

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

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

ANNUAL FINANCIAL REPORT
LEWIS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

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

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Audit Highlights

Annual Financial Report
Lewis County, Tennessee
For the Year Ended June 30, 2006

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Lewis County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

LEWIS COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ The office had not established a formal purchase order system.
 - ◆ Deficiencies were noted in a construction project at the solid waste transfer station.
 - ◆ Documentation that goods had been received or services had been rendered was not always maintained. Competitive bids were not solicited for an office telephone system at the Sheriff's Department.
-

OFFICE OF ROAD SUPERINTENDENT

- ◆ The office did not issue purchase orders on some applicable purchases. Also, documentation that goods had been received or services had been rendered was not always maintained, and the office did not solicit bids or quotations for fuel purchases.
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately in the Offices of County Mayor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ One member of the County Board of Equalization was ineligible for board membership.

INTRODUCTORY SECTION

Lewis County Officials
June 30, 2006

Officials

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

Board of County Commissioners

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

Highway Commission

Kenneth Turnbow, Chairman
Sandra Hatton
Gene Kealhofer

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

November 28, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Lewis County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 36, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Lewis County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lewis County, Tennessee, as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Lewis County, Tennessee, as of June 30, 2006, 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 28, 2006, on our consideration of Lewis County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

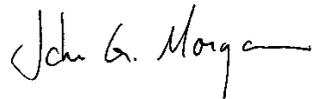
As described in Note IV.B., Lewis County has implemented Governmental Accounting Standards Board Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The budgetary comparison information on pages 39 through 43 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lewis County's basic financial statements. The introductory

section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Lewis County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds			Nonmajor	Total Govern- mental Funds
	General	Highway /	General	Other	
		Public Works	Debt Service	Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 16	\$ 10	\$ 0	\$ 200	\$ 226
Equity in Pooled Cash and Investments	482,809	615,266	435,948	328,615	1,862,638
Accounts Receivable	6,420	0	20,757	53,504	80,681
Allowance for Uncollectibles	0	0	0	(28,332)	(28,332)
Due from Other Governments	138,187	241,741	70,211	110,980	561,119
Property Taxes Receivable	1,718,146	57,844	233,778	42,642	2,052,410
Allowance for Uncollectible Property Taxes	(63,320)	(2,155)	(9,341)	(1,596)	(76,412)
Total Assets	<u>\$ 2,282,258</u>	<u>\$ 912,706</u>	<u>\$ 751,353</u>	<u>\$ 506,013</u>	<u>\$ 4,452,330</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 292	\$ 0	\$ 0	\$ 292
Contracts Payable	235,284	0	0	0	235,284
Retainage Payable	6,000	0	0	0	6,000
Deferred Revenue - Current Property Taxes	1,606,310	54,017	216,639	39,802	1,916,768
Deferred Revenue - Delinquent Property Taxes	44,027	1,517	7,076	1,129	53,749
Other Deferred Revenues	24,096	126,606	35,915	21,718	208,335
Total Liabilities	<u>\$ 1,915,717</u>	<u>\$ 182,432</u>	<u>\$ 259,630</u>	<u>\$ 62,649</u>	<u>\$ 2,420,428</u>
<u>Fund Balances</u>					
Reserved for Alcohol and Drug Treatment	\$ 24,960	\$ 0	\$ 0	\$ 0	\$ 24,960
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	8,710	0	0	0	8,710
Reserved for Drug Court	7,132	0	0	0	7,132
Reserved for Sexual Offender Registration	287	0	0	0	287
Reserved for Computer System - Register	10,704	0	0	0	10,704
Reserved for Automation Purposes - Circuit Court	566	0	0	0	566
Reserved for Automation Purposes - General Sessions Court	5,956	0	0	0	5,956
Reserved for Automation Purposes - Chancery Court	3,491	0	0	0	3,491
Reserved for Automation Purposes - Sheriff	4,256	0	0	0	4,256
Other Local Education Reserves	0	0	247,868	0	247,868
Reserved for Capital Outlay	98,641	0	0	0	98,641
Reserved for Other General Purposes	12,345	0	0	25,743	38,088
Unreserved, Reported In:					
General Fund	189,493	0	0	0	189,493
Special Revenue Funds	0	730,274	0	415,936	1,146,210
Debt Service Funds	0	0	243,855	0	243,855
Capital Projects Funds	0	0	0	1,685	1,685
Total Fund Balances	<u>\$ 366,541</u>	<u>\$ 730,274</u>	<u>\$ 491,723</u>	<u>\$ 443,364</u>	<u>\$ 2,031,902</u>
Total Liabilities and Fund Balances	<u>\$ 2,282,258</u>	<u>\$ 912,706</u>	<u>\$ 751,353</u>	<u>\$ 506,013</u>	<u>\$ 4,452,330</u>

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

Exhibit B

Lewis County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues					
Local Taxes	\$ 1,961,127	\$ 57,683	\$ 591,313	\$ 39,314	\$ 2,649,437
Licenses and Permits	2,093	0	0	0	2,093
Fines, Forfeitures, and Penalties	62,459	0	0	3,765	66,224
Charges for Current Services	45,561	0	0	448,645	494,206
Other Local Revenues	139,550	3,352	99,892	35,463	278,257
Fees Received from County Officials	430,073	0	0	0	430,073
State of Tennessee	601,553	1,629,964	0	133,089	2,364,606
Federal Government	693,190	112,214	0	0	805,404
Other Governments and Citizens Groups	405,271	37,763	350,674	17,351	811,059
Total Revenues	\$ 4,340,877	\$ 1,840,976	\$ 1,041,879	\$ 677,627	\$ 7,901,359
Expenditures					
Current:					
General Government	\$ 690,972	\$ 0	\$ 0	\$ 0	690,972
Finance	283,858	0	0	21	283,879
Administration of Justice	271,727	0	0	2,549	274,276
Public Safety	1,132,780	0	0	35,662	1,168,442
Public Health and Welfare	179,394	0	0	414,168	593,562
Social, Cultural, and Recreational Services	188,092	0	0	0	188,092
Agricultural and Natural Resources	51,157	0	0	0	51,157
Other Operations	921,613	0	9,930	35,178	966,721
Highways	0	1,937,345	0	37,629	1,974,974
Instruction	4,800	0	0	0	4,800
Debt Service:					
Principal on Debt	0	0	764,463	0	764,463
Interest on Debt	0	0	170,905	0	170,905
Other Debt Service	0	0	1,558	0	1,558
Capital Projects	836,307	0	0	163,457	999,764
Total Expenditures	\$ 4,560,700	\$ 1,937,345	\$ 946,856	\$ 688,664	\$ 8,133,565
Excess (Deficiency) of Revenues Over Expenditures	\$ (219,823)	\$ (96,369)	\$ 95,023	\$ (11,037)	\$ (232,206)
Other Financing Sources (Uses)					
Proceeds from Insurance Recovery	\$ 38,312	\$ 34,059	\$ 0	\$ 6,320	\$ 78,691
Transfers In	0	0	47,498	0	47,498
Transfers Out	0	(26,741)	0	(20,757)	(47,498)
Total Other Financing Sources (Uses)	\$ 38,312	\$ 7,318	\$ 47,498	\$ (14,437)	\$ 78,691
Net Change in Fund Balances	\$ (181,511)	\$ (89,051)	\$ 142,521	\$ (25,474)	\$ (153,515)
Fund Balance, July 1, 2005	548,052	819,325	349,202	468,838	2,185,417
Fund Balance, June 30, 2006	\$ 366,541	\$ 730,274	\$ 491,723	\$ 443,364	\$ 2,031,902

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

Exhibit C

Lewis County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 474,871
Due from Other Governments	<u>107,087</u>
Total Assets	<u><u>\$ 581,958</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 107,087
Due to Litigants, Heirs, and Others	<u>474,871</u>
Total Liabilities	<u><u>\$ 581,958</u></u>

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

LEWIS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

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

The Lewis County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Lewis County, and the Lewis County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Lewis County School Department and the Lewis County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. The Lewis County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Lewis County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Lewis County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Lewis County reports the following major governmental funds:

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

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

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

Additionally, Lewis County reports the following fund types:

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

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

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

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

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

Retainage payable in the General Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Fund.

3. Capital Assets

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

4. Compensated Absences

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

5. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements.

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

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2006, the General Fund had \$6,761 designated for the purchase of patrol cars.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not

budgeted, and the capital projects fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Expenditures Exceeded Appropriations

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

<u>Fund/Category</u>	<u>Amount</u>
General:	
Jail	\$ 1,576
Highway/Public Works:	
Capital Outlay	3,565
Highway Capital Projects:	
Other Charges	777

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Lewis County and the Lewis County School Department participate in an internal cash and investment pool through the Office of Trustee. The Lewis

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

Deposits

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

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

Investments

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

obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2006.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Transfers Out	Transfers In General Debt Service Fund
Highway/Public Works Fund	\$ 26,741
Nonmajor governmental fund	20,757
	\$ 47,498
Total	\$ 47,498

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

C. Operating Leases

Lewis County leases office equipment. The lease expenditures for the year ended June 30, 2006, were \$6,153 for the governmental funds. The lease agreements provide for termination on July 1 of any year in which the county fails to appropriate funds to meet lease payments. There are no provisions for contingent or subleases in the agreements. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2007	\$ 7,747
2008	7,747
2009	7,747
2010	7,343
2011	1,595
	\$ 32,179
Total	\$ 32,179

D. Long-term Debt

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 14 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation			
Bonds - Refunding	2.75 to 3.85%	\$ 4,780,000	\$ 3,065,000
Capital Outlay Notes	0 to 4.9	1,926,000	1,209,534

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 545,000	\$ 107,185	\$ 242,933	\$ 40,091
2008	560,000	88,108	234,933	33,458
2009	580,000	67,860	238,334	26,617
2010	150,000	46,230	238,334	19,551
2011	155,000	41,000	220,000	12,000

Year Ending June 30 (Cont.)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2011	\$ 155,000	\$ 41,205	\$ 80,000	\$ 12,335
2012-2016	880,000	123,615	175,000	12,985
2017	195,000	6,533	0	0
Total	\$ 3,065,000	\$ 480,736	\$ 1,209,534	\$ 145,037

There is \$491,723 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$270, based on the 2000 federal census. Debt per capita, including bonds and notes, totaled \$376, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds		Notes	
Balance, July 1, 2005	\$ 3,555,000	\$	1,483,997	
Deductions	(490,000)		(274,463)	
Balance, June 30, 2006	\$ 3,065,000	\$	1,209,534	
Balance Due Within One Year	\$ 545,000	\$	242,933	

IV. OTHER INFORMATION

A. Risk Management

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

Lewis County decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. Lewis County joined the Local Government Workers'

Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. Lewis County pays annual premiums to the LGWCF for its workers' compensation coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

B. Accounting Changes

For the year ended June 30, 2006, Lewis County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Lewis County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Lewis County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Lewis County had no net assets restricted by enabling legislation to disclose as of

June 30, 2006. But it is reasonably expected that Lewis County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Lewis County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Lewis County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Event

On July 17, 2006, the Insurance Board of the Highway Department approved post-employment benefit provisions for employees who wish to keep their insurance when they retire. A 50 percent split of the premium between the employer and the employee will be in place for a 30-year vested retiree until the retiree reaches the age of 65.

D. Contingent Liabilities

The sheriff has filed suit against the county seeking funds for additional deputies and equipment. In the event the court awards all the additional deputies and equipment sought by the sheriff's lawsuit, the Sheriff's Department budget would increase by approximately \$400,000.

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

E. Joint Ventures

The Hohenwald/Lewis County Economic Development Council is a joint venture between Lewis County and the City of Hohenwald. The council comprises the mayor of the City of Hohenwald, the mayor of Lewis County, and the president of the Lewis County Chamber of Commerce. The purpose of the council is to expand and diversify the economy of the City of Hohenwald and Lewis County. The city and county provide the majority of the funding for the council. Lewis County contributed \$30,000 to the Hohenwald/Lewis County Economic Development Council during the 2005-06 year.

The Joint Economic and Community Development Board of Lewis County is a joint venture between Lewis County and the City of Hohenwald. The board

comprises the mayor of the City of Hohenwald, the mayor of Lewis County, the president of the Lewis County Chamber of Commerce, a private citizen who owns greenbelt property, and a local industry representative. The purpose of the board is to develop, recommend, and direct a strategic plan of policies and action that improve the economic well-being of the community and those activities and services that support economic growth and improve the quality of life of the community's members. The city and county provide the majority of funding for the board based on the percentage of their population compared to the total census of the county. Lewis County did not appropriate any funds to the Joint Economic and Community Development Board of Lewis County during the 2005-06 year.

The Twenty-First Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-First Judicial District, Williamson, Lewis, Hickman, and Perry Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Lewis County did not appropriate any funds to the DTF for the year ended June 30, 2006.

Lewis County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Twenty-First Judicial District Drug Task Force can be obtained from its administrative office at the following address:

Administrative Office:

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

F. Jointly Governed Organization

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

G. Retirement Commitments

Plan Description

Employees of Lewis County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lewis County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

County Officials

Lewis County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 3.64 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lewis County is established and may be amended by the TCRS Board of Trustees.

