	
Gasoline		91,265	
Law Enforcement Supplies		3,822	
Office Supplies		5,298	
Tires and Tubes		7,687	
Uniforms		15,417	
Communication Equipment		9,591	
Furniture and Fixtures		280	
Law Enforcement Equipment		4,720	
Motor Vehicles		110,179	
Total Sheriff's Department			\$ 1,926,518

Jail

Supervisor/Director	\$	28,626	
Medical Personnel		70,965	
Guards		817,777	
Clerical Personnel		29,523	
Overtime Pay		11,665	
Other Salaries & Wages		22,633	
Social Security		72,117	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

State Retirement	\$	97,847	
Medical Insurance		47,362	
Contracts with Government Agencies		1,062	
Evaluation and Testing		2,725	
Maintenance & Repair Services- Equipment		870	
Medical and Dental Services		139,220	
Pest Control		660	
Printing, Stationery and Forms		412	
Custodial Supplies		34,319	
Food Preparation Supplies		9,580	
Food Supplies		219,099	
Law Enforcement Supplies		568	
Prisoners Clothing		5,489	
Utilities		70,876	
Other Supplies and Materials		14,894	
Office Equipment		2,018	
Total Jail			\$ 1,700,307

Juvenile Services

Other Charges	\$	42,606	
Total Juvenile Services			42,606

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	825	
Total County Coroner/Medical Examiner			825

Other Public Safety

Communication	\$	17	
Contributions		126,000	
Total Other Public Safety			126,017

Public Health and Welfare

Local Health Center

Communication	\$	5,387	
Janitorial Services		9,100	
Utilities		15,991	
Other Charges		11,308	
Total Local Health Center			41,786

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control

Contributions	\$ 80,000	
Total Rabies and Animal Control		\$ 80,000

Other Local Health Services

Other Salaries & Wages	\$ 264,828	
Social Security	19,798	
State Retirement	20,596	
Medical Insurance	5,062	
Travel	14,219	
Total Other Local Health Services		324,503

Appropriation to State

Contributions	\$ 52,203	
Total Appropriation to State		52,203

General Welfare Assistance

Other Charges	\$ 1,236	
Total General Welfare Assistance		1,236

Aid to Dependent Children

Other Contracted Services	\$ 2,480	
Total Aid to Dependent Children		2,480

Other Local Welfare Services

Other Contracted Services	\$ 1,499	
Total Other Local Welfare Services		1,499

Other Public Health and Welfare

Social Security	\$ 1,083	
State Retirement	701	
Medical Insurance	788	
Contracts with Government Agencies	27,038	
Contributions	55,773	
Total Other Public Health and Welfare		85,383

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$ 28,750	
Total Senior Citizens Assistance		28,750

(Continued)

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries

Contributions	\$ 116,000	
Total Libraries		\$ 116,000

Agriculture & Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$ 120	
Communication	2,312	
Contributions	81,890	
Office Supplies	4,495	
Total Agriculture Extension Service		88,817

Forest Service

Other Contracted Services	\$ 2,000	
Total Forest Service		2,000

Soil Conservation

Clerical Personnel	\$ 25,180	
Other Salaries & Wages	22,840	
Social Security	3,342	
State Retirement	5,439	
Medical Insurance	5,175	
Contributions	2,000	
Total Soil Conservation		63,976

Flood Control

Other Charges	\$ 101,255	
Total Flood Control		101,255

Other Operations

Tourism

Other Charges	\$ 22,500	
Total Tourism		22,500

Industrial Development

Contributions	\$ 382,150	
Total Industrial Development		382,150

Airport

Other Salaries & Wages	\$ 78,296	
Social Security	6,356	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

State Retirement	\$	5,607	
Unemployment Compensation		378	
Communication		5,638	
Maintenance Agreements		7,484	
Travel		1,285	
Gasoline		106,034	
Utilities		16,492	
Other Charges		23,785	
Airport Improvement		728,656	
Land		66,570	
Maintenance Equipment		49,918	
Total Airport			\$ 1,096,499

Veterans' Services

Supervisor/Director	\$	12,182	
Social Security		932	
Communication		953	
Other Charges		1,471	
Total Veterans' Services			15,538

Other Charges

Building and Contents Insurance	\$	11,248	
Liability Insurance		60,941	
Trustee's Commission		127,185	
Workers' Compensation Insurance		127,282	
Total Other Charges			326,656

Contributions to Other Agencies

Contributions	\$	5,500	
Total Contributions to Other Agencies			5,500

Employee Benefits

Social Security	\$	71,796	
State Retirement		117,016	
Life Insurance		10,656	
Medical Insurance		49,838	
Unemployment Compensation		11,152	
Total Employee Benefits			260,458

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Longevity Pay	\$ 39,845	
Social Security	3,040	
Other Charges	872	
Right-of-Way	1,226	
Total Miscellaneous	44,983	\$ 44,983

Total General Fund \$ 8,691,022

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$ 39,255	
Truck Drivers	63,337	
Social Security	7,237	
State Retirement	11,503	
Life Insurance	230	
Medical Insurance	7,762	
Unemployment Compensation	306	
Communication	845	
Contracts with Government Agencies	32,218	
Laundry Service	2,392	
Maintenance & Repair Services- Equipment	674	
Maintenance & Repair Services- Vehicles	7,808	
Postal Charges	37	
Diesel Fuel	15,621	
Gasoline	1,987	
Lubricants	1,006	
Tires and Tubes	4,752	
Utilities	1,335	
Other Supplies and Materials	447	
Workers' Compensation Insurance	9,959	
Motor Vehicles	163,331	
Total Waste Pickup	372,042	\$ 372,042

Convenience Centers

Other Salaries & Wages	\$ 181,286
Social Security	12,859
State Retirement	9,454
Life Insurance	515
Medical Insurance	7,762

(Continued)

Exhibit I-5

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

Solid Waste/Sanitation Fund (Cont.)
Public Health and Welfare (Cont.)
Convenience Centers (Cont.)

Unemployment Compensation	\$	1,244	
Communication		6,023	
Contracts with Private Agencies		323,641	
Maintenance & Repair Services- Equipment		506	
Rentals		8,775	
Utilities		7,202	
Workers' Compensation Insurance		16,249	
Site Development		118,687	
Solid Waste Equipment		37,203	
Other Equipment		3,807	
Total Convenience Centers			\$ 735,213

Other Waste Disposal

Liability Insurance	\$	8,079	
Trustee's Commission		12,036	
Other Charges		205	
Total Other Waste Disposal			20,320

Other Operations

Miscellaneous

Longevity Pay	\$	7,850	
Social Security		570	
Total Miscellaneous			8,420

Total Solid Waste/Sanitation Fund \$ 1,135,995

Ambulance Service Fund

Public Safety

Civil Defense

Assistant(s)	\$	6,772	
Supervisor/Director		15,479	
Social Security		1,702	
State Retirement		395	
Unemployment Compensation		192	
Other Contracted Services		6,993	
Surplus Equipment		25,837	
Other Equipment		115,630	
Total Civil Defense			\$ 173,000

(Continued)

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

Ambulance Service Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 23,500	
Total Rescue Squad		\$ 23,500

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 41,200
Accountants/Bookkeepers	45,917
Medical Personnel	874,707
In-Service Training	483
Social Security	71,830
State Retirement	94,237
Life Insurance	1,600
Medical Insurance	34,875
Unemployment Compensation	2,659
Communication	6,567
Laundry Service	6,407
Licenses	660
Maintenance & Repair Services- Buildings	1,337
Maintenance & Repair Services- Equipment	1,869
Maintenance & Repair Services- Vehicles	7,330
Postal Charges	2,002
Printing, Stationery and Forms	1,132
Other Contracted Services	6,000
Custodial Supplies	1,067
Diesel Fuel	17,085
Drugs and Medical Supplies	52,820
Gasoline	621
Lubricants	75
Office Supplies	1,390
Tires and Tubes	1,061
Uniforms	6,557
Utilities	6,998
Liability Insurance	36,103
Refunds	12,390
Trustee's Commission	22,704
Workers' Compensation Insurance	71,081
Other Charges	4,385
Data Processing Equipment	818
Motor Vehicles	283,948
Office Equipment	1,104

(Continued)

Exhibit I-5

Warren 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.)

