

**ANNUAL FINANCIAL REPORT
OF
WARREN COUNTY, TENNESSEE
AND
WARREN 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
WARREN 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

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

JESSICA L. COX, CGFM
JAMES D. HODGES, CFE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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Audit Highlights

Annual Financial Report
Warren 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 Warren County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

WARREN COUNTY

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

OFFICE OF COUNTY EXECUTIVE

- ◆ An internal control weakness was noted relating to the write-off policy of uncollectible accounts of the Ambulance Service. The write-off policy gave sole authority for the write-off to one individual with no oversight from management.
- ◆ Some assets listed on the county's inventory were not tagged or otherwise clearly identified as county property.

OFFICE OF SUPERINTENDENT OF ROADS

- ◆ The superintendent of roads did not submit a complete list of county roads to the County Commission for its approval as required by state statute. This list should include the classification, width and distance of each road, a summary of changes from the prior year by road name, date the change was approved, and the reason for the change.
-

OFFICE OF SHERIFF

- ◆ Several deficiencies in the operations of the commissary were noted. Official prenumbered receipts were not issued for some collections, some commissary funds were not deposited within three days of collection, and prenumbered checks were not issued for some disbursements.
 - ◆ Confiscated cash awarded to the office was not deposited within three days of the award as required by state statute.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Warren County Officials
June 30, 2006

Officials

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

Board of County Commissioners

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

Purchasing Commission

Linda Hillis, Chairperson
Kenneth Rogers
Carl Hulett
Herbert Wright

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 8, 2007

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Warren County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 42, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Warren County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2007, on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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 45 through 49 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 250	\$ 0	\$ 0	\$ 0	\$ 312,794	\$ 313,044
Equity in Pooled Cash and Investments	2,169,732	392,961	302,559	6,738,577	551,332	10,155,161
Accounts Receivable	11,915	685,132	0	30,754	1,172	728,973
Allowance for Uncollectibles	0	(128,549)	0	0	0	(128,549)
Due from Other Governments	209,887	2,680	349,317	40,268	59,191	661,343
Due from Other Funds	1,072	0	0	0	0	1,072
Due from Component Units	31,122	0	0	0	0	31,122
Property Taxes Receivable	4,706,255	699,424	534,241	2,783,677	442,856	9,166,453
Allowance for Uncollectible Property Taxes	(183,150)	(17,497)	(19,649)	(102,382)	(14,460)	(337,138)
Notes Receivable - Current	0	0	0	320,089	0	320,089
Notes Receivable - Long-Term	0	0	0	2,699,755	0	2,699,755
Total Assets	\$ 6,947,083	\$ 1,634,151	\$ 1,166,468	\$ 12,510,738	\$ 1,352,885	\$ 23,611,325
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 60,311	\$ 49,931	\$ 138,296	\$ 0	\$ 27,375	\$ 275,913
Accrued Payroll	19,483	0	0	0	0	19,483
Payroll Deductions Payable	13,823	997	0	0	916	15,736
Due to Other Funds	0	0	0	0	1,072	1,072
Due to State of Tennessee	3	0	0	0	0	3
Deferred Revenue - Current Property Taxes	4,290,700	672,037	491,104	2,558,911	413,561	8,426,313
Deferred Revenue - Delinquent Property Taxes	196,613	8,367	19,871	103,536	12,550	340,937
Other Deferred Revenues	86,140	516,877	186,493	20,970	41,061	851,541
Total Liabilities	\$ 4,667,073	\$ 1,248,209	\$ 835,764	\$ 2,683,417	\$ 496,535	\$ 9,930,998
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 50,000
Reserved for Alcohol and Drug Treatment	116,018	0	0	0	0	116,018
Reserved for Litter Enforcement Awards	6,717	0	0	0	0	6,717
Reserved for Drug Court	19,054	0	0	0	0	19,054
Reserved for Sexual Offender Registration	2,970	0	0	0	0	2,970

(Continued)

Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Automation Purposes - General Sessions Court	\$ 711	\$ 0	\$ 0	\$ 0	\$ 0	\$ 711
Reserved for Automation Purposes - Sheriff	13,713	0	0	0	0	13,713
Reserved for Long-Term Notes Receivable	0	0	0	3,019,844	0	3,019,844
Unreserved, Reported In:						
General Fund	2,120,827	0	0	0	0	2,120,827
Special Revenue Funds	0	385,942	330,704	0	586,796	1,303,442
Debt Service Funds	0	0	0	6,807,477	0	6,807,477
Capital Projects Funds	0	0	0	0	219,554	219,554
Total Fund Balances	<u>\$ 2,280,010</u>	<u>\$ 385,942</u>	<u>\$ 330,704</u>	<u>\$ 9,827,321</u>	<u>\$ 856,350</u>	<u>\$ 13,680,327</u>
Total Liabilities and Fund Balances	<u>\$ 6,947,083</u>	<u>\$ 1,634,151</u>	<u>\$ 1,166,468</u>	<u>\$ 12,510,738</u>	<u>\$ 1,352,885</u>	<u>\$ 23,611,325</u>

