

**ANNUAL FINANCIAL REPORT
OF
WHITE COUNTY, TENNESSEE
AND
WHITE 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
WHITE 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
AMY HEWITT
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

WHITE COUNTY, TENNESSEE

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Audit Highlights

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

Results

Our report on White 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 11 findings and recommendations, which we have reviewed with White County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

WHITE COUNTY

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

OFFICE OF FINANCE DIRECTOR

- ◆ In some instances, purchase orders were either not issued or issued after purchases were made. Several invoices were paid without documentation that goods and services had been received. Individual schools were reimbursed from federal funds for numerous purchases that had not been properly authorized by the Finance Department in accordance with the county's established purchasing policies.
- ◆ General Fund liabilities (\$43,632) were not posted to the accounting records at June 30, 2005. Encumbrances, reservations of fund balances, and general journal entries had not been properly documented. Revenues and expenditures were misclassified, and expenditure accounts were arbitrarily reclassified to avoid soliciting budget amendments from the County Commission.
- ◆ The Finance Department did not maintain an inventory listing for all county assets.

OFFICE OF FINANCE DIRECTOR (CONT.)

- ◆ The Finance Department did not require a depository to adequately collateralize county funds in excess of FDIC coverage.
 - ◆ Landfill closure and postclosure care costs (\$1,074,942) were not determined and recorded in the accounting records of the Solid Waste Disposal Fund.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Short-term investment activity was not posted to the office cash journals. Execution docket trial balances prepared by the clerk did not reconcile with cash journal accounts. General Sessions Court outstanding checks over one year old were not remitted to the state as unclaimed property, and the clerk did not properly file the annual financial reports.
-

OFFICE OF SHERIFF

- ◆ Commissary records were not reviewed and reconciled with bank statements. Also, commissary financial transactions were not maintained on the office cash journal.
 - ◆ Confidential drug transactions were not maintained on the office cash journal.
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Finance Director, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- ◆ The finance director also serves on the Board of Education which appears to be a conflict of interest.

INTRODUCTORY SECTION

White County Officials

June 30, 2005

Officials:

Herd E. Sullivan, County Mayor
Robert Weaver, Highway Superintendent
Brenda Officer, Trustee
Paytina Miller, Assessor of Property
Connie Jolley, County Clerk
Henry E. Foster, Circuit and General Sessions Courts Clerk
Lynda McCoy, Clerk and Master
Gary Brodgen, Register
James O'Conner, Sheriff
Mark Farley, Finance Director

Board of County Commissioners:

Wallace Austin, Chairman	Patrick Haller
Terry Alley	Dewayne Howard
Jerry Austin	Loyd Hutchings
David Copeland	Jerry Lowery
Gary Cox	B. K. Luna
Jerry D. Denton	Kenneth Milligan
Raymond H. England	Jim Teeple

Financial Management Committee:

Terry Alley, Chairman	Donny Haley
Jerry D. Denton	Herd E. Sullivan
Raymond H. England	Robert Weaver
B. K. Luna	

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

November 7, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of White County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 40, 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 White 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, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial

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

As described in Note I, White 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 White 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 White 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 November 7, 2005, on our consideration of White 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., White 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 43 through 49 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 White 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 cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 8,371	\$ 9,070	\$ 0	\$ 22,331	\$ 39,772
Equity in Pooled Cash and Investments	2,152,176	732,606	1,640,623	665,092	5,190,497
Accounts Receivable	80,883	0	0	934	81,817
Due from Other Governments	120,435	304,817	134,033	178,715	738,000
Due from Other Funds	23,265	0	780	0	24,045
Due from Component Units	11,080	0	0	0	11,080
Property Taxes Receivable	2,747,404	0	1,542,605	0	4,290,009
Allowance for Uncollectible Property Taxes	(108,879)	0	(55,662)	0	(164,541)
Prepaid Items	0	3,965	0	0	3,965
Notes Receivable - Long-Term	0	0	0	441,074	441,074
Total Assets	\$ 5,034,735	\$ 1,050,458	\$ 3,262,379	\$ 1,308,146	\$ 10,655,718
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 43,632	\$ 0	\$ 0	\$ 0	\$ 43,632
Payroll Deductions Payable	0	14	0	0	14
Due to Other Funds	0	0	0	23,265	23,265
Deferred Revenue - Current Property Taxes	2,529,133	0	1,431,018	0	3,960,151
Deferred Revenue - Delinquent Property Taxes	109,392	0	55,925	0	165,317
Other Deferred Revenues	16,569	139,729	67,679	90,241	314,218
Total Liabilities	\$ 2,698,726	\$ 139,743	\$ 1,554,622	\$ 113,506	\$ 4,506,597
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 35,622	\$ 39,211	\$ 0	\$ 150	\$ 74,983
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	1,615	1,615
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	97,031	0	0	0	97,031
Reserved for Drug Court	3,841	0	0	0	3,841
Reserved for Computer System - Register	22,083	0	0	0	22,083
Reserved for Automation Purposes - General Sessions Court	6,556	0	0	0	6,556
Reserved for Loan Program	0	0	0	506,220	506,220
Reserved for Capital Outlay	1,057,134	215,000	0	0	1,272,134
Unreserved, Reported In:					
General Fund	1,113,742	0	0	0	1,113,742
Special Revenue Funds	0	656,504	0	686,655	1,343,159
Debt Service Funds	0	0	1,707,757	0	1,707,757
Total Fund Balances	\$ 2,336,009	\$ 910,715	\$ 1,707,757	\$ 1,194,640	\$ 6,149,121
Total Liabilities and Fund Balances	\$ 5,034,735	\$ 1,050,458	\$ 3,262,379	\$ 1,308,146	\$ 10,655,718

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

Exhibit B

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,978,661	\$ 89,251	\$ 853,706	\$ 1,019,579	\$ 5,941,197
Licenses and Permits	27,312	0	0	0	27,312
Fines, Forfeitures and Penalties	143,533	0	0	45,672	189,205
Charges for Current Services	835,245	0	0	3,287	838,532
Other Local Revenues	151,142	24,651	284,825	12,760	473,378
Fees Received from County Officials	802,832	0	0	0	802,832
State of Tennessee	616,981	1,857,312	4,593	0	2,478,886
Federal Government	95,585	0	0	0	95,585
Other Governments and Citizens Groups	93,212	0	300,000	0	393,212
Total Revenues	<u>\$ 6,744,503</u>	<u>\$ 1,971,214</u>	<u>\$ 1,443,124</u>	<u>\$ 1,081,298</u>	<u>\$ 11,240,139</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 799,789	\$ 0	\$ 0	\$ 3,287	\$ 803,076
Finance	658,654	0	0	0	658,654
Administration of Justice	572,569	0	0	0	572,569
Public Safety	2,779,440	0	0	25,583	2,805,023
Public Health and Welfare	967,857	0	0	0	967,857
Social, Cultural, and Recreational Services	441,025	0	0	0	441,025
Agricultural and Natural Resources	86,046	0	0	0	86,046
Other Operations	533,655	0	0	881,898	1,415,553
Highways	0	2,158,210	0	0	2,158,210
Debt Service:					
Principal	0	0	765,835	0	765,835
Interest	0	0	682,713	0	682,713
Other Debt Service	0	0	33,330	0	33,330
Total Expenditures	<u>\$ 6,839,035</u>	<u>\$ 2,158,210</u>	<u>\$ 1,481,878</u>	<u>\$ 910,768</u>	<u>\$ 11,389,891</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (94,532)	\$ (186,996)	\$ (38,754)	\$ 170,530	\$ (149,752)
<u>Other Financing Sources (Uses)</u>					
Bonds Issued	\$ 1,000,000	\$ 0	\$ 0	\$ 0	\$ 1,000,000
Notes Issued	500,000	300,000	0	0	800,000
Transfers In	10,400	0	350,000	0	360,400
Transfers Out	0	(10,400)	0	(350,000)	(360,400)
Total Other Financing Sources (Uses)	<u>\$ 1,510,400</u>	<u>\$ 289,600</u>	<u>\$ 350,000</u>	<u>\$ (350,000)</u>	<u>\$ 1,800,000</u>
Net Change in Fund Balances	\$ 1,415,868	\$ 102,604	\$ 311,246	\$ (179,470)	\$ 1,650,248
Fund Balance, July 1, 2004	920,141	808,111	1,396,511	1,374,110	4,498,873
Fund Balance, June 30, 2005	<u>\$ 2,336,009</u>	<u>\$ 910,715</u>	<u>\$ 1,707,757</u>	<u>\$ 1,194,640</u>	<u>\$ 6,149,121</u>

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

Exhibit C-1

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

	<u>Major Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 673
Equity in Pooled Cash and Investments	742,345
Accounts Receivable	138,954
Total Current Assets	<u>\$ 881,972</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 434,234
Landfill Facilities and Development	65,800
Buildings and Improvements	35,788
Machinery and Equipment	1,036,280
Other Capital Assets	537
Construction in Progress	1,045,122
Total Noncurrent Assets	<u>\$ 2,617,761</u>
Total Assets	<u>\$ 3,499,733</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Payroll Deductions Payable	\$ 2
Contracts Payable	342,858
Due to Other Funds	780
Total Current Liabilities	<u>\$ 343,640</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 2,193,654
Capital Outlay Notes Payable:	
Due Within One Year	184,191
Due in More Than One Year	1,381,866
Total Noncurrent Liabilities	<u>\$ 3,759,711</u>
Total Liabilities	<u>\$ 4,103,351</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,051,704
Unrestricted	<u>(1,655,322)</u>
Total Net Assets	<u>\$ (603,618)</u>

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

Exhibit C-2

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

	<u>Major Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,135,865
Other Local Revenues	10,693
Total Operating Revenues	<u>\$ 1,146,558</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 848,459
Depreciation	215,834
Miscellaneous	10,965
Total Operating Expenses	<u>\$ 1,075,258</u>
Operating Income (Loss)	<u>\$ 71,300</u>
<u>Nonoperating Revenues (Expenses)</u>	
Grants	\$ 19,744
Interest on Notes	(56,580)
Total Nonoperating Revenues (Expenses)	<u>\$ (36,836)</u>
Net Income (Loss)	\$ 34,464
Net Assets, July 1, 2004	358,814
Prior Period Adjustment	<u>(996,896)</u>
Net Assets, June 30, 2005	<u><u>\$ (603,618)</u></u>

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

Exhibit C-3

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

	<u>Major Fund</u>
	<u>Business-type</u>
	<u>Activities -</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,109,417
Payments to Suppliers	(937,075)
Payments to Employees	(393,717)
Other Payments	(10,965)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (232,340)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	\$ 19,744
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 19,744</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (454,097)
Interest Paid on Capital Outlay Notes	(56,580)
Principal Paid on Capital Outlay Notes	(146,389)
Note Proceeds	378,000
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (279,066)</u>
Net Increase (Decrease) in Cash	\$ (491,662)
Cash, July 1, 2004	<u>1,234,680</u>
Cash, June 30, 2005	<u>\$ 743,018</u>
<u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	\$ 71,300
Adjustment to Reconcile Net Operating Income	
To Net Cash Provided By (Used In) Operating Activities:	
Depreciation	215,834
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(52,227)
(Increase) Decrease in Due From Other Governments	15,086
Increase (Decrease) in Accounts Payable	(41,753)
Increase (Decrease) in Payroll Deductions Payable	(1,424)
Increase (Decrease) in Contracts Payable	(488,560)
Increase (Decrease) in Due to State of Tennessee	(4,097)
Increase (Decrease) in Due to Other Funds	780
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	1,049,617
(Increase) Decrease in Prior Period Adjustments	(996,896)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (232,340)</u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 559,051
Investments	1,041,808
Due from Other Governments	<u>253,030</u>
Total Assets	<u>\$ 1,853,889</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 253,030
Due to Litigants, Heirs, and Others	<u>1,600,859</u>
Total Liabilities	<u>\$ 1,853,889</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

White 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.

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

Although White 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 White County:

A. Reporting Entity

White County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present White County (the primary government).

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

White County Emergency Communications District
2677 Crossville Highway
P. O. Box 911
Sparta, TN 38583

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. White 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 fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

White County reports the following major governmental funds:

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

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

White County reports the following major enterprise fund:

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

Additionally, White County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in White County, and grant funds collected and passed through to governmental agencies. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. White County has elected not to follow subsequent private-sector guidance.

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

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 demand deposits, and cash on deposit with the county trustee, which is presented as Equity in Pooled Cash and Investments on the statement of net assets.

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 White County and White 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. White County and the White 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 1.95 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.

Contracts payable of \$342,858 in the Solid Waste Disposal Fund represent amounts due on the county's landfill project as of June 30, 2005.

3. Prepaid Items

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

4. Capital Assets

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

Capital assets are reported in the statement of net assets of the proprietary fund. White County defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not

add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise funds is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-24
Machinery and Equipment	2-20
Landfill Facilities and Development	7
Other Capital Assets	5-10

5. Compensated Absences

It is the county's policy to not allow for the accumulation of unused vacation and sick days beyond year-end.

Vested or accumulated vacation leave is accrued when incurred in proprietary funds using the accrual basis of accounting. White County's proprietary fund did not have a policy for accruing vested or accumulated vacation leave when it was incurred. However, these amounts would be immaterial to the financial statements of White County.

6. Long-term Obligations

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

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements.

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while

discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Net Assets and Fund Equity

In the proprietary fund, 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.

8. Prior-period Adjustment

The beginning fund balance of the Solid Waste Disposal Fund was restated and decreased by \$996,896. This adjustment was necessary to correct the beginning balance of estimated closure and postclosure care costs and properly reflect the liability at June 30, 2005.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Net Assets Deficit

The Solid Waste Disposal Fund (Enterprise Fund) had a deficit of \$603,618 in net assets at June 30, 2005. This deficit primarily resulted from the recognition of a liability (\$2,193,654) in the financial statements of the Solid Waste/Disposal Fund for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

B. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in major appropriations categories (the legal level of control) of the funds listed in the following table:

General Fund:		
County Buildings	\$	5,499
Civil Defense		6,424
Ambulance/Emergency Medical Services		5,003
Highway/Public Works Fund:		
Operation and Maintenance of Equipment		14,565
General Debt Service Fund:		
Other Debt Service		20,330
Drug Control Fund:		
Other Operations		21,434

Such overexpenditures are a violation of state statute. These overexpenditures were funded from available fund balance.

C. The County Had Deposits That Were Exposed to Custodial Credit Risk

The Finance Department did not require one depository holding county funds to pledge sufficient securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$130,276. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

White County and the White County School Department participate in an internal cash and investment pool through the Office of Trustee. The White County School Department meets the criteria for a discretely presented component unit of White County. Since White County is presenting fund financial statements only, the financial information for the White 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 and investments 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.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, White County’s deposits may not be returned to it. White County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for White County and the discretely presented White County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2005, bank balances of \$130,276 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 130,276</u>
Total	<u><u>\$ 130,276</u></u>

Uninsured and uncollateralized deposits are a violation of state statutes.

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, White County had the following investments carried at fair value or cost. The agency fund investments were made on behalf of litigants at the direction of a court order and are held in the Circuit Court Clerk's Office.

Investments	Maturities	Fair Value or Cost
Fiduciary Fund:		
Wachovia Fixed Income Securities	On Demand	\$ 1,030,125
Wachovia Money Market Funds	On Demand	<u>11,683</u>
Total		<u>\$ 1,041,808</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. White 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. White County has no investment policy that would further limit its investment choices. As of June 30, 2005, White County's investments in Wachovia Fixed Income Securities and Wachovia Money Market Funds were not rated.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. White County does not have a formal policy that limits custodial credit risk for investments. Of the \$1,041,808 in mutual funds and money market accounts, the underlying securities for \$1,041,808 were uninsured and held by the investment's counterparty, not in the name of the county. However, it should be noted that these amounts are invested on behalf of litigants at the order of the court and the county has no custodial credit risk for these investments.

B. Notes Receivable

Notes receivable in the Industrial/Economic Development Fund represent the outstanding balances of loans due White County from local industries at June 30, 2005.

C. Capital Assets

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

Business-type Activities:

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 434,234	\$ 0	\$ 434,234
Construction in Progress	977,679	67,443	1,045,122
Total Capital Assets Not Depreciated	\$ 1,411,913	\$ 67,443	\$ 1,479,356
Capital Assets Depreciated:			
Buildings and Improvements	\$ 145,602	\$ 0	\$ 145,602
Machinery and Equipment	1,906,250	386,654	2,292,904
Landfill Facilities and Development	802,251	0	802,251
Other Capital Assets	7,655	0	7,655
Total Capital Assets Depreciated	\$ 2,861,758	\$ 386,654	\$ 3,248,412

Business-type Activities: (Cont.)