Health Equipment	\$	192	
Other Equipment		<u>3,247</u>	
Total Ambulance/Emergency Medical Services	\$		1,724,458

Other Operations

Miscellaneous

Longevity Pay	\$	14,350	
Social Security		<u>1,098</u>	
Total Miscellaneous			<u>15,448</u>

Total Ambulance Service Fund \$ 1,936,406

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	10,665	
Social Security		816	
Maintenance Agreements		8,930	
Maintenance & Repair Services- Equipment		2,473	
Remittance of Revenue Collected		10,000	
Fuel Oil		4,388	
Other Supplies and Materials		13,661	
Liability Insurance		5,250	
Trustee's Commission		442	
Law Enforcement Equipment		3,062	
Motor Vehicles		<u>33,980</u>	
Total Drug Enforcement	\$		93,667

Public Health and Welfare

Alcohol and Drug Programs

Other Contracted Services	\$	<u>3,245</u>	
Total Alcohol and Drug Programs			<u>3,245</u>

Total Drug Control Fund 96,912

District Attorney General Fund

Administration of Justice

District Attorney General

Communication	\$	239	
Dues and Memberships		1,018	

(Continued)

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

District Attorney General Fund (Cont.)

Administration of Justice (Cont.)

District Attorney General (Cont.)

Maintenance & Repair Services- Office Equipment	\$	554	
Printing, Stationery and Forms		437	
Travel		1,695	
Periodicals		480	
Other Supplies and Materials		2,340	
Trustee's Commission		140	
In Service/Staff Development		815	
Other Charges		821	
Office Equipment		789	
Total District Attorney General			\$ 9,328

Total District Attorney General Fund \$ 9,328

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	130,709	
Total Register of Deeds			\$ 130,709

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	241,650	
Total County Trustee's Office			241,650

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	221,086	
Total County Clerk's Office			221,086

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	179,020	
Total Circuit Court			179,020

General Sessions Court

Constitutional Officers' Operating Expenses	\$	92,299	
Total General Sessions Court			92,299

Chancery Court

Constitutional Officers' Operating Expenses	\$	145,421	
Total Chancery Court			145,421

(Continued)

Exhibit I-5

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Constitutional Officers' Operating Expenses	\$ 35,427	
Total Juvenile Court		\$ 35,427

Total Constitutional Officers - Fees Fund \$ 1,045,612

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 59,365	
Assistant(s)	39,140	
Accountants/Bookkeepers	57,680	
Data Processing Services	6,304	
Dues and Memberships	2,393	
Maintenance & Repair Services- Office Equipment	242	
Postal Charges	498	
Printing, Stationery and Forms	398	
Travel	365	
Office Supplies	1,165	
Other Charges	130	
Data Processing Equipment	5,564	
Office Equipment	698	
Total Administration		\$ 173,942

Highway and Bridge Maintenance

Equipment Operators	\$ 208,869	
Truck Drivers	83,224	
Laborers	86,752	
Rentals	1,462	
Other Contracted Services	799,642	
Asphalt - Liquid	188,483	
Concrete	12,703	
Crushed Stone	207,868	
Other Road Supplies	930	
Pipe - Concrete	7,320	
Pipe - Metal	16,962	
Road Signs	9,928	
Salt	3,119	
Total Highway and Bridge Maintenance		1,627,262

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	10,886	
Maintenance & Repair Services- Equipment		1,454	
Tow-in Services		300	
Diesel Fuel		46,558	
Equipment and Machinery Parts		43,173	
Garage Supplies		4,777	
Gasoline		19,742	
Lubricants		4,307	
Tires and Tubes		10,439	
Total Operation and Maintenance of Equipment			\$ 141,636

Other Charges

Communication	\$	5,684	
Contributions		4,000	
Janitorial Services		2,140	
Maintenance & Repair Services- Buildings		405	
Custodial Supplies		496	
Drugs and Medical Supplies		200	
Electricity		3,153	
Food Supplies		432	
Natural Gas		1,270	
Water and Sewer		256	
Building and Contents Insurance		451	
Liability Insurance		33,119	
Trustee's Commission		30,108	
Vehicle and Equipment Insurance		3,110	
Workers' Compensation Insurance		43,341	
Other Charges		2,918	
Total Other Charges			131,083

Employee Benefits

Longevity Pay	\$	7,125	
Social Security		40,512	
State Retirement		62,270	
Employee and Dependent Insurance		32,454	
Life Insurance		1,310	
Unemployment Compensation		4,044	
Total Employee Benefits			147,715

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Engineering Services	\$	13,122	
Bridge Construction		76,218	
Building Improvements		3,266	
Communication Equipment		1,245	
Highway Equipment		154,540	
State Aid Projects		153,938	
Building Purchases		150,000	
Total Capital Outlay			\$ 552,329

Total Highway/Public Works Fund \$ 2,773,967

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	375,000	
Principal on Notes		84,044	
Total General Government			\$ 459,044

Highways and Streets

Principal on Notes	\$	56,472	
Total Highways and Streets			56,472

Education

Principal on Bonds	\$	2,120,000	
Total Education			2,120,000

Interest

General Government

Interest on Bonds	\$	131,145	
Interest on Notes		1,781	
Interest on Other Loans Payable		121,211	
Total General Government			254,137

Highways and Streets

Interest on Notes	\$	702	
Total Highways and Streets			702

Education

Interest on Bonds	\$	615,570	
Total Education			615,570

(Continued)

Exhibit I-5

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Bank Charges	\$ 25,705	
Trustee's Commission	54,872	
Total General Government	<u>80,577</u>	\$ 80,577
Total General Debt Service Fund		\$ 3,586,502
<u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Safety Projects</u>		
Architects	\$ 16,500	
Building Construction	2,480,341	
Furniture and Fixtures	79,954	
Total Public Safety Projects	<u>2,576,795</u>	\$ 2,576,795
Total Other Capital Projects Fund		<u>2,576,795</u>
Total Governmental Funds - Primary Government		<u>\$ 21,852,539</u>

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,828,371
Total Cash Receipts	<u>\$ 1,828,371</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,792,013
Trustee's Commission	36,358
Total Cash Disbursements	<u>\$ 1,828,371</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<u>0</u>
Cash Balance, June 30, 2005	<u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

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

<u>Year</u>	<u>Amount</u>
1994	\$ 627
1995	308
1996	84
1997	171
1998	909
1999	2,013
2000	10,722
2001	10,385
2002	34,260
2003	<u>109,670</u>
Total	<u>\$ 169,149</u>

Table 2

Warren County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.82	\$ 0.90	\$ 0.98	\$ 0.72	\$ 0.8775	\$ 0.9075	\$ 0.8175	\$ 0.8175	\$ 0.8425	0.8900
Solid Waste/Sanitation	0.04	0.04	0.12	0.06	0.0775	0.0775	0.0775	0.0775	0.0600	0.0600
Ambulance Service	0.00	0.00	0.00	0.00	0.0000	0.0000	0.1900	0.1900	0.1975	0.1100
Highway/Public Works	0.08	0.13	0.13	0.10	0.0850	0.0850	0.1250	0.1250	0.1000	0.0950
General Purpose School	0.85	0.85	0.85	0.71	0.7900	0.9500	0.9900	0.9900	1.0400	0.7000
General Debt Service	0.67	0.67	0.67	0.50	0.2800	0.2800	0.2800	0.2800	0.2900	0.4550
Total Tax Rate	\$ 2.46	\$ 2.59	\$ 2.75	\$ 2.09	\$ 2.11	\$ 2.30	\$ 2.48	\$ 2.48	\$ 2.53	2.31
<u>Assessed Valuations</u>										
Real and Personal	\$ 280,324,356	\$ 287,808,575	\$ 304,507,096	\$ 406,769,732	\$ 414,633,588	\$ 426,152,042	\$ 429,234,360	\$ 443,117,051	\$ 440,102,632	\$ 493,825,901
Public Utilities	18,187,310	19,496,575	17,724,630	23,716,209	25,929,213	26,633,983	27,997,372	29,584,825	28,980,146	30,563,382
Total Assessed Valuation	\$ 298,511,666	\$ 307,305,150	\$ 322,231,726	\$ 430,485,941	\$ 440,562,801	\$ 452,786,025	\$ 457,231,732	\$ 472,701,876	\$ 469,082,778	\$ 524,389,283

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

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

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

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

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

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

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

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.