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

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 5,935,101	\$ 258,809	\$ 597,333	\$ 4,177,616	\$ 474,915	\$ 11,443,774
Licenses and Permits	82,301	0	0	0	0	82,301
Fines, Forfeitures, and Penalties	310,314	0	0	0	72,086	382,400
Charges for Current Services	54,873	900,422	0	0	1,075,706	2,031,001
Other Local Revenues	286,448	0	422	1,886,043	44,468	2,217,381
Fees Received from County Officials	771,580	0	0	0	0	771,580
State of Tennessee	1,188,192	0	2,000,921	0	305,222	3,494,335
Federal Government	171,735	37,915	0	0	0	209,650
Other Governments and Citizens Groups	138,839	2,500	0	332,994	3,000	477,333
Total Revenues	\$ 8,939,383	\$ 1,199,646	\$ 2,598,676	\$ 6,396,653	\$ 1,975,397	\$ 21,109,755
<u>Expenditures</u>						
Current:						
General Government	\$ 951,169	\$ 0	\$ 0	\$ 0	\$ 138,296	\$ 1,089,465
Finance	398,398	0	0	0	453,886	852,284
Administration of Justice	496,689	0	0	0	464,431	961,120
Public Safety	4,006,512	106,221	0	0	54,456	4,167,189
Public Health and Welfare	653,597	1,539,182	0	0	884,255	3,077,034
Social, Cultural, and Recreational Services	135,250	0	0	0	0	135,250
Agricultural and Natural Resources	161,493	0	0	0	0	161,493
Other Operations	1,590,266	67,359	0	0	9,627	1,667,252
Highways	0	0	2,901,022	0	0	2,901,022
Debt Service:						
Principal on Debt	0	0	0	3,559,404	0	3,559,404
Interest on Debt	0	0	0	988,881	0	988,881
Other Debt Service	0	0	0	109,757	0	109,757
Capital Projects	0	0	0	0	1,162,987	1,162,987
Total Expenditures	\$ 8,393,374	\$ 1,712,762	\$ 2,901,022	\$ 4,658,042	\$ 3,167,938	\$ 20,833,138
Excess (Deficiency) of Revenues Over Expenditures	\$ 546,009	\$ (513,116)	\$ (302,346)	\$ 1,738,611	\$ (1,192,541)	\$ 276,617
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 245,000	\$ 295,000
Other Loans Issued	0	0	0	0	864,409	864,409
Total Other Financing Sources (Uses)	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 1,109,409	\$ 1,159,409

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Net Change in Fund Balances	\$ 596,009	\$ (513,116)	\$ (302,346)	\$ 1,738,611	\$ (83,132)	\$ 1,436,026
Fund Balance, July 1, 2005	1,684,001	899,058	633,050	8,088,710	939,482	12,244,301
Fund Balance, June 30, 2006	<u>\$ 2,280,010</u>	<u>\$ 385,942</u>	<u>\$ 330,704</u>	<u>\$ 9,827,321</u>	<u>\$ 856,350</u>	<u>\$ 13,680,327</u>

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

Exhibit C-1

Warren County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2006

	Governmental Activities - Internal Service Fund
	<u>Self- Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 20,618
Equity in Pooled Cash and Investments	<u>5,102,412</u>
Total Assets	<u>\$ 5,123,030</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Claims and Judgments	\$ 1,201,148
Total Liabilities	<u>\$ 1,201,148</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 3,921,882</u>
Total Net Assets	<u>\$ 3,921,882</u>

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

Exhibit C-2

Warren County, Tennessee
Statement of Revenue, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
	<u>Self- Insurance Fund</u>
<u>Operating Revenues</u>	
Self-Insurance Premiums/Contributions	\$ 843,130
Total Operating Revenue	<u>\$ 843,130</u>
<u>Operating Expenses</u>	
Other Contracted Services	\$ 89,869
Boiler Insurance	4,296
Building and Contents Insurance	126,256
Liability Insurance	111,558
Workers' Compensation Insurance	90,783
Other Self-Insured Claims	489,769
Other Charges	5,025
Total Operating Expenses	<u>\$ 917,556</u>
Operating Income (Loss)	<u>\$ (74,426)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 151,682
Bank Charges and Investment Activities	<u>(13,982)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 137,700</u>
Net Income	\$ 63,274
Net Assets, July 1, 2005	<u>3,858,608</u>
Net Assets, June 30, 2006	<u><u>\$ 3,921,882</u></u>

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

Exhibit C-3

Warren County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
	<u>Self- Insurance Fund</u>
<u>Cash Flows from Operating Activities</u>	
Self-Insurance Premiums/Contributions	\$ 843,130
Other Contracted Services	(91,222)
Insurance Premiums	(332,893)
Other Self-Insured Claims	(264,843)
Other Charges	(5,025)
Net Cash Provided by (Used In) Operating Activities	<u>\$ 149,147</u>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 151,682
Bank Charges on Investing Activities	(13,982)
Net Cash Provided by (Used In) Investing Activities	<u>\$ 137,700</u>
Net Increase (Decrease) in Cash	\$ 286,847
Cash, July 1, 2005	<u>4,836,183</u>
Cash, June 30, 2006	<u><u>\$ 5,123,030</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	\$ (74,426)
Adjustment to Reconcile Net Operating Loss to Net Cash Provided By (Used In) Operating Activities:	
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	(1,353)
Increase (Decrease) in Claims and Judgements Payable	224,926
Net Cash Provided by (Used In) Operating Activities	<u><u>\$ 149,147</u></u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 141,296
Cash	693,199
Accounts Receivable	697
Due from Other Governments	<u>489,412</u>
Total Assets	<u>\$ 1,324,604</u>
<u>LIABILITIES</u>	
Contracts Payable	\$ 295,703
Due to Other Taxing Units	329,861
Due to Litigants, Heirs, and Others	693,199
Due to State of Tennessee	522
Due to Joint Venture	<u>5,319</u>
Total Liabilities	<u>\$ 1,324,604</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

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

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

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

Administrative Office:

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

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

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

funds within the governmental category. Warren County only reports one proprietary fund, an internal service fund. It has no enterprise funds to report.

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

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

Proprietary and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Warren County reports the following major governmental funds:

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

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

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

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

Additionally, Warren County reports the following fund types:

Capital Projects Funds – These funds are used to account for the county’s various capital construction and renovation projects, including waterline improvements and school and jail construction.