Highway Department Employees

Lewis County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially

determined rate; the rate for the fiscal year ended June 30, 2006, was 16.78 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lewis County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

County Officials

For the year ended June 30, 2006, Lewis County’s annual pension cost of \$16,646 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Lewis County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 17 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$16,646	100%	\$0
6-30-05	15,980	100	0
6-30-04	11,352	100	0

Highway Department Employees

For the year ended June 30, 2006, Lewis County’s annual pension cost of \$88,249 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent

annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Lewis County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$88,249	100%	\$0
6-30-05	78,093	100	0
6-30-04	65,292	100	0

Schedule of Funding Progress for Lewis County

County Officials

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$1,400	\$1,447	\$47	96.75%	\$439	10.71%
6-30-03	1,231	1,281	50	96.10	386	12.95
6-30-01	1,064	1,119	55	95.08	393	13.99

Highway Department Employees

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$1,195	\$1,545	\$350	77.35%	\$470	74.47%
6-30-03	1,060	1,455	395	72.85	446	88.57
6-30-01	973	1,412	439	68.91	408	107.60

H. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,961,127	\$ 1,930,087	\$ 1,930,087	\$ 31,040
Licenses and Permits	2,093	1,900	1,900	193
Fines, Forfeitures, and Penalties	62,459	69,525	69,525	(7,066)
Charges for Current Services	45,561	59,000	59,600	(14,039)
Other Local Revenues	139,550	105,900	108,123	31,427
Fees Received from County Officials	430,073	422,000	422,000	8,073
State of Tennessee	601,553	1,039,269	1,199,087	(597,534)
Federal Government	693,190	638,964	746,623	(53,433)
Other Governments and Citizens Groups	405,271	10,000	403,386	1,885
Total Revenues	\$ 4,340,877	\$ 4,276,645	\$ 4,940,331	\$ (599,454)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 49,019	\$ 55,801	\$ 55,801	\$ 6,782
Board of Equalization	900	1,000	1,000	100
County Mayor/Executive	100,567	102,242	105,542	4,975
County Attorney	5,800	6,000	6,000	200
Election Commission	173,016	50,124	177,289	4,273
Register of Deeds	78,991	79,982	79,982	991
Building	29,416	29,100	29,416	0
Geographical Information Systems	53,636	49,199	59,199	5,563
County Buildings	192,618	192,084	207,607	14,989
Risk Management	7,009	9,879	9,879	2,870
<u>Finance</u>				
Property Assessor's Office	74,349	78,094	78,094	3,745
Reappraisal Program	20,844	19,150	20,920	76
County Trustee's Office	100,293	102,509	102,509	2,216
County Clerk's Office	88,372	90,375	90,375	2,003
<u>Administration of Justice</u>				
Circuit Court	54,730	63,924	63,924	9,194
General Sessions Judge	71,304	72,428	72,428	1,124
General Sessions Court Clerk	49,158	56,240	56,240	7,082
Chancery Court	77,244	78,403	78,403	1,159
Judicial Commissioners	19,291	20,002	20,002	711
<u>Public Safety</u>				
Sheriff's Department	520,214	516,310	546,798	26,584
Administration of the Sexual Offender Registry	433	0	600	167
Jail	502,516	480,960	500,940	(1,576)
Juvenile Services	11,310	11,524	11,524	214
Fire Prevention and Control	19,000	19,000	19,000	0
Civil Defense	1,753	22,000	22,000	20,247
Other Emergency Management	67,680	111,770	111,770	44,090
County Coroner/Medical Examiner	9,874	7,250	9,950	76

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 31,231	\$ 43,327	\$ 43,327	\$ 12,096
Ambulance/Emergency Medical Services	84,365	84,365	84,365	0
Other Local Health Services	24,649	123,800	123,800	99,151
Regional Mental Health Center	7,500	7,500	7,500	0
Sanitation Education/Information	31,649	29,237	31,649	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	30,671	24,000	31,300	629
Libraries	70,946	68,762	71,512	566
Parks and Fair Boards	86,475	100,722	102,322	15,847
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	37,157	37,750	37,750	593
Soil Conservation	14,000	14,000	14,000	0
<u>Other Operations</u>				
Housing and Urban Development	36,413	50,000	50,000	13,587
Other Economic and Community Development	47,457	36,968	48,544	1,087
Airport	438,463	464,250	664,163	225,700
Veterans' Services	3,344	3,500	3,500	156
Contributions to Other Agencies	830	850	850	20
Employee Benefits	286,135	285,250	286,500	365
Miscellaneous	108,971	102,320	109,320	349
<u>Instruction</u>				
Adult Education Program	4,800	5,800	5,800	1,000
<u>Capital Projects</u>				
General Administration Projects	250	0	250	0
Public Utility Projects	836,057	467,315	837,315	1,258
Total Expenditures	\$ 4,560,700	\$ 4,275,066	\$ 5,090,959	\$ 530,259
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (219,823)	\$ 1,579	\$ (150,628)	\$ (69,195)
<u>Other Financing Sources (Uses)</u>				
Proceeds from Insurance Recovery	\$ 38,312	\$ 0	\$ 37,910	\$ 402
Total Other Financing Sources (Uses)	\$ 38,312	\$ 0	\$ 37,910	\$ 402
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ (181,511)	\$ 1,579	\$ (112,718)	\$ (68,793)
	548,052	598,229	598,229	(50,177)
Fund Balance, June 30, 2006				
	\$ 366,541	\$ 599,808	\$ 485,511	\$ (118,970)

Exhibit D-2

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 57,683	\$ 57,781	\$ 57,781	\$ (98)
Other Local Revenues	3,352	25,000	25,000	(21,648)
State of Tennessee	1,629,964	1,679,805	1,679,805	(49,841)
Federal Government	112,214	68,000	91,270	20,944
Other Governments and Citizens Groups	37,763	0	0	37,763
Total Revenues	<u>\$ 1,840,976</u>	<u>\$ 1,830,586</u>	<u>\$ 1,853,856</u>	<u>\$ (12,880)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 193,594	\$ 155,138	\$ 196,588	\$ 2,994
Highway and Bridge Maintenance	752,611	759,285	757,555	4,944
Operation and Maintenance of Equipment	258,340	298,370	261,562	3,222
Other Charges	85,714	87,296	87,296	1,582
Employee Benefits	245,290	213,100	248,100	2,810
Capital Outlay	401,796	289,369	398,231	(3,565)
Total Expenditures	<u>\$ 1,937,345</u>	<u>\$ 1,802,558</u>	<u>\$ 1,949,332</u>	<u>\$ 11,987</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (96,369)</u>	<u>\$ 28,028</u>	<u>\$ (95,476)</u>	<u>\$ (893)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Insurance Recovery	\$ 34,059	\$ 0	\$ 31,142	\$ 2,917
Transfers Out	(26,741)	(28,028)	(28,028)	1,287
Total Other Financing Sources (Uses)	<u>\$ 7,318</u>	<u>\$ (28,028)</u>	<u>\$ 3,114</u>	<u>\$ 4,204</u>
Net Change in Fund Balance	\$ (89,051)	\$ 0	\$ (92,362)	\$ 3,311
Fund Balance, July 1, 2005	819,325	707,400	707,400	111,925
Fund Balance, June 30, 2006	<u>\$ 730,274</u>	<u>\$ 707,400</u>	<u>\$ 615,038</u>	<u>\$ 115,236</u>

LEWIS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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 Lewis County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

The 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 schedule.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) of the General Fund by \$1,576. Also, expenditures exceeded appropriations in the Capital Outlay major appropriation category of the Highway/Public Works Fund by \$3,565. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balances.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions relating to Lewis County’s waste disposal program.

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

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

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

Capital Projects Fund

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

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

Exhibit E-1

Lewis County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2006

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Special Purpose	Drug Control	Total	Highway Capital Projects	
<u>ASSETS</u>						
Cash	\$ 200	\$ 0	\$ 0	\$ 200	\$ 0	200
Equity in Pooled Cash and Investments	44,480	258,764	23,801	327,045	1,570	328,615
Accounts Receivable	53,504	0	0	53,504	0	53,504
Allowance for Uncollectibles	(28,332)	0	0	(28,332)	0	(28,332)
Due from Other Governments	110,980	0	0	110,980	0	110,980
Property Taxes Receivable	0	0	0	0	42,642	42,642
Allowance for Uncollectible Property Taxes	0	0	0	0	(1,596)	(1,596)
Total Assets	<u>\$ 180,832</u>	<u>\$ 258,764</u>	<u>\$ 23,801</u>	<u>\$ 463,397</u>	<u>\$ 42,616</u>	<u>\$ 506,013</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Deferred Revenue - Current Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,802	\$ 39,802
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	1,129	1,129
Other Deferred Revenues	21,718	0	0	21,718	0	21,718
Total Liabilities	<u>\$ 21,718</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,718</u>	<u>\$ 40,931</u>	<u>\$ 62,649</u>
<u>Fund Balances</u>						
Reserved for Other General Purposes	\$ 25,743	\$ 0	\$ 0	\$ 25,743	\$ 0	\$ 25,743
Unreserved	133,371	258,764	23,801	415,936	1,685	417,621
Total Fund Balances	<u>\$ 159,114</u>	<u>\$ 258,764</u>	<u>\$ 23,801</u>	<u>\$ 441,679</u>	<u>\$ 1,685</u>	<u>\$ 443,364</u>
Total Liabilities and Fund Balances	<u>\$ 180,832</u>	<u>\$ 258,764</u>	<u>\$ 23,801</u>	<u>\$ 463,397</u>	<u>\$ 42,616</u>	<u>\$ 506,013</u>

Exhibit E-2

Lewis County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Total	Highway Capital Projects	
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,314	\$ 39,314
Fines, Forfeitures, and Penalties	0	0	3,765	0	3,765	0	3,765
Charges for Current Services	446,024	0	0	2,621	448,645	0	448,645
Other Local Revenues	29,715	5,748	0	0	35,463	0	35,463
State of Tennessee	118,089	0	15,000	0	133,089	0	133,089
Other Governments and Citizens Groups	0	0	17,351	0	17,351	0	17,351
Total Revenues	\$ 593,828	\$ 5,748	\$ 36,116	\$ 2,621	\$ 638,313	\$ 39,314	\$ 677,627
<u>Expenditures</u>							
Current:							
Finance	\$ 0	\$ 0	\$ 0	\$ 21	\$ 21	\$ 0	\$ 21
Administration of Justice	0	0	0	2,549	2,549	0	2,549
Public Safety	0	0	35,611	51	35,662	0	35,662
Public Health and Welfare	414,168	0	0	0	414,168	0	414,168
Other Operations	35,178	0	0	0	35,178	0	35,178
Highways	0	0	0	0	0	37,629	37,629
Capital Projects	163,457	0	0	0	163,457	0	163,457
Total Expenditures	\$ 612,803	\$ 0	\$ 35,611	\$ 2,621	\$ 651,035	\$ 37,629	\$ 688,664
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,975)	\$ 5,748	\$ 505	\$ 0	\$ (12,722)	\$ 1,685	\$ (11,037)
<u>Other Financing Sources (Uses)</u>							
Proceeds from Insurance Recovery	\$ 6,320	\$ 0	\$ 0	\$ 0	\$ 6,320	\$ 0	\$ 6,320
Transfers Out	(20,757)	0	0	0	(20,757)	0	(20,757)
Total Other Financing Sources (Uses)	\$ (14,437)	\$ 0	\$ 0	\$ 0	\$ (14,437)	\$ 0	\$ (14,437)
Net Change in Fund Balances	\$ (33,412)	\$ 5,748	\$ 505	\$ 0	\$ (27,159)	\$ 1,685	\$ (25,474)
Fund Balance, July 1, 2005	192,526	253,016	23,296	0	468,838	0	468,838
Fund Balance, June 30, 2006	\$ 159,114	\$ 258,764	\$ 23,801	\$ 0	\$ 441,679	\$ 1,685	\$ 443,364

Exhibit E-3

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 446,024	\$ 444,300	\$ 444,300	\$ 1,724
Other Local Revenues	29,715	14,000	30,050	(335)
State of Tennessee	118,089	106,117	118,117	(28)
Total Revenues	\$ 593,828	\$ 564,417	\$ 592,467	\$ 1,361
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Transfer Stations	\$ 349,711	\$ 371,674	\$ 371,674	\$ 21,963
Landfill Operation and Maintenance	64,457	49,187	66,937	2,480
<u>Other Operations</u>				
Employee Benefits	29,436	27,758	29,743	307
Miscellaneous	5,742	4,500	5,765	23
<u>Capital Projects</u>				
General Administration Projects	149,592	108,210	149,592	0
Other General Government Projects	13,865	0	13,870	5
Total Expenditures	\$ 612,803	\$ 561,329	\$ 637,581	\$ 24,778
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,975)	\$ 3,088	\$ (45,114)	\$ 26,139
<u>Other Financing Sources (Uses)</u>				
Proceeds from Insurance Recovery	\$ 6,320	\$ 0	\$ 0	\$ 6,320
Transfers Out	(20,757)	(20,757)	(20,757)	0
Total Other Financing Sources (Uses)	\$ (14,437)	\$ (20,757)	\$ (20,757)	\$ 6,320
Net Change in Fund Balance	\$ (33,412)	\$ (17,669)	\$ (65,871)	\$ 32,459
Fund Balance, July 1, 2005	192,526	219,260	219,260	(26,734)
Fund Balance, June 30, 2006	\$ 159,114	\$ 201,591	\$ 153,389	\$ 5,725

Exhibit E-4

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 5,748	\$ 1,000	\$ 1,000	\$ 4,748
Total Revenues	\$ 5,748	\$ 1,000	\$ 1,000	\$ 4,748
<u>Total Expenditures</u>				
Total Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
<u>Excess (Deficiency) of Revenues Over Expenditures</u>				
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,748	\$ 1,000	\$ 1,000	\$ 4,748
<u>Net Change in Fund Balance</u>				
Net Change in Fund Balance	\$ 5,748	\$ 1,000	\$ 1,000	\$ 4,748
Fund Balance, July 1, 2005	253,016	253,016	253,016	0
<u>Fund Balance, June 30, 2006</u>				
Fund Balance, June 30, 2006	\$ 258,764	\$ 254,016	\$ 254,016	\$ 4,748

Exhibit E-5

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 3,765	\$ 15,000	\$ 15,000	\$ (11,235)
State of Tennessee	15,000	0	0	15,000
Other Governments and Citizens Groups	17,351	0	17,351	0
Total Revenues	<u>\$ 36,116</u>	<u>\$ 15,000</u>	<u>\$ 32,351</u>	<u>\$ 3,765</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 35,611	\$ 17,500	\$ 37,500	\$ 1,889
Total Expenditures	<u>\$ 35,611</u>	<u>\$ 17,500</u>	<u>\$ 37,500</u>	<u>\$ 1,889</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 505	\$ (2,500)	\$ (5,149)	\$ 5,654
Net Change in Fund Balance	\$ 505	\$ (2,500)	\$ (5,149)	\$ 5,654
Fund Balance, July 1, 2005	23,296	23,296	23,296	0
Fund Balance, June 30, 2006	<u>\$ 23,801</u>	<u>\$ 20,796</u>	<u>\$ 18,147</u>	<u>\$ 5,654</u>