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

INTRODUCTORY SECTION

Warren County School Officials
June 30, 2005

Officials:

Dr. Jerry Hale, Director of Schools

Board of Education:

Larry Judkins, Chairman
Edd Cantrell
Mike Holland
John Turner
Dr. Deborah K. Watlington
Bob Young

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

August 26, 2005

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Warren County School Department, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 23, which collectively comprise a portion of the Warren County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Warren County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

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

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

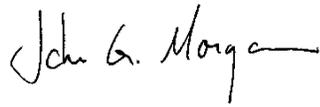
In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2005, on our consideration of the Warren County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note III.B., the Warren County School Department 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 27 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warren 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". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,945	\$ 2,945
Equity in Pooled Cash and Investments	5,548,403	1,194,418	6,742,821
Inventories	0	73,017	73,017
Accounts Receivable	1,179	16	1,195
Due from Other Governments	1,500,543	149,567	1,650,110
Property Taxes Receivable	3,933,616	0	3,933,616
Allowance for Uncollectible Property Taxes	(140,409)	0	(140,409)
Total Assets	<u>\$ 10,843,332</u>	<u>\$ 1,419,963</u>	<u>\$ 12,263,295</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 7,683	\$ 44,335	\$ 52,018
Payroll Deductions Payable	440,496	0	440,496
Due to Primary Government	30,673	0	30,673
Deferred Revenue - Current Property Taxes	3,640,569	0	3,640,569
Deferred Revenue - Delinquent Property Taxes	152,638	0	152,638
Other Deferred Revenues	620,000	0	620,000
Total Liabilities	<u>\$ 4,892,059</u>	<u>\$ 44,335</u>	<u>\$ 4,936,394</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 1,996,851	\$ 0	\$ 1,996,851
Reserved for Inventory	0	73,017	73,017
Reserved for Driver Education	99,490	0	99,490
Reserved for Career Ladder - Extended Contract	147,460	0	147,460
Reserved for Career Ladder Program	300	0	300
Reserved for Basic Education Program	2,190,477	0	2,190,477
Reserved for Title I Grants to Local Education Agencies	0	43,094	43,094
Reserved for Innovative Education Program Strategies	0	121,544	121,544
Reserved for Special Education - Grants to States	0	35,710	35,710
Other Federal Reserves	0	50,916	50,916
Unreserved, Reported In:			
General Fund	1,516,695	0	1,516,695
Special Revenue Funds	0	1,051,347	1,051,347
Total Fund Balances	<u>\$ 5,951,273</u>	<u>\$ 1,375,628</u>	<u>\$ 7,326,901</u>
Total Liabilities and Fund Balances	<u>\$ 10,843,332</u>	<u>\$ 1,419,963</u>	<u>\$ 12,263,295</u>

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 11,556,516	\$ 0	\$ 11,556,516
Charges for Current Services	420,971	1,075,116	1,496,087
Other Local Revenues	182,257	36,026	218,283
State of Tennessee	21,005,888	31,997	21,037,885
Federal Government	696,339	4,364,435	5,060,774
Total Revenues	<u>\$ 33,861,971</u>	<u>\$ 5,507,574</u>	<u>\$ 39,369,545</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 20,693,451	\$ 2,352,861	\$ 23,046,312
Support Services	11,817,975	1,165,787	12,983,762
Operation of Non-Instructional Services	193,059	2,366,584	2,559,643
Capital Outlay	1,391,521	0	1,391,521
Total Expenditures	<u>\$ 34,096,006</u>	<u>\$ 5,885,232</u>	<u>\$ 39,981,238</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (234,035)</u>	<u>\$ (377,658)</u>	<u>\$ (611,693)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 2,878	\$ 0	\$ 2,878
Transfers Out	0	(2,878)	(2,878)
Total Other Financing Sources (Uses)	<u>\$ 2,878</u>	<u>\$ (2,878)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (231,157)	\$ (380,536)	\$ (611,693)
Fund Balance, July 1, 2004	6,182,430	1,756,164	7,938,594
Fund Balance, June 30, 2005	<u>\$ 5,951,273</u>	<u>\$ 1,375,628</u>	<u>\$ 7,326,901</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements 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 the School Department:

A. Reporting Entity

The Warren County School Department operates the public school system in the county, and the voters of Warren County elect its six-member board. The School Department is a component unit of Warren County, the primary government. 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.

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

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

Separate financial statements are provided for governmental 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.

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.

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 for 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.

C. **Assets, Liabilities, and Net Assets or Equity**

1. **Deposits and Investments**

State statutes authorize counties (Warren County, 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 Warren County and Warren 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 primary government's General Debt Service Fund. Warren County and the Warren County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. **Receivables and Payables**

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

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to

liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are shown with an allowance for uncollectibles. The property taxes receivable allowance is equal to 1.9 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.

3. Inventories

Inventories of the School Department consist of expendable supplies held for consumption and are recorded at cost, determined on the first-in, first-out method.

4. Capital Assets

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

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

5. Compensated Absences

General policy of the School Department does not allow for the accumulation of vacation days beyond year-end. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. Professional personnel that are enrolled in the Tennessee Consolidated Retirement System can be paid \$40 a day for up to 240 days if the Board of Education is notified by June 30th of their plans to retire. Any sick leave over 240 days is applied toward the employee's retirement service. All non-professional employees are paid for all sick leave upon termination of employment. A liability for sick leave pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirement.

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Warren County and the School Department participate in an internal cash and investment pool through the county's Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets 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.

Investment Balances. As of June 30, 2005, Warren County had the following investments carried at fair value. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Warren County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	Daily	<u>\$ 10,381,053</u>
Total		<u><u>\$ 10,381,053</u></u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Warren County does not have a formal investment policy that limits investment maturities

as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Warren County has no investment policy that would further limit its investment choices. As of June 30, 2005, Warren County's investment in the State Treasurer's Investment Pool was unrated.

B. Interfund Receivables, Payables, and Transfers

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

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component unit:	
Primary government:	Warren County School Department:	
General	General Purpose School	\$ 30,673
		<u> </u>
Total		<u>\$ 30,673</u>

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 fund	\$ 2,878
	<u> </u>
Total	<u>\$ 2,878</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.

III. OTHER INFORMATION

A. Risk Management

The School Department's risk of loss relating to property, general liability, automobile liability, and workers' compensation are covered through a self-insurance program administered by the primary government of Warren County, and by the purchase of commercial insurance to cover losses exceeding certain limits. The county is self-insured for individual property losses up to \$250,000. The county carries excess commercial coverage on buildings and contents totaling \$138,281,273. The county is self-insured up to the liability limits of \$250,000 per person, \$600,000 per occurrence for bodily injury, and \$85,000 for property damage. Warren County self-insures workers' compensation losses of \$250,000 per accident or disease with an aggregate liability of \$1,000,000. The county carries commercial liability insurance coverage for losses up to \$10,000,000, with a \$250,000 deductible. Warren County maintains the Self-Insurance Fund, which is shown as an internal service fund, to account for transactions pertaining to the county's self-insured group liability and property plan. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The fund establishes the claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

		Beginning of Year Liability	Claims and Estimates Incurred	Payments	End of Year Liability
2003-2004	\$	420,370	\$ 901,277	\$ (504,082)	\$ 817,565
2004-2005		817,565	452,174	(293,517)	976,222

The School Department provides health insurance coverage to their 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 Change

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the 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

There are several pending lawsuits in which the School Department is involved. The School Department's attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the School Department's financial statements.

D. Retirement Commitments

Plan Description

Employees of Warren 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 Warren 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 Warren 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.G. of the Annual Financial Report of Warren County, Tennessee.

SCHOOL TEACHERS

Plan Description

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the 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, \$1,026,166, \$604,150, and \$610,411, respectively, equal to the required contributions for each year.