	Balance 7-1-04	Increases	Balance 6-30-05
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 98,413	\$ 11,401	\$ 109,814
Machinery and Equipment	1,149,060	107,564	1,256,624
Landfill Facilities and Development	640,009	96,442	736,451
Other Capital Assets	6,691	427	7,118
Total Accumulated Depreciation	<u>\$ 1,894,173</u>	<u>\$ 215,834</u>	<u>\$ 2,110,007</u>
Total Capital Assets Depreciated, Net	<u>\$ 967,585</u>	<u>\$ 170,820</u>	<u>\$ 1,138,405</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,379,498</u>	<u>\$ 238,263</u>	<u>\$ 2,617,761</u>

D. Construction Commitments

At June 30, 2005, the Solid Waste/Disposal Fund had an uncompleted construction contract of \$342,858 for the construction of a new landfill cell. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 23,265
General Debt Service	Solid Waste/Disposal	780

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government: General	Component unit: General Purpose School	\$ 11,080

The receivable in the General Fund (\$11,080) was in transit from the General Purpose School Fund at June 30, 2005.

Interfund Transfers:

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

Transfers Out	Transfers In	
	General Fund	General Debt Service Fund
Highway/Public Works Fund	\$ 10,400	\$ 0
Nonmajor governmental funds	0	350,000
Total	\$ 10,400	\$ 350,000

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.

F. Long-term Debt

Since White 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 White 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. 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 20 years for bonds, up to three years for notes, and up to 21 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	4 to 4.4 %	\$ 1,000,000	\$ 1,000,000
Capital Outlay Notes	2 to 3.49	2,147,500	1,349,166
Other Loans - Synthetic			
Fixed by Swap	5.72	9,000,000	9,000,000
Other Loans	Variable	8,275,000	6,088,750

White County has entered into various loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority (PBAs) to finance various capital projects for the county and the White County School Department. Under the loan agreements, the PBAs issued revenue bonds and loaned the proceeds to White County. In addition to repaying the loans, the county pays various other fees (trustee fees, debt remarketing fees, etc.). The following table summarizes loan agreements between the county and the PBAs outstanding at June 30, 2005:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Approximate	
				Interest Rates as of 6-30-05	Fee Rates as of 6-30-05
Sevier County PBA:					
Series G	\$ 7,000,000	\$ 4,813,750	Variable	2.3 %	0.5 %
Series IV-A-3	9,000,000	9,000,000	Synthetic	5.72	0.5
			Fixed by Swap		
Blount County PBA:					
Series A-9-C	1,275,000	1,275,000	Variable	2.26	0.45
		<u>\$ 15,088,750</u>			

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 0	\$ 39,929	\$ 582,499	\$ 33,219
2007	40,000	41,545	233,333	21,940
2008	40,000	39,945	133,333	16,287
2009	40,000	38,345	133,333	11,633
2010	40,000	36,745	133,333	6,980
2011-2015	230,000	157,725	133,335	2,327
2016-2020	275,000	108,113	0	0
2021-2025	335,000	45,345	0	0
Total	\$ 1,000,000	\$ 507,692	\$ 1,349,166	\$ 92,386

Year Ending June 30	Other Loan (\$7,000,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 330,000	\$ 110,716	\$ 24,069	\$ 464,785
2007	300,000	103,126	22,419	425,545
2008	370,000	96,226	20,919	487,145
2009	390,000	87,716	19,069	496,785
2010	410,000	78,746	17,119	505,865
2011-2015	2,435,000	240,668	52,317	2,727,985
2016	578,750	13,311	2,894	594,955
Total	\$ 4,813,750	\$ 730,509	\$ 158,806	\$ 5,703,065

Year Ending June 30	Other Loan (\$9,000,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 0	\$ 514,800	\$ 45,000	\$ 559,800
2007	405,000	514,800	45,000	964,800
2008	470,000	491,634	42,975	1,004,609
2009	495,000	464,750	40,625	1,000,375
2010	520,000	436,436	38,150	994,586
2011-2015	3,065,000	1,701,414	148,725	4,915,139
2016-2020	4,045,000	720,720	63,000	4,828,720
Total	\$ 9,000,000	\$ 4,844,554	\$ 423,475	\$ 14,268,029

Year Ending June 30	Other Loan (\$1,275,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 0	\$ 28,815	\$ 5,738	\$ 34,553
2007	0	28,815	5,738	34,553
2008	0	28,815	5,738	34,553
2009	0	28,815	5,738	34,553
2010	0	28,815	5,738	34,553
2011-2015	0	144,075	28,690	172,765
2016-2020	1,275,000	103,395	20,583	1,398,978
Total	\$ 1,275,000	\$ 391,545	\$ 77,963	\$ 1,744,508

There is \$1,707,757 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$43, based on the 2000 federal census. Total debt per capita, including bonds, other loans and notes, amounted to \$755, based on the 2000 federal census.

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-A-3.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the authority, on behalf of the county, entered into an interest rate swap in connection with its \$9 million Series IV-A-3 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 5.72 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable rate bond associated to the swap. The swap has a notional amount of \$9 million and the associated variable-rate bond has a \$9 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-A-3 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds, and the related swap agreement, mature on June 1, 2020. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	5.72 %
Variable payment from counterparty	70% of LIBOR	<u>-2.26</u>
Net interest rate swap payments		3.46 %
Variable-rate bond coupon payment		<u>2.26</u>
Synthetic interest rate on bonds		<u><u>5.72 %</u></u>

Fair value. As of June 30, 2005, the swap had a negative fair value of \$1,461,892. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value, using the zero coupon method.

Credit risk. As of June 30, 2005, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. The variable interest payment the county receives from the counterparty is the same as the variable rate interest paid on the outstanding bonds associated to the swap. Therefore, there is no basis risk.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2006	\$ 0	\$ 203,400	\$ 311,400	\$ 514,800
2007	405,000	203,400	311,400	919,800
2008	470,000	194,247	297,387	961,634
2009	495,000	183,625	281,125	959,750
2010	520,000	172,438	263,998	956,436
2011-2015	3,065,000	672,237	1,029,177	4,766,414
2016-2020	4,045,000	284,760	435,960	4,765,720
	<u>\$ 9,000,000</u>	<u>\$ 1,914,107</u>	<u>\$ 2,930,447</u>	<u>\$ 13,844,554</u>

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>	<u>Other Loans</u>
Balance, July 1, 2004	\$ 0	\$ 1,315,001	\$ 15,088,750
Additions	1,000,000	800,000	0
Deductions	0	(765,835)	0
Balance, June 30, 2005	<u>\$ 1,000,000</u>	<u>\$ 1,349,166</u>	<u>\$ 15,088,750</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 582,499</u>	<u>\$ 330,000</u>

White County Solid Waste Disposal Fund (Enterprise Fund)

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

Year Ending June 30	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 184,191	\$ 67,059
2007	141,967	59,642
2008	141,967	53,275
2009	141,967	46,907
2010	141,967	40,539
2011-2015	709,835	107,182
2016	104,163	2,333
Total	<u>\$ 1,566,057</u>	<u>\$ 376,937</u>

Changes in Long-term Liabilities

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

	Notes	Closure/ Postclosure Care Costs
Business-type Activities:		
Balance, July 1, 2004	\$ 1,334,446	\$ 1,144,037
Additions	378,000	52,721
Deductions	(146,389)	0
Prior Period Adjustment	0	996,896
	<u>0</u>	<u>996,896</u>
Balance, June 30, 2005	<u>\$ 1,566,057</u>	<u>\$ 2,193,654</u>
Balance Due Within One Year	<u>\$ 184,191</u>	<u>\$ 0</u>

Total debt per capita of the enterprise fund, including notes and closure/postclosure care costs, amounted to \$163, based on the 2000 federal census.

G. Short-term Debt

White County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary to provide temporary operating funds before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Tax Anticipation Notes	\$ 0	\$ 2,000,000	\$ (2,000,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

White County is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of members. The county pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

White County does not provide health insurance for general government employees and does not insure against environmental claims or losses.

B. Accounting Change

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

C. Contingent Liabilities

The 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.

D. Change in Administration

White County Finance Director, Keith Ryder, died on October 31, 2004. The County Commission appointed Mark Farley as finance director on December 7, 2004.

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. The \$2,193,654 reported as landfill closure and postclosure care liability at June 30, 2005, represents the net amount reported to date based on the use of approximately 100 percent of the estimated capacity of the old landfill cell (\$1,631,296) and approximately 29 percent of the estimated capacity of the current landfill cell (\$562,358). The landfill will recognize the remaining closure/postclosure care cost liability of \$1,195,012 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

The Upper Cumberland Regional Airport was established as a joint venture between White County, Putnam County, the City of Cookeville, and the City of Sparta. The Upper Cumberland Regional Airport operates the regional airport for the two-county area. The five-member board of the airport is comprised of one member appointed by each of the four participating

governments with the fifth member of the board being the chief executive of one of the participating governments. This fifth board position will serve a one-year term and will rotate among the four participating governments in a prescribed order. Each participant retains a 25 percent ownership in the airport; however, the participant does not retain an equity interest in the airport. During the year ended June 30, 2005, the county contributed \$39,444 to the operations of the airport. Complete financial statements for the Upper Cumberland Regional Airport can be obtained from the Upper Cumberland Regional Airport's administrative office at 750 Airport Road, Sparta, Tennessee 38583-8077, or from the County Clerk's Office at the White County Courthouse.

G. Jointly Governed Organization

The Tri-County Railroad Authority was jointly created by White, Coffee, and Warren Counties. The Tri-County Railroad Authority's board comprises the county executive 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.

H. Retirement Commitments

Plan Description

Employees of White 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 White 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

White County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 3.4 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for White County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, White County's annual pension cost of \$239,045 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base. 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. White 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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-05	\$ 239,045	100%	\$ 0
6-30-04	194,627	100	0
6-30-03	186,786	100	0

Required Supplementary Information
 Schedule of Funding Progress for White 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	\$8,954	\$ 9,240	\$ 286	96.9%	\$ 6,461	4.43%
6-30-01	8,019	8,506	487	94.27	5,546	8.78
6-30-1999	6,863	7,187	324	95.49	4,774	6.79

I. Office of Central Accounting and Budgeting

Office of Director of Finance

White County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

J. Purchasing Law

Purchasing procedures for White County are governed by the County Financial Management Act of 1981, Sections 5-21-101 through 5-21-129, Tennessee Code Annotated. This act requires the finance director to make purchases for all county funds and provides for all purchases exceeding \$5,000 to be made based on competitive bids solicited through newspaper advertisement.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 3,978,661	\$ 0	\$ 0	\$ 3,978,661	\$ 3,923,284	\$ 3,923,284	\$ 55,377
Licenses and Permits	27,312	0	0	27,312	26,000	26,000	1,312
Fines, Forfeitures and Penalties	143,533	0	0	143,533	146,000	146,000	(2,467)
Charges for Current Services	835,245	0	0	835,245	713,000	713,000	122,245
Other Local Revenues	151,142	0	0	151,142	205,000	211,578	(60,436)
Fees Received from County Officials	802,832	0	0	802,832	747,000	747,000	55,832
State of Tennessee	616,981	0	0	616,981	949,902	997,538	(380,557)
Federal Government	95,585	0	0	95,585	0	0	95,585
Other Governments and Citizens Groups	93,212	0	0	93,212	133,000	133,000	(39,788)
Total Revenues	\$ 6,744,503	\$ 0	\$ 0	\$ 6,744,503	\$ 6,843,186	\$ 6,897,400	\$ (152,897)
Expenditures							
General Government							
County Commission	\$ 35,281	\$ 0	\$ 0	\$ 35,281	\$ 36,345	\$ 36,345	\$ 1,064
Beer Board	2,601	0	0	2,601	1,620	3,240	639
County Mayor	110,634	0	0	110,634	116,437	116,437	5,803
County Attorney	17,159	0	0	17,159	25,000	25,000	7,841
Election Commission	113,020	(65)	0	112,955	117,848	118,448	5,493
Register of Deeds	164,747	(4,770)	6,373	166,350	171,957	171,957	5,607
Development	10,500	0	0	10,500	10,500	10,500	0
County Buildings	307,836	(448)	1,460	308,848	303,349	303,349	(5,499)
Other General Administration	23,052	(1,800)	2,668	23,920	55,000	55,000	31,080
Preservation of Records	14,959	0	0	14,959	19,915	19,915	4,956
Finance							
Accounting and Budgeting	186,693	(101)	449	187,041	194,233	194,233	7,192
Property Assessor's Office	165,163	0	0	165,163	174,496	174,496	9,333
Reappraisal Program	32,287	0	0	32,287	34,406	34,406	2,119

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	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>Finance (Cont.)</u>							
County Trustee's Office	\$ 130,380	\$ (10,113)	\$ 0	\$ 120,267	\$ 126,417	\$ 126,417	\$ 6,150
County Clerk's Office	144,131	0	983	145,114	159,631	159,631	14,517
<u>Administration of Justice</u>							
Circuit Court	273,408	(2,355)	45	271,098	279,832	279,832	8,734
General Sessions Court	153,876	0	0	153,876	155,081	155,081	1,205
Chancery Court	99,343	(96)	0	99,247	105,764	105,764	6,517
Judicial Commissioners	26,448	0	220	26,668	26,678	26,678	10
Other Administration of Justice	19,494	0	0	19,494	16,600	22,600	3,106
<u>Public Safety</u>							
Sheriff's Department	989,738	(7,225)	10,263	992,776	1,088,825	1,091,704	98,928
Special Patrols	40,049	0	0	40,049	46,772	46,772	6,723
Jail	1,345,055	(13,907)	7,836	1,338,984	1,404,938	1,404,938	65,954
Juvenile Services	40,309	(75)	0	40,234	43,106	43,106	2,872
Fire Prevention and Control	121,963	0	0	121,963	131,200	131,200	9,237
Civil Defense	140,888	(5,330)	37	135,595	116,235	129,171	(6,424)
Rescue Squad	7,255	0	0	7,255	7,055	7,255	0
County Coroner/Medical Examiner	10,000	0	0	10,000	10,000	10,000	0
Other Public Safety	84,183	0	0	84,183	85,628	85,628	1,445
<u>Public Health and Welfare</u>							
Local Health Center	61,554	0	0	61,554	64,170	65,370	3,816
Ambulance/Emergency Medical Services	862,995	(6,045)	350	857,300	815,097	852,297	(5,003)
Crippled Children Services	4,677	0	0	4,677	4,720	4,720	43
Other Local Health Services	1,250	0	0	1,250	1,250	1,250	0
General Welfare Assistance	6,000	0	0	6,000	4,800	9,600	3,600
Other Local Welfare Services	96	0	0	96	1,250	1,250	1,154
Sanitation Education/Information	31,285	(1,765)	0	29,520	36,274	36,274	6,754

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	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>Social, Cultural and Recreational Services</u>							
Senior Citizens Assistance	\$ 107,471	\$ (350)	\$ 0	\$ 107,121	\$ 138,770	\$ 138,770	\$ 31,649
Libraries	149,527	0	0	149,527	1,094,232	1,094,232	944,705
Parks and Fair Boards	171,027	0	1,861	172,888	104,000	183,878	10,990
Other Social, Cultural and Recreational	13,000	0	0	13,000	13,000	13,000	0
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	68,310	0	0	68,310	77,500	77,500	9,190
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	15,736	0	0	15,736	19,609	19,609	3,873
<u>Other Operations</u>							
Tourism	9,000	0	0	9,000	9,000	9,000	0
Industrial Development	43,036	0	0	43,036	258,070	258,070	215,034
Housing and Urban Development	1,500	0	0	1,500	166,666	166,666	165,166
Airport	39,444	0	0	39,444	39,445	39,445	1
Veterans' Services	27,308	0	0	27,308	28,055	28,055	747
Other Charges	284,190	(8,587)	3,077	278,680	283,717	283,717	5,037
Contributions to Other Agencies	24,372	0	0	24,372	22,360	25,860	1,488
Employee Benefits	17,995	0	0	17,995	10,000	20,000	2,005
Miscellaneous	86,810	0	0	86,810	70,000	90,000	3,190
Total Expenditures	\$ 6,839,035	\$ (63,032)	\$ 35,622	\$ 6,811,625	\$ 8,328,853	\$ 8,509,666	\$ 1,698,041
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (94,532)	\$ 63,032	\$ (35,622)	\$ (67,122)	\$ (1,485,667)	\$ (1,612,266)	\$ 1,545,144
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000	\$ 0	\$ 1,000,000	\$ 0
Notes Issued	500,000	0	0	500,000	1,500,000	500,000	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers In	\$ 10,400	\$ 0	\$ 0	\$ 10,400	\$ 10,400	\$ 10,400	\$ 0
Total Other Financing Sources (Uses)	\$ 1,510,400	\$ 0	\$ 0	\$ 1,510,400	\$ 1,510,400	\$ 1,510,400	\$ 0
Net Change in Fund Balance	\$ 1,415,868	\$ 63,032	\$ (35,622)	\$ 1,443,278	\$ 24,733	\$ (101,866)	\$ 1,545,144
Fund Balance, July 1, 2004	920,141	(63,032)	0	857,109	855,129	855,129	1,980
Fund Balance, June 30, 2005	\$ 2,336,009	\$ 0	\$ (35,622)	\$ 2,300,387	\$ 879,862	\$ 753,263	\$ 1,547,124