Exhibit E-6

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway Capital Projects Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 39,314	\$ 41,157	\$ 37,932	\$ 1,382
Total Revenues	<u>\$ 39,314</u>	<u>\$ 41,157</u>	<u>\$ 37,932</u>	<u>\$ 1,382</u>
<u>Expenditures</u>				
<u>Highways</u>				
Other Charges	\$ 777	\$ 0	\$ 0	\$ (777)
Capital Outlay	36,852	41,157	37,932	1,080
Total Expenditures	<u>\$ 37,629</u>	<u>\$ 41,157</u>	<u>\$ 37,932</u>	<u>\$ 303</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,685</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,685</u>
Net Change in Fund Balance	\$ 1,685	\$ 0	\$ 0	\$ 1,685
Fund Balance, July 1, 2005	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 1,685</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,685</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 591,313	\$ 597,040	\$ 547,040	\$ 44,273
Other Local Revenues	99,892	97,700	97,700	2,192
Other Governments and Citizens Groups	350,674	0	350,674	0
Total Revenues	<u>\$ 1,041,879</u>	<u>\$ 694,740</u>	<u>\$ 995,414</u>	<u>\$ 46,465</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 9,930	\$ 10,500	\$ 11,500	\$ 1,570
<u>Principal on Debt</u>				
General Government	233,133	233,134	233,134	1
Education	531,330	531,330	531,330	0
<u>Interest on Debt</u>				
General Government	46,789	46,512	46,789	0
Education	124,116	123,950	124,116	0
<u>Other Debt Service</u>				
General Government	556	600	600	44
Education	1,002	1,200	1,200	198
Total Expenditures	<u>\$ 946,856</u>	<u>\$ 947,226</u>	<u>\$ 948,669</u>	<u>\$ 1,813</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 95,023</u>	<u>\$ (252,486)</u>	<u>\$ 46,745</u>	<u>\$ 48,278</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 47,498	\$ 399,312	\$ 48,638	\$ (1,140)
Transfers Out	0	(50,000)	0	0
Total Other Financing Sources (Uses)	<u>\$ 47,498</u>	<u>\$ 349,312</u>	<u>\$ 48,638</u>	<u>\$ (1,140)</u>
Net Change in Fund Balance	\$ 142,521	\$ 96,826	\$ 95,383	\$ 47,138
Fund Balance, July 1, 2005	349,202	345,441	345,441	3,761
Fund Balance, June 30, 2006	<u>\$ 491,723</u>	<u>\$ 442,267</u>	<u>\$ 440,824</u>	<u>\$ 50,899</u>

Fiduciary Funds

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

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

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

Exhibit G-1

Lewis County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu - tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 474,871	\$ 474,871
Due from Other Governments	107,087	0	107,087
Total Assets	<u>\$ 107,087</u>	<u>\$ 474,871</u>	<u>\$ 581,958</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 107,087	\$ 0	\$ 107,087
Due to Litigants, Heirs, and Others	0	474,871	474,871
Total Liabilities	<u>\$ 107,087</u>	<u>\$ 474,871</u>	<u>\$ 581,958</u>

Exhibit G-2

Lewis County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 732,357	\$ 732,357	\$ 0
Due From Other Governments	101,277	107,087	101,277	107,087
Total Assets	\$ 101,277	\$ 839,444	\$ 833,634	\$ 107,087
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 101,277	\$ 839,444	\$ 833,634	\$ 107,087
Total Liabilities	\$ 101,277	\$ 839,444	\$ 833,634	\$ 107,087
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 439,300	\$ 1,923,604	\$ 1,888,033	\$ 474,871
Total Assets	\$ 439,300	\$ 1,923,604	\$ 1,888,033	\$ 474,871
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 439,300	\$ 1,923,604	\$ 1,888,033	\$ 474,871
Total Liabilities	\$ 439,300	\$ 1,923,604	\$ 1,888,033	\$ 474,871
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 732,357	\$ 732,357	\$ 0
Cash	439,300	1,923,604	1,888,033	474,871
Due From Other Governments	101,277	107,087	101,277	107,087
Total Assets	\$ 540,577	\$ 2,763,048	\$ 2,721,667	\$ 581,958
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 101,277	\$ 839,444	\$ 833,634	\$ 107,087
Due to Litigants, Heirs, and Others	439,300	1,923,604	1,888,033	474,871
Total Liabilities	\$ 540,577	\$ 2,763,048	\$ 2,721,667	\$ 581,958

MISCELLANEOUS SCHEDULES

Exhibit H-1

Lewis County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Courthouse and Schools	\$ 96,000	0	% 9-8-1997	9-8-07	\$ 20,800	\$ 9,600	\$ 11,200
County Buildings Renovations	850,000	3.5 to 4.9	7-1-01	6-1-13	610,000	65,000	545,000
School Land	108,451	1.5	6-17-03	6-17-06	36,530	36,530	0
Public Works Projects and Refunding	980,000	2.26	6-11-04	6-10-10	816,667	163,333	653,334
Total Notes Payable					<u>\$ 1,483,997</u>	<u>\$ 274,463</u>	<u>\$ 1,209,534</u>
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
School Refunding	2,810,000	2.75 to 3.85	10-1-01	3-1-09	\$ 1,670,000	\$ 395,000	\$ 1,275,000
School Refunding	1,970,000	3.35	5-1-03	5-1-17	1,885,000	95,000	1,790,000
Total Bonds Payable					<u>\$ 3,555,000</u>	<u>\$ 490,000</u>	<u>\$ 3,065,000</u>

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 545,000	\$ 107,185	\$ 652,185
2008	560,000	88,108	648,108
2009	580,000	67,860	647,860
2010	150,000	46,230	196,230
2011	155,000	41,205	196,205
2012	160,000	36,013	196,013
2013	170,000	30,652	200,652
2014	175,000	24,958	199,958
2015	185,000	19,095	204,095
2016	190,000	12,897	202,897
2017	195,000	6,533	201,533
Total	<u>\$ 3,065,000</u>	<u>\$ 480,736</u>	<u>\$ 3,545,736</u>

Exhibit H-3

Lewis County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Solid Waste/Sanitation	General Debt Service	To provide funds for retirement of debt	\$ 20,757
Highway/Public Works	General Debt Service	To provide funds for retirement of debt	<u>26,741</u>
Total			<u>\$ 47,498</u>

Exhibit H-4

Lewis County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 67,404 (1)	\$ 25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	44,548	373,500	"
Assessor of Property	Section 8-24-102, <u>TCA</u> , and County Commission	50,048 (2)	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	44,548	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	44,548	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	47,048 (3)	25,000	"
Register	Section 8-24-102, <u>TCA</u>	44,548	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	55,521 (4)	25,000	"
<u>Other Bonds</u>				
Lewis County Employees			150,000	Local Government Property and Casualty Fund

(1) Includes \$6,000 for serving as chairman of the County Commission and \$3,600 for serving as chairman of the Highway Commission.

(2) Includes \$5,500 compensation for overseeing the county's reappraisal program.

(3) Includes special commissioner fees of \$2,500.

(4) Includes \$6,000 for serving as workhouse superintendent and a law enforcement training supplement of \$519.

Exhibit H-5

Lewis County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2006

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Highway Capital Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,358,932	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,448	\$ 217,532	\$ 34,842	\$ 1,657,754
Trustee's Collections - Prior Year	34,198	0	0	0	0	2,611	6,198	0	43,007
Trustee's Collections - Bankruptcy	311	0	0	0	0	11	26	0	348
Circuit/Clerk & Master Collections - Prior Years	30,534	0	0	0	0	1,895	4,780	0	37,209
Interest and Penalty	8,527	0	0	0	0	461	1,329	80	10,397
Payments in-Lieu-of Taxes - T.V.A.	5,605	0	0	0	0	222	898	120	6,845
Payments in-Lieu-of Taxes - Local Utilities	138,213	0	0	0	0	4,762	22,214	3,544	168,733
Payments in-Lieu-of Taxes - Other	4,545	0	0	0	0	0	0	0	4,545
<u>County Local Option Taxes</u>									
Local Option Sales Tax	44,063	0	0	0	0	0	332,484	0	376,547
Hotel/Motel Tax	11,664	0	0	0	0	0	0	0	11,664
Wheel Tax	214,543	0	0	0	0	0	0	0	214,543
Litigation Tax - General	26,085	0	0	0	0	0	0	0	26,085
Litigation Tax - Special Purpose	2,692	0	0	0	0	0	0	0	2,692
Litigation Tax - Jail, Workhouse, or Courthouse	10,400	0	0	0	0	0	0	0	10,400
Litigation Tax - Victim/Offender Mediation Center	829	0	0	0	0	0	0	0	829
Business Tax	32,173	0	0	0	0	1,124	5,156	617	39,070
<u>Statutory Local Taxes</u>									
Bank Excise Tax	4,329	0	0	0	0	149	696	111	5,285
Wholesale Beer Tax	32,169	0	0	0	0	0	0	0	32,169
Interstate Telecommunications Tax	1,315	0	0	0	0	0	0	0	1,315
Total Local Taxes	\$ 1,961,127	\$ 0	\$ 0	\$ 0	\$ 0	\$ 57,683	\$ 591,313	\$ 39,314	\$ 2,649,437
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 1,156	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,156
<u>Permits</u>									
Beer Permits	937	0	0	0	0	0	0	0	937
Total Licenses and Permits	\$ 2,093	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,093

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt	Capital	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
Fines, Forfeitures, and Penalties									
<u>Circuit Court</u>									
Fines	\$ 5,645	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,645
Officers Costs	4,280	0	0	0	0	0	0	0	4,280
Drug Control Fines	0	0	0	1,934	0	0	0	0	1,934
Drug Court Fees	287	0	0	0	0	0	0	0	287
Jail Fees	410	0	0	0	0	0	0	0	410
DUI Treatment Fines	551	0	0	0	0	0	0	0	551
Data Entry Fee - Circuit Court	124	0	0	0	0	0	0	0	124
Courtroom Security Fee	36	0	0	0	0	0	0	0	36
<u>General Sessions Court</u>									
Fines	11,154	0	0	0	0	0	0	0	11,154
Fines for Littering	475	0	0	0	0	0	0	0	475
Officers Costs	13,293	0	0	0	0	0	0	0	13,293
Game and Fish Fines	545	0	0	0	0	0	0	0	545
Drug Control Fines	0	0	0	1,231	0	0	0	0	1,231
Drug Court Fees	2,256	0	0	0	0	0	0	0	2,256
Jail Fees	8,350	0	0	0	0	0	0	0	8,350
DUI Treatment Fines	2,967	0	0	0	0	0	0	0	2,967
Data Entry Fee - General Sessions Court	1,979	0	0	0	0	0	0	0	1,979
Courtroom Security Fee	68	0	0	0	0	0	0	0	68
<u>Juvenile Court</u>									
Fines	6,665	0	0	0	0	0	0	0	6,665
<u>Chancery Court</u>									
Officers Costs	2,202	0	0	0	0	0	0	0	2,202
Data Entry Fee - Chancery Court	1,144	0	0	0	0	0	0	0	1,144
<u>Judicial District Drug Program</u>									
Courtroom Security Fee	28	0	0	0	0	0	0	0	28
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	0	600	0	0	0	0	600
Total Fines, Forfeitures, and Penalties	\$ 62,459	\$ 0	\$ 0	\$ 3,765	\$ 0	\$ 0	\$ 0	\$ 0	66,224

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt	Capital	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Transfer Waste Stations Collection Charge	\$ 0	\$ 3,350	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,350
Solid Waste Disposal Fees	0	442,674	0	0	0	0	0	0	442,674
Work Release Charges for Board	24,060	0	0	0	0	0	0	0	24,060
Other General Service Charges	1,348	0	0	0	0	0	0	0	1,348
<u>Fees</u>									
Airport Fees	5,619	0	0	0	0	0	0	0	5,619
Library Fees	1,156	0	0	0	0	0	0	0	1,156
Telephone Commissions	3,524	0	0	0	0	0	0	0	3,524
Vending Machine Collections	2,104	0	0	0	0	0	0	0	2,104
Constitutional Officers' Fees and Commissions	0	0	0	0	2,621	0	0	0	2,621
Data Processing Fee - Register	5,968	0	0	0	0	0	0	0	5,968
Data Processing Fee - Sheriff	1,362	0	0	0	0	0	0	0	1,362
Sexual Offender Registration Fees - Sheriff	420	0	0	0	0	0	0	0	420
Total Charges for Current Services	\$ 45,561	\$ 446,024	\$ 0	\$ 0	\$ 2,621	\$ 0	\$ 0	\$ 0	\$ 494,206
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 70,455	\$ 0	\$ 5,748	\$ 0	\$ 0	\$ 0	\$ 16,000	\$ 0	\$ 92,203
Lease/Rentals	400	0	0	0	0	300	83,892	0	84,592
Sale of Materials and Supplies	72	0	0	0	0	0	0	0	72
Sale of Gasoline	21,221	0	0	0	0	0	0	0	21,221
Sale of Recycled Materials	0	12,677	0	0	0	0	0	0	12,677
Miscellaneous Refunds	3,341	168	0	0	0	3,052	0	0	6,561
<u>Nonrecurring Items</u>									
Sale of Equipment	7,698	16,870	0	0	0	0	0	0	24,568
<u>Other Local Revenues</u>									
Other Local Revenues	36,363	0	0	0	0	0	0	0	36,363
Total Other Local Revenues	\$ 139,550	\$ 29,715	\$ 5,748	\$ 0	\$ 0	\$ 3,352	\$ 99,892	\$ 0	\$ 278,257
<u>Fees Received from County Officials</u>									
<u>Fees-In-Lieu of Salary</u>									
County Clerk	\$ 84,434	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 84,434

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt	Capital	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees-In-Lieu of Salary (Cont.)</u>									
Circuit Court Clerk	\$ 32,726	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,726
General Sessions Court Clerk	56,004	0	0	0	0	0	0	0	56,004
Clerk and Master	55,976	0	0	0	0	0	0	0	55,976
Register	72,005	0	0	0	0	0	0	0	72,005
Sheriff	6,292	0	0	0	0	0	0	0	6,292
Trustee	122,636	0	0	0	0	0	0	0	122,636
Total Fees Received from County Officials	\$ 430,073	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 430,073
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Airport Maintenance Program	5,824	0	0	0	0	0	0	0	5,824
State Reappraisal Grant	4,644	0	0	0	0	0	0	0	4,644
Solid Waste Grants	0	108,817	0	0	0	0	0	0	108,817
Other General Government Grants	108,960	0	0	0	0	0	0	0	108,960
<u>Health and Welfare Grants</u>									
Health Department Programs	33,859	0	0	0	0	0	0	0	33,859
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	66,653	0	0	66,653
State Aid Program	0	0	0	0	0	142,134	0	0	142,134
Litter Program	31,495	0	0	0	0	0	0	0	31,495
<u>Other State Revenues</u>									
Income Tax	1,988	0	0	0	0	0	0	0	1,988
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	19,606	0	0	0	0	0	0	0	19,606
State Revenue Sharing - T.V.A.	182,839	0	0	0	0	32,000	0	0	214,839
Contracted Prisoner Boarding	169,746	0	0	0	0	0	0	0	169,746
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,380,795	0	0	1,380,795
Petroleum Special Tax	0	0	0	0	0	8,382	0	0	8,382
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	0	9,272	0	15,000	0	0	0	0	24,272
Total State of Tennessee	\$ 601,553	\$ 118,089	\$ 0	\$ 15,000	\$ 0	\$ 1,629,964	\$ 0	\$ 0	\$ 2,364,606