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received from the state to be forwarded to the various cities in the county, federal grant/loans received and forwarded to a private industry in the county, and state grants and other restricted revenues held for the benefit of the Thirty-First Judicial District Drug Task Force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

1. **Deposits and Investments**

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

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

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

2. **Receivables and Payables**

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance is

based on historical collection data. The allowance for uncollectible property taxes is equal to 1.94 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. Capital Assets

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

4. **Compensated Absences**

It is the county's policy not to allow for the accumulation of unused vacation days beyond year-end. Sick leave policies vary from department to department. Employees of the general government may accumulate unlimited sick leave days based on earning one day per month. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded. The general policy of the Highway Department does allow for the accumulation of unlimited sick leave days based on earning one day per month. Any unused accumulated sick leave would be paid to the employee when employment with the Highway Department ceases. The amount of unused sick leave for Highway Department employees at June 30, 2006, is not considered material and is not presented in the county's financial statements. The general policy of the Ambulance Service allows full-time employees to earn and accumulate paid time off which may be used as vacation and/or sick leave. Employees earn paid time off at rates based on length of employment. Employees are allowed to accumulate up to one year's worth of paid time off. The granting of paid time off has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. **Long-term Obligations**

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

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

6. **Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings

that are attributable to the acquisition, construction, or improvement of those assets.

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 funds, which adopt 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 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 the GAAP basis is presented on the face of each budgetary schedule.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investment Balances. As of June 30, 2006, Warren County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Warren County and the Warren County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	<u>\$ 11,110,372</u>
Total		<u><u>\$ 11,110,372</u></u>

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Warren County has no investment policy that would further limit its investment choices. As of June 30, 2006, Warren County's investment in the State Treasurer's Investment Pool was unrated.

B. Notes Receivable

Warren County issued general obligation bonds of \$3,600,000 on August 1, 1990. The proceeds were used by the West Warren-Viola Utility District to construct extensions and improvements to the water and sewer system in the industrial park. These bonds were refunded on August 15, 1997, with a general obligation refunding bond issue of \$3,080,000. An agreement between Warren County and the utility district requires the utility district to repay the county for the principal and interest

paid on the bonds by remitting 70 percent of certain industrial park revenues to the county. During the year, the county retired this bonded debt; therefore, as of June 30, 2006, the county had paid \$3,019,844 more in principal and interest expenses on the bonds than they had received from the utility district. This amount has been reflected in the financial statements of this report as Notes Receivable – Current (\$320,089) and Notes Receivable – Long-term (\$2,699,755) and offset by Reserve for Notes Receivable (\$3,019,844) in the General Debt Service Fund. The amount of the notes that is not expected to be collected within one year is \$2,699,755.

C. Construction Commitments

At June 30, 2006, the county had uncompleted construction projects of \$50,000 for jail construction. Funding for these future expenditures has been received.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 1,072

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government: General	Component unit: General Purpose School	\$ 31,122

E. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 11 years for bonds, up to two years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans 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 to 5 %	\$ 16,835,000	\$ 11,630,000
Capital Outlay Notes	2.78 to 3.98	321,548	299,445
Other Loans	variable	7,250,000	7,250,000

In prior years, Warren County entered into a loan agreement with the Blount County Public Building Authority. Under this loan agreement, the authority issued variable rate bonds of \$6,500,000 and loaned the proceeds to Warren County for the construction and renovation of the county jail. This loan is repayable at a tax-exempt variable rate of interest determined by the remarking agent daily or weekly depending on the particular program. At June 30, 2006, the variable interest rate was four percent on this loan. In addition, the county pays various fees (remarking, administrative, letter of credit, etc.) in connection with this loan program. Fees total approximately .49 percent of the outstanding loan principal and a trustee fee that is charged at \$100 per month.

During the year, Warren County entered into a loan agreement with the Sevier County Public Building Authority. This loan agreement provided for the authority to issue variable rate bonds of \$6,500,000 and loan the proceeds to Warren County on an as-needed basis for the construction of a new school building. As of June 30, 2006, Warren County had borrowed \$750,000 of the available amount. This loan is repayable at a tax-exempt variable rate of interest determined by the remarking agent daily or weekly depending on the

particular program. At June 30, 2006, the variable interest rate was four percent on this loan. In addition, the county pays various fees (remarketing, administrative, letter of credit, etc.) in connection with this loan program. Fees total approximately .45 percent of the outstanding loan principal and a trustee fee which is charged at \$100 per month.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 1,720,000	\$ 500,557	\$ 201,666	\$ 10,891
2008	1,790,000	430,558	97,779	3,908
2009	1,860,000	356,420	0	0
2010	1,930,000	283,670	0	0
2011	2,015,000	207,707	0	0
2012-2013	2,315,000	116,670	0	0
Total	<u>\$ 11,630,000</u>	<u>\$ 1,895,582</u>	<u>\$ 299,445</u>	<u>\$ 14,799</u>

Year Ending June 30	Other Loan (\$6,500,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 260,000	\$ 33,050	\$ 293,050
2008	0	260,000	33,050	293,050
2009	0	260,000	33,050	293,050
2010	0	260,000	33,050	293,050
2011	0	260,000	33,050	293,050
2012-16	2,085,000	1,192,200	152,044	3,429,244
2017-21	3,580,000	611,000	80,848	4,271,848
2022	835,000	33,400	5,291	873,691
Total	<u>\$ 6,500,000</u>	<u>\$ 3,136,600</u>	<u>\$ 403,433</u>	<u>\$ 10,040,033</u>