Exhibit E-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	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	\$ 89,251	\$ 0	\$ 0	\$ 89,251	\$ 90,000	\$ 90,000	\$ (749)
Other Local Revenues	24,651	0	0	24,651	50,000	23,594	1,057
State of Tennessee	1,857,312	0	0	1,857,312	3,613,485	3,680,971	(1,823,659)
Total Revenues	\$ 1,971,214	\$ 0	\$ 0	\$ 1,971,214	\$ 3,753,485	\$ 3,794,565	\$ (1,823,351)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 118,583	\$ (345)	\$ 0	\$ 118,238	\$ 119,678	\$ 119,678	\$ 1,440
Highway and Bridge Maintenance	1,229,929	(600)	0	1,229,329	1,286,562	1,286,562	57,233
Operation and Maintenance of Equipment	201,532	(15,967)	0	185,565	161,000	171,000	(14,565)
Quarry Operations	193,744	(2,870)	0	190,874	229,321	229,321	38,447
Other Charges	92,304	0	0	92,304	91,300	94,326	2,022
Employee Benefits	10	0	0	10	4,000	4,000	3,990
Capital Outlay	322,108	0	39,211	361,319	2,383,600	2,424,680	2,063,361
Total Expenditures	\$ 2,158,210	\$ (19,782)	\$ 39,211	\$ 2,177,639	\$ 4,275,461	\$ 4,329,567	\$ 2,151,928
Excess (Deficiency) of Revenues Over Expenditures	\$ (186,996)	\$ 19,782	\$ (39,211)	\$ (206,425)	\$ (521,976)	\$ (535,002)	\$ 328,577
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 300,000	\$ 0	\$ 0	\$ 300,000	\$ 300,000	\$ 300,000	\$ 0
Transfers Out	(10,400)	0	0	(10,400)	(10,400)	(10,400)	0
Total Other Financing Sources (Uses)	\$ 289,600	\$ 0	\$ 0	\$ 289,600	\$ 289,600	\$ 289,600	\$ 0
Net Change in Fund Balance	\$ 102,604	\$ 19,782	\$ (39,211)	\$ 83,175	\$ (232,376)	\$ (245,402)	\$ 328,577
Fund Balance, July 1, 2004	808,111	(19,782)	0	788,329	804,064	804,064	(15,735)
Fund Balance, June 30, 2005	\$ 910,715	\$ 0	\$ (39,211)	\$ 871,504	\$ 571,688	\$ 558,662	\$ 312,842

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

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
General	County Buildings	\$ 5,499
General	Civil Defense	6,424
General	Ambulance/Emergency Medical Services	5,003
Highway/Public Works	Operation and Maint. of Equipment	14,565

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to account for transactions involving notes receivable from corporations.

Local Purpose Tax Fund – The Local Purpose Tax Fund accounts for local sales tax collections. These funds are eventually disbursed to other county funds for their operations.

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

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

Exhibit F-1

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

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 22,331	\$ 22,331
Equity in Pooled Cash and Investments	65,146	542,109	57,837	0	665,092
Accounts Receivable	0	0	0	934	934
Due from Other Governments	0	178,715	0	0	178,715
Notes Receivable - Long-Term	441,074	0	0	0	441,074
Total Assets	<u>\$ 506,220</u>	<u>\$ 720,824</u>	<u>\$ 57,837</u>	<u>\$ 23,265</u>	<u>\$ 1,308,146</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 23,265	\$ 23,265
Other Deferred Revenues	0	90,241	0	0	90,241
Total Liabilities	<u>\$ 0</u>	<u>\$ 90,241</u>	<u>\$ 0</u>	<u>\$ 23,265</u>	<u>\$ 113,506</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 150	\$ 0	\$ 150
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	1,615	0	1,615
Reserved for Loan Program	506,220	0	0	0	506,220
Unreserved	0	630,583	56,072	0	686,655
Total Fund Balances	<u>\$ 506,220</u>	<u>\$ 630,583</u>	<u>\$ 57,837</u>	<u>\$ 0</u>	<u>\$ 1,194,640</u>
Total Liabilities and Fund Balances	<u>\$ 506,220</u>	<u>\$ 720,824</u>	<u>\$ 57,837</u>	<u>\$ 23,265</u>	<u>\$ 1,308,146</u>

Exhibit F-2

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

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 1,019,579	\$ 0	\$ 0	\$ 1,019,579
Fines, Forfeitures and Penalties	0	0	45,672	0	45,672
Charges for Current Services	0	0	0	3,287	3,287
Other Local Revenues	12,450	0	310	0	12,760
Total Revenues	\$ 12,450	\$ 1,019,579	\$ 45,982	\$ 3,287	\$ 1,081,298
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 3,287	\$ 3,287
Public Safety	0	0	25,583	0	25,583
Other Operations	0	860,164	21,734	0	881,898
Total Expenditures	\$ 0	\$ 860,164	\$ 47,317	\$ 3,287	\$ 910,768
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,450	\$ 159,415	\$ (1,335)	\$ 0	\$ 170,530
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ 0	\$ (350,000)	\$ 0	\$ 0	\$ (350,000)
Total Other Financing Sources (Uses)	\$ 0	\$ (350,000)	\$ 0	\$ 0	\$ (350,000)
Net Change in Fund Balances	\$ 12,450	\$ (190,585)	\$ (1,335)	\$ 0	\$ (179,470)
Fund Balance, July 1, 2004	493,770	821,168	59,172	0	1,374,110
Fund Balance, June 30, 2005	\$ 506,220	\$ 630,583	\$ 57,837	\$ 0	\$ 1,194,640

Exhibit F-3

White County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Industrial/Economic Development 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	\$ 12,450	\$ 10,147	\$ 10,147	\$ 2,303
Total Revenues	\$ 12,450	\$ 10,147	\$ 10,147	\$ 2,303
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 12,450	\$ 10,147	\$ 10,147	\$ 2,303
Net Change in Fund Balance				
Fund Balance, July 1, 2004	\$ 493,770	\$ 494,075	\$ 494,075	\$ (305)
Fund Balance, June 30, 2005	\$ 506,220	\$ 504,222	\$ 504,222	\$ 1,998

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,019,579	\$ 975,000	\$ 975,000	\$ 44,579
Total Revenues	\$ 1,019,579	\$ 975,000	\$ 975,000	\$ 44,579
<u>Expenditures</u>				
<u>Other Operations</u>				
Contributions to Other Agencies	\$ 850,000	\$ 850,000	\$ 850,000	\$ 0
Miscellaneous	10,164	10,000	10,000	(164)
Total Expenditures	\$ 860,164	\$ 860,000	\$ 860,000	\$ (164)
Excess (Deficiency) of Revenues Over Expenditures	\$ 159,415	\$ 115,000	\$ 115,000	\$ 44,415
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (350,000)	\$ (350,000)	\$ (350,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (350,000)	\$ (350,000)	\$ (350,000)	\$ 0
Net Change in Fund Balance	\$ (190,585)	\$ (235,000)	\$ (235,000)	\$ 44,415
Fund Balance, July 1, 2004	821,168	821,166	821,166	2
Fund Balance, June 30, 2005	\$ 630,583	\$ 586,166	\$ 586,166	\$ 44,417

Exhibit F-5

White County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control 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>							
Fines, Forfeitures and Penalties	\$ 45,672	\$ 0	\$ 0	\$ 45,672	\$ 25,000	\$ 25,000	\$ 20,672
Other Local Revenues	310	0	0	310	0	0	310
Total Revenues	<u>\$ 45,982</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,982</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 20,982</u>
<u>Expenditures</u>							
<u>Public Safety</u>							
Drug Enforcement	\$ 25,583	\$ (1,076)	\$ 150	\$ 24,657	\$ 55,230	\$ 55,230	\$ 30,573
<u>Other Operations</u>							
Miscellaneous	21,734	0	0	21,734	300	300	(21,434)
Total Expenditures	<u>\$ 47,317</u>	<u>\$ (1,076)</u>	<u>\$ 150</u>	<u>\$ 46,391</u>	<u>\$ 55,530</u>	<u>\$ 55,530</u>	<u>\$ 9,139</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,335)</u>	<u>\$ 1,076</u>	<u>\$ (150)</u>	<u>\$ (409)</u>	<u>\$ (30,530)</u>	<u>\$ (30,530)</u>	<u>\$ 30,121</u>
Net Change in Fund Balance	\$ (1,335)	\$ 1,076	\$ (150)	\$ (409)	\$ (30,530)	\$ (30,530)	\$ 30,121
Fund Balance, July 1, 2004	<u>59,172</u>	<u>(1,076)</u>	<u>0</u>	<u>58,096</u>	<u>57,961</u>	<u>57,961</u>	<u>135</u>
Fund Balance, June 30, 2005	<u>\$ 57,837</u>	<u>\$ 0</u>	<u>\$ (150)</u>	<u>\$ 57,687</u>	<u>\$ 27,431</u>	<u>\$ 27,431</u>	<u>\$ 30,256</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, long-term debt principal, interest, and related costs.

Exhibit G

White 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	\$ 853,706	\$ 810,477	\$ 810,477	\$ 43,229
Other Local Revenues	284,825	200,000	200,000	84,825
State of Tennessee	4,593	4,500	4,500	93
Other Governments and Citizens Groups	300,000	50,000	300,000	0
Total Revenues	<u>\$ 1,443,124</u>	<u>\$ 1,064,977</u>	<u>\$ 1,314,977</u>	<u>\$ 128,147</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 465,835	\$ 476,834	\$ 465,834	\$ (1)
Highways and Streets	300,000	300,000	300,000	0
<u>Interest</u>				
General Government	284,301	391,393	391,393	107,092
Highways and Streets	15,221	18,150	18,150	2,929
Education	383,191	472,440	472,440	89,249
<u>Other Debt Service</u>				
General Government	33,330	2,000	13,000	(20,330)
Total Expenditures	<u>\$ 1,481,878</u>	<u>\$ 1,660,817</u>	<u>\$ 1,660,817</u>	<u>\$ 178,939</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (38,754)</u>	<u>\$ (595,840)</u>	<u>\$ (345,840)</u>	<u>\$ 307,086</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 350,000	\$ 600,000	\$ 350,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 350,000</u>	<u>\$ 600,000</u>	<u>\$ 350,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 311,246	\$ 4,160	\$ 4,160	\$ 307,086
Fund Balance, July 1, 2004	1,396,511	1,396,511	1,396,511	0
Fund Balance, June 30, 2005	<u>\$ 1,707,757</u>	<u>\$ 1,400,671</u>	<u>\$ 1,400,671</u>	<u>\$ 307,086</u>

Fiduciary Funds

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

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

Community Development - Agency Fund – The Community Development - Agency Fund is used to account for transactions related to a pass-through Community Development Block Grant.

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

Exhibit H-1

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

	<u>Agency Funds</u>		
	<u>Cities- Sales Tax</u>	<u>Constitu- tional Officers - Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 559,051	\$ 559,051
Investments	0	1,041,808	1,041,808
Due from Other Governments	253,030	0	253,030
Total Assets	<u>\$ 253,030</u>	<u>\$ 1,600,859</u>	<u>\$ 1,853,889</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 253,030	\$ 0	\$ 253,030
Due to Litigants, Heirs, and Others	0	1,600,859	1,600,859
Total Liabilities	<u>\$ 253,030</u>	<u>\$ 1,600,859</u>	<u>\$ 1,853,889</u>

Exhibit H-2

White 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	\$ 1,482,646	\$ 1,482,646	\$ 0
Due from Other Governments	245,521	253,030	245,521	253,030
Total Assets	\$ 245,521	\$ 1,735,676	\$ 1,728,167	\$ 253,030
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 245,521	\$ 1,735,676	\$ 1,728,167	\$ 253,030
Total Liabilities	\$ 245,521	\$ 1,735,676	\$ 1,728,167	\$ 253,030
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 0	\$ 17,100	\$ 17,100	\$ 0
Total Assets	\$ 0	\$ 17,100	\$ 17,100	\$ 0
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 17,100	\$ 17,100	\$ 0
Total Liabilities	\$ 0	\$ 17,100	\$ 17,100	\$ 0
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 476,925	\$ 3,810,944	\$ 3,728,818	\$ 559,051
Investments	968,796	73,012	0	1,041,808
Total Assets	\$ 1,445,721	\$ 3,883,956	\$ 3,728,818	\$ 1,600,859
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,445,721	\$ 3,883,956	\$ 3,728,818	\$ 1,600,859
Total Liabilities	\$ 1,445,721	\$ 3,883,956	\$ 3,728,818	\$ 1,600,859
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,482,646	\$ 1,482,646	\$ 0
Cash	476,925	3,828,044	3,745,918	559,051
Investments	968,796	73,012	0	1,041,808
Due from Other Governments	245,521	253,030	245,521	253,030
Total Assets	\$ 1,691,242	\$ 5,636,732	\$ 5,474,085	\$ 1,853,889
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 245,521	\$ 1,735,676	\$ 1,728,167	\$ 253,030
Due to Litigants, Heirs, and Others	1,445,721	3,901,056	3,745,918	1,600,859
Total Liabilities	\$ 1,691,242	\$ 5,636,732	\$ 5,474,085	\$ 1,853,889

MISCELLANEOUS SCHEDULES

Exhibit I-1

White 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								
<u>Payable through General Debt Service Fund</u>								
Fire Truck/Vehicles/Ambulances/Computers/ Building and Highway Improvements	\$ 950,000	3.35 %	10-27-01	10-29-04	\$ 316,667	\$ 0	\$ 316,667	\$ 0
Rescue Squad Truck/Ambulances/Medical Equipment/ Police Vehicles/Building and Highway Improvements	1,047,500	2.65	10-10-02	10-10-05	698,334	0	349,168	349,166
Road Improvements	300,000	2	10-1-03	10-1-06	300,000	0	100,000	200,000
Vehicles/Ambulances/Computers/Roads	800,000	3.49	11-29-04	11-29-10	0	800,000	0	800,000
Total Notes Payable					<u>\$ 1,315,001</u>	<u>\$ 800,000</u>	<u>\$ 765,835</u>	<u>\$ 1,349,166</u>
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Public Building Authority Loan Agreement - Sevier County: School Building Project	7,000,000	Variable	8-1-1996	6-1-16	\$ 4,813,750	\$ 0	\$ 0	\$ 4,813,750
School/Judicial Complex Building Project Series IV-A-3	9,000,000	(1) 5.72	12-9-1999	6-1-20	9,000,000	0	0	9,000,000
Public Building Authority Loan Agreement - Blount County: School/Judicial Complex Building Project Series A-9-C	1,275,000	Variable	6-29-04	6-30-20	1,275,000	0	0	1,275,000
Total Other Loans Payable					<u>\$ 15,088,750</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,088,750</u>
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Library	1,000,000	4 to 4.4	6-15-05	6-15-25	\$ 0	\$ 1,000,000	\$ 0	\$ 1,000,000

(1) This loan was converted from a variable interest rate to a synthetic fixed interest rate by a swap agreement entered into during the year ended June 30, 2002.

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 0	\$ 39,929	\$ 39,929
2007	40,000	41,545	81,545
2008	40,000	39,945	79,945
2009	40,000	38,345	78,345
2010	40,000	36,745	76,745
2011	45,000	35,145	80,145
2012	45,000	33,345	78,345
2013	45,000	31,545	76,545
2014	45,000	29,745	74,745
2015	50,000	27,945	77,945
2016	50,000	25,945	75,945
2017	55,000	23,945	78,945
2018	55,000	21,745	76,745
2019	55,000	19,408	74,408
2020	60,000	17,070	77,070
2021	60,000	14,520	74,520
2022	65,000	11,970	76,970
2023	65,000	9,175	74,175
2024	70,000	6,380	76,380
2025	75,000	3,300	78,300
	<u>\$ 1,000,000</u>	<u>\$ 507,692</u>	<u>\$ 1,507,692</u>

Exhibit I-3

White County, Tennessee
Schedule of Notes Receivable - All Funds
For the Year Ended June 30, 2005

Description	Debtor	Original Amount of Note	Interest Rate	Date of Issue	Date of Maturity	Balance 6-30-05
<u>Industrial/Economic Development Fund</u>						
Industrial Development	Norcom, Inc.	\$ 50,000	5 %	5-1997 (1)	5-04	\$ 13,187
Industrial Development	Roaring and Cumberland	150,000	5	6-01	6-08	70,740
Industrial Development	Norcom, Inc. II	30,000	5	2-03	2-10	21,474
Industrial Development	Casual Apparel	80,288	2	10-03	9-10	61,256
Industrial Development	TLT, Inc.	37,500	2	11-03	11-10	62,168
Industrial Development	Bell Fashions	82,397	2	1-04	11-09	29,041
Industrial Development	K & V Automotive	80,000	2	5-04	5-11	68,339
Industrial Development	Precision Tooling	35,000	2	6-04	6-11	30,690
Industrial Development	Dunn & Bybee	90,000	3	11-04	11-12	<u>84,179</u>
Total						<u>\$ 441,074</u>

(1) Norcom Inc. is in bankruptcy at June 30, 2005. The county is continuing to receive payments; however, the payments are only those authorized by the court.