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt	Capital	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 467,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	467,500
Homeland Security Grants	75,351	0	0	0	0	0	0	0	75,351
Other Federal through State	120,000	0	0	0	0	0	0	0	120,000
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	30,339	0	0	0	0	112,214	0	0	142,553
Total Federal Government	\$ 693,190	\$ 0	\$ 0	\$ 0	\$ 0	\$ 112,214	\$ 0	\$ 0	\$ 805,404
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,763	\$ 0	\$ 0	37,763
Contributions	390,338	0	0	17,351	0	0	350,674	0	758,363
<u>Citizens Groups</u>									
Donations	1,856	0	0	0	0	0	0	0	1,856
<u>Other</u>									
Other	13,077	0	0	0	0	0	0	0	13,077
Total Other Governments and Citizens Groups	\$ 405,271	\$ 0	\$ 0	\$ 17,351	\$ 0	\$ 37,763	\$ 350,674	\$ 0	\$ 811,059
Total	\$ 4,340,877	\$ 593,828	\$ 5,748	\$ 36,116	\$ 2,621	\$ 1,840,976	\$ 1,041,879	\$ 39,314	\$ 7,901,359

Exhibit H-6

Lewis County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	6,000	
Secretary to Board		1,133	
Data Processing Personnel		3,115	
Board and Committee Members Fees		31,450	
Audit Services		2,638	
Dues and Memberships		2,391	
Legal Notices, Recording, and Court Costs		103	
Printing, Stationery, and Forms		382	
Travel		1,557	
Food Supplies		250	
Total County Commission			\$ 49,019

Board of Equalization

Board and Committee Members Fees	\$	900	
Total Board of Equalization			900

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Assistant(s)		20,798	
Part-time Personnel		6,623	
Other Salaries & Wages		3,600	
Data Processing Services		5,164	
Dues and Memberships		950	
Legal Notices, Recording, and Court Costs		116	
Maintenance & Repair Services - Office Equipment		254	
Printing, Stationery, and Forms		1,517	
Travel		2,529	
Office Supplies		1,152	
Periodicals		10	
Premiums on Corporate Surety Bonds		50	
Total County Mayor/Executive			100,567

County Attorney

Contracts with Private Agencies	\$	5,700	
Dues and Memberships		100	
Total County Attorney			5,800

Election Commission

County Official/Administrative Officer	\$	40,093	
Part-time Personnel		2,720	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	3,000	
Election Workers		3,372	
In-Service Training		700	
Data Processing Services		881	
Legal Notices, Recording, and Court Costs		832	
Printing, Stationery, and Forms		410	
Rentals		400	
Other Contracted Services		20	
Office Supplies		588	
Voting Machines		120,000	
Total Election Commission			\$ 173,016

Register of Deeds

County Official/Administrative Officer	\$	44,548	
Secretary(ies)		21,254	
Part-time Personnel		4,799	
Data Processing Services		6,654	
Dues and Memberships		293	
Printing, Stationery, and Forms		1,157	
Office Supplies		236	
Premiums on Corporate Surety Bonds		50	
Total Register of Deeds			78,991

Building

Engineering Services	\$	6,142	
Evaluation and Testing		5,000	
Maintenance & Repair Services - Buildings		162	
Printing, Stationery, and Forms		123	
Fuel Oil		29	
Utilities		12,389	
Liability Insurance		5,571	
Total Building			29,416

Geographical Information Systems

Data Processing Personnel	\$	21,898	
In-Service Training		195	
Contracts with Private Agencies		30,500	
Data Processing Supplies		473	
Duplicating Supplies		116	
Office Supplies		454	
Total Geographical Information Systems			53,636

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Supervisor/Director	\$	22,041	
Custodial Personnel		18,935	
Maintenance Personnel		13,949	
Communication		23,041	
Operating Lease Payments		1,264	
Maintenance Agreements		2,170	
Maintenance & Repair Services - Buildings		19,961	
Maintenance & Repair Services - Equipment		6,881	
Postal Charges		12,485	
Printing, Stationery, and Forms		143	
Travel		321	
Concrete		1,316	
Custodial Supplies		4,356	
Diesel Fuel		349	
Food Supplies		2,529	
Fuel Oil		80	
Gasoline		823	
Ice		1,524	
Office Supplies		229	
Periodicals		93	
Pipe		198	
Propane Gas		674	
Sand		3	
Tires and Tubes		381	
Utilities		42,873	
Synthetic Membrane		2,389	
Other Supplies and Materials		125	
Furniture and Fixtures		75	
Maintenance Equipment		11,466	
Motor Vehicles		1,068	
Office Equipment		876	
Total County Buildings			\$ 192,618

Risk Management

Data Processing Personnel	\$	6,868	
Legal Notices, Recording, and Court Costs		12	
Travel		129	
Total Risk Management			7,009

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	44,548	
Assistant(s)		21,254	
Audit Services		1,300	
Data Processing Services		1,902	
Dues and Memberships		1,168	
Legal Notices, Recording, and Court Costs		63	
Maintenance Agreements		450	
Printing, Stationery, and Forms		35	
Travel		2,077	
Office Supplies		1,392	
Premiums on Corporate Surety Bonds		75	
Other Charges		85	
Total Property Assessor's Office			\$ 74,349

Reappraisal Program

County Official/Administrative Officer	\$	5,500	
Assistant(s)		10,526	
Other Per Diem & Fees		117	
Data Processing Services		3,570	
Other Charges		1,131	
Total Reappraisal Program			20,844

County Trustee's Office

County Official/Administrative Officer	\$	44,548	
Secretary(ies)		47,484	
Data Processing Services		3,908	
Dues and Memberships		388	
Legal Notices, Recording, and Court Costs		48	
Printing, Stationery, and Forms		381	
Travel		88	
Other Contracted Services		1,902	
Office Supplies		513	
Premiums on Corporate Surety Bonds		943	
Office Equipment		90	
Total County Trustee's Office			100,293

County Clerk's Office

County Official/Administrative Officer	\$	44,548
Secretary(ies)		21,254
Part-time Personnel		17,510

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Board and Committee Members Fees	\$	330	
Data Processing Services		1,363	
Dues and Memberships		378	
Printing, Stationery, and Forms		1,917	
Travel		118	
Food Supplies		109	
Office Supplies		664	
Periodicals		131	
Premiums on Corporate Surety Bonds		50	
Total County Clerk's Office			\$ 88,372

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	44,548	
Jury and Witness Fees		3,226	
Data Processing Services		3,591	
Dues and Memberships		363	
Operating Lease Payments		181	
Printing, Stationery, and Forms		2,383	
Office Supplies		326	
Premiums on Corporate Surety Bonds		112	
Total Circuit Court			54,730

General Sessions Judge

Judge(s)	\$	62,627	
Secretary(ies)		5,451	
Dues and Memberships		70	
Printing, Stationery, and Forms		95	
Travel		2,005	
Periodicals		1,056	
Total General Sessions Judge			71,304

General Sessions Court Clerk

Secretary(ies)	\$	39,218	
Part-time Personnel		2,490	
Data Processing Services		3,591	
Operating Lease Payments		1,084	
Maintenance & Repair Services - Office Equipment		460	
Printing, Stationery, and Forms		1,670	
Office Supplies		467	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court Clerk (Cont.)

Periodicals	\$ 178	
Total General Sessions Court Clerk		\$ 49,158

Chancery Court

County Official/Administrative Officer	\$ 44,548	
Secretary(ies)	21,254	
Part-time Personnel	504	
Data Processing Services	5,751	
Dues and Memberships	508	
Operating Lease Payments	1,923	
Legal Services	13	
Printing, Stationery, and Forms	447	
Travel	165	
Office Supplies	1,968	
Premiums on Corporate Surety Bonds	163	
Total Chancery Court		77,244

Judicial Commissioners

Supervisor/Director	\$ 14,094	
Part-time Personnel	3,504	
Dues and Memberships	35	
Printing, Stationery, and Forms	167	
Travel	1,086	
Office Supplies	283	
Periodicals	122	
Total Judicial Commissioners		19,291

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 49,002	
Deputy(ies)	205,779	
Salary Supplements	4,668	
Dispatchers/Radio Operators	59,644	
Guards	33,080	
Secretary(ies)	20,395	
Other Salaries & Wages	8,946	
In-Service Training	4,695	
Communication	2,109	
Contracts with Other School Systems	42,217	
Dues and Memberships	950	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Operating Lease Payments	\$	301	
Maintenance Agreements		1,884	
Maintenance & Repair Services - Equipment		368	
Maintenance & Repair Services - Office Equipment		20	
Maintenance & Repair Services - Vehicles		11,667	
Matching Share		2,768	
Printing, Stationery, and Forms		1,527	
Travel		1,113	
Veterinary Services		95	
Other Contracted Services		1,168	
Gasoline		32,091	
Ice		287	
Instructional Supplies and Materials		107	
Office Supplies		389	
Periodicals		23	
Tires and Tubes		2,496	
Uniforms		3,233	
Indirect Cost		207	
Premiums on Corporate Surety Bonds		484	
Law Enforcement Equipment		9,052	
Motor Vehicles		18,699	
Office Equipment		750	
Total Sheriff's Department			\$ 520,214

Administration of the Sexual Offender Registry

Maintenance & Repair Services - Office Equipment	\$	433	
Total Administration of the Sexual Offender Registry			433

Jail

County Official/Administrative Officer	\$	6,000	
Supervisor/Director		32,079	
Medical Personnel		7,500	
Guards		216,526	
Secretary(ies)		20,309	
Cafeteria Personnel		20,351	
Other Salaries & Wages		4,140	
In-Service Training		2,955	
Communication		8,723	
Contracts with Private Agencies		5,451	
Maintenance & Repair Services - Buildings		9,988	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance & Repair Services - Equipment	\$	2,995	
Maintenance & Repair Services - Vehicles		687	
Medical and Dental Services		46,506	
Pest Control		650	
Printing, Stationery, and Forms		587	
Travel		64	
Custodial Supplies		5,626	
Drugs and Medical Supplies		15,711	
Food Supplies		39,104	
Gasoline		4,123	
Ice		470	
Office Supplies		647	
Tires and Tubes		388	
Uniforms		2,804	
Utilities		40,109	
Premiums on Corporate Surety Bonds		413	
Heating and Air Conditioning Equipment		5,740	
Law Enforcement Equipment		882	
Other Equipment		988	
Total Jail			\$ 502,516

Juvenile Services

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

Fire Prevention and Control

Contracts with Private Agencies	\$	19,000	
Total Fire Prevention and Control			19,000

Civil Defense

Communication	\$	699	
Travel		513	
Office Supplies		275	
Other Charges		266	
Total Civil Defense			1,753

Other Emergency Management

Gasoline	\$	39	
Other Charges		67,641	
Total Other Emergency Management			67,680

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

County Official/Administrative Officer	\$	1,801	
Medical and Dental Services		8,023	
Premiums on Corporate Surety Bonds		50	
Total County Coroner/Medical Examiner			\$ 9,874

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	2,700	
Communication		2,597	
Contributions		10,171	
Maintenance & Repair Services - Buildings		141	
Travel		29	
Other Contracted Services		355	
Custodial Supplies		385	
Office Supplies		846	
Periodicals		160	
Utilities		11,367	
Furniture and Fixtures		1,533	
Health Equipment		947	
Total Local Health Center			31,231

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	84,365	
Total Ambulance/Emergency Medical Services			84,365

Other Local Health Services

Assistant(s)	\$	848	
Social Workers		4,852	
Medical Personnel		15,640	
Clerical Personnel		682	
Other Fringe Benefits		36	
Printing, Stationery, and Forms		30	
Travel		2,267	
Office Supplies		30	
Other Supplies and Materials		264	
Total Other Local Health Services			24,649

Regional Mental Health Center

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

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information

Other Salaries & Wages	\$	22,951	
Gasoline		3,403	
Instructional Supplies and Materials		4,249	
Other Charges		1,046	
Total Sanitation Education/Information			\$ 31,649

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	6,117	
Gasoline		24,554	
Total Senior Citizens Assistance			30,671

Libraries

Assistant(s)	\$	16,438	
Supervisor/Director		23,288	
Part-time Personnel		5,651	
Communication		1,552	
Dues and Memberships		50	
Maintenance Agreements		1,542	
Maintenance & Repair Services - Buildings		518	
Maintenance & Repair Services - Equipment		120	
Travel		134	
Other Contracted Services		175	
Ice		187	
Library Books/Media		9,374	
Office Supplies		942	
Periodicals		1,212	
Utilities		9,060	
Other Charges		499	
Office Equipment		204	
Total Libraries			70,946

Parks and Fair Boards

Supervisor/Director	\$	23,288	
Custodial Personnel		19,134	
Communication		1,855	
Maintenance & Repair Services - Buildings		1,875	
Maintenance & Repair Services - Equipment		2,947	
Printing, Stationery, and Forms		125	
Other Contracted Services		9,102	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Custodial Supplies	\$	4,738	
Diesel Fuel		340	
Fertilizer, Lime, and Seed		437	
Food Supplies		1,608	
Gasoline		191	
Office Supplies		79	
Sand		260	
Tires and Tubes		134	
Utilities		18,715	
Maintenance Equipment		40	
Office Equipment		1,607	
Total Parks and Fair Boards			\$ 86,475

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	33,048	
Board and Committee Members Fees		420	
Communication		1,934	
Dues and Memberships		300	
Travel		500	
Office Supplies		955	
Total Agriculture Extension Service			37,157

Soil Conservation

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

Other Operations

Housing and Urban Development

Rentals	\$	36,413	
Total Housing and Urban Development			36,413

Other Economic and Community Development

Salary Supplements	\$	30,000	
Contracts with Private Agencies		10,500	
Dues and Memberships		2,818	
Engineering Services		2,631	
Maintenance & Repair Services - Buildings		63	
Crushed Stone		1,445	
Total Other Economic and Community Development			47,457

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Airport

Maintenance Personnel	\$	4,895	
Communication		2,081	
Contracts with Private Agencies		1,190	
Dues and Memberships		74	
Engineering Services		40,584	
Maintenance & Repair Services - Buildings		37	
Maintenance & Repair Services - Equipment		1,896	
Matching Share		37,500	
Rentals		330	
Other Contracted Services		1,200	
Asphalt - Hot Mix		8,002	
Custodial Supplies		287	
Food Supplies		22	
Gasoline		24,517	
Office Supplies		84	
Utilities		6,358	
Fencing		1,139	
Excess Risk Insurance		2,940	
Refunds		150	
Airport Improvement		304,511	
Maintenance Equipment		160	
Office Equipment		480	
Other Equipment		26	
Total Airport			\$ 438,463

Veterans' Services

County Official/Administrative Officer	\$	3,270	
Office Supplies		74	
Total Veterans' Services			3,344

Contributions to Other Agencies

Other Charges	\$	830	
Total Contributions to Other Agencies			830

Employee Benefits

Social Security	\$	119,786	
State Retirement		16,646	
Employee and Dependent Insurance		121,453	
Unemployment Compensation		9,150	
Workers' Compensation Insurance		19,100	
Total Employee Benefits			286,135

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Bank Charges	\$	120	
Contributions		4,000	
Dues and Memberships		350	
Legal Notices, Recording, and Court Costs		1,750	
Animal Food and Supplies		1,154	
Electricity		7,000	
Food Supplies		1,143	
Indirect Cost		424	
Liability Insurance		45,931	
Premiums on Corporate Surety Bonds		100	
Refunds		750	
Trustee's Commission		38,955	
Other Charges		<u>7,294</u>	
Total Miscellaneous			\$ 108,971

Instruction

Adult Education Program

Contributions	\$	<u>4,800</u>	
Total Adult Education Program			4,800

Capital Projects

General Administration Projects

Testing	\$	<u>250</u>	
Total General Administration Projects			250

Public Utility Projects

Contracts with Private Agencies	\$	466,058	
Engineering Services		60,239	
Legal Notices, Recording, and Court Costs		12	
Printing, Stationery, and Forms		14	
Contracts for Development Costs		292,234	
Other Contracted Services		<u>17,500</u>	
Total Public Utility Projects			<u>836,057</u>

Total General Fund \$ 4,560,700

Solid Waste/Sanitation Fund

Public Health and Welfare

Transfer Stations

Supervisor/Director	\$	31,830	
---------------------	----	--------	--

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Transfer Stations (Cont.)