Year Ending June 30	Other Loan (\$750,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 350,000	\$ 263,250	\$ 30,450	\$ 643,700
2008	375,000	249,075	28,875	652,950
2009	25,000	233,888	27,188	286,076
Total	\$ 750,000	\$ 746,213	\$ 86,513	\$ 1,582,726

There is \$6,807,477 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$304, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$501, 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	Other Loans
Balance, July 1, 2005	\$ 14,950,000	\$ 243,849	\$ 6,385,591
Additions	0	295,000	864,409
Deductions	(3,320,000)	(239,404)	0
Balance, June 30, 2006	\$ 11,630,000	\$ 299,445	\$ 7,250,000
Balance Due Within One Year	\$ 1,720,000	\$ 201,666	\$ 350,000

IV. OTHER INFORMATION

A. Risk Management

Warren County's risk of loss relating to property, general liability, automobile liability, and workers' compensation are covered through a self-insurance program and by the purchase of commercial insurance to cover losses exceeding certain limits. The county is self-insured for individual property losses up to \$250,000. The county carries excess commercial coverage on buildings and contents totaling \$151,283,957. The county is self-insured up to the liability limits of \$250,000 per person, \$600,000 per occurrence for bodily injury, and \$85,000 for property damage. Warren County self-insures workers' compensation losses of \$250,000 per accident or disease with an aggregate liability of \$1,000,000. The county carries commercial liability insurance coverage for losses up to \$10,000,000, with a

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

	Beginning of Year Liability	Claims and Estimates Incurred	Payments	End of Year Liability
2004-2005	\$ 817,565	\$ 452,174	\$ (293,517)	\$ 976,222
2005-2006	976,222	489,769	(264,843)	1,201,148

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

B. Accounting 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 Warren 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 Warren 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. Warren County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Warren 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. Warren County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Warren County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

On August 31, 2006, Kenneth Rogers left the Office of County Executive and was succeeded by John Pelham, Joy Slatton left the Office of Trustee and was succeeded by Darlene Bryant, and David Smartt left the Office of County Clerk and was succeeded by Lesa Scott.

Clerk and Master Richard McGregor died on October 18, 2006. Trenena Wilcher was appointed clerk and master on November 1, 2006.

During the period July 1, 2006, through January 8, 2007, Warren County borrowed \$5,050,000 for school construction pursuant to loan agreements with the Sevier County Public Building Authority.

D. Contingent Liabilities

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

E. Joint Venture

The Industrial Development Board of McMinnville-Warren County is a joint venture in which the county and the City of McMinnville participate in for the purpose of industrial recruitment. The Industrial Development Board is governed by a nine-member board from the private sector appointed by the participating governments. During the year ended June 30, 2006, the county appropriated \$144,375 to the Industrial Development Board of McMinnville-Warren County.

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

Administrative Office:

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

F. Jointly Governed Organization

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

G. Retirement Commitments

Plan Description

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

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

Funding Policy

Warren County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2006, was 11.73 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Warren County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Warren County’s annual pension cost of \$1,297,476 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. Warren County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 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	\$1,297,476	100%	\$0
6-30-05	1,227,683	100	0
6-30-04	983,815	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	\$21,557	\$22,593	\$1,036	95.41%	\$10,120	10.24%
6-30-03	19,030	20,198	1,168	94.22	9,859	11.85
6-30-01	16,711	18,051	1,340	92.58	8,867	15.11

H. Purchasing Laws

Office of County Executive

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

Office of Superintendent of Roads

Chapter 61, Private Acts of 1959, as amended, Chapter 16, Private Acts of 1951, as amended, and Section 54-7-113, Tennessee Code Annotated (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,935,101	\$ 5,571,936	\$ 5,571,936	\$ 363,165
Licenses and Permits	82,301	63,000	63,000	19,301
Fines, Forfeitures, and Penalties	310,314	251,500	251,500	58,814
Charges for Current Services	54,873	87,520	107,520	(52,647)
Other Local Revenues	286,448	254,290	254,290	32,158
Fees Received from County Officials	771,580	652,000	652,000	119,580
State of Tennessee	1,188,192	1,463,300	1,481,043	(292,851)
Federal Government	171,735	97,474	222,570	(50,835)
Other Governments and Citizens Groups	138,839	120,000	130,000	8,839
Total Revenues	\$ 8,939,383	\$ 8,561,020	\$ 8,733,859	\$ 205,524
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 153,496	\$ 186,747	\$ 186,747	\$ 33,251
Board of Equalization	8,291	11,200	11,200	2,909
County Mayor/Executive	104,763	104,783	104,783	20
County Attorney	54,000	48,000	54,000	0
Election Commission	183,040	189,003	314,099	131,059
Register of Deeds	12,022	20,000	20,000	7,978
Development	70	100	100	30
Planning	17,067	65,050	65,050	47,983
County Buildings	151,185	210,081	204,081	52,896
Other Facilities	92,486	133,392	133,392	40,906
Other General Administration	174,749	248,500	248,500	73,751
<u>Finance</u>				
Accounting and Budgeting	136,779	138,843	138,843	2,064
Purchasing	2,257	4,000	4,000	1,743
Property Assessor's Office	240,433	258,496	258,496	18,063
County Trustee's Office	18,929	38,500	38,500	19,571
<u>Administration of Justice</u>				
Circuit Court	42,001	69,867	69,867	27,866
General Sessions Court	187,723	191,108	191,108	3,385
Drug Court	59,057	119,965	119,965	60,908
Chancery Court	28,154	62,700	62,700	34,546
Juvenile Court	110,444	114,681	119,681	9,237
Judicial Commissioners	69,310	79,674	79,674	10,364
<u>Public Safety</u>				
Sheriff's Department	1,997,391	1,953,760	2,028,760	31,369
Jail	1,843,362	1,904,206	1,884,206	40,844
Juvenile Services	38,659	80,000	80,000	41,341
County Coroner/Medical Examiner	1,100	5,000	5,000	3,900
Other Public Safety	126,000	128,700	128,700	2,700