Exhibit I-4

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Local Purpose Tax	General Debt Service	Debt retirement	\$ 350,000
Highway/Public Works	General	Finance Department services	<u>10,400</u>
Total Transfers			<u>\$ 360,400</u>

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 60,023	\$ 50,000	Auto Owners Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	57,165	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	51,969	638,300	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	51,969	10,000	Auto Owners Insurance Company
Finance Director:				
Keith Ryder (7-1-04 to 10-31-04)	County Commission	25,202	50,000	"
Mark Farley (12-7-04 to 6-30-05)	County Commission	21,654	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	AMCO Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	52,969 (1)	75,000	Auto Owners Insurance Company
Register	Section 8-24-102, <u>TCA</u>	51,969	25,000	AMCO Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	57,684 (2)	50,000	Nationwide Mutual Insurance Company
Employee Dishonesty Bond Coverage:				
General County and Highway Employees			150,000	Tennessee Schools Boards Risk Management Trust

(1) Includes special commissioner fees of \$1,000.

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

Exhibit I-6

White 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	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 3,163,152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,418	\$ 3,243,570
Trustee's Collections - Prior Year	154,142	0	0	0	0	0	3,854	157,996
Circuit/Clerk & Master Collections - Prior Years	70,733	0	0	0	0	0	1,818	72,551
Interest and Penalty	25,480	0	0	0	0	0	639	26,119
Payments in Lieu of Taxes - T.V.A.	18,415	0	0	0	0	0	432	18,847
Payments in Lieu of Taxes - Other	267	0	0	0	0	0	7	274
<u>County Local Option Taxes</u>								
Local Option Sales Tax	80,738	0	1,019,579	0	0	0	764,668	1,864,985
Hotel/Motel Tax	12,771	0	0	0	0	0	0	12,771
Litigation Tax - General	3,779	0	0	0	0	0	0	3,779
Litigation Tax - Special Purpose	97,795	0	0	0	0	0	0	97,795
Litigation Tax - Jail, Workhouse, or Courthouse	25,701	0	0	0	0	0	0	25,701
Business Tax	111,553	0	0	0	0	0	0	111,553
Mineral Severance Tax	0	0	0	0	0	89,251	0	89,251
<u>Statutory Local Taxes</u>								
Bank Excise Tax	73,551	0	0	0	0	0	1,870	75,421
Wholesale Beer Tax	131,386	0	0	0	0	0	0	131,386
Interstate Telecommunications Tax	9,198	0	0	0	0	0	0	9,198
Total Local Taxes	\$ 3,978,661	\$ 0	\$ 1,019,579	\$ 0	\$ 0	\$ 89,251	\$ 853,706	\$ 5,941,197
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 21,992	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,992
<u>Permits</u>								
Beer Permits	5,320	0	0	0	0	0	0	5,320
Total Licenses and Permits	\$ 27,312	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,312
<u>Fines, Forfeitures and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 19,127	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,127
Officers Costs	7,507	0	0	0	0	0	0	7,507
Drug Control Fines	5,987	0	0	0	0	0	0	5,987

Exhibit I-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Drug Court Fees	\$ 1,058	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,058
DUI Treatment Fines	95	0	0	0	0	0	0	95
Data Entry Fee - Circuit Court	428	0	0	0	0	0	0	428
<u>General Sessions Court</u>								
Fines	37,705	0	0	0	0	0	0	37,705
Officers Costs	39,817	0	0	0	0	0	0	39,817
Game and Fish Fines	412	0	0	0	0	0	0	412
Drug Control Fines	4,192	0	0	0	0	0	0	4,192
Drug Court Fees	2,161	0	0	0	0	0	0	2,161
DUI Treatment Fines	802	0	0	0	0	0	0	802
Data Entry Fee - General Sessions Court	1,046	0	0	0	0	0	0	1,046
<u>Chancery Court</u>								
Officers Costs	1,381	0	0	0	0	0	0	1,381
<u>Other Courts - In-county</u>								
Drug Control Fines	0	0	0	37,496	0	0	0	37,496
Jail Fees	21,315	0	0	0	0	0	0	21,315
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	500	0	0	8,176	0	0	0	8,676
Total Fines, Forfeitures and Penalties	\$ 143,533	\$ 0	\$ 0	\$ 45,672	\$ 0	\$ 0	\$ 0	189,205
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Past Due Collections - Ambulance	\$ 826,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	826,000
<u>Fees</u>								
Constitutional Officers' Fees and Commissions	0	0	0	0	3,287	0	0	3,287
Data Processing Fee - Register	7,920	0	0	0	0	0	0	7,920
Data Processing Fee - Sheriff	425	0	0	0	0	0	0	425
Sexual Offender Registration Fee	900	0	0	0	0	0	0	900
Total Charges for Current Services	\$ 835,245	\$ 0	\$ 0	\$ 0	\$ 3,287	\$ 0	\$ 0	838,532

Exhibit I-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 12,450	\$ 0	\$ 0	\$ 0	\$ 0	\$ 282,314	\$ 294,764
Lease/Rentals	5,175	0	0	0	0	0	0	5,175
Commissary Sales	1,686	0	0	0	0	0	0	1,686
Sale of Maps	60,000	0	0	0	0	0	0	60,000
Miscellaneous Refunds	55,989	0	0	210	0	1,057	1,126	58,382
<u>Nonrecurring Items</u>								
Accrued Interest on Debt Issues	0	0	0	0	0	0	1,385	1,385
Insurance Recovery	15,314	0	0	0	0	0	0	15,314
Sale of Equipment	1,500	0	0	0	0	23,594	0	25,094
Contributions & Gifts	11,478	0	0	100	0	0	0	11,578
Total Other Local Revenues	\$ 151,142	\$ 12,450	\$ 0	\$ 310	\$ 0	\$ 24,651	\$ 284,825	\$ 473,378
<u>Fees Received from County Officials</u>								
<u>Fees In Lieu of Salary</u>								
County Clerk	\$ 151,746	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,746
Circuit Court Clerk	138,044	0	0	0	0	0	0	138,044
General Sessions Court Clerk	75,610	0	0	0	0	0	0	75,610
Clerk and Master	49,087	0	0	0	0	0	0	49,087
Register	128,224	0	0	0	0	0	0	128,224
Sheriff	2,571	0	0	0	0	0	0	2,571
Trustee	257,550	0	0	0	0	0	0	257,550
Total Fees Received from County Officials	\$ 802,832	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 802,832
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 14,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,500
<u>Health and Welfare Grants</u>								
Health Department Programs	41,200	0	0	0	0	0	0	41,200
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	182,486	0	182,486
Litter Program	32,356	0	0	0	0	0	0	32,356
Other Public Works Grants	0	0	0	0	0	49,438	0	49,438

Exhibit I-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues</u>								
Income Tax	\$ 26,878	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	26,878
Beer Tax	16,778	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	31,535	0	0	0	0	0	0	31,535
State Revenue Sharing - T.V.A.	179,242	0	0	0	0	0	4,593	183,835
Contracted Prisoner Boarding	246,368	0	0	0	0	0	0	246,368
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,606,167	0	1,606,167
Petroleum Special Tax	0	0	0	0	0	19,221	0	19,221
Reappraisal Program Reimbursement	9,839	0	0	0	0	0	0	9,839
Registrar's Salary Supplement	12,285	0	0	0	0	0	0	12,285
Other State Revenues	6,000	0	0	0	0	0	0	6,000
Total State of Tennessee	\$ 616,981	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,857,312	\$ 4,593	\$ 2,478,886
<u>Federal Government</u>								
<u>Federal Through State</u>								
Disaster Relief	\$ 800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	800
Homeland Security Grants	93,437	0	0	0	0	0	0	93,437
Other Federal through State	1,348	0	0	0	0	0	0	1,348
Total Federal Government	\$ 95,585	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 95,585
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 13,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 313,000
<u>Other</u>								
Other	80,212	0	0	0	0	0	0	80,212
Total Other Governments and Citizens Groups	\$ 93,212	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 393,212
Total	\$ 6,744,503	\$ 12,450	\$ 1,019,579	\$ 45,982	\$ 3,287	\$ 1,971,214	\$ 1,443,124	\$ 11,240,139

White 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	\$	21,125	
Other Per Diem & Fees		1,500	
Social Security		1,403	
State Retirement		108	
Employer Medicare		329	
Audit Services		5,640	
Dues and Memberships		1,250	
Travel		717	
Other Supplies and Materials		3,209	
Total County Commission			\$ 35,281

Beer Board

Board and Committee Members Fees	\$	2,417	
Social Security		149	
Employer Medicare		35	
Total Beer Board			2,601

County Mayor

County Official/Administrative Officer	\$	60,023	
Assistant(s)		26,958	
Social Security		5,370	
State Retirement		2,957	
Employer Medicare		1,256	
Communication		1,795	
Dues and Memberships		2,553	
Postal Charges		185	
Travel		2,816	
Office Supplies		2,278	
Office Equipment		4,443	
Total County Mayor			110,634

County Attorney

County Official/Administrative Officer	\$	17,159	
Total County Attorney			17,159

Election Commission

County Official/Administrative Officer	\$	41,575	
Deputy(ies)		17,689	
Temporary Personnel		50	
Overtime Pay		942	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	4,455	
Election Workers		17,778	
Social Security		4,242	
State Retirement		2,046	
Employer Medicare		992	
Audit Services		1,390	
Communication		633	
Legal Notices, Recording and Court Costs		4,177	
Maintenance & Repair Services- Office Equipment		237	
Postal Charges		1,500	
Rentals		260	
Travel		4,003	
Office Supplies		607	
Other Supplies and Materials		5,180	
Data Processing Equipment		5,203	
Office Equipment		61	
Total Election Commission			\$ 113,020

Register of Deeds

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		24,818	
Clerical Personnel		20,877	
Part-time Personnel		7,678	
Social Security		6,531	
State Retirement		3,321	
Employer Medicare		1,527	
Communication		1,040	
Dues and Memberships		472	
Maintenance & Repair Services- Office Equipment		16,228	
Postal Charges		1,500	
Travel		1,330	
Office Supplies		4,222	
Data Processing Equipment		23,234	
Total Register of Deeds			164,747

Development

Other Contracted Services	\$	10,500	
Total Development			10,500

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Other Salaries & Wages	\$	42,808	
Social Security		2,654	
State Retirement		1,456	
Employer Medicare		621	
Maintenance & Repair Services- Buildings		70,296	
Maintenance & Repair Services- Equipment		6,718	
Rentals		7,800	
Utilities		47,493	
Other Supplies and Materials		10,778	
Building and Contents Insurance		81,086	
Workers' Compensation Insurance		36,126	
Total County Buildings			\$ 307,836

Other General Administration

Building Improvements	\$	23,052	
Total Other General Administration			23,052

Preservation of Records

Other Salaries & Wages	\$	12,453	
Social Security		772	
State Retirement		423	
Employer Medicare		181	
Communication		398	
Other Supplies and Materials		732	
Total Preservation of Records			14,959

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	46,856	
Assistant(s)		20,780	
Secretary(s)		44,072	
Part-time Personnel		11,980	
Other Salaries & Wages		5,854	
Social Security		8,061	
State Retirement		3,897	
Employer Medicare		1,873	
Accounting Services		5,400	
Advertising		2,909	
Communication		2,246	
Postal Charges		9,728	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Travel	\$	819	
Other Contracted Services		8,817	
Office Supplies		9,404	
Premiums on Corporate Surety Bonds		578	
Data Processing Equipment		1,844	
Office Equipment		1,575	
Total Accounting and Budgeting			\$ 186,693

Property Assessor's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		13,863	
Secretary(s)		47,318	
Temporary Personnel		6,200	
Board and Committee Members Fees		1,685	
Social Security		7,503	
State Retirement		3,906	
Employer Medicare		1,752	
Communication		1,288	
Data Processing Services		7,158	
Dues and Memberships		1,096	
Postal Charges		555	
Travel		3,281	
Other Contracted Services		15,595	
Office Supplies		1,105	
Premiums on Corporate Surety Bonds		99	
In Service/Staff Development		500	
Office Equipment		290	
Total Property Assessor's Office			165,163

Reappraisal Program

Secretary(s)	\$	19,413	
Social Security		1,205	
State Retirement		535	
Employer Medicare		285	
Data Processing Services		2,738	
Postal Charges		2,253	
Travel		1,358	
Other Contracted Services		4,000	
Office Supplies		500	
Total Reappraisal Program			32,287

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		25,562	
Clerical Personnel		15,583	
Part-time Personnel		85	
Other Salaries & Wages		4,479	
Social Security		6,056	
State Retirement		3,318	
Employer Medicare		1,416	
Communication		1,040	
Dues and Memberships		472	
Postal Charges		3,987	
Travel		500	
Office Supplies		545	
Data Processing Equipment		14,620	
Office Equipment		748	
Total County Trustee's Office			\$ 130,380

County Clerk's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		22,555	
Clerical Personnel		48,254	
Part-time Personnel		126	
Social Security		7,620	
State Retirement		4,179	
Employer Medicare		1,782	
Communication		1,458	
Dues and Memberships		327	
Postal Charges		300	
Office Supplies		2,455	
Data Processing Equipment		1,288	
Office Equipment		1,818	
Total County Clerk's Office			144,131

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		152,863	
Social Security		12,700	
State Retirement		6,275	
Employer Medicare		2,970	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Communication	\$	3,840	
Dues and Memberships		450	
Maintenance & Repair Services- Office Equipment		2,200	
Postal Charges		4,382	
Travel		1,069	
Office Supplies		16,327	
In Service/Staff Development		2,000	
Data Processing Equipment		5,963	
Office Equipment		10,400	
Total Circuit Court			\$ 273,408

General Sessions Court

Judge(s)	\$	107,535	
Secretary(s)		27,755	
Social Security		7,308	
State Retirement		4,585	
Employer Medicare		1,955	
Communication		1,648	
Travel		2,100	
Office Supplies		990	
Total General Sessions Court			153,876

Chancery Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		24,818	
Part-time Personnel		1,798	
Social Security		4,847	
State Retirement		2,628	
Employer Medicare		1,134	
Communication		710	
Dues and Memberships		450	
Postal Charges		2,996	
Travel		184	
Other Contracted Services		692	
Office Supplies		2,917	
Premiums on Corporate Surety Bonds		201	
Data Processing Equipment		1,499	
Office Equipment		2,500	
Total Chancery Court			99,343

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

County Official/Administrative Officer	\$	24,216	
Social Security		1,501	
Employer Medicare		351	
Other Supplies and Materials		380	
Total Judicial Commissioners			\$ 26,448

Other Administration of Justice

Jury and Witness Fees	\$	19,494	
Total Other Administration of Justice			19,494

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,684	
Deputy(ies)		549,423	
Secretary(s)		20,526	
Other Salaries & Wages		68,046	
Social Security		44,090	
State Retirement		23,218	
Employer Medicare		10,274	
Communication		18,164	
Dues and Memberships		1,550	
Maintenance & Repair Services- Vehicles		13,857	
Travel		1,871	
Other Contracted Services		843	
Gasoline		82,897	
Law Enforcement Supplies		1,572	
Uniforms		2,996	
Other Supplies and Materials		22,253	
In Service/Staff Development		7,864	
Other Charges		200	
Data Processing Equipment		4,018	
Law Enforcement Equipment		8,028	
Motor Vehicles		50,364	
Total Sheriff's Department			989,738

Special Patrols

Other Salaries & Wages	\$	34,361	
Social Security		1,862	
State Retirement		980	
Employer Medicare		436	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Special Patrols (Cont.)