Clerical Personnel	\$	21,444	
Attendants		32,656	
Part-time Personnel		5,928	
Contracts with Private Agencies		206,849	
Data Processing Services		2,262	
Legal Notices, Recording, and Court Costs		168	
Maintenance & Repair Services - Buildings		636	
Maintenance & Repair Services - Equipment		13,191	
Printing, Stationery, and Forms		640	
Permits		3,000	
Crushed Stone		230	
Custodial Supplies		500	
Diesel Fuel		12,279	
Fertilizer, Lime, and Seed		17	
Food Supplies		60	
Gasoline		4,959	
Ice		433	
Riprap		614	
Office Supplies		214	
Pipe		200	
Propane Gas		48	
Tires and Tubes		3,273	
Uniforms		2,631	
Utilities		1,862	
Refunds		798	
Bridge Construction		1,256	
Maintenance Equipment		1,633	
Office Equipment		100	
Total Transfer Stations			\$ 349,711

Landfill Operation and Maintenance

Equipment Operators	\$	12,953	
Equipment Operators - Heavy		20,862	
Maintenance Personnel		4,895	
Maintenance & Repair Services - Equipment		20,558	
Printing, Stationery, and Forms		21	
Road Signs		81	
Tires and Tubes		156	
Fencing		4,931	
Total Landfill Operation and Maintenance			64,457

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Employee Benefits

Social Security	\$	12,826	
Employee and Dependent Insurance		11,589	
Workers' Compensation Insurance		5,021	
Total Employee Benefits			\$ 29,436

Miscellaneous

Indirect Cost	\$	1,265	
Trustee's Commission		4,477	
Total Miscellaneous			5,742

Capital Projects

General Administration Projects

Foremen	\$	4,370	
Laborers		37,740	
Maintenance Personnel		3,856	
Engineering Services		7,800	
Legal Notices, Recording, and Court Costs		54	
Rentals		16,025	
Travel		125	
Other Contracted Services		1,952	
Concrete		44,299	
Crushed Stone		1,420	
Road Signs		60	
Structural Steel		10,293	
Gravel and Chert		242	
Testing		260	
Other Supplies and Materials		5,593	
Other Charges		926	
Site Development		7,047	
Solid Waste Equipment		7,530	
Total General Administration Projects			149,592

Other General Government Projects

Maintenance & Repair Services - Equipment	\$	58	
Instructional Supplies and Materials		1,499	
Maintenance Equipment		8,711	
Solid Waste Equipment		3,597	
Total Other General Government Projects			13,865

Total Solid Waste/Sanitation Fund \$ 612,803

(Continued)

Exhibit H-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Operating Lease Payments	\$	75	
Instructional Supplies and Materials		295	
Other Charges		4,527	
Law Enforcement Equipment		11,316	
Other Equipment		19,398	
Total Drug Enforcement			\$ 35,611

Total Drug Control Fund \$ 35,611

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	21	
Total County Clerk's Office			\$ 21

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	49	
Total Circuit Court			49

Chancery Court

Constitutional Officers' Operating Expenses	\$	2,500	
Total Chancery Court			2,500

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$	51	
Total Sheriff's Department			51

Total Constitutional Officers - Fees Fund 2,621

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Assistant(s)		35,334	
Accountants/Bookkeepers		35,334	
Board and Committee Members Fees		960	
Advertising		509	
Communication		3,509	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Contributions	\$	5,000	
Dues and Memberships		1,908	
Legal Services		1,970	
Legal Notices, Recording, and Court Costs		39	
Licenses		34	
Maintenance & Repair Services - Buildings		31,957	
Maintenance & Repair Services - Office Equipment		3,422	
Postal Charges		490	
Printing, Stationery, and Forms		517	
Travel		1,113	
Other Contracted Services		4,582	
Custodial Supplies		1,578	
Data Processing Supplies		222	
Electricity		4,643	
Natural Gas		237	
Office Supplies		1,943	
Water and Sewer		2,160	
Other Supplies and Materials		36	
Office Equipment		1,045	
Total Administration			\$ 193,594

Highway and Bridge Maintenance

Foremen	\$	48,361
Equipment Operators		93,583
Equipment Operators - Light		76,937
Truck Drivers		90,071
Laborers		41,578
Rentals		400
Other Contracted Services		91,560
Asphalt - Cold Mix		5,063
Asphalt - Liquid		150,412
Concrete		5,425
Crushed Stone		63,656
General Construction Materials		1,785
Riprap		60,277
Other Road Supplies		5,736
Pipe - Metal		11,201
Road Signs		3,097
Salt		1,308
Wood Products		315

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Gravel and Chert	\$ 1,846	
Total Highway and Bridge Maintenance		\$ 752,611

Operation and Maintenance of Equipment

Foremen	\$ 27,950	
Mechanic(s)	47,687	
Freight Expenses	682	
Rentals	4,723	
Other Contracted Services	16,137	
Diesel Fuel	54,487	
Equipment and Machinery Parts	68,726	
Garage Supplies	1,957	
Gasoline	19,767	
Lubricants	1,931	
Small Tools	268	
Tires and Tubes	10,215	
Uniforms	2,858	
Other Supplies and Materials	952	
Total Operation and Maintenance of Equipment		258,340

Other Charges

Liability Insurance	\$ 35,013	
Trustee's Commission	15,419	
Workers' Compensation Insurance	35,282	
Total Other Charges		85,714

Employee Benefits

Social Security	\$ 42,304	
State Retirement	88,249	
Life Insurance	4,438	
Medical Insurance	104,001	
Unemployment Compensation	5,048	
Other Fringe Benefits	1,250	
Total Employee Benefits		245,290

Capital Outlay

Matching Share	\$ 38,922
Bridge Construction	56,043
Highway Construction	46,362
Motor Vehicles	25,000

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

State Aid Projects	\$	142,134	
Other Equipment		48,319	
Other Capital Outlay		<u>45,016</u>	
Total Capital Outlay			\$ <u>401,796</u>

Total Highway/Public Works Fund \$ 1,937,345

General Debt Service Fund

Other Operations

Miscellaneous

Trustee's Commission	\$	<u>9,930</u>	
Total Miscellaneous			\$ 9,930

Principal on Debt

General Government

Principal on Notes	\$	<u>233,133</u>	
Total General Government			233,133

Education

Principal on Bonds	\$	490,000	
Principal on Notes		<u>41,330</u>	
Total Education			531,330

Interest on Debt

General Government

Interest on Notes	\$	<u>46,789</u>	
Total General Government			46,789

Education

Interest on Bonds	\$	123,403	
Interest on Notes		<u>713</u>	
Total Education			124,116

Other Debt Service

General Government

Other Debt Issuance Charges	\$	<u>556</u>	
Total General Government			556

Education

Other Debt Issuance Charges	\$	<u>1,002</u>	
Total Education			<u>1,002</u>

Total General Debt Service Fund 946,856

(Continued)

Exhibit H-6

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

<u>Highway Capital Projects Fund</u>			
<u>Highways</u>			
<u>Other Charges</u>			
Trustee's Commission	\$ 777		
Total Other Charges		\$ 777	
 <u>Capital Outlay</u>			
Engineering Services	\$ 36,852		
Total Capital Outlay		<u>36,852</u>	
Total Highway Capital Projects Fund			<u>\$ 37,629</u>
Total Governmental Funds - Primary Government			<u>\$ 8,133,565</u>

Exhibit H-7

Lewis County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 732,357
Total Cash Receipts	<u>\$ 732,357</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 725,033
Trustee's Commission	7,324
Total Cash Disbursements	<u>\$ 732,357</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u><u>\$ 0</u></u>

ANNUAL FINANCIAL REPORT
LEWIS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF LEWIS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 3

ROBIN BATES, CFE
WENDY HEATH, CFE
DONYA WADE
State Auditors

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

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

Annual Financial Report
Lewis County School Department
For the Year Ended June 30, 2006

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Lewis County School Department as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

LEWIS COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Documentation that goods had been received or services had been rendered was not always maintained.
- ◆ The School Federal Projects fund had a cash overdraft of \$14,059.
- ◆ Appropriations exceeded estimated available funding in the General Purpose School Fund by \$23,237.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

Lewis County School Officials
June 30, 2006

Official

Benny Pace, Director of Schools

Board of Education

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

Phyllis Townsend
Robert Brewer
Clark Bates
Carolyn Duncan

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

November 28, 2006

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Lewis County School Department, a component unit of Lewis County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 30, which collectively comprise a portion of the Lewis County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Lewis County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Lewis County School Department as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Lewis County School Department as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2006, on our consideration of the Lewis County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 33 through 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lewis County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedule of the nonmajor governmental fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Lewis County, Tennessee
Balance Sheet - Governmental Funds
Lewis County School Department
June 30, 2006

	Major Funds		Nonmajor	Total
	General	Central	Fund	
	Purpose	Cafeteria	School	
	School		Federal	Governmental
			Projects	Funds
<u>ASSETS</u>				
Cash	\$ 85,317	\$ 7,006	\$ 0	\$ 92,323
Equity in Pooled Cash and Investments	1,492,021	343,161	0	1,835,182
Inventories	0	22,273	0	22,273
Due from Other Governments	373,492	67,435	42,700	483,627
Property Taxes Receivable	1,051,084	0	0	1,051,084
Allowance for Uncollectible Property Taxes	(38,566)	0	0	(38,566)
Total Assets	<u>\$ 2,963,348</u>	<u>\$ 439,875</u>	<u>\$ 42,700</u>	<u>\$ 3,445,923</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 84,807	\$ 0	\$ 0	\$ 84,807
Cash Overdraft	0	0	14,059	14,059
Deferred Revenue - Current Property Taxes	983,119	0	0	983,119
Deferred Revenue - Delinquent Property Taxes	26,679	0	0	26,679
Other Deferred Revenues	62,763	0	0	62,763
Total Liabilities	<u>\$ 1,157,368</u>	<u>\$ 0</u>	<u>\$ 14,059</u>	<u>\$ 1,171,427</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 288,321	\$ 0	\$ 9,344	\$ 297,665
Other Local Education Reserves	3,076	0	0	3,076
Reserved for Career Ladder - Extended Contract	839	0	0	839
Reserved for Career Ladder Program	1,187	0	0	1,187
Reserved for Basic Education Program	117,496	0	0	117,496
Reserved for Title I Grants to Local Education Agencies	0	0	6,471	6,471
Reserved for Innovative Education Program Strategies	0	0	2,406	2,406
Reserved for Special Education - Grants to States	0	0	10,420	10,420
Unreserved, Reported In:				
General Fund	1,395,061	0	0	1,395,061
Special Revenue Funds	0	439,875	0	439,875
Total Fund Balances	<u>\$ 1,805,980</u>	<u>\$ 439,875</u>	<u>\$ 28,641</u>	<u>\$ 2,274,496</u>
Total Liabilities and Fund Balances	<u>\$ 2,963,348</u>	<u>\$ 439,875</u>	<u>\$ 42,700</u>	<u>\$ 3,445,923</u>

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

Exhibit B

Lewis County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Lewis County School Department
For the Year Ended June 30, 2006

	Major Funds		Nonmajor	Total Governmental Funds
	General Purpose School	Central Cafeteria	School Federal Projects	
<u>Revenues</u>				
Local Taxes	\$ 1,561,140	\$ 0	\$ 0	\$ 1,561,140
Licenses and Permits	385	0	0	385
Charges for Current Services	18,125	363,872	0	381,997
Other Local Revenues	57,351	3,997	0	61,348
State of Tennessee	8,405,936	11,806	0	8,417,742
Federal Government	225,862	566,238	1,061,668	1,853,768
Total Revenues	\$ 10,268,799	\$ 945,913	\$ 1,061,668	\$ 12,276,380
<u>Expenditures</u>				
Current:				
Instruction	\$ 5,798,467	\$ 0	\$ 782,641	\$ 6,581,108
Support Services	3,280,668	0	298,085	3,578,753
Operation of Non-Instructional Services	375,329	883,636	0	1,258,965
Capital Outlay	41,995	0	0	41,995
Debt Service:				
Principal on Debt	29,923	0	0	29,923
Interest on Debt	2,775	0	0	2,775
Other Debt Service	350,673	0	0	350,673
Total Expenditures	\$ 9,879,830	\$ 883,636	\$ 1,080,726	\$ 11,844,192
Excess (Deficiency) of Revenues Over Expenditures	\$ 388,969	\$ 62,277	\$ (19,058)	\$ 432,188
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 18,894	\$ 0	\$ 0	\$ 18,894
Transfers Out	0	0	(18,894)	(18,894)
Total Other Financing Sources (Uses)	\$ 18,894	\$ 0	\$ (18,894)	\$ 0
Net Change in Fund Balances	\$ 407,863	\$ 62,277	\$ (37,952)	\$ 432,188
Fund Balance, July 1, 2005	1,398,117	377,598	66,593	1,842,308
Fund Balance, June 30, 2006	\$ 1,805,980	\$ 439,875	\$ 28,641	\$ 2,274,496

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

**LEWIS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF LEWIS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

The Lewis County School Department operates the public school system in the county, and the voters of Lewis County elect its board. The School Department is a component unit of Lewis 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 Lewis 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. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Purpose School Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental funds:

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

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Lewis County and Lewis County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General and General Debt Service Funds. Lewis County and the Lewis County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

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

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

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

3. Inventories

Inventories of the School Department are recorded at cost, determined on the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

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

5. Compensated Absences

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the School

Department does not have a policy to pay any amounts when employees separate from service with the School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

7. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

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

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

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

B. Cash Overdraft

The School Federal Projects Fund had a cash overdraft of \$14,059 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2006.