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 64,237	\$ 49,520	\$ 72,263	\$ 8,026
Rabies and Animal Control	108,729	0	110,077	1,348
Other Local Health Services	361,210	468,000	468,000	106,790
Appropriation to State	42,203	52,203	42,203	0
General Welfare Assistance	1,636	3,000	3,000	1,364
Aid to Dependent Children	2,198	2,200	2,200	2
Other Local Welfare Services	731	750	750	19
Other Public Health and Welfare	72,653	93,848	93,848	21,195
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	19,250	19,250	19,250	0
Libraries	116,000	116,000	116,000	0
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	92,243	95,020	95,020	2,777
Forest Service	2,000	2,000	2,000	0
Soil Conservation	67,250	67,448	67,448	198
<u>Other Operations</u>				
Tourism	14,050	14,050	14,050	0
Industrial Development	534,375	534,375	534,375	0
Airport	353,843	900,350	900,350	546,507
Veterans' Services	17,579	20,591	20,591	3,012
Other Charges	339,327	431,100	376,100	36,773
Contributions to Other Agencies	5,500	5,500	5,500	0
Employee Benefits	261,770	322,000	322,000	60,230
Miscellaneous	63,822	207,200	207,200	143,378
Total Expenditures	\$ 8,393,374	\$ 9,770,761	\$ 10,023,677	\$ 1,630,303
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 546,009	\$ (1,209,741)	\$ (1,289,818)	\$ 1,835,827
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 50,000	\$ 100,000	\$ 150,000	\$ (100,000)
Total Other Financing Sources (Uses)	\$ 50,000	\$ 100,000	\$ 150,000	\$ (100,000)
Net Change in Fund Balance	\$ 596,009	\$ (1,109,741)	\$ (1,139,818)	\$ 1,735,827
Fund Balance, July 1, 2005	1,684,001	1,251,391	1,251,391	432,610
Fund Balance, June 30, 2006	\$ 2,280,010	\$ 141,650	\$ 111,573	\$ 2,168,437

Exhibit E-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 258,809	\$ 298,676	\$ 298,676	\$ (39,867)
Charges for Current Services	900,422	870,100	870,100	30,322
State of Tennessee	0	0	65,658	(65,658)
Federal Government	37,915	18,350	18,350	19,565
Other Governments and Citizens Groups	2,500	2,500	2,500	0
Total Revenues	<u>\$ 1,199,646</u>	<u>\$ 1,189,626</u>	<u>\$ 1,255,284</u>	<u>\$ (55,638)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Civil Defense	\$ 82,721	\$ 59,225	\$ 134,883	\$ 52,162
Rescue Squad	23,500	23,500	23,500	0
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	1,539,182	1,716,434	1,740,059	200,877
<u>Other Operations</u>				
Miscellaneous	67,359	66,000	67,375	16
Total Expenditures	<u>\$ 1,712,762</u>	<u>\$ 1,865,159</u>	<u>\$ 1,965,817</u>	<u>\$ 253,055</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (513,116)</u>	<u>\$ (675,533)</u>	<u>\$ (710,533)</u>	<u>\$ 197,417</u>
Net Change in Fund Balance	\$ (513,116)	\$ (675,533)	\$ (710,533)	\$ 197,417
Fund Balance, July 1, 2005	<u>899,058</u>	<u>723,257</u>	<u>723,257</u>	<u>175,801</u>
Fund Balance, June 30, 2006	<u>\$ 385,942</u>	<u>\$ 47,724</u>	<u>\$ 12,724</u>	<u>\$ 373,218</u>

Exhibit E-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 597,333	\$ 567,995	\$ 600,328	\$ (2,995)
Other Local Revenues	422	1,000	1,000	(578)
State of Tennessee	2,000,921	2,131,565	2,131,565	(130,644)
Federal Government	0	50,000	50,000	(50,000)
Total Revenues	<u>\$ 2,598,676</u>	<u>\$ 2,750,560</u>	<u>\$ 2,782,893</u>	<u>\$ (184,217)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 173,585	\$ 185,762	\$ 175,482	\$ 1,897
Highway and Bridge Maintenance	1,875,084	1,816,716	1,926,206	51,122
Operation and Maintenance of Equipment	146,941	188,613	156,500	9,559
Other Charges	132,392	160,200	141,336	8,944
Employee Benefits	147,110	169,965	162,965	15,855
Capital Outlay	425,910	621,692	580,459	154,549
Total Expenditures	<u>\$ 2,901,022</u>	<u>\$ 3,142,948</u>	<u>\$ 3,142,948</u>	<u>\$ 241,926</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (302,346)</u>	<u>\$ (392,388)</u>	<u>\$ (360,055)</u>	<u>\$ 57,709</u>
Net Change in Fund Balance	\$ (302,346)	\$ (392,388)	\$ (360,055)	\$ 57,709
Fund Balance, July 1, 2005	<u>633,050</u>	<u>745,812</u>	<u>745,812</u>	<u>(112,762)</u>
Fund Balance, June 30, 2006	<u>\$ 330,704</u>	<u>\$ 353,424</u>	<u>\$ 385,757</u>	<u>\$ (55,053)</u>

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

BUDGETARY INFORMATION

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

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

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

**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 the transactions relating to the disposal of solid waste.

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

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

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

Capital Projects Funds

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

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

Education Capital Projects Fund – The Education Capital Projects Fund accounts for debt issued by Warren County that is subsequently contributed to the Warren County School Department for construction and renovation projects.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for transactions associated with jail construction projects.