Communication	\$	329	
Office Supplies		71	
Other Supplies and Materials		856	
Other Charges		1,154	
Total Special Patrols			\$ 40,049

Jail

Guards	\$	616,360	
Clerical Personnel		25,091	
Cafeteria Personnel		44,981	
Other Salaries & Wages		52,266	
Social Security		45,798	
State Retirement		22,190	
Employer Medicare		10,711	
Contracts with Other Public Agencies		7,689	
Maintenance Agreements		12,261	
Medical and Dental Services		169,591	
Food Supplies		164,603	
Uniforms		5,051	
Utilities		117,830	
Other Supplies and Materials		44,298	
In Service/Staff Development		548	
Law Enforcement Equipment		5,787	
Total Jail			1,345,055

Juvenile Services

Other Salaries & Wages	\$	35,840	
Social Security		2,222	
State Retirement		1,218	
Employer Medicare		520	
Communication		481	
Office Supplies		28	
Total Juvenile Services			40,309

Fire Prevention and Control

Contracts with Government Agencies	\$	10,000	
Contributions		111,733	
Other Supplies and Materials		230	
Total Fire Prevention and Control			121,963

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Sand	\$	594	
Other Supplies and Materials		122,564	
Workers' Compensation Insurance		751	
Other Equipment		16,979	
Total Civil Defense			\$ 140,888

Rescue Squad

Contributions	\$	7,255	
Total Rescue Squad			7,255

County Coroner/Medical Examiner

Medical Personnel	\$	10,000	
Total County Coroner/Medical Examiner			10,000

Other Public Safety

Social Security	\$	124	
Employer Medicare		29	
Contracts with Other Public Agencies		73,678	
Road Signs		8,731	
Other Supplies and Materials		1,621	
Total Other Public Safety			84,183

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$	859	
Social Security		53	
Employer Medicare		12	
Communication		2,368	
Contracts with Government Agencies		38,033	
Maintenance & Repair Services- Buildings		8,231	
Postal Charges		517	
Travel		39	
Utilities		5,170	
Other Supplies and Materials		5,588	
Other Charges		684	
Total Local Health Center			61,554

Ambulance/Emergency Medical Services

County Official/Administrative Officer	\$	40,136	
Paraprofessionals		214,406	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Other Salaries & Wages	\$	329,976	
Social Security		36,240	
State Retirement		18,500	
Employer Medicare		8,476	
Communication		4,356	
Dues and Memberships		430	
Laundry Service		4,421	
Maintenance & Repair Services- Buildings		3,376	
Maintenance & Repair Services- Vehicles		12,484	
Postal Charges		121	
Other Contracted Services		7,166	
Diesel Fuel		23,484	
Drugs and Medical Supplies		41,026	
Office Supplies		2,397	
Uniforms		5,359	
Utilities		1,186	
In Service/Staff Development		7,950	
Motor Vehicles		45,913	
Other Equipment		55,592	
Total Ambulance/Emergency Medical Services	\$		862,995

Crippled Children Services

Contracts with Government Agencies	\$	3,457	
Contributions		1,220	
Total Crippled Children Services			4,677

Other Local Health Services

Contracts with Government Agencies	\$	1,250	
Total Other Local Health Services			1,250

General Welfare Assistance

Pauper Burials	\$	6,000	
Total General Welfare Assistance			6,000

Other Local Welfare Services

Other Charges	\$	96	
Total Other Local Welfare Services			96

Sanitation Education/Information

Other Salaries & Wages	\$	21,166	
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(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Social Security	\$	1,298	
Employer Medicare		304	
Rentals		996	
Kindergarten Textbooks		7,521	
Total Sanitation Education/Information			\$ 31,285

Social, Cultural and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	31,000	
Part-time Personnel		6,553	
Other Salaries & Wages		29,876	
Social Security		4,181	
State Retirement		1,878	
Employer Medicare		978	
Communication		2,413	
Contributions		2,500	
Maintenance & Repair Services- Buildings		3,474	
Postal Charges		670	
Travel		1,540	
Other Contracted Services		4,225	
Office Supplies		808	
Utilities		13,079	
Building and Contents Insurance		3,500	
Other Charges		796	
Total Senior Citizens Assistance			107,471

Libraries

Librarians	\$	24,935	
Other Salaries & Wages		38,958	
Social Security		3,965	
State Retirement		1,678	
Employer Medicare		927	
Contributions		23,250	
Other Construction		55,814	
Total Libraries			149,527

Parks and Fair Boards

Part-time Personnel	\$	1,610	
Other Salaries & Wages		1,610	
Social Security		100	

(Continued)

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

State Retirement	\$	55	
Employer Medicare		23	
Other Contracted Services		14,098	
Other Construction		153,531	
Total Parks and Fair Boards	\$		171,027

Other Social, Cultural and Recreational

Contributions	\$	13,000	
Total Other Social, Cultural and Recreational			13,000

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	46,989	
Temporary Personnel		6,626	
Social Security		410	
Employer Medicare		95	
Other Fringe Benefits		5,736	
Communication		2,029	
Contributions		1,500	
Utilities		4,572	
Data Processing Equipment		273	
Office Equipment		80	
Total Agriculture Extension Service			68,310

Forest Service

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

Soil Conservation

Secretary(s)	\$	13,720	
Social Security		851	
State Retirement		466	
Employer Medicare		199	
Contributions		500	
Total Soil Conservation			15,736

Other Operations

Tourism

Other Charges	\$	9,000	
Total Tourism			9,000

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Contributions	\$	22,500	
Other Supplies and Materials		2,197	
Other Charges		4,539	
Other Construction		13,800	
Total Industrial Development			\$ 43,036

Housing and Urban Development

Other Construction	\$	1,500	
Total Housing and Urban Development			1,500

Airport

Maintenance Agreements	\$	39,444	
Total Airport			39,444

Veterans' Services

Supervisor/Director	\$	21,699	
Social Security		1,345	
State Retirement		738	
Employer Medicare		315	
Communication		814	
Postal Charges		444	
Travel		321	
Office Supplies		1,632	
Total Veterans' Services			27,308

Other Charges

Supervisor/Director	\$	36,026	
Clerical Personnel		17,456	
Other Salaries & Wages		69,519	
Social Security		7,626	
State Retirement		4,182	
Employer Medicare		1,784	
Communication		1,134	
Other Contracted Services		6,067	
Equipment Parts - Heavy		85,128	
Garage Supplies		3,965	
Lubricants		10,307	
Office Supplies		600	
Small Tools		3,154	
Tires and Tubes		24,191	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Utilities	\$	11,056	
In Service/Staff Development		<u>1,995</u>	
Total Other Charges			\$ 284,190

Contributions to Other Agencies

Contracts with Parents	\$	2,876	
Contracts with Public Carriers		7,597	
Contracts with Vehicle Owners		1,000	
Contributions		10,899	
Other Contracted Services		<u>2,000</u>	
Total Contributions to Other Agencies			24,372

Employee Benefits

Unemployment Compensation	\$	<u>17,995</u>	
Total Employee Benefits			17,995

Miscellaneous

Trustee's Commission	\$	<u>86,810</u>	
Total Miscellaneous			<u>86,810</u>

Total General Fund \$ 6,839,035

Local Purpose Tax Fund

Other Operations

Contributions to Other Agencies

Contributions	\$	<u>850,000</u>	
Total Contributions to Other Agencies			\$ 850,000

Miscellaneous

Trustee's Commission	\$	<u>10,164</u>	
Total Miscellaneous			<u>10,164</u>

Total Local Purpose Tax Fund 860,164

Drug Control Fund

Public Safety

Drug Enforcement

Deputy(ies)	\$	13,187	
Detective(s)		2,113	
Social Security		949	

(Continued)

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

State Retirement	\$	520	
Employer Medicare		222	
Confidential Drug Enforcement Payments		5,000	
Other Supplies and Materials		3,592	
Total Drug Enforcement			\$ 25,583

Other Operations

Miscellaneous

Trustee's Commission	\$	438	
Law Enforcement Equipment		21,296	
Total Miscellaneous			<u>21,734</u>

Total Drug Control Fund \$ 47,317

Constitutional Officers - Fees Fund

General Government

Other General Administration

Constitutional Officers' Operating Expenses	\$	3,287	
Total Other General Administration			<u>\$ 3,287</u>

Total Constitutional Officers - Fees Fund 3,287

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,165	
Accountants/Bookkeepers		22,000	
Secretary(s)		20,276	
Other Salaries & Wages		594	
Social Security		6,202	
State Retirement		3,401	
Employer Medicare		1,450	
Dues and Memberships		2,035	
Maintenance & Repair Services- Office Equipment		68	
Postal Charges		41	
Office Supplies		1,210	
Fines, Assessments and Penalties		3,239	
Other Charges		902	
Total Administration			\$ 118,583

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	69,806	
Equipment Operators - Heavy		136,483	
Equipment Operators - Light		114,309	
Truck Drivers		113,338	
Laborers		25,306	
Other Salaries & Wages		2,036	
Social Security		29,109	
State Retirement		15,921	
Employer Medicare		6,944	
Asphalt - Hot Mix		634,050	
Asphalt - Liquid		46,778	
Concrete		20	
General Construction Materials		2,232	
Pipe - Metal		12,274	
Road Signs		2,810	
Salt		5,630	
Gravel and Chert		12,883	
Total Highway and Bridge Maintenance			\$ 1,229,929

Operation and Maintenance of Equipment

Maintenance & Repair Services- Equipment	\$	60,405	
Maintenance & Repair Services- Vehicles		32,923	
Diesel Fuel		66,200	
Gasoline		42,004	
Total Operation and Maintenance of Equipment			201,532

Quarry Operations

Equipment Operators - Heavy	\$	93,886	
Laborers		17,434	
Other Salaries & Wages		1,499	
Social Security		6,375	
State Retirement		3,333	
Employer Medicare		1,491	
Explosive and Drilling Services		19,258	
Maintenance & Repair Services- Equipment		13,668	
Other Contracted Services		11,197	
Electricity		20,287	
Equipment and Machinery Parts		4,466	
Water and Sewer		473	
Other Supplies and Materials		377	
Total Quarry Operations			193,744

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$	3,478	
Contributions		3,000	
Travel		577	
Electricity		3,339	
Water and Sewer		130	
Trustee's Commission		17,098	
Vehicle and Equipment Insurance		41,656	
Workers' Compensation Insurance		23,026	
Total Other Charges			\$ 92,304

Employee Benefits

Unemployment Compensation	\$	10	
Total Employee Benefits			10

Capital Outlay

Communication Equipment	\$	900	
Highway Equipment		39,305	
Right-of-Way		49,438	
State Aid Projects		232,465	
Total Capital Outlay			322,108

Total Highway/Public Works Fund \$ 2,158,210

General Debt Service Fund

Principal

General Government

Principal on Notes	\$	465,835	
Total General Government			\$ 465,835

Highways and Streets

Principal on Notes	\$	300,000	
Total Highways and Streets			300,000

Interest

General Government

Interest on Notes	\$	21,336	
Interest on Other Loans Payable		262,965	
Total General Government			284,301

(Continued)

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

General Debt Service Fund (Cont.)

Interest (Cont.)

Highways and Streets

Interest on Notes	\$ 15,221	
Total Highways and Streets		\$ 15,221

Education

Interest on Other Loans Payable	\$ 383,191	
Total Education		383,191

Other Debt Service

General Government

Trustee's Commission	\$ 12,264	
Other Debt Issuance Charges	20,066	
Other Debt Service	1,000	
Total General Government		<u>33,330</u>

Total General Debt Service Fund \$ 1,481,878

Total Governmental Funds - Primary Government \$ 11,389,891

Exhibit I-8

White County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2005

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Disposal Fund
<hr/>	
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Solid Waste Disposal Fees	\$ 1,135,865
<u>Other Local Revenues</u>	
Miscellaneous Refunds	10,693
Total Operating Revenues	<u>\$ 1,146,558</u>
<u>Nonoperating Revenues</u>	
Solid Waste Grants	<u>\$ 19,744</u>
Total Revenues	<u><u>\$ 1,166,302</u></u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Public Health and Welfare</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 30,015
Other Salaries and Wages	325,456
Social Security	22,177
State Retirement	7,117
Unemployment Compensation	113
Employer Medicare	5,186
Other Fringe Benefits	2,228
Communciation	6,774
Maintenance and Repair Service - Equipment	58,012
Travel	898
Permits	4,200
Other Contracted Services	36,396
Diesel Fuel	65,693
Gasoline	4,695
Lubricants	12,653
Office Supplies	1,391
Utilities	14,325
Other Supplies and Materials	9,642
Building and Contents Insurance	17,773
Trustee's Commission	10,965
Workers' Compensation Insurance	9,500
Depreciation	215,834
Landfill Closure/Postclosure Care Costs	52,721
Other Charges	15,569
Site Development	126,908
Other Equipment	19,017
Total Operating Expenses	<u>\$ 1,075,258</u>
<u>Nonoperating Expenses</u>	
Interest on Notes	<u>\$ 56,580</u>
Total Expenses	<u><u>\$ 1,131,838</u></u>

Exhibit I-9

White 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	\$ 1,482,646
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,467,820
Trustee's Commission	14,826
Total Cash Disbursements	<u>\$ 1,482,646</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

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

Year	Amount
1994	\$ 423
1996	290
1997	259
1998	181
1999	347
2000	3,612
2001	2,744
2002	33,343
2003	94,632
Total	\$ 135,831

Table 2

White County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.99	\$ 1.03	\$ 0.87	\$ 0.84	\$ 0.84	\$ 0.96	\$ 1.06	\$ 1.14	\$ 1.20	\$ 1.18
General Purpose School	1.45	1.45	1.15	1.11	1.11	1.11	0.93	1.01	1.01	1.00
General Debt Service	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.03
Total Tax Rate	\$ 2.48	\$ 2.48	\$ 2.02	\$ 1.95	\$ 1.95	\$ 2.07	\$ 1.99	\$ 2.15	\$ 2.24	\$ 2.21
<u>Assessed Valuation</u>										
Real and Personal	\$ 139,742,315	\$ 141,729,988	\$ 190,611,846	\$ 204,608,259	\$ 212,703,600	\$ 218,092,330	\$ 247,742,859	\$ 250,069,453	\$ 250,689,758	\$ 263,620,562
Public Utilities	12,287,337	10,928,587	13,150,592	15,267,559	13,742,064	12,651,075	14,928,024	16,195,513	16,216,447	15,950,193
Total Assessed Valuation	\$ 152,029,652	\$ 152,658,575	\$ 203,762,438	\$ 219,875,818	\$ 226,445,664	\$ 230,743,405	\$ 262,670,883	\$ 266,264,966	\$ 266,906,205	\$ 279,570,755

ANNUAL FINANCIAL REPORT
WHITE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WHITE 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
AMY HEWITT
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

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

Scope

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

Results

Our report on the White 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 two findings and recommendations, which we have reviewed with the White County School Department's management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

WHITE COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The finance director also serves on the Board of Education which appears to be a conflict of interest.

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

INTRODUCTORY SECTION

White County School Officials
June 30, 2005

Officials:

Donny Haley, Director of Schools

Board of Education:

Barbara Jared, Chairperson

Kimberly Danson

Mark Farley

Ray Maples

Terry Messenger

Kenneth Robinson

Rebecca Tubb

Financial Management Committee:

Terry Alley, Chairman

Jerry D. Denton

Raymond H. England

B. K. Luna

Donny Haley

Herd E. Sullivan

Robert Weaver

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

November 7, 2005

White County Director of Schools and
Board of Education
White 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 White County School Department, a component unit of White 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 White 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 White 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 White 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 White 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 White 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 November 7, 2005, on our consideration of the White 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 IV.B., the White County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 27 through 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 White 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/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 88,185	\$ 4,095	\$ 92,280
Equity in Pooled Cash and Investments	12,093,926	462,175	12,556,101
Accounts Receivable	25,731	0	25,731
Due from Other Governments	222,400	236,218	458,618
Due from Other Funds	74	1,592	1,666
Property Taxes Receivable	2,373,240	0	2,373,240
Allowance for Uncollectible Property Taxes	(85,635)	0	(85,635)
Total Assets	<u>\$ 14,717,921</u>	<u>\$ 704,080</u>	<u>\$ 15,422,001</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 3,719	\$ 250	\$ 3,969
Due to Other Funds	1,592	74	1,666
Deferred Revenue - Current Property Taxes	2,201,566	0	2,201,566
Deferred Revenue - Delinquent Property Taxes	86,039	0	86,039
Other Deferred Revenues	153,585	0	153,585
Total Liabilities	<u>\$ 2,446,501</u>	<u>\$ 324</u>	<u>\$ 2,446,825</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 80,925	\$ 12,752	\$ 93,677
Reserved for Driver Education	17,333	0	17,333
Reserved for Career Ladder - Extended Contract	33,065	0	33,065
Reserved for Career Ladder Program	3,405	0	3,405
Reserved for Basic Education Program	6,362,724	0	6,362,724
Reserved for Title I Grants to Local Education Agencies	0	161,407	161,407
Reserved for Innovative Education Program Strategies	0	10,530	10,530
Reserved for Special Education - Grants to States	0	110,905	110,905
Other Federal Reserves	0	200	200
Unreserved, Reported In:			
General Fund	5,773,968	0	5,773,968
Special Revenue Funds	0	407,962	407,962
Total Fund Balances	<u>\$ 12,271,420</u>	<u>\$ 703,756</u>	<u>\$ 12,975,176</u>
Total Liabilities and Fund Balances	<u>\$ 14,717,921</u>	<u>\$ 704,080</u>	<u>\$ 15,422,001</u>

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,383,193	\$ 0	\$ 3,383,193
Licenses and Permits	3,111	0	3,111
Charges for Current Services	127,690	599,057	726,747
Other Local Revenues	51,303	3,393	54,696
State of Tennessee	15,536,208	23,877	15,560,085
Federal Government	261,617	3,092,036	3,353,653
Other Governments and Citizens Groups	850,000	0	850,000
Total Revenues	<u>\$ 20,213,122</u>	<u>\$ 3,718,363</u>	<u>\$ 23,931,485</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 12,386,863	\$ 1,620,276	\$ 14,007,139
Support Services	5,762,085	501,854	6,263,939
Operation of Non-Instructional Services	128,488	1,461,702	1,590,190
Capital Outlay	1,723,113	0	1,723,113
Debt Service:			
Other Debt Service	250,000	0	250,000
Total Expenditures	<u>\$ 20,250,549</u>	<u>\$ 3,583,832</u>	<u>\$ 23,834,381</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (37,427)</u>	<u>\$ 134,531</u>	<u>\$ 97,104</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 3,223	\$ 0	\$ 3,223
Transfers Out	0	(3,223)	(3,223)
Total Other Financing Sources (Uses)	<u>\$ 3,223</u>	<u>\$ (3,223)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (34,204)	\$ 131,308	\$ 97,104
Fund Balance, July 1, 2004	12,305,624	572,448	12,878,072
Fund Balance, June 30, 2005	<u>\$ 12,271,420</u>	<u>\$ 703,756</u>	<u>\$ 12,975,176</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

White 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 White County School Department operates the public school system in the county, and the voters of White County elect its board. The School Department is a component unit of White 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 White 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 Equity**

1. **Deposits and Investments**

State statutes authorize counties (White 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 White County and White County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. White County and the White 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 tax receivable allowance is equal to 1.95 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. 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.