C. Appropriations Exceeded Estimated Available Funding

The budget and subsequent amendments submitted to and approved by the Lewis County Commission for the General Purpose School Fund contained appropriations that exceeded estimated available funding causing a budgeted fund deficit of \$23,237.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Lewis County and the Lewis County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

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

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured

amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Lewis County, the School Department’s primary government, is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2006.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following amount:

	<u>Transfer In</u>
	General Purpose School Fund
Transfer Out	
Nonmajor governmental fund	\$ 18,894

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

C. Operating Lease

The School Department leases office equipment. The lease expenditures for the year ended June 30, 2006, were \$1,188 for the governmental funds. The lease agreement provides for termination on July 1 of any year in which the School Department fails to appropriate funds to meet lease payments. There are no provisions for contingent or subleases in the agreement. The future minimum lease payments for this lease are as follows:

Year Ending June 30	Amount
2007	\$ 1,188
2008	<u>1,188</u>
Total	<u>\$ 2,376</u>

D. Long-term Debt

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

Capital Outlay Notes

Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment. Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes were issued for original terms of up to seven years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The note included in long-term debt as of June 30, 2006, will be retired from the General Purpose School Fund.

The capital outlay note outstanding as of June 30, 2006, is as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Note	3 %	\$ 203,713	\$ 62,554

The annual requirements to amortize the note outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	<u>Notes</u>	
	Principal	Interest
2007	\$ 30,820	\$ 1,877
2008	<u>31,734</u>	<u>952</u>
Total	<u>\$ 62,554</u>	<u>\$ 2,829</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Notes	Compensated Absences
Balance, July 1, 2005	\$ 92,477	\$ 10,559
Additions	0	5,825
Deductions	(29,923)	(11,841)
Balance, June 30, 2006	<u>\$ 62,554</u>	<u>\$ 4,543</u>
Balance Due Within One Year	<u>\$ 30,820</u>	<u>\$ 4,000</u>

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

IV. OTHER INFORMATION

A. Risk Management

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 and workers' compensation claims exceeding \$500,000.

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably

expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Lewis County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Lewis County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Retirement Commitments

Plan Description

Employees of Lewis County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lewis County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

The Lewis County School Department 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, 2006, was 3.64 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees.

Funding Policy

The Lewis County School Department requires employees to contribute five percent of earnable compensation. The School Department is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 9.55 percent of annual covered payroll. The

contribution requirement of plan members is set by state statute. The contribution requirement for the School department is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, the Lewis County School Department’s annual pension cost of \$125,891 to TCRS was equal to the School Department’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The School Department’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$125,891	100%	\$0
6-30-05	121,224	100	0
6-30-04	107,495	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$2,784	\$3,047	\$263	91.37%	\$1,310	20.08%
6-30-03	2,434	2,731	297	89.12	1,085	27.37
6-30-01	2,163	2,553	390	84.72	1,048	37.21

SCHOOL TEACHERS

Plan Description

The Lewis County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple 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 Lewis County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for Lewis County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004 were \$327,374, \$326,301, and \$188,044, respectively, equal to the required contributions for each year.

D. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools, as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C-1

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Lewis County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,561,140	\$ 0	\$ 1,561,140	\$ 1,511,411	\$ 1,542,411	\$ 18,729
Licenses and Permits	385	0	385	600	600	(215)
Charges for Current Services	18,125	0	18,125	6,200	22,413	(4,288)
Other Local Revenues	57,351	0	57,351	8,750	52,688	4,663
State of Tennessee	8,405,936	0	8,405,936	8,234,513	8,498,439	(92,503)
Federal Government	225,862	0	225,862	(100,000)	239,818	(13,956)
Total Revenues	\$ 10,268,799	\$ 0	\$ 10,268,799	\$ 9,661,474	\$ 10,356,369	\$ (87,570)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 4,815,918	\$ 49,031	\$ 4,864,949	\$ 5,120,050	\$ 5,040,712	\$ 175,763
Alternative Instruction Program	51,756	0	51,756	55,683	55,746	3,990
Special Education Program	731,720	3,564	735,284	756,485	767,398	32,114
Vocational Education Program	188,069	0	188,069	208,177	200,843	12,774
Student Body Education Program	11,004	0	11,004	7,460	11,466	462
<u>Support Services</u>						
Attendance	10,153	0	10,153	12,370	12,370	2,217
Health Services	51,107	0	51,107	55,572	55,572	4,465
Other Student Support	282,726	0	282,726	290,865	296,974	14,248
Regular Instruction Program	469,779	0	469,779	464,521	475,919	6,140
Special Education Program	131,625	0	131,625	131,165	137,271	5,646
Board of Education	145,543	0	145,543	157,775	158,612	13,069
Director of Schools	153,410	0	153,410	153,422	154,721	1,311
Office of the Principal	490,786	0	490,786	503,240	503,265	12,479
Fiscal Services	94,724	5,802	100,526	99,196	108,271	7,745
Operation of Plant	697,541	0	697,541	671,327	717,715	20,174

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Maintenance of Plant	\$ 95,632	\$ 30	\$ 95,662	\$ 104,630	\$ 105,160	\$ 9,498
Transportation	638,091	142,527	780,618	661,194	806,209	25,591
Central and Other	19,551	0	19,551	28,081	22,006	2,455
<u>Operation of Non-Instructional Services</u>						
Community Services	174,356	2,637	176,993	0	277,995	101,002
Early Childhood Education	200,973	84,730	285,703	0	296,232	10,529
<u>Capital Outlay</u>						
Regular Capital Outlay	41,995	0	41,995	50,000	55,642	13,647
<u>Principal on Debt</u>						
Education	29,923	0	29,923	279,723	29,923	0
<u>Interest on Debt</u>						
Education	2,775	0	2,775	103,500	2,775	0
<u>Other Debt Service</u>						
Education	350,673	0	350,673	0	350,675	2
Total Expenditures	\$ 9,879,830	\$ 288,321	\$ 10,168,151	\$ 9,914,436	\$ 10,643,472	\$ 475,321
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 388,969	\$ (288,321)	\$ 100,648	\$ (252,962)	\$ (287,103)	\$ 387,751
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 18,894	\$ 0	\$ 18,894	\$ 31,000	\$ 41,904	\$ (23,010)
Total Other Financing Sources (Uses)	\$ 18,894	\$ 0	\$ 18,894	\$ 31,000	\$ 41,904	\$ (23,010)
Net Change in Fund Balance						
Fund Balance, July 1, 2005	\$ 1,398,117	\$ 0	\$ 1,398,117	\$ 221,962	\$ 221,962	\$ 1,176,155
Fund Balance, June 30, 2006						
	\$ 1,805,980	\$ (288,321)	\$ 1,517,659	\$ 0	\$ (23,237)	\$ 1,540,896

Exhibit C-2

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Lewis County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 363,872	\$ 0	\$ 363,872	\$ 356,000	\$ 356,000	\$ 7,872
Other Local Revenues	3,997	0	3,997	2,200	2,200	1,797
State of Tennessee	11,806	0	11,806	12,000	12,000	(194)
Federal Government	566,238	0	566,238	496,000	511,000	55,238
Total Revenues	<u>\$ 945,913</u>	<u>\$ 0</u>	<u>\$ 945,913</u>	<u>\$ 866,200</u>	<u>\$ 881,200</u>	<u>\$ 64,713</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 883,636	\$ (12,646)	\$ 870,990	\$ 891,200	\$ 906,200	\$ 35,210
Total Expenditures	<u>\$ 883,636</u>	<u>\$ (12,646)</u>	<u>\$ 870,990</u>	<u>\$ 891,200</u>	<u>\$ 906,200</u>	<u>\$ 35,210</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 62,277</u>	<u>\$ 12,646</u>	<u>\$ 74,923</u>	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 99,923</u>
Net Change in Fund Balance	\$ 62,277	\$ 12,646	\$ 74,923	\$ (25,000)	\$ (25,000)	\$ 99,923
Fund Balance, July 1, 2005	377,598	(12,646)	364,952	25,000	25,000	339,952
Fund Balance, June 30, 2006	<u>\$ 439,875</u>	<u>\$ 0</u>	<u>\$ 439,875</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 439,875</u>

**LEWIS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF LEWIS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006**

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 Lewis County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

B. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING

The budget and subsequent amendments submitted to and approved by the County Commission for the General Purpose School Fund contained appropriations that exceeded estimated available funding causing a budgeted fund deficit of \$23,237.

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

Nonmajor Governmental Fund

Special Revenue Fund

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

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

Exhibit D

Lewis County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Lewis County School Department
School Federal Projects Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,061,668	\$ 0	\$ 0	\$ 1,061,668	\$ 1,202,588	\$ 1,202,588	\$ (140,920)
Total Revenues	\$ 1,061,668	\$ 0	\$ 0	\$ 1,061,668	\$ 1,202,588	\$ 1,202,588	\$ (140,920)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 522,084	\$ (1,618)	\$ 129	\$ 520,595	\$ 572,981	\$ 584,674	\$ 64,079
Special Education Program	207,837	0	0	207,837	223,651	235,493	27,656
Vocational Education Program	52,720	0	6,162	58,882	55,831	58,882	0
<u>Support Services</u>							
Other Student Support	17,263	0	2,312	19,575	22,895	19,678	103
Regular Instruction Program	89,548	0	491	90,039	149,734	138,852	48,813
Special Education Program	167,098	0	250	167,348	190,326	178,721	11,373
Transportation	24,176	0	0	24,176	26,809	26,993	2,817
Total Expenditures	\$ 1,080,726	\$ (1,618)	\$ 9,344	\$ 1,088,452	\$ 1,242,227	\$ 1,243,293	\$ 154,841
Excess (Deficiency) of Revenues Over Expenditures	\$ (19,058)	\$ 1,618	\$ (9,344)	\$ (26,784)	\$ (39,639)	\$ (40,705)	\$ 13,921
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ (25)	\$ 0	\$ 0
Transfers Out	(18,894)	0	0	(18,894)	(21,835)	(20,799)	1,905
Total Other Financing Sources (Uses)	\$ (18,894)	\$ 0	\$ 0	\$ (18,894)	\$ (21,860)	\$ (20,799)	\$ 1,905
Net Change in Fund Balance	\$ (37,952)	\$ 1,618	\$ (9,344)	\$ (45,678)	\$ (61,499)	\$ (61,504)	\$ 15,826
Fund Balance, July 1, 2005	66,593	(1,618)	0	64,975	66,593	66,593	(1,618)
Fund Balance, June 30, 2006	\$ 28,641	\$ 0	\$ (9,344)	\$ 19,297	\$ 5,094	\$ 5,089	\$ 14,208

MISCELLANEOUS SCHEDULES

Exhibit E-1

Lewis County, Tennessee
Schedule of Changes in Long-term Notes
Lewis County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate		Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTE PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Energy Efficiency	\$ 203,713	3	%	1-18-01	3-15-08	<u>\$ 92,477</u>	<u>\$ 29,923</u>	<u>\$ 62,554</u>

Exhibit E-2

Lewis County, Tennessee
Schedule of Transfers
Lewis County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 18,894</u>
Total			<u><u>\$ 18,894</u></u>

Exhibit E-3

Lewis County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Lewis County School Department
For the Year Ended June 30, 2006

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	State Board of Education and Local Board of Education	\$ 69,846 (1)	\$ 50,000	RLI Insurance Company
<u>Other Bonds</u>				
Lewis County Board of Education Employees			10,000	"

(1) Includes \$1,000 chief executive officer training supplement. The Board of Education also paid 100 percent of the director's medical (\$11,735) and dental benefits (\$1,185) that are not included in this schedule

Exhibit E-4

Lewis County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Lewis County School Department
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 823,458	\$ 0	\$ 0	\$ 823,458
Trustee's Collections - Prior Year	21,982	0	0	21,982
Trustee's Collections - Bankruptcy	214	0	0	214
Circuit/Clerk & Master Collections - Prior Years	18,444	0	0	18,444
Interest and Penalty	5,436	0	0	5,436
Payments in-Lieu-of Taxes - T.V.A.	3,430	0	0	3,430
Payments in-Lieu-of Taxes - Local Utilities	83,752	0	0	83,752
<u>County Local Option Taxes</u>				
Local Option Sales Tax	582,897	0	0	582,897
Business Tax	16,935	0	0	16,935
<u>Statutory Local Taxes</u>				
Bank Excise Tax	2,623	0	0	2,623
Interstate Telecommunications Tax	1,969	0	0	1,969
Total Local Taxes	\$ 1,561,140	\$ 0	\$ 0	\$ 1,561,140
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 385	\$ 0	\$ 0	\$ 385
Total Licenses and Permits	\$ 385	\$ 0	\$ 0	\$ 385
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 170,491	\$ 170,491
Lunch Payments - Adults	0	0	27,843	27,843
Income from Breakfast	0	0	24,849	24,849
A la carte Sales	0	0	139,073	139,073
School Based Health Services - FFS	498	0	0	498
Receipts from Individual Schools	16,403	0	0	16,403
TBI Criminal Background Fees	1,224	0	432	1,656
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	1,184	1,184
Total Charges for Current Services	\$ 18,125	\$ 0	\$ 363,872	\$ 381,997
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 36,524	\$ 0	\$ 3,997	\$ 40,521
Lease/Rentals	6,434	0	0	6,434
Miscellaneous Refunds	504	0	0	504
<u>Nonrecurring Items</u>				
Sale of Equipment	3,292	0	0	3,292
Damages Recovered from Individuals	589	0	0	589
Contributions & Gifts	2,200	0	0	2,200
<u>Other Local Revenues</u>				
Other Local Revenues	7,808	0	0	7,808
Total Other Local Revenues	\$ 57,351	\$ 0	\$ 3,997	\$ 61,348

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 7,966,444	\$ 0	\$ 0	\$ 7,966,444
Early Childhood Education	181,182	0	0	181,182
School Food Service	0	0	11,806	11,806
Driver Education	5,032	0	0	5,032
Other State Education Funds	86,595	0	0	86,595
Career Ladder Program	104,629	0	0	104,629
Career Ladder - Extended Contract	62,054	0	0	62,054
Total State of Tennessee	\$ 8,405,936	\$ 0	\$ 11,806	\$ 8,417,742
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	411,411	\$ 411,411
Breakfast	0	0	146,136	146,136
USDA - Other	0	0	8,691	8,691
Vocational Education - Basic Grants to States	0	56,221	0	56,221
Title I Grants to Local Education Agencies	0	457,315	0	457,315
Innovative Education Program Strategies	0	65,591	0	65,591
Special Education - Grants to States	5,085	392,840	0	397,925
Special Education Preschool Grants	0	18,755	0	18,755
Eisenhower Professional Development State Grants	0	50,065	0	50,065
Other Federal through State	220,777	20,881	0	241,658
Total Federal Government	\$ 225,862	\$ 1,061,668	\$ 566,238	\$ 1,853,768
Total	\$ 10,268,799	\$ 1,061,668	\$ 945,913	\$ 12,276,380