Exhibit F-1

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

	Special Revenue Funds				Total
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 312,794	\$ 312,794
Equity in Pooled Cash and Investments	177,890	101,910	1,978	0	281,778
Accounts Receivable	1,152	0	0	20	1,172
Due from Other Governments	59,191	0	0	0	59,191
Property Taxes Receivable	442,856	0	0	0	442,856
Allowance for Uncollectible Property Taxes	(14,460)	0	0	0	(14,460)
Total Assets	\$ 666,629	\$ 101,910	\$ 1,978	\$ 312,814	\$ 1,083,331
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 24,488	\$ 2,887	\$ 0	\$ 0	\$ 27,375
Payroll Deductions Payable	916	0	0	0	916
Due to Other Funds	0	0	0	1,072	1,072
Deferred Revenue - Current Property Taxes	413,561	0	0	0	413,561
Deferred Revenue - Delinquent Property Taxes	12,550	0	0	0	12,550
Other Deferred Revenues	41,061	0	0	0	41,061
Total Liabilities	\$ 492,576	\$ 2,887	\$ 0	\$ 1,072	\$ 496,535
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	174,053	99,023	1,978	311,742	586,796
Total Fund Balances	\$ 174,053	\$ 99,023	\$ 1,978	\$ 311,742	\$ 586,796
Total Liabilities and Fund Balances	\$ 666,629	\$ 101,910	\$ 1,978	\$ 312,814	\$ 1,083,331

(Continued)

Exhibit F-1

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	General Capital Projects	Education Capital Projects	Other Capital Projects	Total	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 312,794
Equity in Pooled Cash and Investments	30,863	117,976	120,715	269,554	551,332
Accounts Receivable	0	0	0	0	1,172
Due from Other Governments	0	0	0	0	59,191
Property Taxes Receivable	0	0	0	0	442,856
Allowance for Uncollectible Property Taxes	0	0	0	0	(14,460)
Total Assets	\$ 30,863	\$ 117,976	\$ 120,715	\$ 269,554	\$ 1,352,885
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,375
Payroll Deductions Payable	0	0	0	0	916
Due to Other Funds	0	0	0	0	1,072
Deferred Revenue - Current Property Taxes	0	0	0	0	413,561
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	12,550
Other Deferred Revenues	0	0	0	0	41,061
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 496,535
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 50,000	\$ 50,000	\$ 50,000
Unreserved	30,863	117,976	70,715	219,554	806,350
Total Fund Balances	\$ 30,863	\$ 117,976	\$ 120,715	\$ 269,554	\$ 856,350
Total Liabilities and Fund Balances	\$ 30,863	\$ 117,976	\$ 120,715	\$ 269,554	\$ 1,352,885

Exhibit F-2

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

	Special Revenue Funds				
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total
<u>Revenues</u>					
Local Taxes	\$ 474,915	\$ 0	\$ 0	\$ 0	\$ 474,915
Fines, Forfeitures, and Penalties	0	60,812	11,274	0	72,086
Charges for Current Services	1,715	0	0	1,073,991	1,075,706
Other Local Revenues	43,682	0	786	0	44,468
State of Tennessee	305,222	0	0	0	305,222
Other Governments and Citizens Groups	0	3,000	0	0	3,000
Total Revenues	\$ 825,534	\$ 63,812	\$ 12,060	\$ 1,073,991	\$ 1,975,397
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 138,296	\$ 138,296
Finance	0	0	0	453,886	453,886
Administration of Justice	0	0	19,449	444,982	464,431
Public Safety	0	54,456	0	0	54,456
Public Health and Welfare	878,160	6,095	0	0	884,255
Other Operations	9,627	0	0	0	9,627
Capital Projects	0	0	0	0	0
Capital Projects - Donated	0	0	0	0	0
Total Expenditures	\$ 887,787	\$ 60,551	\$ 19,449	\$ 1,037,164	\$ 2,004,951
Excess (Deficiency) of Revenues Over Expenditures	\$ (62,253)	\$ 3,261	\$ (7,389)	\$ 36,827	\$ (29,554)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Loans Issued	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances	\$ (62,253)	\$ 3,261	\$ (7,389)	\$ 36,827	\$ (29,554)
Fund Balance, July 1, 2005	236,306	95,762	9,367	274,915	616,350
Fund Balance, June 30, 2006	\$ 174,053	\$ 99,023	\$ 1,978	\$ 311,742	\$ 586,796

(Continued)

Exhibit F-2

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	General Capital Projects	Education Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 474,915
Fines, Forfeitures, and Penalties	0	0	0	0	72,086
Charges for Current Services	0	0	0	0	1,075,706
Other Local Revenues	0	93,818	0	93,818	138,286
State of Tennessee	0	0	0	0	305,222
Other Governments and Citizens Groups	0	0	0	0	3,000
Total Revenues	\$ 0	\$ 93,818	\$ 0	\$ 93,818	\$ 2,069,215
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 138,296
Finance	0	0	0	0	453,886
Administration of Justice	0	0	0	0	464,431
Public Safety	0	0	0	0	54,456
Public Health and Welfare	0	0	0	0	884,255
Other Operations	0	0	0	0	9,627
Capital Projects	0	0	530,963	530,963	530,963
Capital Projects - Donated	0	725,842	0	725,842	725,842
Total Expenditures	\$ 0	\$ 725,842	\$ 530,963	\$ 1,256,805	\$ 3,261,756
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (632,024)	\$ (530,963)	\$ (1,162,987)	\$ (1,192,541)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 245,000	\$ 245,000	\$ 245,000
Other Loans Issued	0	750,000	114,409	864,409	864,409
Total Other Financing Sources (Uses)	\$ 0	\$ 750,000	\$ 359,409	\$ 1,109,409	\$ 1,109,409
Net Change in Fund Balances	\$ 0	\$ 117,976	\$ (171,554)	\$ (53,578)	\$ (83,132)
Fund Balance, July 1, 2005	30,863	0	292,269	323,132	939,482
Fund Balance, June 30, 2006	\$ 30,863	\$ 117,976	\$ 120,715	\$ 269,554	\$ 856,350