4. Compensated Absences

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end.

The School Department's policy allows employees to accumulate sick days at varying rates depending upon their position. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave for professional personnel has no guaranteed payment attached and therefore is not required to be accrued or recorded. Nonteaching personnel may accumulate up to 60 days sick leave. Based on their daily wage, nonteaching personnel resigning or retiring with ten or more years of service are paid for 50 percent of their accumulated sick leave, while those resigning or retiring with 30 or more years of service receive 100 percent of their accumulated sick leave. The School Department does not determine and record the dollar value of these guaranteed payments for sick leave, as required by generally accepted accounting principles. Dollar values for compensated absences 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. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations in the Community Services major appropriation category (the legal level of control) of the General Purpose School Fund by \$22,288. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

White County and the School Department participate in an internal cash and investment pool through the primary government'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.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, White County’s deposits may not be returned to it. White County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for White County and the discretely presented White County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2005, bank balances of \$130,276 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 130,276</u>
Total	<u><u>\$ 130,276</u></u>

Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

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

The county had no pooled investments as of June 30, 2005, and School Department had no interest in the nonpooled investments held by the circuit court clerk at June 30, 2005.

B. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 74
Nonmajor governmental	General Purpose School	1,592

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

Interfund Transfers:

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

	<u>Transfers In</u>
Transfers Out	General Purpose School Fund
Nonmajor governmental funds	\$ 3,223
Total Transfers	<u>\$ 3,223</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.

IV. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of members. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the 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 White 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 White 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 White County School Department participates in White County's plan, retirement information for the White County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.H. of the Annual Financial Report of White County, Tennessee.

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the White County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the

White County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$652,797, \$376,977, and \$346,987, respectively, equal to the required contributions for each year.

E. Other Post-employment Benefits

In addition to the retirement commitments described in the preceding note, the School Department provides post-retirement health care benefits, in accordance with contract provisions, to all employees who retire from the School Department after July 1, 1998, with at least 30 years of service. During the year, 16 school retirees met those eligibility requirements. The School Department pays each retiree \$1,150 per year until the retiree reaches the age to become eligible for Medicare benefits. These payments for post-retirement health care benefits are made to retirees once a year and are recognized as expenditures in the General Purpose School Fund. During the year, expenditures totaling \$17,346 were recognized for post-employment health care.

F. Office of Central Accounting and Budgeting

Office of Director of Finance

White County and the White County School Department operate under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

G. Purchasing Law

Purchasing procedures for the White County School Department are governed by provisions of the County Financial Management Act of 1981, Sections 5-21-101 through 5-21-119, Tennessee Code Annotated. This act requires the finance director to make purchases for all county funds and provides for all purchases exceeding \$5,000 to be made based on competitive bids solicited through newspaper advertisement.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

White County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
White 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	\$ 3,383,193	\$ 0	\$ 0	\$ 3,383,193	\$ 3,340,410	\$ 3,340,410	\$ 42,783
Licenses and Permits	3,111	0	0	3,111	3,500	3,500	(389)
Charges for Current Services	127,690	0	0	127,690	130,200	130,200	(2,510)
Other Local Revenues	51,303	0	0	51,303	41,100	41,100	10,203
State of Tennessee	15,536,208	0	0	15,536,208	15,416,500	15,421,500	114,708
Federal Government	261,617	0	0	261,617	313,400	363,400	(101,783)
Other Governments and Citizens Groups	850,000	0	0	850,000	0	850,000	0
Total Revenues	\$ 20,213,122	\$ 0	\$ 0	\$ 20,213,122	\$ 19,245,110	\$ 20,150,110	\$ 63,012
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,469,375	\$ (70,432)	\$ 33,340	\$ 10,432,283	\$ 11,462,000	\$ 11,438,814	\$ 1,006,531
Special Education Program	1,196,232	0	0	1,196,232	1,274,200	1,274,200	77,968
Vocational Education Program	626,761	0	0	626,761	638,300	649,020	22,259
Adult Education Program	94,495	0	0	94,495	124,450	124,450	29,955
<u>Support Services</u>							
Attendance	66,730	0	0	66,730	66,750	67,971	1,241
Health Services	78,928	0	0	78,928	128,400	128,400	49,472
Other Student Support	572,887	0	0	572,887	616,800	616,800	43,913
Regular Instruction Program	536,690	(162)	168	536,696	589,650	589,650	52,954
Special Education Program	80,253	0	0	80,253	80,465	80,465	212
Vocational Education Program	96,667	0	0	96,667	52,900	97,180	513
Adult Programs	117,478	0	0	117,478	126,800	126,800	9,322
Board of Education	278,414	0	0	278,414	334,950	334,950	56,536
Director of Schools	107,143	0	0	107,143	119,350	119,350	12,207
Office of the Principal	1,012,741	0	0	1,012,741	998,400	1,020,365	7,624

(Continued)

Exhibit C

White County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
White 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	\$ 82,251	\$ 0	\$ 1,982	\$ 84,233	\$ 90,425	\$ 90,425	\$ 6,192
Operation of Plant	1,443,644	0	0	1,443,644	1,642,800	1,642,800	199,156
Maintenance of Plant	334,086	(25,275)	0	308,811	341,850	341,850	33,039
Transportation	954,173	(110,554)	0	843,619	953,450	953,450	109,831
<u>Operation of Non-Instructional Services</u>							
Community Services	128,488	0	0	128,488	106,200	106,200	(22,288)
<u>Capital Outlay</u>							
Regular Capital Outlay	1,723,113	(1,701,118)	45,435	67,430	460,000	460,000	392,570
<u>Other Debt Service</u>							
Education	250,000	0	0	250,000	250,000	250,000	0
Total Expenditures	\$ 20,250,549	\$ (1,907,541)	\$ 80,925	\$ 18,423,933	\$ 20,458,140	\$ 20,513,140	\$ 2,089,207
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (37,427)	\$ 1,907,541	\$ (80,925)	\$ 1,789,189	\$ (1,213,030)	\$ (363,030)	\$ 2,152,219
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 3,223	\$ 0	\$ 0	\$ 3,223	\$ 855,000	\$ 5,000	\$ (1,777)
Total Other Financing Sources (Uses)	\$ 3,223	\$ 0	\$ 0	\$ 3,223	\$ 855,000	\$ 5,000	\$ (1,777)
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ (34,204)	\$ 1,907,541	\$ (80,925)	\$ 1,792,412	\$ (358,030)	\$ (358,030)	\$ 2,150,442
	12,305,624	(1,907,541)	0	10,398,083	10,357,500	10,357,500	40,583
Fund Balance, June 30, 2005							
	\$ 12,271,420	\$ 0	\$ (80,925)	\$ 12,190,495	\$ 9,999,470	\$ 9,999,470	\$ 2,191,025

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

A. BUDGETARY INFORMATION

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the White 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 White County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS

Expenditures and encumbrances exceeded appropriations in the Community Services major appropriation category (the legal level of control) of the General Purpose School Fund by \$22,288. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by greater than anticipated revenues and available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 3,879	\$ 216	\$ 4,095
Equity in Pooled Cash and Investments	108,325	353,850	462,175
Due from Other Governments	169,320	66,898	236,218
Due from Other Funds	1,592	0	1,592
Total Assets	<u>\$ 283,116</u>	<u>\$ 420,964</u>	<u>\$ 704,080</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 0	\$ 250	\$ 250
Due to Other Funds	74	0	74
Total Liabilities	<u>\$ 74</u>	<u>\$ 250</u>	<u>\$ 324</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 0	\$ 12,752	\$ 12,752
Reserved for Title I Grants to Local Education Agencies	161,407	0	161,407
Reserved for Innovative Education Program Strategies	10,530	0	10,530
Reserved for Special Education - Grants to States	110,905	0	110,905
Other Federal Reserves	200	0	200
Unreserved	0	407,962	407,962
Total Fund Balances	<u>\$ 283,042</u>	<u>\$ 420,714</u>	<u>\$ 703,756</u>
Total Liabilities and Fund Balances	<u>\$ 283,116</u>	<u>\$ 420,964</u>	<u>\$ 704,080</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 599,057	\$ 599,057
Other Local Revenues	0	3,393	3,393
State of Tennessee	0	23,877	23,877
Federal Government	2,222,165	869,871	3,092,036
Total Revenues	<u>\$ 2,222,165</u>	<u>\$ 1,496,198</u>	<u>\$ 3,718,363</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,620,276	\$ 0	\$ 1,620,276
Support Services	501,854	0	501,854
Operation of Non-Instructional Services	0	1,461,702	1,461,702
Total Expenditures	<u>\$ 2,122,130</u>	<u>\$ 1,461,702</u>	<u>\$ 3,583,832</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 100,035</u>	<u>\$ 34,496</u>	<u>\$ 134,531</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (3,223)	\$ 0	\$ (3,223)
Total Other Financing Sources (Uses)	<u>\$ (3,223)</u>	<u>\$ 0</u>	<u>\$ (3,223)</u>
Net Change in Fund Balances	\$ 96,812	\$ 34,496	\$ 131,308
Fund Balance, July 1, 2004	<u>186,230</u>	<u>386,218</u>	<u>572,448</u>
Fund Balance, June 30, 2005	<u>\$ 283,042</u>	<u>\$ 420,714</u>	<u>\$ 703,756</u>

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,222,165	\$ 2,258,856	\$ 2,580,564	\$ (358,399)
Total Revenues	\$ 2,222,165	\$ 2,258,856	\$ 2,580,564	\$ (358,399)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,042,706	\$ 979,689	\$ 1,210,347	\$ 167,641
Special Education Program	500,816	651,686	696,975	196,159
Vocational Education Program	76,754	76,697	76,754	0
<u>Support Services</u>				
Other Student Support	26,522	27,338	27,481	959
Regular Instruction Program	262,497	171,908	508,408	245,911
Special Education Program	182,402	228,341	249,303	66,901
Vocational Education Program	3,844	3,900	3,844	0
Transportation	26,589	50,856	50,857	24,268
Total Expenditures	\$ 2,122,130	\$ 2,190,415	\$ 2,823,969	\$ 701,839
Excess (Deficiency) of Revenues Over Expenditures	\$ 100,035	\$ 68,441	\$ (243,405)	\$ 343,440
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (3,223)	\$ (4,354)	\$ (9,077)	\$ 5,854
Total Other Financing Sources (Uses)	\$ (3,223)	\$ (4,354)	\$ (9,077)	\$ 5,854
Net Change in Fund Balance	\$ 96,812	\$ 64,087	\$ (252,482)	\$ 349,294
Fund Balance, July 1, 2004	186,230	252,482	252,482	(66,252)
Fund Balance, June 30, 2005	\$ 283,042	\$ 316,569	\$ 0	\$ 283,042

Exhibit D-4

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 599,057	\$ 0	\$ 0	\$ 599,057	\$ 599,000	\$ 599,000	\$ 57
Other Local Revenues	3,393	0	0	3,393	6,000	6,000	(2,607)
State of Tennessee	23,877	0	0	23,877	24,000	24,000	(123)
Federal Government	869,871	0	0	869,871	787,000	812,000	57,871
Total Revenues	\$ 1,496,198	\$ 0	\$ 0	\$ 1,496,198	\$ 1,416,000	\$ 1,441,000	\$ 55,198
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,461,702	\$ (8,748)	\$ 12,752	\$ 1,465,706	\$ 1,459,187	\$ 1,484,187	\$ 18,481
Total Expenditures	\$ 1,461,702	\$ (8,748)	\$ 12,752	\$ 1,465,706	\$ 1,459,187	\$ 1,484,187	\$ 18,481
Excess (Deficiency) of Revenues Over Expenditures	\$ 34,496	\$ 8,748	\$ (12,752)	\$ 30,492	\$ (43,187)	\$ (43,187)	\$ 73,679
Net Change in Fund Balance	\$ 34,496	\$ 8,748	\$ (12,752)	\$ 30,492	\$ (43,187)	\$ (43,187)	\$ 73,679
Fund Balance, July 1, 2004	386,218	(8,748)	0	377,470	374,438	374,438	3,032
Fund Balance, June 30, 2005	\$ 420,714	\$ 0	\$ (12,752)	\$ 407,962	\$ 331,251	\$ 331,251	\$ 76,711

MISCELLANEOUS SCHEDULES

Exhibit E-1

White County, Tennessee
Schedule of Transfers - All Funds
White 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>\$ 3,223</u>
Total Transfers			<u><u>\$ 3,223</u></u>

Exhibit E-2

White County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
White 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 White County Board of Education	\$ 83,000 (1)	\$ 50,000	Auto Owners Insurance Company
Employee Dishonesty Bond Coverage: School Department Employees			150,000	Tennessee School Boards Risk Management Trust

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

Exhibit E-3

White County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
White 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	\$ 2,680,634	\$ 0	\$ 0	\$ 2,680,634
Trustee's Collections - Prior Year	129,736	0	0	129,736
Circuit/Clerk & Master Collections - Prior Years	61,188	0	0	61,188
Interest and Penalty	21,465	0	0	21,465
Payments in Lieu of Taxes - Other	226	0	0	226
<u>County Local Option Taxes</u>				
Local Option Sales Tax	419,159	0	0	419,159
<u>Statutory Local Taxes</u>				
Bank Excise Tax	62,331	0	0	62,331
Interstate Telecommunications Tax	8,454	0	0	8,454
Total Local Taxes	\$ 3,383,193	\$ 0	\$ 0	\$ 3,383,193
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,460	\$ 0	\$ 0	\$ 2,460
<u>Permits</u>				
Other Permits	651	0	0	651
Total Licenses and Permits	\$ 3,111	\$ 0	\$ 0	\$ 3,111
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 875	\$ 0	\$ 0	\$ 875
Lunch Payments - Children	0	0	325,373	325,373
Lunch Payments - Adults	0	0	46,764	46,764
Income from Breakfast	0	0	34,428	34,428
Special Milk Sales	0	0	39,685	39,685
A la carte Sales	0	0	152,807	152,807
Receipts from Individual Schools	38,452	0	0	38,452
Community Service Fees - Children	1,025	0	0	1,025
Community Service Fees - Adults	920	0	0	920
TBI Criminal Background Fee	4,164	0	0	4,164
<u>Other Charges for Services</u>				
Other Charges for Services	82,254	0	0	82,254
Total Charges for Current Services	\$ 127,690	\$ 0	\$ 599,057	\$ 726,747
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 1,972	\$ 1,972
Lease/Rentals	3,600	0	0	3,600
Miscellaneous Refunds	25,713	0	1,421	27,134
<u>Nonrecurring Items</u>				
Insurance Recovery	2,850	0	0	2,850
Sale of Equipment	5,830	0	0	5,830
Damages Recovered from Individuals	48	0	0	48
Contributions & Gifts	3,158	0	0	3,158
<u>Other Local Revenues</u>				
Other Local Revenues	10,104	0	0	10,104
Total Other Local Revenues	\$ 51,303	\$ 0	\$ 3,393	\$ 54,696