E. Purchasing Law

Purchasing procedures for the School Department are governed by Chapter 16, Private Acts of 1951, as amended and 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 C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 11,556,516	\$ 0	\$ 0	\$ 11,556,516	\$ 11,550,900	\$ 11,550,900	\$ 5,616
Charges for Current Services	420,971	0	0	420,971	377,900	397,900	23,071
Other Local Revenues	182,257	0	0	182,257	166,500	166,500	15,757
State of Tennessee	21,005,888	0	0	21,005,888	20,945,400	21,128,400	(122,512)
Federal Government	696,339	0	0	696,339	624,500	624,500	71,839
Total Revenues	\$ 33,861,971	\$ 0	\$ 0	\$ 33,861,971	\$ 33,665,200	\$ 33,868,200	\$ (6,229)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 16,386,842	\$ (329,497)	\$ 308,424	\$ 16,365,769	\$ 16,603,400	\$ 16,786,400	\$ 420,631
Alternative Instruction Program	210,369	0	0	210,369	215,900	215,900	5,531
Special Education Program	2,369,991	(1,751)	2,374	2,370,614	2,474,800	2,474,800	104,186
Vocational Education Program	1,412,922	(11,669)	0	1,401,253	1,440,600	1,440,600	39,347
Adult Education Program	313,327	(282)	0	313,045	413,600	413,600	100,555
<u>Support Services</u>							
Attendance	340,700	(2,105)	0	338,595	339,600	339,600	1,005
Health Services	336,614	(921)	1,602	337,295	441,100	441,100	103,805
Other Student Support	1,156,220	(405)	44,423	1,200,238	1,360,700	1,360,700	160,462
Regular Instruction Program	1,138,030	(3,996)	1,237	1,135,271	1,271,100	1,271,100	135,829
Alternative Instruction Program	76,639	0	0	76,639	80,200	80,200	3,561
Special Education Program	361,073	0	0	361,073	422,200	422,200	61,127
Vocational Education Program	59,568	0	0	59,568	113,700	113,700	54,132
Adult Programs	65,601	0	932	66,533	76,000	76,000	9,467
Board of Education	718,522	(7,500)	7,891	718,913	772,000	772,000	53,087
Director of Schools	139,395	0	0	139,395	154,700	154,700	15,305
Office of the Principal	1,616,545	0	3,160	1,619,705	1,693,100	1,693,100	73,395

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 337,167	\$ (10,806)	\$ 170	\$ 326,531	\$ 389,100	\$ 389,100	\$ 62,569
Operation of Plant	2,321,144	0	0	2,321,144	2,764,900	2,764,900	443,756
Maintenance of Plant	1,060,990	(82,218)	3,741	982,513	1,046,400	1,046,400	63,887
Transportation	2,089,767	(466,852)	21,471	1,644,386	1,827,400	1,827,400	183,014
<u>Operation of Non-Instructional Services</u>							
Food Service	1,134	0	0	1,134	1,400	1,400	266
Community Services	191,925	(646)	3,834	195,113	180,000	200,000	4,887
<u>Capital Outlay</u>							
Regular Capital Outlay	1,391,521	(821,500)	1,597,592	2,167,613	900,000	2,400,000	232,387
Total Expenditures	\$ 34,096,006	\$ (1,740,148)	\$ 1,996,851	\$ 34,352,709	\$ 34,981,900	\$ 36,684,900	\$ 2,332,191
Excess (Deficiency) of Revenues Over Expenditures	\$ (234,035)	\$ 1,740,148	\$ (1,996,851)	\$ (490,738)	\$ (1,316,700)	\$ (2,816,700)	\$ 2,325,962
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 2,878	\$ 0	\$ 0	\$ 2,878	\$ 0	\$ 0	\$ 2,878
Total Other Financing Sources (Uses)	\$ 2,878	\$ 0	\$ 0	\$ 2,878	\$ 0	\$ 0	\$ 2,878
Net Change in Fund Balance	\$ (231,157)	\$ 1,740,148	\$ (1,996,851)	\$ (487,860)	\$ (1,316,700)	\$ (2,816,700)	\$ 2,328,840
Fund Balance, July 1, 2004	6,182,430	(1,740,148)	0	4,442,282	3,318,819	3,318,819	1,123,463
Fund Balance, June 30, 2005	\$ 5,951,273	\$ 0	\$ (1,996,851)	\$ 3,954,422	\$ 2,002,119	\$ 502,119	\$ 3,452,303

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

BUDGETARY INFORMATION

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Warren 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, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Warren County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,945	\$ 2,945
Equity in Pooled Cash and Investments	259,167	935,251	1,194,418
Inventories	0	73,017	73,017
Accounts Receivable	0	16	16
Due from Other Governments	36,233	113,334	149,567
Total Assets	<u>\$ 295,400</u>	<u>\$ 1,124,563</u>	<u>\$ 1,419,963</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 44,136	\$ 199	\$ 44,335
Total Liabilities	<u>\$ 44,136</u>	<u>\$ 199</u>	<u>\$ 44,335</u>
<u>Fund Balances</u>			
Reserved for Inventory	\$ 0	\$ 73,017	\$ 73,017
Reserved for Title I Grants to Local Education Agencies	43,094	0	43,094
Reserved for Innovative Education Program Strategies	121,544	0	121,544
Reserved for Special Education - Grants to States	35,710	0	35,710
Other Federal Reserves	50,916	0	50,916
Unreserved	0	1,051,347	1,051,347
Total Fund Balances	<u>\$ 251,264</u>	<u>\$ 1,124,364</u>	<u>\$ 1,375,628</u>
Total Liabilities and Fund Balances	<u>\$ 295,400</u>	<u>\$ 1,124,563</u>	<u>\$ 1,419,963</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 1,075,116	\$ 1,075,116
Other Local Revenues	0	36,026	36,026
State of Tennessee	0	31,997	31,997
Federal Government	3,138,722	1,225,713	4,364,435
Total Revenues	<u>\$ 3,138,722</u>	<u>\$ 2,368,852</u>	<u>\$ 5,507,574</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,352,861	\$ 0	\$ 2,352,861
Support Services	1,165,787	0	1,165,787
Operation of Non-Instructional Services	0	2,366,584	2,366,584
Total Expenditures	<u>\$ 3,518,648</u>	<u>\$ 2,366,584</u>	<u>\$ 5,885,232</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (379,926)</u>	<u>\$ 2,268</u>	<u>\$ (377,658)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (2,878)	\$ 0	\$ (2,878)
Total Other Financing Sources (Uses)	<u>\$ (2,878)</u>	<u>\$ 0</u>	<u>\$ (2,878)</u>
Net Change in Fund Balances	\$ (382,804)	\$ 2,268	\$ (380,536)
Fund Balance, July 1, 2004	634,068	1,122,096	1,756,164
Fund Balance, June 30, 2005	<u>\$ 251,264</u>	<u>\$ 1,124,364</u>	<u>\$ 1,375,628</u>

Exhibit D-3

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Warren 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>				
Other Local Revenues	\$ 0	\$ 0	\$ 3,404	\$ (3,404)
Federal Government	3,138,722	2,878,632	4,960,223	(1,821,501)
Total Revenues	\$ 3,138,722	\$ 2,878,632	\$ 4,963,627	\$ (1,824,905)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,565,470	\$ 1,440,290	\$ 2,250,977	\$ 685,507
Special Education Program	655,620	322,115	776,452	120,832
Vocational Education Program	131,771	125,986	131,821	50
<u>Support Services</u>				
Regular Instruction Program	238,696	277,228	484,600	245,904
Special Education Program	917,171	604,235	1,304,507	387,336
Vocational Education Program	9,920	16,000	10,170	250
Total Expenditures	\$ 3,518,648	\$ 2,785,854	\$ 4,958,527	\$ 1,439,879
Excess (Deficiency) of Revenues Over Expenditures	\$ (379,926)	\$ 92,778	\$ 5,100	\$ (385,026)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (2,878)	\$ (92,778)	\$ (5,100)	\$ 2,222
Total Other Financing Sources (Uses)	\$ (2,878)	\$ (92,778)	\$ (5,100)	\$ 2,222
Net Change in Fund Balance	\$ (382,804)	\$ 0	\$ 0	\$ (382,804)
Fund Balance, July 1, 2004	634,068	378,082	378,082	255,986
Fund Balance, June 30, 2005	\$ 251,264	\$ 378,082	\$ 378,082	\$ (126,818)