Exhibit E-5

Lewis County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Lewis County School Department
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,701,588	
Career Ladder Program		62,500	
Career Ladder Extended Contracts		43,500	
Homebound Teachers		2,374	
Educational Assistants		42,003	
Certified Substitute Teachers		6,975	
Non-certified Substitute Teachers		38,048	
Social Security		219,172	
State Retirement		210,430	
Medical Insurance		295,814	
Dental Insurance		100	
Unemployment Compensation		307	
Employer Medicare		52,093	
Other Contracted Services		514	
Instructional Supplies and Materials		33,707	
Textbooks		93,331	
Other Charges		859	
Regular Instruction Equipment		12,603	
Total Regular Instruction Program			\$ 4,815,918

Alternative Instruction Program

Teachers	\$	31,625	
Other Salaries & Wages		9,216	
Certified Substitute Teachers		112	
Non-certified Substitute Teachers		45	
Social Security		2,179	
State Retirement		2,619	
Medical Insurance		5,056	
Employer Medicare		510	
Other Contracted Services		394	
Total Alternative Instruction Program			51,756

Special Education Program

Teachers	\$	549,752
Career Ladder Program		5,000
Homebound Teachers		3,110
Clerical Personnel		1,331
Educational Assistants		500
Other Salaries & Wages		18,182

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	765	
Non-certified Substitute Teachers		10,575	
Social Security		33,467	
State Retirement		32,359	
Medical Insurance		45,683	
Unemployment Compensation		12,645	
Employer Medicare		7,832	
Other Contracted Services		6,734	
Instructional Supplies and Materials		3,785	
Total Special Education Program			\$ 731,720

Vocational Education Program

Teachers	\$	136,726	
Career Ladder Program		2,000	
Educational Assistants		12,701	
Certified Substitute Teachers		45	
Non-certified Substitute Teachers		1,305	
Social Security		8,792	
State Retirement		8,847	
Medical Insurance		7,771	
Employer Medicare		2,056	
Contracts with Other School Systems		5,560	
Instructional Supplies and Materials		1,516	
Other Charges		750	
Total Vocational Education Program			188,069

Student Body Education Program

Other Salaries & Wages	\$	8,024	
Social Security		206	
State Retirement		226	
Employer Medicare		48	
Other Contracted Services		2,500	
Total Student Body Education Program			11,004

Support Services

Attendance

Supervisor/Director	\$	6,070
Social Security		330
State Retirement		334

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Medical Insurance	\$	685	
Employer Medicare		77	
Travel		1,484	
Other Supplies and Materials		11	
In Service/Staff Development		783	
Attendance Equipment		379	
Total Attendance			\$ 10,153

Health Services

Medical Personnel	\$	23,669	
Other Salaries & Wages		10,452	
Social Security		1,763	
State Retirement		3,259	
Medical Insurance		5,434	
Employer Medicare		412	
Travel		73	
Other Contracted Services		1,487	
Drugs and Medical Supplies		2,858	
Other Supplies and Materials		103	
In Service/Staff Development		115	
Other Charges		1,482	
Total Health Services			51,107

Other Student Support

Career Ladder Program	\$	4,500	
Guidance Personnel		189,744	
Career Ladder Extended Contracts		2,000	
Clerical Personnel		10,077	
Other Salaries & Wages		2,150	
Social Security		10,541	
State Retirement		10,707	
Medical Insurance		16,216	
Employer Medicare		2,771	
Contracts with Government Agencies		12,606	
Evaluation and Testing		10,499	
Other Contracted Services		9,898	
Other Supplies and Materials		231	
In Service/Staff Development		786	
Total Other Student Support			282,726

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	100,473	
Career Ladder Program		9,000	
Career Ladder Extended Contracts		1,000	
Librarians		162,396	
Instructional Computer Personnel		37,000	
Secretary(ies)		24,928	
Other Salaries & Wages		30,699	
Non-certified Substitute Teachers		2,250	
Social Security		21,545	
State Retirement		22,243	
Medical Insurance		27,242	
Employer Medicare		5,026	
Travel		1,090	
Other Contracted Services		1,980	
Library Books/Media		19,764	
Other Charges		734	
Other Equipment		2,409	
Total Regular Instruction Program			\$ 469,779

Special Education Program

Supervisor/Director	\$	51,623	
Career Ladder Program		2,500	
Psychological Personnel		56,437	
Social Security		5,706	
State Retirement		5,528	
Medical Insurance		7,654	
Employer Medicare		1,351	
Other Contracted Services		806	
In Service/Staff Development		20	
Total Special Education Program			131,625

Board of Education

Secretary to Board	\$	1,400	
Board and Committee Members Fees		14,150	
Social Security		979	
State Retirement		133	
Medical Insurance		201	
Employer Medicare		211	
Audit Services		6,800	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Dues and Memberships	\$	5,282	
Legal Services		265	
Postal Charges		24	
Travel		3,277	
Maintenance and Repair Services - Records		1,250	
Liability Insurance		13,571	
Premiums on Corporate Surety Bonds		733	
Trustee's Commission		45,753	
Workers' Compensation Insurance		43,015	
In Service/Staff Development		2,445	
Criminal Investigation of Applicants - TBI		2,136	
Refund to Applicant for Criminal Investigation		576	
Other Charges		3,342	
Total Board of Education			\$ 145,543

Director of Schools

County Official/Administrative Officer	\$	69,846	
Secretary(ies)		29,046	
Social Security		6,132	
State Retirement		6,616	
Medical Insurance		10,969	
Dental Insurance		1,150	
Employer Medicare		1,434	
Communication		6,700	
Dues and Memberships		922	
Maintenance & Repair Services - Equipment		435	
Postal Charges		1,955	
Travel		1,832	
Other Contracted Services		4,280	
Office Supplies		8,187	
In Service/Staff Development		155	
Other Charges		971	
Administration Equipment		2,780	
Total Director of Schools			153,410

Office of the Principal

Principals	\$	225,940
Career Ladder Program		5,000
Accountants/Bookkeepers		75,344

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Extended Contracts	\$	2,000	
Assistant Principals		46,495	
Secretary(ies)		49,742	
Other Salaries & Wages		779	
Non-certified Substitute Teachers		2,025	
Social Security		23,792	
State Retirement		26,328	
Medical Insurance		22,362	
Employer Medicare		5,564	
Communication		2,936	
Travel		394	
Other Contracted Services		864	
In Service/Staff Development		1,221	
Total Office of the Principal			\$ 490,786

Fiscal Services

Supervisor/Director	\$	18,440	
Accountants/Bookkeepers		37,366	
Other Salaries & Wages		8,144	
Social Security		3,115	
State Retirement		5,329	
Medical Insurance		5,180	
Employer Medicare		846	
Travel		2,000	
Other Contracted Services		8,644	
Data Processing Supplies		1,928	
Office Supplies		1,126	
In Service/Staff Development		1,543	
Administration Equipment		1,063	
Total Fiscal Services			94,724

Operation of Plant

Supervisor/Director	\$	46,990	
Custodial Personnel		143,709	
Other Salaries & Wages		26,460	
Social Security		12,946	
State Retirement		7,414	
Medical Insurance		5,414	
Unemployment Compensation		288	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Employer Medicare	\$	3,028	
Other Contracted Services		7,863	
Custodial Supplies		20,335	
Electricity		241,555	
Natural Gas		102,722	
Water and Sewer		31,602	
Boiler Insurance		2,188	
Building and Contents Insurance		39,859	
Plant Operation Equipment		5,168	
Total Operation of Plant			\$ 697,541

Maintenance of Plant

Maintenance Personnel	\$	58,937	
Social Security		3,478	
State Retirement		5,628	
Medical Insurance		3,233	
Employer Medicare		813	
Communication		458	
Laundry Service		1,840	
Other Contracted Services		6,777	
Other Supplies and Materials		13,482	
In Service/Staff Development		45	
Maintenance Equipment		941	
Total Maintenance of Plant			95,632

Transportation

Supervisor/Director	\$	25,710	
Mechanic(s)		39,690	
Bus Drivers		197,791	
Other Salaries & Wages		3,894	
In-Service Training		1,140	
Social Security		15,865	
State Retirement		20,855	
Medical Insurance		10,586	
Employer Medicare		3,710	
Communication		3,604	
Laundry Service		1,111	
Medical and Dental Services		1,852	
Travel		988	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Contracted Services	\$	950	
Diesel Fuel		51,549	
Garage Supplies		1,846	
Gasoline		18,918	
Lubricants		1,977	
Tires and Tubes		8,876	
Vehicle Parts		16,024	
Vehicle and Equipment Insurance		12,369	
In Service/Staff Development		770	
Other Charges		1,315	
Transportation Equipment		196,701	
Total Transportation			\$ 638,091

Central and Other

Supervisor/Director	\$	6,147	
Data Processing Personnel		8,983	
Social Security		829	
State Retirement		1,445	
Medical Insurance		1,671	
Employer Medicare		194	
Travel		282	
Total Central and Other			19,551

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	50,014	
Teachers		25,369	
Other Salaries & Wages		48,879	
Social Security		7,207	
State Retirement		7,637	
Medical Insurance		5,500	
Employer Medicare		1,686	
Travel		1,556	
Other Supplies and Materials		19,002	
In Service/Staff Development		60	
Other Charges		6,026	
Other Equipment		1,420	
Total Community Services			174,356

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education

Supervisor/Director	\$	39,945	
Teachers		54,746	
Career Ladder Program		1,000	
Educational Assistants		16,993	
Other Salaries & Wages		8,421	
Non-certified Substitute Teachers		1,710	
Social Security		6,997	
State Retirement		6,971	
Medical Insurance		10,502	
Employer Medicare		1,636	
Travel		1,585	
Other Contracted Services		5,436	
Instructional Supplies and Materials		27,039	
Other Supplies and Materials		9,318	
In Service/Staff Development		5,909	
Other Charges		592	
Other Equipment		2,173	
Total Early Childhood Education			\$ 200,973

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	41,995	
Total Regular Capital Outlay			41,995

Principal on Debt

Education

Principal on Notes	\$	29,923	
Total Education			29,923

Interest on Debt

Education

Interest on Notes	\$	2,775	
Total Education			2,775

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	350,673	
Total Education			350,673

Total General Purpose School Fund \$ 9,879,830

(Continued)

Exhibit E-5

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	291,599	
Educational Assistants		47,840	
Other Salaries & Wages		5,604	
Certified Substitute Teachers		1,017	
Social Security		20,234	
State Retirement		21,063	
Medical Insurance		19,123	
Employer Medicare		4,713	
Instructional Supplies and Materials		46,574	
Other Charges		184	
Regular Instruction Equipment		64,133	
Total Regular Instruction Program			\$ 522,084

Special Education Program

Teachers	\$	4,000	
Educational Assistants		135,229	
Other Salaries & Wages		2,815	
Social Security		8,756	
State Retirement		11,284	
Employer Medicare		2,048	
Other Fringe Benefits		2,830	
Maintenance & Repair Services - Equipment		130	
Other Contracted Services		34,277	
Instructional Supplies and Materials		4,459	
Other Supplies and Materials		507	
Special Education Equipment		1,502	
Total Special Education Program			207,837

Vocational Education Program

Contracts with Other School Systems	\$	16,385	
Instructional Supplies and Materials		5,121	
Vocational Instruction Equipment		31,214	
Total Vocational Education Program			52,720

Support Services

Other Student Support

Clerical Personnel	\$	102	
Attendants		44	
Other Salaries & Wages		5,500	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Security	\$	344	
State Retirement		529	
Employer Medicare		81	
Other Fringe Benefits		187	
Contracts with Government Agencies		4,690	
Travel		2,923	
Other Supplies and Materials		2,844	
Other Charges		19	
Total Other Student Support			\$ 17,263

Regular Instruction Program

Supervisor/Director	\$	7,500	
Other Salaries & Wages		19,076	
Social Security		1,648	
State Retirement		1,358	
Medical Insurance		104	
Employer Medicare		385	
Travel		1,523	
In Service/Staff Development		57,864	
Other Charges		90	
Total Regular Instruction Program			89,548

Special Education Program

Supervisor/Director	\$	6,000	
Psychological Personnel		14,828	
Assessment Personnel		13,457	
Secretary(ies)		29,170	
Other Salaries & Wages		32,404	
Social Security		3,756	
State Retirement		5,216	
Medical Insurance		2,379	
Employer Medicare		1,348	
Other Fringe Benefits		1,144	
Travel		2,595	
Other Contracted Services		46,954	
Other Supplies and Materials		3,830	
In Service/Staff Development		3,028	
Other Charges		989	
Total Special Education Program			167,098

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	9,485	
Other Salaries & Wages		5,902	
Social Security		955	
State Retirement		1,468	
Employer Medicare		223	
Other Fringe Benefits		942	
Contracts with Parents		5,201	
Total Transportation			\$ 24,176

Total School Federal Projects Fund \$ 1,080,726

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	37,365	
Clerical Personnel		23,135	
Cafeteria Personnel		269,842	
Other Salaries & Wages		383	
In-Service Training		3,932	
Social Security		20,273	
State Retirement		26,436	
Unemployment Compensation		643	
Employer Medicare		4,787	
Other Fringe Benefits		7,176	
Communication		3,080	
Maintenance & Repair Services - Equipment		1,576	
Transportation - Other than Students		7,830	
Other Contracted Services		12,503	
Food Preparation Supplies		22,423	
Food Supplies		342,993	
Office Supplies		5,044	
Utilities		32,737	
Other Supplies and Materials		750	
In Service/Staff Development		1,128	
Other Charges		813	
Food Service Equipment		58,787	
Total Food Service			\$ 883,636

Total Central Cafeteria Fund 883,636

Total Governmental Funds - Lewis County School Department \$ 11,844,192

SINGLE AUDIT REPORT
LEWIS COUNTY, TENNESSEE
AND
LEWIS COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 3

ROBIN BATES, CFE
WENDY HEATH, CFE
DONYA WADE
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 28, 2006

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Lewis County, Tennessee, and the Lewis County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Lewis County's and the Lewis County School Department's basic financial statements and have issued our reports thereon dated November 28, 2006. Our reports on the financial statements of Lewis County, Tennessee, and the Lewis County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lewis County's and the Lewis County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03(A,B), 06.04(A), 06.05(A,B), 06.06, 06.07, 06.08, 06.09, and 06.10.