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 14,612,833	\$ 0	\$ 0	\$ 14,612,833
School Food Service	0	0	23,877	23,877
Driver Education	1,440	0	0	1,440
Other State Education Funds	155,199	0	0	155,199
Career Ladder Program	297,368	0	0	297,368
Career Ladder - Extended Contract	157,075	0	0	157,075
Other Vocational	1,375	0	0	1,375
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	168,168	0	0	168,168
Other State Grants	142,750	0	0	142,750
Total State of Tennessee	\$ 15,536,208	\$ 0	\$ 23,877	\$ 15,560,085
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 700,886	\$ 700,886
Breakfast	0	0	153,137	153,137
USDA - Other	0	0	15,848	15,848
Adult Education State Grant Program	76,818	0	0	76,818
Vocational Education - Basic Grants to States	0	82,397	0	82,397
Other Vocational	20,000	0	0	20,000
Title I Grants to Local Education Agencies	0	920,957	0	920,957
Innovative Education Program Strategies	0	19,483	0	19,483
Special Education - Grants to States	17,713	669,916	0	687,629
Special Education Preschool Grants	0	20,304	0	20,304
Eisenhower Professional Development State Grants	0	239,106	0	239,106
Job Training Partnership Act	17,000	0	0	17,000
Other Federal through State	79,564	270,002	0	349,566
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	50,522	0	0	50,522
Total Federal Government	\$ 261,617	\$ 2,222,165	\$ 869,871	\$ 3,353,653
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 850,000	\$ 0	\$ 0	\$ 850,000
Total Other Governments and Citizens Groups	\$ 850,000	\$ 0	\$ 0	\$ 850,000
Total	\$ 20,213,122	\$ 2,222,165	\$ 1,496,198	\$ 23,931,485

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,330,674	
Career Ladder Program	152,240	
Career Ladder Extended Contracts	107,900	
Homebound Teachers	5,857	
Educational Assistants	357,297	
Certified Substitute Teachers	145,921	
Social Security	475,694	
State Retirement	429,375	
Medical Insurance	683,073	
Unemployment Compensation	16,292	
Employer Medicare	111,276	
Maintenance & Repair Services- Equipment	6,026	
Instructional Supplies and Materials	255,894	
Textbooks	166,251	
Other Supplies and Materials	550	
Fee Waivers	3,330	
Other Charges	76,483	
Regular Instruction Equipment	145,242	
Total Regular Instruction Program		\$ 10,469,375

Special Education Program

Teachers	\$ 874,924	
Career Ladder Program	35,500	
Homebound Teachers	13,865	
Educational Assistants	22,005	
Other Salaries & Wages	28,784	
Certified Substitute Teachers	1,282	
Social Security	57,505	
State Retirement	52,384	
Medical Insurance	70,431	
Employer Medicare	13,449	
Other Contracted Services	8,463	
Instructional Supplies and Materials	4,835	
Other Supplies and Materials	12,805	
Total Special Education Program		1,196,232

Vocational Education Program

Teachers	\$ 479,259
Career Ladder Program	11,500

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Social Security	\$	28,894	
State Retirement		26,992	
Medical Insurance		41,608	
Employer Medicare		6,758	
Maintenance & Repair Services- Equipment		3,000	
Travel		750	
Instructional Supplies and Materials		18,736	
Other Supplies and Materials		9,264	
Total Vocational Education Program			\$ 626,761

Adult Education Program

Teachers	\$	61,448	
Other Salaries & Wages		16,844	
Social Security		4,849	
State Retirement		2,275	
Medical Insurance		145	
Employer Medicare		1,134	
Instructional Supplies and Materials		5,639	
Other Supplies and Materials		1,640	
Other Charges		521	
Total Adult Education Program			94,495

Support Services

Attendance

Supervisor/Director	\$	53,545	
Career Ladder Program		3,000	
Social Security		3,431	
State Retirement		3,110	
Medical Insurance		2,752	
Employer Medicare		802	
Travel		90	
Total Attendance			66,730

Health Services

Medical Personnel	\$	31,335	
Other Salaries & Wages		32,195	
Social Security		3,939	
State Retirement		2,818	
Employer Medicare		921	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Travel	\$	72	
Other Contracted Services		2,500	
Drugs and Medical Supplies		1,212	
Other Supplies and Materials		1,978	
Other Charges		1,958	
Total Health Services			\$ 78,928

Other Student Support

Career Ladder Program	\$	8,500	
Guidance Personnel		367,855	
Other Salaries & Wages		51,222	
Social Security		25,488	
State Retirement		23,116	
Medical Insurance		30,003	
Employer Medicare		5,961	
Evaluation and Testing		14,222	
Travel		114	
Other Contracted Services		44,529	
Other Supplies and Materials		809	
Other Charges		1,068	
Total Other Student Support			572,887

Regular Instruction Program

Supervisor/Director	\$	60,709	
Career Ladder Program		14,000	
Career Ladder Extended Contracts		8,000	
Librarians		270,330	
Instructional Computer Personnel		49,065	
Other Salaries & Wages		8,011	
Social Security		25,072	
State Retirement		22,427	
Medical Insurance		19,162	
Employer Medicare		5,863	
Travel		3,366	
Library Books/Media		44,099	
In Service/Staff Development		5,404	
Other Charges		1,182	
Total Regular Instruction Program			536,690

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	57,959	
Career Ladder Program		1,000	
Clerical Personnel		8,661	
Social Security		4,093	
State Retirement		3,537	
Medical Insurance		3,060	
Employer Medicare		957	
Travel		986	
Total Special Education Program			\$ 80,253

Vocational Education Program

Supervisor/Director	\$	25,611	
Secretary(s)		15,746	
Social Security		3,157	
State Retirement		2,485	
Medical Insurance		3,065	
Employer Medicare		738	
Other Supplies and Materials		2,000	
In Service/Staff Development		37,865	
Other Charges		6,000	
Total Vocational Education Program			96,667

Adult Programs

Supervisor/Director	\$	85,154	
Career Ladder Program		2,000	
Clerical Personnel		3,000	
Social Security		5,131	
State Retirement		4,868	
Medical Insurance		9,148	
Employer Medicare		1,200	
Travel		1,649	
Other Contracted Services		3,000	
In Service/Staff Development		2,328	
Total Adult Programs			117,478

Board of Education

Board and Committee Members Fees	\$	6,185	
In-Service Training		6,736	
Social Security		383	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

State Retirement	\$	31	
Medical Insurance		17,346	
Employer Medicare		90	
Audit Services		5,000	
Communication		48	
Contributions		13,000	
Dues and Memberships		7,820	
Legal Services		881	
Liability Insurance		29,236	
Premiums on Corporate Surety Bonds		1,634	
Trustee's Commission		104,984	
Workers' Compensation Insurance		80,876	
Criminal Investigation of Applicants - TBI		4,164	
Total Board of Education			\$ 278,414

Director of Schools

County Official/Administrative Officer	\$	82,000	
Career Ladder Program		1,000	
Social Security		5,177	
State Retirement		4,592	
Medical Insurance		5,488	
Employer Medicare		1,211	
Communication		4,387	
Dues and Memberships		1,438	
Postal Charges		1,850	
Total Director of Schools			107,143

Office of the Principal

Principals	\$	422,728	
Career Ladder Program		20,750	
Accountants/Bookkeepers		36,217	
Career Ladder Extended Contracts		23,000	
Assistant Principals		221,008	
Secretary(s)		110,594	
Other Salaries & Wages		11,526	
Social Security		50,251	
State Retirement		42,922	
Medical Insurance		50,027	
Employer Medicare		11,752	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Communication	\$	10,966	
Dues and Memberships		1,000	
Total Office of the Principal			\$ 1,012,741

Fiscal Services

Supervisor/Director	\$	31,992	
Secretary(s)		18,896	
Clerical Personnel		18,896	
Social Security		4,315	
State Retirement		2,373	
Employer Medicare		1,009	
Maintenance & Repair Services- Equipment		2,047	
Travel		31	
Office Supplies		2,260	
In Service/Staff Development		432	
Total Fiscal Services			82,251

Operation of Plant

Custodial Personnel	\$	547,024	
Other Salaries & Wages		2,841	
Social Security		34,112	
State Retirement		17,502	
Employer Medicare		7,973	
Other Contracted Services		4,489	
Electricity		471,070	
Natural Gas		184,538	
Water and Sewer		37,506	
Other Supplies and Materials		47,383	
Boiler Insurance		4,798	
Building and Contents Insurance		84,408	
Total Operation of Plant			1,443,644

Maintenance of Plant

Supervisor/Director	\$	32,637	
Maintenance Personnel		69,305	
Social Security		6,300	
State Retirement		3,466	
Employer Medicare		1,478	
Maintenance & Repair Services- Buildings		88,122	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Maintenance & Repair Services- Equipment	\$	46	
Other Contracted Services		7,932	
Other Supplies and Materials		40,159	
Other Charges		6,940	
Maintenance Equipment		77,701	
Total Maintenance of Plant			\$ 334,086

Transportation

Supervisor/Director	\$	32,637	
Mechanic(s)		57,754	
Bus Drivers		348,949	
Other Salaries & Wages		22,687	
Social Security		28,655	
State Retirement		14,486	
Employer Medicare		6,702	
Communication		2,895	
Medical and Dental Services		2,148	
Other Contracted Services		97	
Diesel Fuel		89,933	
Garage Supplies		2,605	
Gasoline		19,514	
Lubricants		2,954	
Tires and Tubes		10,425	
Vehicle Parts		39,650	
Vehicle and Equipment Insurance		26,987	
In Service/Staff Development		600	
Other Charges		356	
Transportation Equipment		244,139	
Total Transportation			954,173

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	35,229	
Educational Assistants		56,343	
Social Security		5,353	
State Retirement		2,013	
Medical Insurance		6,099	
Employer Medicare		1,252	
Travel		586	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Supplies and Materials	\$ 15,588	
Other Charges	6,025	
Total Community Services		\$ 128,488

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$ 1,500	
Building Construction	78,793	
Building Improvements	1,642,820	
Total Regular Capital Outlay		1,723,113

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 250,000	
Total Education		250,000

Total General Purpose School Fund \$ 20,250,549

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 721,476	
Educational Assistants	78,064	
Other Salaries & Wages	9,080	
Certified Substitute Teachers	502	
Social Security	48,847	
State Retirement	41,834	
Medical Insurance	44,860	
Employer Medicare	11,428	
Tuition	1,500	
Instructional Supplies and Materials	51,273	
Other Supplies and Materials	4,531	
Other Charges	205	
Regular Instruction Equipment	29,106	
Total Regular Instruction Program		\$ 1,042,706

Special Education Program

Teachers	\$ 65,890
Educational Assistants	265,645

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries & Wages	\$	21,572	
Social Security		21,672	
State Retirement		13,339	
Medical Insurance		6,105	
Employer Medicare		5,066	
Other Contracted Services		62,998	
Instructional Supplies and Materials		31,818	
Special Education Equipment		6,711	
Total Special Education Program			\$ 500,816

Vocational Education Program

Educational Assistants	\$	9,916	
Social Security		615	
State Retirement		337	
Employer Medicare		144	
Travel		1,500	
Instructional Supplies and Materials		17,000	
Other Supplies and Materials		3,400	
Vocational Instruction Equipment		43,842	
Total Vocational Education Program			76,754

Support Services

Other Student Support

Maintenance & Repair Services- Equipment	\$	1,963	
Travel		1,800	
Other Contracted Services		14,843	
Other Charges		7,916	
Total Other Student Support			26,522

Regular Instruction Program

Supervisor/Director	\$	34,346	
Clerical Personnel		8,661	
Other Salaries & Wages		33,544	
In-Service Training		7,892	
Social Security		5,522	
State Retirement		4,056	
Employer Medicare		1,289	
Maintenance & Repair Services- Equipment		5,460	
Travel		4,650	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Contracted Services	\$	67,412	
Library Books/Media		5,828	
Other Supplies and Materials		8,502	
In Service/Staff Development		63,369	
Other Charges		616	
Other Equipment		11,350	
Total Regular Instruction Program			\$ 262,497

Special Education Program

Psychological Personnel	\$	111,636	
Assessment Personnel		10,697	
Social Security		7,505	
State Retirement		6,504	
Medical Insurance		7,055	
Employer Medicare		1,755	
Maintenance & Repair Services- Equipment		276	
Travel		4,423	
Other Contracted Services		2,267	
In Service/Staff Development		10,140	
Other Charges		182	
Other Equipment		19,962	
Total Special Education Program			182,402

Vocational Education Program

Travel	\$	300	
In Service/Staff Development		2,544	
Other Charges		1,000	
Total Vocational Education Program			3,844

Transportation

Bus Drivers	\$	21,010	
Social Security		1,299	
State Retirement		506	
Employer Medicare		304	
Contracts with Parents		3,470	
Total Transportation			26,589

Total School Federal Projects Fund \$ 2,122,130

(Continued)

Exhibit E-4

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	33,506	
Clerical Personnel		16,654	
Cafeteria Personnel		519,531	
Other Salaries & Wages		16,927	
Social Security		36,450	
State Retirement		17,570	
Medical Insurance		1,829	
Unemployment Compensation		3,021	
Employer Medicare		8,528	
Maintenance & Repair Services- Equipment		17,865	
Travel		499	
Food Preparation Supplies		11,241	
Food Supplies		650,273	
Other Supplies and Materials		92,548	
In Service/Staff Development		2,487	
Other Charges		15,966	
Food Service Equipment		16,807	
Total Food Service			\$ 1,461,702

Total Central Cafeteria Fund \$ 1,461,702

Total Governmental Funds - White County School Department \$ 23,834,381

SINGLE AUDIT REPORT
WHITE COUNTY, TENNESSEE
AND
WHITE 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
AMY HEWITT
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

November 7, 2005

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of White County, Tennessee, and the White County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of White County's and the White County School Department's basic financial statements and have issued our reports thereon dated November 7, 2005. Our reports on the financial statements of White County, Tennessee, and the White 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 White County's and the White 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 White County's and the White 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, 05.06, 05.07(A), 05.08, 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 item 05.06 to be a material weakness.

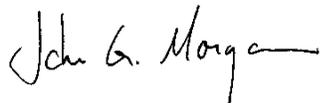
Compliance and Other Matters

As part of obtaining reasonable assurance about whether White County's and the White 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, 05.07(B,C,D), and 05.11.

We also noted certain matters that we reported to the management of White County and the White 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/sb



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

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

November 7, 2005

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

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

Compliance

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

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

Internal Control Over Compliance

The management of White County and the White 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 White County's and the White 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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the White County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.12, 05.13, 05.14, 05.15, and 05.16.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of White County, Tennessee, and the White County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated November 7, 2005. Our reports on the financial statements of White County and the White 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 cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 109,497
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	153,137
National School Lunch Program	10.555	N/A	716,734
Total U.S. Department of Agriculture			<u>\$ 979,368</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 17,100
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	05-07-185-011-09-82	\$ 17,000
Passed-through State Department of Labor and Workforce Development:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-04-025674-01	2,874
Total U.S. Department of Labor			<u>\$ 19,874</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-04-016727-00	\$ 6,416 (3)
Adult Education - State Grant Program	84.002	GG-05-11214-00	8,891 (3)
Adult Education - State Grant Program	84.002	Z-05-022281-00	67,528 (3)
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	797,108
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	727,106
Special Education - Preschool Grants	84.173	N/A	16,930
Vocational Education - Basic Grants to States	84.048	N/A	83,772
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	22,109 (4)
Safe and Drug-Free Schools and Communities - State Grants	84.186	Z-03-013175-00	2,125 (4)
Even Start - State Educational Agencies	84.213	Z-05-020481-00	52,757
Fund for the Improvement of Education	84.215	U-215-X040327	96,040
Twenty-First Century Community Learning Centers	84.287	(2)	151,653
State Grants for Innovative Programs	84.298	N/A	19,483
Education Technology State Grants	84.318	(2)	21,814
Improving Teacher Quality State Grants	84.367	N/A	215,549
Total U.S. Department of Education			<u>\$ 2,289,281</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022367-00	\$ 15,791
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-04-016578-00	65,200
Total U.S. Department of Health and Human Services			<u>\$ 80,991</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017814-00	\$ 39,992 (5)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022507-00	24,145 (5)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020159-00	29,300 (5)
Flood Mitigation Assistance	97.029	Z-03-014813-00	800
Community Emergency Response Teams	97.054	Z-03-019281-00	1,348
Total U.S. Department of Homeland Security			<u>\$ 95,585</u>
Total Expenditures of Federal Awards			<u>\$ 3,482,199</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
<u>State Grants</u>			
Adult Education - State Department of Labor	N/A	Z-04-016727-00	\$ 1,747
Adult Education - State Department of Labor	N/A	Z-05-022281-00	17,909
Arts Builds Communities Grant - State Arts Commission	N/A	(2)	1,500
Career and Academic Technology Institute Grant - State Department of Education	N/A	(2)	20,000
Family Resource - State Department of Education	N/A	Z-05-21429-00	18,543
Juvenile Services - State Commission on Children and Youth	N/A	(2)	14,500
Litter Program - State Department of Transportation	N/A	(2)	32,356
Optional Safety Program - State Department of Transportation	N/A	STP-H-9300(36)	49,438
Rural Local Health Services - State Department of Health	N/A	GG-05-11501-00	41,200
Safe Schools Act - State Department of Education	N/A	(2)	23,297
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	9,839
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	19,744
Total State Grants			<u>\$ 250,073</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 No. 84.002) from the U.S. Department of Education was \$82,835.
- (4) Total Safe and Drug-Free Schools and Communities - State Grants (CFDA No. 84.186) from the U.S. Department of Education was \$24,234.
- (5) Total State Domestic Preparedness Equipment Support Program (CFDA No. 97.004) from the U.S. Department of Homeland Security was \$93,437.