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 474,915	\$ 453,764	\$ 453,764	\$ 21,151
Charges for Current Services	1,715	500	500	1,215
Other Local Revenues	43,682	40,000	40,000	3,682
State of Tennessee	305,222	325,000	325,000	(19,778)
Total Revenues	<u>\$ 825,534</u>	<u>\$ 819,264</u>	<u>\$ 819,264</u>	<u>\$ 6,270</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 244,556	\$ 273,047	\$ 273,047	\$ 28,491
Convenience Centers	610,294	649,378	649,378	39,084
Other Waste Disposal	23,310	44,000	43,372	20,062
<u>Other Operations</u>				
Miscellaneous	9,627	9,000	9,628	1
Total Expenditures	<u>\$ 887,787</u>	<u>\$ 975,425</u>	<u>\$ 975,425</u>	<u>\$ 87,638</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (62,253)</u>	<u>\$ (156,161)</u>	<u>\$ (156,161)</u>	<u>\$ 93,908</u>
Net Change in Fund Balance	\$ (62,253)	\$ (156,161)	\$ (156,161)	\$ 93,908
Fund Balance, July 1, 2005	236,306	168,192	168,192	68,114
Fund Balance, June 30, 2006	<u>\$ 174,053</u>	<u>\$ 12,031</u>	<u>\$ 12,031</u>	<u>\$ 162,022</u>

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 60,812	\$ 93,870	\$ 93,870	\$ (33,058)
Other Governments and Citizens Groups	3,000	6,681	6,681	(3,681)
Total Revenues	<u>\$ 63,812</u>	<u>\$ 100,551</u>	<u>\$ 100,551</u>	<u>\$ (36,739)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 54,456	\$ 80,815	\$ 80,815	\$ 26,359
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	6,095	11,000	11,000	4,905
Total Expenditures	<u>\$ 60,551</u>	<u>\$ 91,815</u>	<u>\$ 91,815</u>	<u>\$ 31,264</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,261</u>	<u>\$ 8,736</u>	<u>\$ 8,736</u>	<u>\$ (5,475)</u>
Net Change in Fund Balance	\$ 3,261	\$ 8,736	\$ 8,736	\$ (5,475)
Fund Balance, July 1, 2005	<u>95,762</u>	<u>58,921</u>	<u>58,921</u>	<u>36,841</u>
Fund Balance, June 30, 2006	<u><u>\$ 99,023</u></u>	<u><u>\$ 67,657</u></u>	<u><u>\$ 67,657</u></u>	<u><u>\$ 31,366</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,177,616	\$ 3,642,078	\$ 3,642,078	\$ 535,538
Other Local Revenues	1,886,043	200,000	200,000	1,686,043
Other Governments and Citizens Groups	332,994	200,000	200,000	132,994
Total Revenues	<u>\$ 6,396,653</u>	<u>\$ 4,042,078</u>	<u>\$ 4,042,078</u>	<u>\$ 2,354,575</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,992,932	\$ 1,928,000	\$ 2,028,000	\$ 35,068
Highways and Streets	56,472	57,000	57,000	528
Education	1,510,000	1,510,000	1,510,000	0
<u>Interest on Debt</u>				
General Government	307,674	415,325	420,325	112,651
Highways and Streets	2,327	4,000	4,000	1,673
Education	678,880	524,050	679,050	170
<u>Other Debt Service</u>				
General Government	109,757	150,000	150,000	40,243
Total Expenditures	<u>\$ 4,658,042</u>	<u>\$ 4,588,375</u>	<u>\$ 4,848,375</u>	<u>\$ 190,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,738,611</u>	<u>\$ (546,297)</u>	<u>\$ (806,297)</u>	<u>\$ 2,544,908</u>
Net Change in Fund Balance	\$ 1,738,611	\$ (546,297)	\$ (806,297)	\$ 2,544,908
Fund Balance, July 1, 2005	8,088,710	7,705,417	7,705,417	383,293
Fund Balance, June 30, 2006	<u>\$ 9,827,321</u>	<u>\$ 7,159,120</u>	<u>\$ 6,899,120</u>	<u>\$ 2,928,201</u>

Fiduciary Funds

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

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

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

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

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

Exhibit H-1

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

	Agency Funds				Total
	Cities - Sales Tax	Comm- unity Develop- ment - Agency	Constitu- tional Officers - Agency	Judicial District Drug	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 693,199	\$ 0	\$ 693,199
Equity in Pooled Cash and Investments	0	136,674	0	4,622	141,296
Accounts Receivable	0	0	0	697	697
Due from Other Governments	329,861	159,551	0	0	489,412
Total Assets	<u>\$ 329,861</u>	<u>\$ 296,225</u>	<u>\$ 693,199</u>	<u>\$ 5,319</u>	<u>\$ 1,324,604</u>
<u>LIABILITIES</u>					
Contracts Payable	\$ 0	\$ 295,703	\$ 0	\$ 0	\$ 295,703
Due to Other Taxing Units	329,861	0	0	0	329,861
Due to Litigants, Heirs, and Others	0	0	693,199	0	693,199
Due to State of Tennessee	0	522	0	0	522
Due to Joint Ventures	0	0	0	5,319	5,319
Total Liabilities	<u>\$ 329,861</u>	<u>\$ 296,225</u>	<u>\$ 693,199</u>	<u>\$ 5,319</u>	<u>\$ 1,324,604</u>