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

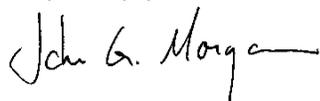
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewis County's and the Lewis County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.03(C), 06.04(B), 06.05(C), and 06.11.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rc



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 28, 2006

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

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

Compliance

We have audited the compliance of Lewis County and the Lewis County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2006. Lewis County's and the Lewis County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Lewis County's and the Lewis County School Department's management. Our responsibility is to express an opinion on Lewis County's and the Lewis County School Department's compliance based on our audit.

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

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

In our opinion, Lewis County and the Lewis County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Lewis County, Tennessee, and the Lewis County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated November 28, 2006. Our reports on the financial statements of Lewis County and the Lewis County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

Lewis County, Tennessee, and the Lewis County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Lewis County, Tennessee, and the Lewis County School Department for the year ended June 30, 2005, which have not been corrected.

LEWIS COUNTY AND LEWIS COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.02	13	The office had not established a formal purchase order system

OFFICE OF ROAD SUPERINTENDENT

Finding Number	Page Number	Subject
05.06(A,B,C)	15	The office had purchasing deficiencies

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
05.07(A)	16	Documentation that goods had been received or services rendered was not always maintained

OTHER FINDINGS

Finding Number	Page Number	Subject
05.08	17	Duties were not segregated adequately in the Offices of County Mayor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register
05.09	17	A central system of accounting, budgeting, and purchasing had not been adopted

Lewis County, Tennessee, and the Lewis County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U. S. Department of Agriculture:			
Direct Program:			
Watershed Protection and Flood Prevention	10.904	N/A	\$ 112,214
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	(2)	65,507
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	139,698
National School Lunch Program	10.555	(2)	403,985
Total U.S. Department of Agriculture			\$ 721,404
U.S. Department of Housing and Urban Development:			
Direct Program:			
Shelter Plus Care	14.238	N/A	\$ 27,538
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11598-00	467,500
Total U.S. Department of Housing and Urban Development			\$ 495,038
U.S. General Services Administration:			
Passed-through Tennessee Secretary of State:			
Election Reform Payments	39.011	(2)	\$ 120,000
Total U.S. General Services Administration			\$ 120,000
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	\$ 439,982
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	389,158
Special Education - Preschool Grants	84.173	N/A	18,677
Vocational Education - Basic Grants to States	84.048	N/A	55,669
Safe and Drug Free Schools and Communities- State Grants	84.186	(2)	18,176
Twenty-First Century Community Learning Centers	84.287	192-06-2-031	100,000
Even Start - State Educational Agencies	84.213	(2)	105,000
State Grants for Innovative Programs	84.298	N/A	6,774
Education Technology State Grants	84.318	(2)	10,925
Rural Education	84.358	N/A	56,654
Improving Teacher Quality State Grants	84.367	N/A	98,117
Hurricane Education Recovery	84.938	N/A	7,920
Total U.S. Department of Education			\$ 1,307,052
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.004	Z-04-022465-00	\$ 66,895 (3)
Emergency Management Performance Grants	97.042	GG-04-10753-00	8,456
Passed-through Lawrence County, Tennessee:			
Homeland Security Grant Program	97.004	N/A	11,908 (3)
Total U.S. Department of Homeland Security			\$ 87,259
Total Expenditures of Federal Awards			\$ 2,730,753

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 4,644
Airport Maintenance Program - State Department of Transportation	N/A	Z-06-028717-00	6,928
Airport Lighting System Grant - State Department of Transportation	N/A	Z-06-029408-00	76,718
Airport Fencing Grant - State Department of Transportation	N/A	Z-04-019000-00	1,025
Juvenile Services Program - State Children's Services Commission	N/A	Z-06-002617-00	9,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011290-00	9,272
Used Oil Grant - State Department of Environment and Conservation	N/A	Z-05-024410-00	11,896
Waste Reduction Grant - State Department of Environment and Conservation	N/A	Z-04-018172-00	96,921
Litter Program - State Department of Transportation	N/A	Z-05-021520-00	4,382
Litter Program - State Department of Transportation	N/A	Z-06-027981-00	27,114
Health Department - State Department of Health	N/A	Z-06-025968-00	29,054
Electronic Fingerprint Imaging System Grant - State Department of Finance and Administration	N/A	Z-01-098967-00	15,000
Safe Schools Act - State Department of Education	N/A	(2)	12,551
Lottery for Education Afterschool Program - State Department of Education	N/A	019-06-1-027	34,488
Early Childhood Education - State Department of Education	N/A	(2)	181,182
Family Resource Grant - State Department of Education	N/A	(2)	33,300
Total State Grants			\$ 553,475

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

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) - Information not available.
- (3) - Total Homeland Security Grant Program (CFDA No. 97.004) from the U.S. Department of Homeland Security - \$78,803.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Lewis County and the Lewis County School Department.
2. The audit of the financial statements of Lewis County and the Lewis County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Lewis County and the Lewis County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title 1 Grants to Local Educational Agencies (CFDA No. 84.010), the Community Development Block Grants/State's Program (CFDA No. 14.228), and the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Lewis County and the Lewis County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

LEWIS COUNTY AND LEWIS COUNTY SCHOOL DEPARTMENT

FINDING 06.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

Lewis County has continued to work to become compliant with GASB 34, and we are very close. In the last half of this fiscal year, the position of administrative assistant for the

mayor was vacated, and the replacement was untrained. With the required training and assistance, we expect to comply with GASB 34 requirements in fiscal year 2006-07.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Software has been installed and data entry is in its final phase. Finance staff is working with County Technical Advisory Services to complete final amortization schedules. Management anticipates full compliance during fiscal year ended June 30, 2007.

OFFICE OF COUNTY MAYOR

FINDING 06.02 **THE OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

As County Mayor, I have twice proposed the adoption of a county financial management system but to no avail. Now, beginning a new term and with a Board of Commissioners consisting of two-third new members, we will again begin evaluating the advantages of a county financial management system.

FINDING 06.03 **DEFICIENCIES WERE NOTED IN THE SOLID WASTE TRANSFER STATION PROJECT**
(A. and B. - Internal Control – Reportable Condition Under Government Auditing Standards; C. - Noncompliance Under Government Auditing Standards)

Lewis County received approval of a \$97,389 grant from the Tennessee Department of Environment and Conservation for a construction project at the solid waste transfer station. The grant required local matching funds of \$10,821, making total funding for the project \$108,210. Lewis County advertised and received competitive bids from Norris Construction (\$108,000), Ronald Franks Construction (\$209,567), and Jenkins & Jenkins Construction (\$181,889). Officials advised that the county rejected the Norris Construction bid because the company had not followed the bid instructions and rejected the other two bids because the bids exceeded estimated funding. The county then decided to proceed with

the project by purchasing the materials and hiring employees to perform the work which eventually totaled \$153,108. The following deficiencies were noted:

- A. Lewis County hired Kenneth Jenkins, owner of Jenkins & Jenkins Construction (a bidder on the project), to oversee the project plus hired several of Jenkins & Jenkins' employees. The county mayor advised that these employees from Jenkins & Jenkins were from a bridge crew that was short on work. These individuals were paid a total of \$45,965 through the county's payroll system and were dismissed from county employment after the project was completed. Hiring individuals from a bidder company as temporary county employees gives the appearance of circumventing the intent of the competitive bid process.
- B. Lewis County rented equipment for the project from Jenkins & Jenkins Construction totaling \$11,800. County officials advised that in-lieu-of soliciting competitive bids for the equipment rentals, the county agreed to pay the provider the same rate that was previously bid for projects of the Highway Department. Lewis County also paid Jenkins & Jenkins for steel (\$1,091), form rentals (\$3,135), miscellaneous (\$1,800), and ditch work (\$1,162). Again, renting equipment and purchasing other supplies and services from a bidder company gives the appearance of circumventing the intent of the competitive bid process.
- C. Lewis County also purchased concrete (\$44,299), steel rebar (\$13,625), and a wheel crusher (\$7,530) for the project without soliciting competitive bids. Section 5-14-204, Tennessee Code Annotated, requires the county to solicit bids for purchases exceeding \$5,000 after public advertisement.

RECOMMENDATION

Employees from a rejected bidder company should not be hired as temporary county employees to circumvent the competitive process. Competitive bids should be solicited through newspaper advertisement for all purchases exceeding \$5,000 as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The process followed for this construction project received approval from the State of Tennessee Department of Environment and Conservation prior to beginning construction, and there was no intent to circumvent the competitive bid process. It was strictly economics because being a small rural county this project could not proceed based on the bids received. The engineering bid specifications only included the main core part of this project and did not include any site preparation or amenities necessary for the total project. For example, the bids included 492 yards of concrete with necessary rebar while the actual amount of concrete poured was 615 yards. Also, the bid specifications did not include a concrete containment for fuel and used oil storage tanks. It has been estimated that the bid cost of the total project completed would have exceeded \$277,000 versus the actual cost of \$153,108.

As for concrete and rebar mentioned, being specialty items, bid specifications and amounts required were sent to all relative vendors in the surrounding area including Nashville. The wheel crusher was a specialty item. Much time was spent on the internet searching and corresponding with vendors, and many replied with bid proposals. These bids required approval by the Department of Environment and Conservation prior to the issuance of purchase orders. Upon completion of this project, a large binder was prepared containing copies of all receipts, invoices, etc., then submitted to the state for approval prior to grant reimbursement.

REBUTTAL

Bid specifications for the entire project should have been developed and made available for prospective bidders. Competitive bids should be solicited through newspaper advertisement for all purchases exceeding \$5,000 as required by state statute.

FINDING 06.04 **THE OFFICE HAD PURCHASING DEFICIENCIES**
(A. - Internal Control – Reportable Condition Under Government Auditing Standards; B. - Noncompliance Under Government Auditing Standards)

Our examination disclosed the following deficiencies in purchasing procedures:

- A. Documentation that goods had been received or services had been rendered was not always maintained. However, our audit indicated that these goods had been received and services had been rendered.
- B. The Lewis County Sheriff's Department purchased an office telephone system totaling \$8,695 without soliciting competitive bids. Section 5-14-204, Tennessee Code Annotated, requires the county to solicit bids for purchases exceeding \$5,000 after public advertisement.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The position of administrative assistant was vacated and then filled with a new, untrained individual during the last half of the fiscal year.

OFFICE OF ROAD SUPERINTENDENT

FINDING 06.05 **THE OFFICE HAD DEFICIENCIES IN ITS PURCHASING PROCEDURES**

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

Our examination of purchasing procedures revealed the following deficiencies:

- A. The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

- B. Documentation that goods had been received or services had been rendered was not always maintained. However, our audit indicated that these goods had been received and services had been rendered.

- C. The office purchased fuel from a vendor without soliciting competitive bids or obtaining quotations. Purchasing procedures for the Highway Department are governed by Chapter 395, Private Acts of 1937, as amended, and provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which provide for purchases exceeding \$10,000 to be made after solicitation of competitive bids and approval by the county Highway Advisory Commission.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. Documentation should be obtained that goods have been received or services have been rendered before invoices are paid. Competitive bids should be solicited for purchases exceeding \$10,000 as required by state statutes.

MANAGEMENT’S RESPONSE – ROAD SUPERINTENDENT

Audit findings have been discussed with personnel and will be monitored more closely in the use of purchase orders and proper bookkeeping.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.06 **RECEIVING DOCUMENTATION WAS NOT ALWAYS MAINTAINED**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Documentation that goods had been received or services had been rendered was not always maintained. However, our audit indicated that these goods had been received and services had been rendered.

RECOMMENDATION

Documentation should be obtained that goods have been received or services have been rendered before invoices are paid.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Management has developed and adopted written internal control procedures for the accounts payable function that include the necessity for documentation of receipt of goods and services prior to payment. Management is further segregating purchasing duties to expand internal control and ensure adequate time and attention to all aspects of the purchasing process.

FINDING 06.07 **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Federal Projects Fund had a cash overdraft of \$14,059 at June 30, 2006. This cash overdraft resulted from the issuance of warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2006.

RECOMMENDATION

The office should not make disbursements that exceed available cash on deposit with the county trustee.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

This finding occurred during the transition to the Department of Education's (DOE) new automated federal funds request and cash management system (FACTS). The "turnaround time" for receipt of funds was longer than originally anticipated. Management has taken the following corrective action:

- Strengthened language in the internal control procedures relative to cash disbursements.
- Conducted on-site FACTS system follow-up training by DOE fiscal consultant.
- Conducted training on federal projects finance management for fiscal staff and federal project supervisors.
- Instituted monthly meetings for finance staff and federal project supervisors to improve communication and anticipation of cash flow requirements.

FINDING 06.08 **APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The budget and subsequent amendments submitted to and approved by the County Commission for the General Purpose School Fund contained appropriations that exceeded estimated available funding by \$23,237.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Management received approval for all budget amendments including an amendment to appropriate \$23,237 from undesignated fund balance and reserve funds. These funds were available and properly categorized in the system's general ledger. The exact fund balance and reserves were reported in the system's annual financial report; the estimated fund balance and reserve funds were included in the proposed budget submitted to county government for publication. Management's procedure has been to include only the appropriated fund balance in the budget document. Audit staff requests that total unappropriated fund balance be included in the budget document. Management will comply in future budget documents.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

With only one full time employee in the Office of County Mayor, it is not possible to segregate duties.

FINDING 06.10 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

As County Mayor, I have twice proposed the adoption of a county financial management system but to no avail. Now, beginning a new term and with a Board of Commissioners consisting of two-third new members, we will again begin evaluating the advantages of a county financial management system.

FINDING 06.11 **ONE MEMBER OF THE COUNTY BOARD OF EQUALIZATION
WAS INELIGIBLE FOR BOARD MEMBERSHIP**
(Noncompliance Under Government Auditing Standards)

Monitoring reports prepared by the Division of Property Assessments disclosed that an employee of Columbia State Community College was also a member of the county's Board of Equalization. Section 67-1-401(c), Tennessee Code Annotated, states that "state, municipal or county legislative or executive officials or employees shall all be ineligible for positions on a county board of equalization"

RECOMMENDATION

County officials should ensure that only eligible individuals are members of the Board of Equalization, as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Per review of the County Commission minutes, this board member was not approved by the County Commission or the county mayor. Henceforth, Tennessee Code Annotated, Section 67-1-401 will be reviewed and complied with.

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

There were no findings and questioned costs for federal programs.

**LEWIS COUNTY, TENNESSEE, AND THE
LEWIS COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006**

There was one audit finding relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs which was corrected. There are no audit findings relative to federal awards in the current audit's Schedule of Findings and Questioned Costs.