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

WHITE COUNTY AND WHITE COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	10	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02(B)	11	Payables were not properly determined and recorded on the accounting records of the Solid Waste/Disposal Fund

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.05(B)	14	Annual financial reports were not properly filed for Circuit and General Sessions Courts
04.05(C)	14	The execution docket trial balances did not reconcile with cash journal accounts

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
04.06(B)	15	The bank account maintained for drug control funds was not reflected on the office cash journal
04.07	15	Commissary account transactions were not maintained on the office cash journal

OTHER FINDING AND RECOMMENDATION

Finding Number	Page Number	Subject
04.08	16	Duties were not segregated adequately in the Offices of Finance Director, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2004

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of White County and the White County School Department.
2. The audit of the financial statements of White County and the White County School Department disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness of White County.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of White County and the White County School Department.
4. The audit disclosed reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. White County and the White 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 have reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the finance director and the director of schools 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.

WHITE COUNTY AND WHITE 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)

White County and the White County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, White County and the White County School Department were unable to provide the information necessary to prepare government-wide financial statements for all 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, White County’s and the White 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. White County’s and the White County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The county has identified all capital assets, and the Finance Department is in the process of documenting their historical costs. We believe that we are very close to complying with the provisions of GASB 34.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The School Department does maintain records and has accountability of all assets.

REBUTTAL

Capital assets of the School Department may have been identified. However, information such as the historical costs of each asset and its related depreciation has yet to be completely compiled in compliance with provisions of GASB 34.

OFFICE OF FINANCE DIRECTOR

FINDING 05.02 **THE FINANCE DEPARTMENT HAD DEFICIENCIES IN PURCHASING PROCEDURES** (Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. Also, in several instances, the Finance Department issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.
- C. Numerous purchases of supplies and materials were made during the year by individual schools in White County. In several instances, the individual schools would subsequently send paid invoices and cancelled checks that documented these purchases to the Finance Department and request that the schools be reimbursed from various federal grant programs administered through the School Federal Projects Fund. In the instances noted, the Finance Department reimbursed the schools for the purchases that had been made without prior Finance Department approval.

Although the goods and services purchased in this manner appeared to be of the type allowable under the federal program guidelines, the process of reimbursing the schools after purchases are made circumvents the established purchasing procedures of the Finance Department. White County's purchasing procedures state specifically that "no purchase of any kind will be made by any county official, department head, or employee except through the Finance Department."

RECOMMENDATION

The Finance Department should improve purchasing procedures by issuing purchase orders for all applicable purchases and obtaining documentation that goods have been received or services have been rendered before invoices are paid. Also, all purchases should be made through the Finance Department in accordance with established procedures.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

- A. The finance director disputes the claim that purchase orders were issued after purchases were made. It is the practice of all county officials to call the Finance Department prior to making all purchases. Some requisitions are not delivered to the Finance Department prior to making the purchase, but approval is granted at the point of the telephone call. The Finance Department recognizes the need for printed and dated purchase orders and intends to implement this program. The Finance Department has conducted business in this manner for the past several years.

- C. The Finance Department along with the School Department will evaluate the current process of purchases at the school level. There is a system of purchase orders used among the various schools in White County which verifies the validity of the purchase.

REBUTTAL TO FINANCE DIRECTOR'S ITEM A.

If it is the policy of the Finance Department to approve purchase orders by phone, then the Finance Department should log all phone approvals by purchase order number, vendor, and date approved. When purchase orders are physically printed the issue date should reconcile with the phone approval date.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

- C. The purchase order system is the same that has been used for many years for both federal and general purpose school funds. Approval of various purchases have been given to the school principal, approved by the director of schools, and signed off on by the finance director.

REBUTTAL TO DIRECTOR OF SCHOOL'S ITEM C.

White County operates under provisions of the County Financial Management Act of 1981. Section 5-21-119, Tennessee Code Annotated, provides that the Financial Management Committee, with the assistance of the purchasing agent (finance director), shall establish a purchasing system for the county. White County has established purchasing policies that require all purchases be made through the Finance Department with detailed requisitions presented by a department head to the finance director or accounts payable clerk for a purchase order number. Other than emergency purchases, the procedures established by the county make no provisions for deviations from the established purchasing procedures.

FINDING 05.03 THE FINANCE DEPARTMENT HAD DEFICIENCIES IN THE MAINTENANCE OF ACCOUNTING RECORDS
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of the accounting records revealed the following deficiencies:

- A. Liabilities were not properly determined and recorded on the accounting records of the General Fund at June 30, 2005, as required by generally accepted accounting principles. We performed additional audit procedures to determine proper amounts of liabilities. Audit adjustments (\$43,632) were presented to management for approval and posting to the financial records. As a result of these adjustments, liabilities of the General Fund are properly reflected in the financial statements of this report.

- B. Encumbrances were reflected in the financial statements of the General Fund (\$35,621), Highway/Public Works Fund (\$39,211), General Purpose School Fund (\$80,925), and Central Cafeteria Fund (\$12,752) at June 30, 2005. However, the Finance Department had no documentation or listing of outstanding purchase orders on file to support these encumbrances. At the request of the auditors, the finance director prepared a listing of outstanding purchase orders, and we were able to apply audit procedures to verify the amounts reflected as encumbrances in the financial statements of this report.

- C. Reservations of fund balances were reflected in the accounting records of the General, Industrial/Economic Development, and School Federal Projects Funds at June 30, 2005; however, the Finance Department did not provide an analysis or other documentation to support the balances reserved. An analysis is necessary for each reservation of fund balance to document the unexpended amount of legally restricted revenues. Audit adjustments were presented to management for approval and posting to properly reflect the reserved balances for financial statement presentation.

- D. Numerous posting and classification errors were noted in the accounting records of the funds administered by the Finance Department. In several instances, revenues were posted to expenditure accounts; and expenditures were misclassified. Misclassifying revenues and expenditures diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control. Audit adjustments were presented to management for approval and posting for significant misclassifications and posting errors noted.
- E. The Finance Department did not maintain documentation to support the majority of numerous general journal entries posted to the accounting records. Many entries were made without explanation, and many had vague or incomplete explanations such as “to clear books,” “to clear overages,” or “to correct.” Other journal entries were posted to the accounting records of school funds based on written requests of school officials without noting the specific purpose of the entry.
- F. There were several general journal entries that adjusted expenditure accounts in the financial records of the General, the Highway/Public Works, and the General Purpose School Funds which transferred amounts between major budget appropriation categories. When auditors inquired about these entries, the finance director explained that rather than request a budget amendment, arbitrary amounts were reclassified between expenditure accounts to avoid overspending specific budget line items. In effect, these entries constituted budget amendments that had not been approved by the County Commission; therefore, these entries have not been recognized in the financial statements of this report.

RECOMMENDATION

County officials should properly determine, record, and document liabilities, encumbrances, and reservations of fund balances at year-end. To ensure effective budgetary control and accountability of funds, the office should classify revenues and expenditures in the appropriate accounts. Detailed documentation with adequate explanations should be provided to support all general journal entries to strengthen internal controls over financial transactions. Furthermore, expenditures should not be arbitrarily reclassified in lieu of soliciting budget amendments approved by the County Commission.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

- A., B. This was the first time to close the computer program at the end of the fiscal year, and some problems did exist. I have made extensive notes to prepare for the closure of future fiscal years.
- D. The Finance Department will work with all county offices to properly identify and account for all revenue and expenditures.

E., F. I agree that journal entries were made without sufficient documentation and have taken steps to document and maintain an adequate method of recordkeeping.

FINDING 05.04 **THE FINANCE DEPARTMENT DID NOT MAINTAIN AN INVENTORY LISTING FOR ALL COUNTY ASSETS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Finance Department did not maintain a comprehensive inventory listing of all assets owned by the county. Generally accepted accounting principles require accountability for all assets of the county, such as equipment, furniture, and fixtures.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

The Finance Department has compiled a list of all assets within the department and will continue to collect asset lists from all other county offices.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The School Department does maintain an inventory of all assets. This inventory is on file in the Office of the Director of Schools and in the White County Finance Office.

REBUTTAL

When auditors asked for an inventory of the county’s assets, the finance director stated, as noted above, that his office only maintained a list of the assets of the Finance Department.

FINDING 05.05 **THE FINANCE DEPARTMENT DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS**
(Noncompliance Under Government Auditing Standards)

The Finance Department did not require the depository holding the clearing accounts for the county and the School Department to pledge sufficient securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits exceeded FDIC coverage and collateral securities pledged by \$130,276. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

RECOMMENDATION

County officials should require all depositories to pledge sufficient securities to protect county funds exceeding FDIC coverage as required by state statute.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

This account generally does not maintain a balance in excess of FDIC coverage. The problem at year-end was caused by the payroll for the summer months issued to school personnel in June. We will ask the bank to raise the collateral pledged to \$750,000 which should eliminate this problem in the future.

FINDING 05.06 **LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS WERE NOT DETERMINED AND RECORDED ON ACCOUNTING RECORDS OF THE SOLID WASTE DISPOSAL FUND**
(Internal Control – Material Weakness Under Government Auditing Standards)

County officials did not determine and record landfill closure and postclosure care costs of \$1,074,942 on the accounting records of the Solid Waste Disposal Fund. Auditors established this amount from information obtained from records on file and discussions with county officials and the county's landfill engineer. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after the date that the landfill stops accepting waste. Generally accepted accounting principles require county officials to accrue and report a portion of these closure and postclosure care costs as a liability and as an operating expense in each year of operation based on the estimated landfill capacity used. The total estimated liability for landfill closure and postclosure care costs reflected in the financial statements of the Solid Waste Disposal Fund at June 30, 2005, was \$2,193,654. A retained earnings deficit of \$603,618 resulted from recording this estimated liability on the account records.

RECOMMENDATION

County officials should determine and record landfill closure and postclosure care costs on the accounting records of the Solid Waste Disposal Fund as required by generally accepted accounting principles. Furthermore, steps should be taken to liquidate the retained earnings deficit.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The county is in the process of opening another cell at the current landfill site. Once this new cell is completed, the county will, with the assistance of engineers and the state, determine the status of the entire landfill site regarding closure and postclosure estimates.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

**FINDING 05.07 ACCOUNTING RECORDS WERE NOT MAINTAINED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND STATE STATUTES
(A. Internal Control – Reportable Condition Under Government Auditing Standards; B.,C.,D. Noncompliance Under Government Auditing Standards)**

Our examination of the courts' records revealed the following deficiencies:

- A. The circuit and general sessions courts clerk maintained short-term investment activity in subsidiary ledgers; however, this activity was not reflected in the offices' cash journals. The circuit court's subsidiary investment ledger revealed an investment of \$8,278, interest earnings of \$76,738, and withdrawals of \$22,256 that had not been posted to the cash journal. The general sessions court's subsidiary investment ledger revealed interest earnings of \$238 that had not been posted to the cash journal. The cash journal is the official cash control record of each office and should reflect all financial activity. Adjustments were presented to the clerk for approval to correctly reflect these transactions in the financial statements of this report.
- B. The clerk prepared execution docket trial balances for Circuit and General Sessions Courts at June 30, 2005, as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with circuit and general sessions courts' cash journal accounts by \$8,217 and \$9,568, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.
- C. The general sessions court bank reconciliation reflected a total of \$53,963 in outstanding checks that were over one year old at June 30, 2005. Section 66-29-110, Tennessee Code Annotated, (TCA) provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.
- D. The clerk prepared annual financial reports for circuit and general sessions courts at June 30, 2005, but did not file these reports with the county clerk and the county mayor as required by state statute. Section 5-8-505, Tennessee Code Annotated, states, "All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county mayor and with the county clerk ... an annual financial report ..."

RECOMMENDATION

The clerk should post all short-term investment activity to the offices' cash journals and should reconcile the subsidiary investment ledgers with cash journal totals on a regular basis. The execution docket trial balances for Circuit and General Sessions Courts should be reconciled with cash journal accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute. The clerk should file the annual financial reports with the appropriate officials as required by state statute.

OFFICE OF SHERIFF

FINDING 05.08 **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of the commissary operations revealed the following deficiencies:

- A. The office's commissary software maintained general ledger accounts to account for 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. The office maintained accounting records for commissary funds but did not reflect commissary transactions on the office cash journal. The cash journal is the official cash control record and should reflect all financial activity of the office.

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.

FINDING 05.09 CONFIDENTIAL DRUG FUND TRANSACTIONS WERE NOT MAINTAINED ON THE OFFICE CASH JOURNAL
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office maintained accounting records for confidential drug transactions but did not reflect these transactions on the office cash journal. The cash journal is the official cash control record and should reflect all financial activity of the office.

RECOMMENDATION

All accounting transactions of the office should be reflected on the cash journal.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.10 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF FINANCE DIRECTOR, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among employees in the Offices of Finance Director, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The 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.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

All Finance Department employees are involved in all aspects of daily operations as directed by the finance director.

FINDING 05.11 THE FINANCE DIRECTOR ALSO SERVES ON THE BOARD OF EDUCATION WHICH APPEARS TO BE A CONFLICT OF INTEREST
(Material Noncompliance Under Government Auditing Standards)

White County operates under the provisions of the County Financial Management System of 1981, which provides for the creation of a Finance Department to administer the finances of the county for all funds of the various departments, agencies, and boards which are

handled by the county trustee and operate under the direction of a finance director. The finance director is appointed by the Financial Management Committee consisting of the county mayor, highway superintendent, director of schools, and four members elected by the County Commission. The Finance Department is responsible for purchasing, accounting, budgeting, payroll, cash management, and other financial matters for the general county government and School Department. Mark Farley, a member of the White County Board of Education, was appointed as the county's finance director in December 2004. As a member of the Board of Education, Mr. Farley sits on the board that appoints the director of schools and approves contracts and budgets for the School Department. As finance director, Mr. Farley supervises the daily administration of these same School Department contracts and budgets. The above-noted duties appear to be a conflict of interest.

RECOMMENDATION

County officials should review the situation and resolve the conflict of interest.

MANAGEMENT RESPONSE – FINANCE DIRECTOR

At the time the new finance director was hired, this issue was discussed by all parties involved, and the state Attorney General's Office was also consulted. The finance director understands the importance of due public acknowledgement of his dual roles and will strive to declare any conflict of interest which may arise because of his position.

REBUTTAL

Declaring to the public that a conflict of interest exists because of the dual roles does not resolve the conflict of interest situation.

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

Federal Agency	Finding Number	Federal CFDA Numbers	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed through Tennessee Department of Education	05.12	84.010 84.027 84.173	OMB <u>Circular A-133</u> Section 300(b), and <u>Circular A-122</u> Common Rule	Internal Control - Reportable Condition Under <u>OMB</u> <u>Circular A-133</u> . Purchase orders were not issued in some instances or were not issued properly, see Finding 05.02A.	\$ 0
U.S. Department of Education: Passed through Tennessee Department of Education	05.13	84.010 84.027 84.173	OMB <u>Circular A-133</u> Section 300(b), and <u>Circular A-122</u> Common Rule	Internal Control - Reportable Condition Under <u>OMB</u> <u>Circular A-133</u> . Invoices were paid without documentation that goods had been received or services rendered, see Finding 05.02B.	0
U.S. Department of Education: Passed through Tennessee Department of Education	05.14	84.010 84.027 84.048 84.173 84.186 84.287 84.298	OMB <u>Circular A-133</u> Section 300(b), and <u>Circular A-122</u> Common Rule	Internal Control - Reportable Condition Under <u>OMB</u> <u>Circular A-133</u> . Purchases were made by individual schools without prior approval from the Finance Department and then the schools were reimbursed from federal funds, see Finding 05.02C.	0
U.S. Department of Agriculture: Passed through Tennessee Department of Education	05.15	10.553 10.555	OMB <u>Circular A-133</u> Section 300(b), and <u>Circular A-122</u> Common Rule	Internal Control - Reportable Condition Under <u>OMB</u> <u>Circular A-133</u> . Purchase orders were not issued in some instances or were not issued properly, see Finding 05.02A.	0

(Continued)

**PART III, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS (Cont.)**

Federal Agency	Finding Number	Federal CFDA Numbers	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed through Tennessee Department of Education	05.16	10.553 10.555	OMB <u>Circular A-133</u> Section 300(b), and <u>Circular A-122</u> Common Rule	Internal Control - Reportable Condition Under <u>OMB</u> <u>Circular A-133</u> . Invoices were paid without documentation that goods had been received or services rendered, see Finding 05.02B.	\$ 0

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

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

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

FINDINGS 05.02, 05.12, 05.13, 05.14, 05.15, and 05.16

The Finance Department recognizes the need for dated and printed purchase orders and intends to implement this program. Also, documentation that goods and services have been received will be on hand before invoices are paid. The Finance Department, along with the school central office, will evaluate the current process of purchases at the school level.