Exhibit D-4

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Warren 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	\$ 1,075,116	\$ 1,029,000	\$ 1,029,000	\$ 46,116
Other Local Revenues	36,026	32,000	32,000	4,026
State of Tennessee	31,997	31,750	31,750	247
Federal Government	1,225,713	1,080,000	1,080,000	145,713
Total Revenues	<u>\$ 2,368,852</u>	<u>\$ 2,172,750</u>	<u>\$ 2,172,750</u>	<u>\$ 196,102</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,366,584	\$ 2,588,000	\$ 2,588,000	\$ 221,416
Total Expenditures	<u>\$ 2,366,584</u>	<u>\$ 2,588,000</u>	<u>\$ 2,588,000</u>	<u>\$ 221,416</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,268</u>	<u>\$ (415,250)</u>	<u>\$ (415,250)</u>	<u>\$ 417,518</u>
Net Change in Fund Balance	\$ 2,268	\$ (415,250)	\$ (415,250)	\$ 417,518
Fund Balance, July 1, 2004	<u>1,122,096</u>	<u>887,506</u>	<u>887,506</u>	<u>234,590</u>
Fund Balance, June 30, 2005	<u>\$ 1,124,364</u>	<u>\$ 472,256</u>	<u>\$ 472,256</u>	<u>\$ 652,108</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ <u>2,878</u>
Total Transfers			\$ <u><u>2,878</u></u>

Exhibit E-2

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Warren County Board of Education	\$ 89,680 (1)	\$ 100,000	Travelers Casualty and Surety Company
Other Bonds:				
Public Employee Dishonesty			10,000	"

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

Exhibit E-3

Warren County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Warren 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	\$ 3,452,671	\$ 0	\$ 0	\$ 3,452,671
Trustee's Collections - Prior Year	225,368	0	0	225,368
Circuit/Clerk & Master Collections - Prior Years	148,250	0	0	148,250
Interest and Penalty	39,286	0	0	39,286
Payments in Lieu of Taxes - T.V.A.	11,215	0	0	11,215
Payments in Lieu of Taxes - Local Utilities	30,925	0	0	30,925
Payments in Lieu of Taxes - Other	136,608	0	0	136,608
<u>County Local Option Taxes</u>				
Local Option Sales Tax	7,463,203	0	0	7,463,203
<u>Statutory Local Taxes</u>				
Bank Excise Tax	48,990	0	0	48,990
Total Local Taxes	<u>\$ 11,556,516</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,556,516</u>
<u>Charges for Current Services</u>				
<u>Fees</u>				
Telephone Commissions	\$ 10,284	\$ 0	\$ 0	\$ 10,284
<u>Education Charges</u>				
Tuition - Adult Education	8,025	0	0	8,025
Tuition - Other	206,137	0	0	206,137
Lunch Payments - Children	0	0	453,618	453,618
Lunch Payments - Adults	0	0	90,461	90,461
Income from Breakfast	0	0	58,156	58,156
A la carte Sales	0	0	472,881	472,881
Receipts from Individual Schools	157,170	0	0	157,170
<u>Other Charges for Services</u>				
Other Charges for Services	39,355	0	0	39,355
Total Charges for Current Services	<u>\$ 420,971</u>	<u>\$ 0</u>	<u>\$ 1,075,116</u>	<u>\$ 1,496,087</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 30,653	\$ 30,653
Miscellaneous Refunds	111,164	0	5,373	116,537
<u>Nonrecurring Items</u>				
Sale of Equipment	6,629	0	0	6,629
Resale of Materials - T&I House	62,550	0	0	62,550
Damages Recovered from Individuals	465	0	0	465
Contributions & Gifts	1,449	0	0	1,449
Total Other Local Revenues	<u>\$ 182,257</u>	<u>\$ 0</u>	<u>\$ 36,026</u>	<u>\$ 218,283</u>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 19,731,402	\$ 0	\$ 0	\$ 19,731,402
School Food Service	0	0	31,997	31,997
Driver Education	19,200	0	0	19,200
Other State Education Funds	246,282	0	0	246,282
Career Ladder Program	435,987	0	0	435,987
Career Ladder - Extended Contract	195,478	0	0	195,478

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	\$ 166,802	\$ 0	\$ 0	\$ 166,802
Other State Grants	210,737	0	0	210,737
Total State of Tennessee	\$ 21,005,888	\$ 0	\$ 31,997	\$ 21,037,885
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 916,455	\$ 916,455
Breakfast	0	0	309,258	309,258
Adult Education State Grant Program	144,013	0	0	144,013
Vocational Education - Basic Grants to States	0	141,986	0	141,986
Title I Grants to Local Education Agencies	0	1,120,769	0	1,120,769
Innovative Education Program Strategies	0	32,758	0	32,758
Special Education - Grants to States	0	1,396,397	0	1,396,397
Special Education Preschool Grants	0	72,402	0	72,402
Eisenhower Professional Development State Grants	0	266,134	0	266,134
Other Federal through State	502,302	108,276	0	610,578
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	50,024	0	0	50,024
Total Federal Government	\$ 696,339	\$ 3,138,722	\$ 1,225,713	\$ 5,060,774
Total	\$ 33,861,971	\$ 3,138,722	\$ 2,368,852	\$ 39,369,545

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 11,382,921	
Career Ladder Program	284,925	
Career Ladder Extended Contracts	155,359	
Homebound Teachers	18,496	
Educational Assistants	611,633	
Other Salaries & Wages	228,975	
Social Security	738,478	
State Retirement	722,703	
Medical Insurance	666,531	
Unemployment Compensation	7,203	
Employer Medicare	172,708	
Other Contracted Services	384,144	
Instructional Supplies and Materials	104,571	
Textbooks	579,419	
Other Supplies and Materials	720	
Other Charges	50,940	
Regular Instruction Equipment	277,116	
Total Regular Instruction Program		\$ 16,386,842

Alternative Instruction Program

Teachers	\$ 142,112	
Educational Assistants	34,417	
Social Security	10,362	
State Retirement	11,522	
Medical Insurance	9,391	
Unemployment Compensation	142	
Employer Medicare	2,423	
Total Alternative Instruction Program		210,369

Special Education Program

Teachers	\$ 1,518,408
Career Ladder Program	26,000
Career Ladder Extended Contracts	5,000
Homebound Teachers	102,150
Educational Assistants	293,730
Other Salaries & Wages	9,989
Social Security	114,135
State Retirement	124,344
Medical Insurance	104,092

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	1,237	
Employer Medicare		26,693	
Instructional Supplies and Materials		39,567	
Special Education Equipment		4,646	
Total Special Education Program			\$ 2,369,991

Vocational Education Program

Teachers	\$	1,089,017	
Career Ladder Program		22,000	
Career Ladder Extended Contracts		2,100	
Social Security		62,900	
State Retirement		60,542	
Medical Insurance		91,874	
Unemployment Compensation		592	
Employer Medicare		14,713	
Instructional Supplies and Materials		21,812	
T&I Construction Materials		32,992	
Vocational Instruction Equipment		14,380	
Total Vocational Education Program			1,412,922

Adult Education Program

Teachers	\$	241,968	
Social Security		14,566	
State Retirement		11,126	
Medical Insurance		7,370	
Unemployment Compensation		212	
Employer Medicare		3,407	
Other Contracted Services		19,950	
Instructional Supplies and Materials		14,728	
Total Adult Education Program			313,327

Support Services

Attendance

Supervisor/Director	\$	61,343	
Career Ladder Program		1,000	
Clerical Personnel		25,878	
Other Salaries & Wages		160,476	
Social Security		15,240	
State Retirement		23,973	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Medical Insurance	\$	2,338	
Unemployment Compensation		240	
Employer Medicare		3,564	
Travel		150	
Other Contracted Services		25,780	
Other Supplies and Materials		1,850	
Other Charges		1,942	
Attendance Equipment		16,926	
Total Attendance			\$ 340,700

Health Services

Medical Personnel	\$	210,549	
Other Salaries & Wages		28,199	
Social Security		14,802	
State Retirement		21,542	
Unemployment Compensation		206	
Employer Medicare		3,462	
Travel		3,889	
Other Contracted Services		13,973	
Drugs and Medical Supplies		4,738	
Other Supplies and Materials		4,056	
Other Charges		25,598	
Health Equipment		5,600	
Total Health Services			336,614

Other Student Support

Career Ladder Program	\$	11,000	
Guidance Personnel		558,232	
Career Ladder Extended Contracts		2,500	
Attendants		52,055	
Other Salaries & Wages		140,428	
Social Security		44,491	
State Retirement		44,819	
Medical Insurance		41,126	
Unemployment Compensation		598	
Employer Medicare		10,405	
Contracts with Government Agencies		73,695	
Evaluation and Testing		28,753	
Other Contracted Services		144,498	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Charges	\$	2,171	
Other Equipment		1,449	
Total Other Student Support			\$ 1,156,220

Regular Instruction Program

Supervisor/Director	\$	171,500	
Career Ladder Program		19,000	
Career Ladder Extended Contracts		19,500	
Librarians		410,866	
Instructional Computer Personnel		60,063	
Social Security		40,579	
State Retirement		40,813	
Medical Insurance		20,321	
Unemployment Compensation		270	
Employer Medicare		9,490	
Travel		8,268	
Other Contracted Services		252,726	
Library Books/Media		63,266	
Other Supplies and Materials		95	
In Service/Staff Development		5,344	
Other Charges		15,000	
Other Equipment		929	
Total Regular Instruction Program			1,138,030

Alternative Instruction Program

Supervisor/Director	\$	43,615	
Secretary(s)		19,005	
Social Security		3,549	
State Retirement		4,628	
Medical Insurance		4,965	
Unemployment Compensation		47	
Employer Medicare		830	
Total Alternative Instruction Program			76,639

Special Education Program

Supervisor/Director	\$	62,369	
Career Ladder Program		4,400	
Psychological Personnel		143,124	
Career Ladder Extended Contracts		4,000	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Clerical Personnel	\$	26,898	
Other Salaries & Wages		26,722	
Social Security		14,779	
State Retirement		18,035	
Medical Insurance		18,036	
Unemployment Compensation		137	
Employer Medicare		3,456	
Travel		10,565	
Other Contracted Services		27,102	
In Service/Staff Development		650	
Other Equipment		800	
Total Special Education Program			\$ 361,073

Vocational Education Program

Supervisor/Director	\$	40,030	
Career Ladder Program		1,830	
Social Security		2,521	
State Retirement		1,836	
Medical Insurance		983	
Unemployment Compensation		20	
Employer Medicare		590	
Travel		4,618	
Other Charges		7,140	
Total Vocational Education Program			59,568

Adult Programs

Supervisor/Director	\$	51,310	
Social Security		3,114	
State Retirement		2,822	
Unemployment Compensation		20	
Employer Medicare		728	
Travel		4,327	
Other Charges		3,280	
Total Adult Programs			65,601

Board of Education

Board and Committee Members Fees	\$	22,266	
Social Security		1,341	
Employer Medicare		314	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Audit Services	\$	7,500	
Contracts with Government Agencies		32,488	
Dues and Memberships		6,030	
Legal Services		14,718	
Travel		11,792	
Liability Insurance		82,523	
Premiums on Corporate Surety Bonds		2,032	
Trustee's Commission		300,835	
Workers' Compensation Insurance		233,270	
Other Charges		3,413	
Total Board of Education			\$ 718,522

Director of Schools

County Official/Administrative Officer	\$	88,680	
Career Ladder Program		1,000	
Social Security		5,522	
State Retirement		4,932	
Unemployment Compensation		20	
Employer Medicare		1,300	
Communication		26,990	
Dues and Memberships		2,366	
Postal Charges		5,476	
Travel		3,070	
Other Charges		39	
Total Director of Schools			139,395

Office of the Principal

Principals	\$	575,428	
Career Ladder Program		20,000	
Career Ladder Extended Contracts		15,500	
Assistant Principals		325,834	
Secretary(s)		264,680	
Social Security		69,422	
State Retirement		82,708	
Medical Insurance		51,839	
Unemployment Compensation		623	
Employer Medicare		16,236	
Communication		177,920	
Dues and Memberships		3,900	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Other Supplies and Materials	\$	1,820	
Administration Equipment		10,635	
Total Office of the Principal			\$ 1,616,545

Fiscal Services

Accountants/Bookkeepers	\$	194,167	
Secretary(s)		40,572	
Social Security		13,589	
State Retirement		27,533	
Medical Insurance		1,080	
Unemployment Compensation		118	
Employer Medicare		3,178	
Travel		794	
Other Contracted Services		20,988	
Office Supplies		11,030	
Administration Equipment		24,118	
Total Fiscal Services			337,167

Operation of Plant

Custodial Personnel	\$	567,152	
Other Salaries & Wages		19,737	
Social Security		35,966	
State Retirement		56,803	
Medical Insurance		780	
Unemployment Compensation		1,049	
Employer Medicare		8,411	
Janitorial Services		1,842	
Rentals		2,349	
Other Contracted Services		26,386	
Custodial Supplies		108,653	
Electricity		953,990	
Natural Gas		264,754	
Water and Sewer		114,724	
Other Supplies and Materials		28,015	
Building and Contents Insurance		121,985	
Other Charges		125	
Plant Operation Equipment		8,423	
Total Operation of Plant			2,321,144

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	94,702	
Secretary(s)		24,153	
Other Salaries & Wages		401,590	
Social Security		32,092	
State Retirement		59,934	
Medical Insurance		390	
Unemployment Compensation		452	
Employer Medicare		7,505	
Laundry Service		11,343	
Other Contracted Services		116,150	
Other Supplies and Materials		181,334	
Other Charges		866	
Maintenance Equipment		130,479	
Total Maintenance of Plant			\$ 1,060,990

Transportation

Supervisor/Director	\$	33,956	
Mechanic(s)		114,792	
Bus Drivers		564,594	
Clerical Personnel		42,408	
Other Salaries & Wages		50,763	
Social Security		49,462	
State Retirement		88,689	
Medical Insurance		1,138	
Unemployment Compensation		1,305	
Employer Medicare		11,568	
Laundry Service		6,232	
Medical and Dental Services		6,310	
Travel		901	
Diesel Fuel		168,253	
Gasoline		25,728	
Lubricants		5,582	
Tires and Tubes		19,305	
Vehicle Parts		70,610	
Other Charges		12,075	
Transportation Equipment		816,096	
Total Transportation			2,089,767

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$	1,000	
Social Security		62	
State Retirement		55	
Unemployment Compensation		3	
Employer Medicare		14	
Total Food Service			\$ 1,134

Community Services

Other Salaries & Wages	\$	147,082	
Social Security		9,036	
Unemployment Compensation		354	
Employer Medicare		2,113	
Other Supplies and Materials		33,340	
Total Community Services			191,925

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	1,391,521	
Total Regular Capital Outlay			1,391,521

Total General Purpose School Fund \$ 34,096,006

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	914,476	
Educational Assistants		14,305	
Other Salaries & Wages		37,114	
Social Security		54,910	
State Retirement		51,885	
Medical Insurance		47,467	
Unemployment Compensation		576	
Employer Medicare		12,842	
Other Contracted Services		43,222	
Instructional Supplies and Materials		216,188	
Other Supplies and Materials		76	
Other Charges		14,686	
Regular Instruction Equipment		157,723	
Total Regular Instruction Program			\$ 1,565,470

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	89,549	
Clerical Personnel		20,703	
Educational Assistants		195,373	
Social Security		18,621	
State Retirement		30,123	
Medical Insurance		2,621	
Unemployment Compensation		487	
Employer Medicare		4,355	
Other Contracted Services		17,464	
Instructional Supplies and Materials		181,150	
Special Education Equipment		95,174	
Total Special Education Program			\$ 655,620

Vocational Education Program

Educational Assistants	\$	13,275	
Social Security		823	
State Retirement		1,557	
Unemployment Compensation		20	
Employer Medicare		192	
Travel		3,140	
Instructional Supplies and Materials		4,554	
Other Charges		804	
Vocational Instruction Equipment		107,406	
Total Vocational Education Program			131,771

Support Services

Regular Instruction Program

Supervisor/Director	\$	62,195	
Clerical Personnel		29,208	
Other Salaries & Wages		7,038	
Social Security		6,103	
State Retirement		7,003	
Unemployment Compensation		52	
Employer Medicare		1,427	
Travel		60,973	
Other Contracted Services		4,321	
Other Supplies and Materials		2,027	
In Service/Staff Development		1,869	
Other Charges		56,480	
Total Regular Instruction Program			238,696

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Clerical Personnel	\$	20,705	
Other Salaries & Wages		79,172	
Social Security		6,176	
State Retirement		11,016	
Unemployment Compensation		73	
Employer Medicare		1,445	
Travel		27,398	
Other Contracted Services		716,083	
Other Supplies and Materials		21,867	
In Service/Staff Development		33,236	
Total Special Education Program			\$ 917,171

Vocational Education Program

Travel	\$	2,170	
In Service/Staff Development		7,750	
Total Vocational Education Program			9,920

Total School Federal Projects Fund \$ 3,518,648

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,704	
Accountants/Bookkeepers		125,684	
Cafeteria Personnel		791,551	
Other Salaries & Wages		24,679	
In-Service Training		7,038	
Social Security		60,798	
State Retirement		89,127	
Unemployment Compensation		1,217	
Employer Medicare		14,219	
Communication		2,902	
Maintenance & Repair Services- Equipment		45,043	
Travel		6,862	
Other Contracted Services		23,594	
Food Preparation Supplies		80,885	
Food Supplies		960,333	
Office Supplies		5,750	
Other Supplies and Materials		3,699	

(Continued)

Exhibit E-4

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In Service/Staff Development	\$	4,005	
Other Charges		6,430	
Food Service Equipment		64,064	
Total Food Service		<u>64,064</u>	\$ <u>2,366,584</u>

Total Central Cafeteria Fund \$ 2,366,584

Total Governmental Funds - Warren County School Department \$ 39,981,238

SINGLE AUDIT REPORT
WARREN COUNTY, TENNESSEE
AND
WARREN 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

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

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

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

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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

August 26, 2005

Warren County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Warren County, Tennessee

To the County Executive, 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 Warren County, Tennessee, and the Warren County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Warren County's and the Warren County School Department's basic financial statements and have issued our reports thereon dated August 26, 2005. Our reports on the financial statements of Warren County, Tennessee, and the Warren County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County's and the Warren 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 Warren County's and the Warren County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.04, 05.07(A,B), 05.09, and 05.10.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.02 and 05.04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County's and the Warren 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, 05.05, 05.06, 05.07(C,D,E), and 05.08.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 26, 2005

Warren County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Warren County, Tennessee

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

Compliance

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

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

Internal Control Over Compliance

The management of Warren County and the Warren 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 Warren County's and the Warren 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 Warren County, Tennessee, and the Warren County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 26, 2005. Our reports on the financial statements of Warren County and the Warren County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	
U.S. Department of Agriculture:				
Passed-through State Department of Agriculture:				
Food Donation (Noncash Assistance)	10.550	N/A	\$	151,880
Passed-through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	\$	309,258
National School Lunch Program	10.555	N/A		916,455
Total Passed-through State Department of Education			\$	1,225,713
Total U.S. Department of Agriculture			\$	1,377,593
U.S. Department of Housing and Urban Development:				
Passed-through State Department of Economic and Community Development:				
Community Development Block Grant/State's Program	14.228	GG-05-11500-00	\$	238,517
Total U.S. Department of Housing and Urban Development			\$	238,517
U.S. Department of Justice:				
Passed-through State Commission on Children and Youth:				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-04-018629-00	\$	9,000
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-04-018629-00		5,244
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	GG-0511374-00		10,149
Total Passed-through State Commission on Children and Youth			\$	24,393
Passed through Upper Cumberland Development District:				
Byrne Formula Grant Program	16.579	Z-99-088969-00	\$	29,928
Total U.S. Department of Justice			\$	54,321
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-04-025672-01	\$	16,785
Passed through Metropolitan Lynchburg/Moore County, Tennessee:				
WIA Youth Activities	17.259	05-06-000-306-YOUTH		152,809
Total U.S. Department of Labor			\$	169,594
U.S. Department of Education:				
Passed-through State Department of Education:				
Adult Education - State Grant Program	84.002	Z-05-022278-00	\$	132,044 (3)
Adult Education - State Grant Program	84.002	Z-04-016724-00		11,969 (3)
Title I Grants to Local Educational Agencies	84.010	N/A		1,292,765
Special Education - Grants to States	84.027	N/A		1,573,205
Vocational Education - Basic Grants to States	84.048	N/A		141,986
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)		37,160
Education for Homeless Children and Youth	84.196	(2)		15,355
Fund for the Improvement of Education	84.215	(2)		249,649
State Grants for Innovative Programs	84.298	(2)		88,161
Education Technology State Grants	84.318	(2)		41,602
English Language Acquisition Grants	84.365	N/A		43,631
Improving Teacher Quality State Grants	84.367	N/A		215,915
Total U.S. Department of Education			\$	3,843,442
U.S. Department of Health and Human Services:				
Passed-through State Department of Human Services:				
Abstinence Education	93.235	Z-05-021453-00	\$	59,911
Passed-through State Department of Health:				
State Rural Hospital Flexibility Program	93.241	GG-05-11551-00		22,600
Passed through State Department of Labor and Workforce Development:				
Temporary Assistance for Needy Families	93.558	Z-05-022364-00		23,222
Total U.S. Department of Health and Human Services			\$	105,733

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	
U.S. Corporation for National and Community Service:				
Passed-through State Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	GG-05-11277-00	\$ 6,000	
Total U.S. Corporation for National and Community Services			<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-03-017810-00	\$ 12,504	(4)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022503-00	36,729	(4)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020155-00	114,828	(4)
Emergency Management Performance Grants	97.042	Z-04-020282-00	3,840	(5)
Emergency Management Performance Grants	97.042	Z-05-025399-00	13,123	(5)
Total U.S. Department of Homeland Security			<u>\$ 181,024</u>	
Total Expenditures of Federal Awards			<u>\$ 5,976,224</u>	
<u>State Grants</u>				
ESL Civics Grant - University of Tennessee	N/A	(2)	\$ 10,000	
Family Preservation and Support Services	N/A	Z-05-21425-00	33,300	
School Health Program - State Department of Health	N/A	(2)	93,559	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	13,412	
Litter Program - State Department of Transportation	N/A	(2)	36,713	
Rural Local Health Services - State Department of Health	N/A	Z-05-020514	313,399	
Touching the Lives of Children - State Department of Education	N/A	(2)	7,123	
Airport Maintenance Program - State Department of Transportation	N/A	(2)	732,307	
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	Z-05-020876-00	50,000	
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011299-00	29,911	
Waste Reduction Grant - State Department of Environment and Conservation	N/A	Z-04-018168-00	196,700	
Safe Schools Act - State Department of Education	N/A	(2)	66,755	
Total State Grants			<u>\$ 1,583,179</u>	

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total Adult Education - State Grant Program (CFDA # 84.002) from the U.S. Department of Education \$144,013.
- (4) Total State Domestic Preparedness Equipment Support Program (CFDA # 97.004) from the U.S. Department of Homeland Security \$164,061.
- (5) Total Emergency Performance Grants (CFDA # 97.042) from the U.S. Department of Health and Human Services \$16,963.

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

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

WARREN COUNTY AND WARREN COUNTY SCHOOL DEPARTMENT

<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 EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	13	The actual beginning fund balances exceeded the estimated beginning fund balances by material amounts in the Ambulance Service Fund and General Debt Service Fund
04.03	13	The office had an internal control weakness related to the write-off policy of uncollectible accounts of the Ambulance Service

OFFICE OF HIGHWAY SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.04	14	The actual beginning fund balance of the Highway/Public Works Fund exceeded the estimated beginning fund balance by a material amount

Warren County, Tennessee, and the Warren County School Department
Schedule of Audit Findings Not Corrected (Cont.)

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.06(A,C,D,E)	16	The office had deficiencies in the operation of the commissary
04.07(A)	17	Confiscated cash awarded to the office was not deposited within three days

OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.08	18	A central system of accounting, budgeting, and purchasing had not been adopted
04.09	19	Duties were not segregated adequately in the Offices of County Executive; Highway Superintendent; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Warren County and the Warren County School Department.
2. The audit of the financial statements of Warren County and the Warren County School Department disclosed reportable conditions in internal control. Two of these conditions were considered to be material weaknesses in Warren County.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Warren County and one instance of noncompliance that is material to the financial statements of the Warren 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 audit findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Special Education - Grants to States (CFDA No. 84.027) 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. Warren County and Warren 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 executive are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

WARREN COUNTY AND WARREN COUNTY SCHOOL DEPARTMENT

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

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 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. Warren County’s and the Warren County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Warren County and the Warren County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical cost of their 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 EXECUTIVE

We are currently in the process of establishing asset capitalization and depreciation policies, as well as compiling and maintaining records that will properly account for all of our capital assets in order to become compliant with GASB 34. We will be working

extensively within the year to implement all of the provisions required in order to present the county's financial statements in accordance with generally accepted accounting principles.

OFFICE OF COUNTY EXECUTIVE

FINDING 05.02 THE ACTUAL FUND BALANCES OF THE AMBULANCE SERVICE FUND AND THE GENERAL DEBT SERVICE FUND AT JUNE 30, 2004, EXCEEDED THE ESTIMATED BEGINNING FUND BALANCES BY MATERIAL AMOUNTS
(Internal Control – Material Weakness Under Government Auditing Standards)

The Ambulance Service Fund's and the General Debt Service Fund's actual fund balances at July 1, 2004, were \$740,129 and \$7,172,605 respectively; however, the estimated fund balances reflected in the county's budget at July 1, 2004, were \$544,941 and \$5,386,986, respectively. Therefore, the actual fund balances exceeded the estimated fund balances presented to the County Commission by \$195,188 and \$1,785,619, respectively.

RECOMMENDATION

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

FINDING 05.03 THE WRITE-OFF POLICY OF UNCOLLECTIBLE ACCOUNTS OF THE AMBULANCE SERVICE GIVES SOLE AUTHORITY FOR THE WRITE-OFF TO ONE INDIVIDUAL
(Internal Control – Reportable Condition Under Government Auditing Standards)

On July 27, 1998, the County Commission adopted a formal write-off policy for uncollectible accounts of the Ambulance Service. This resolution states that, "after all efforts have failed, as determined by the secretary of the Warren County Ambulance Service, these debts should be declared bad debts and removed from the ledger sheets for the purpose of state audits and sound accounting principles." In addition, the resolution gives the secretary sole authority to deem a debt uncollectible. This policy is an internal control weakness because it gives sole authority for the write-off of uncollectible accounts to one individual with no oversight from management.

RECOMMENDATION

County officials should consider implementing a write-off policy for uncollectible accounts that provides for board or committee approval for the write-off of uncollectible accounts.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

Based upon counsel by the county attorney, the write-off policy of uncollectible accounts for the Ambulance Service is considered adequate; however, we will be reviewing the policy for ways to improve any internal control weaknesses.

REBUTTAL

The current policy contains a significant internal control weakness that we are required to report under our professional standards because it gives sole authority for the write-off of uncollectible accounts to one individual with no oversight from management. As a result, accounts could be written off improperly that would not be detected by management.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 05.04 **THE ACTUAL FUND BALANCE OF THE HIGHWAY/PUBLIC WORKS FUND AT JUNE 30, 2004, EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT**

(Internal Control – Material Weakness Under Government Auditing Standards)

The Highway/Public Works Fund's actual fund balance at July 1, 2004, was \$739,343; however, the estimated fund balance reflected in the county's budget at July 1, 2004, was \$534,590. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by \$204,753.

RECOMMENDATION

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

FINDING 05.05 **A COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**

(Noncompliance Under Government Auditing Standards)

The highway superintendent did not prepare and submit a list of county roads to the County Commission as required by state statute. Section 54-10-103, Tennessee Code Annotated, requires the highway superintendent to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was

approved by the County Commission, and the reason for the change. Highway Department officials need a current approved list of county roads to determine which roads the department is authorized to work.

RECOMMENDATION

The highway superintendent should submit to the County Commission a list of county roads that includes the classification, width and distance of each road, and a summary of changes as required by state statute.

OFFICE OF TRUSTEE

FINDING 05.06 **PAYROLL DISBURSEMENTS WERE MADE TO AN EMPLOYEE OF THE OFFICE BASED ON FALSE TIME REPORTS**

(Noncompliance Under Government Auditing Standards)

Time records were falsified for an employee who was ill and physically unable to be at work in the Trustee's Office. Time reports on file in the Office of the Director of Accounts indicated that this employee was at work every hour that the Trustee's Office was open (38 hours per week) during the year examined. These time sheets were signed by the employee and the trustee or other designated employees of the office. However, from our observations and discussions with Trustee's Office personnel and other county personnel, we discovered that this employee was only able to come to the office on rare occasions and then for only short periods of time due to illness. In some instances, we noted that the time records for this employee were completed and signed by other employees of the Trustee's Office. Based on these falsified time records, this employee was paid the full salary set forth by the salary agreement between the trustee and county executive during the year examined.

The trustee has agreed in writing to follow the provisions of the personnel policies of Warren County. These policies allow for the accumulation of sick and vacation time by county employees and require the maintenance of time and leave records. The time records are required to reflect actual hours worked and leave time taken for each employee and are to be signed by the employee for accuracy. The time records are also to be reviewed and processed by a supervisor. The personnel policies warn against falsification of these time reports and refer to Section 39-16-504 (a)(1), Tennessee Code Annotated, which makes it unlawful for any person to "knowingly make a false entry in, or false alteration of, a governmental record."

However, the trustee did not maintain records of accumulated sick leave for her employees, which violates the county's personnel policy, and there was no indication of any sick leave taken on the time reports submitted by or on behalf of this employee. The salary paid to this employee during the fiscal year ending June 30, 2005, was \$36,379. However, since the time records were falsified to reflect that this employee was at work when she was often absent, and sick leave records of amounts earned or used were not maintained, we are

unable to determine the actual amount that should have been paid to this employee during the year. Salary payments made to this employee and the falsification of time records has been discussed with the District Attorney General.

RECOMMENDATION

Employees should only be paid for actual time worked or leave time earned in accordance with the county's personnel policy. Payroll disbursements should be made on the basis of accurate time reports approved by the trustee. Accurate records should be maintained by the trustee for all leave earned and used by employees in accordance with county personnel policies.

OFFICE OF SHERIFF

FINDING 05.07 **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY**
(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C., D., and E. Noncompliance Under Government Auditing Standards)

Our review of the sheriff's commissary operations revealed the following deficiencies:

- A. The office's commissary software maintained general ledger accounts to record all receipts and disbursements of commissary operations. However, office personnel did not review these general ledger accounts or reconcile them with actual deposits and checks written from the commissary bank account.
- B. Some commissary transactions were not included in the official cash journal. The official cash journal is the office's control record and should reflect all financial activity.
- C. Receipts were not issued for some commissary collections. Section 9-2-103, Tennessee Code Annotated (TCA), requires receipts to be issued for all collections of public funds.
- D. Some commissary funds were not deposited to the office bank account within three days of collection as required by Section 5-8-207, TCA. This statute requires that county officials deposit all funds within three days of collection.
- E. Prenumbered checks were not issued for some disbursements as required by Section 5-8-207, TCA. In some instances, cash was returned to the inmate if the inmate was released before the funds were deposited to the commissary bank account.

RECOMMENDATION

Office personnel should review and reconcile general ledger accounts with actual deposits and checks written. All commissary operations should be reflected on the official cash journal. Receipts should be issued for all collections, and all funds should be deposited to the office bank account within three days of collection. Also, all disbursements should be made by official prenumbered checks.

FINDING 05.08 **CONFISCATED CASH AWARDED TO THE OFFICE WAS NOT DEPOSITED IN COMPLIANCE WITH STATE STATUTE**
(Noncompliance Under Government Auditing Standards)

Confiscated cash awarded to the office was not deposited to the office bank account within three days of the award as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection.

RECOMMENDATION

All confiscated cash awarded to the office should be deposited to the office bank account within three days of its award and subsequently remitted to the county's General Fund.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.09 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Warren 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

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

FINDING 05.10

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE; HIGHWAY SUPERINTENDENT; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE 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 Executive; Highway Superintendent; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile 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.

**WARREN COUNTY, TENNESSEE, AND THE
WARREN 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.