Exhibit H-2

Warren 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	\$ 1,913,110	\$ 1,913,110	\$ 0
Due From Other Governments	328,550	329,861	328,550	329,861
Total Assets	\$ 328,550	\$ 2,242,971	\$ 2,241,660	\$ 329,861
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 328,550	\$ 2,242,971	\$ 2,241,660	\$ 329,861
Total Liabilities	\$ 328,550	\$ 2,242,971	\$ 2,241,660	\$ 329,861
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 522	\$ 2,242,311	\$ 2,106,159	\$ 136,674
Due From Other Governments	0	159,551	0	159,551
Total Assets	\$ 522	\$ 2,401,862	\$ 2,106,159	\$ 296,225
<u>Liabilities</u>				
Due to State of Tennessee	\$ 522	\$ 0	\$ 0	\$ 522
Contracts Payable	0	2,401,862	2,106,159	295,703
Total Liabilities	\$ 522	\$ 2,401,862	\$ 2,106,159	\$ 296,225
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 732,894	\$ 9,406,920	\$ 9,446,615	\$ 693,199
Total Assets	\$ 732,894	\$ 9,406,920	\$ 9,446,615	\$ 693,199
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 732,894	\$ 9,406,920	\$ 9,446,615	\$ 693,199
Total Liabilities	\$ 732,894	\$ 9,406,920	\$ 9,446,615	\$ 693,199
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 3,781	\$ 11,911	\$ 11,070	\$ 4,622
Accounts Receivable	546	697	546	697
Total Assets	\$ 4,327	\$ 12,608	\$ 11,616	\$ 5,319
<u>Liabilities</u>				
Due to Joint Ventures	\$ 4,327	\$ 12,608	\$ 11,616	\$ 5,319
Total Liabilities	\$ 4,327	\$ 12,608	\$ 11,616	\$ 5,319

(Continued)

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 732,894	\$ 9,406,920	\$ 9,446,615	\$ 693,199
Equity in Pooled Cash and Investments	4,303	4,167,332	4,030,339	141,296
Accounts Receivable	546	697	546	697
Due From Other Governments	328,550	489,412	328,550	489,412
Total Assets	\$ 1,066,293	\$ 14,064,361	\$ 13,806,050	\$ 1,324,604
<u>Liabilities</u>				
Contracts Payable	\$ 0	\$ 2,401,862	\$ 2,106,159	\$ 295,703
Due to Other Taxing Units	328,550	2,242,971	2,241,660	329,861
Due to Litigants, Heirs, and Others	732,894	9,406,920	9,446,615	693,199
Due to State of Tennessee	522	0	0	522
Due to Joint Ventures	4,327	12,608	11,616	5,319
Total Liabilities	\$ 1,066,293	\$ 14,064,361	\$ 13,806,050	\$ 1,324,604

MISCELLANEOUS SCHEDULES

Exhibit I-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE								
Payable through General Debt Service Fund:								
Ambulance Changeover	\$ 43,333	1.75 to 2.25 %	5-16-04	6-22-06	\$ 14,445	\$ 0	\$ 14,445	\$ 0
Highway Grader	19,416	1.75 to 2.25	3-22-04	6-30-06	6,472	0	6,472	0
Building Improvements	48,799	2.48 to 2.68	7-1-03	6-30-06	16,266	0	16,266	0
Airport Tractor and Rotary Cutter	50,000	2.78	2-9-05	6-30-07	33,333	0	16,667	16,666
Vehicles - Sheriff's Department	110,000	2.78	2-9-05	6-30-07	73,333	0	36,666	36,667
Dump Trucks, Salt Spreaders, & Snow Plows	50,000	2.78	2-9-05	6-30-07	100,000	0	50,000	50,000
Jail	100,000	3.9 to 3.98	1-9-06	6-30-08	0	100,000	33,333	66,667
Animal Control	50,000	3.97	3-10-06	6-30-08	0	50,000	16,667	33,333
Jail	145,000	3.97	3-10-06	6-30-08	0	145,000	48,888	96,112
Total Notes Payable					<u>\$ 243,849</u>	<u>\$ 295,000</u>	<u>\$ 239,404</u>	<u>\$ 299,445</u>
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund:								
Public Improvements - Jail Project	6,500,000	Variable	12-1-02	6-1-22	\$ 6,385,591	\$ 114,409	\$ 0	\$ 6,500,000
Public Improvements - Centertown School	(1)	Variable	9-29-05	6-1-15	0	750,000	0	750,000
Total Other Loans Payable					<u>\$ 6,385,591</u>	<u>\$ 864,409</u>	<u>\$ 0</u>	<u>\$ 7,250,000</u>
BONDS PAYABLE								
Payable through General Debt Service Fund:								
Public Works Refunding	3,080,000	4 to 5.2	8-15-1997	6-30-06	\$ 1,665,000	\$ 0	\$ 1,665,000	\$ 0
School Refunding	15,350,000	2.55 to 5	9-1-01	6-1-12	11,955,000	0	1,510,000	10,445,000
Public Works Refunding	1,485,000	2 to 3.5	12-29-03	6-1-13	1,330,000	0	145,000	1,185,000
Total Bonds Payable					<u>\$ 14,950,000</u>	<u>\$ 0</u>	<u>\$ 3,320,000</u>	<u>\$ 11,630,000</u>

(1) Amount available under a loan agreement with the Sevier County Public Building Authority is \$6,500,000 of which \$750,000 had been received at June 30, 2006.

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 1,720,000	\$ 500,557	\$ 2,220,557
2008	1,790,000	430,558	2,220,558
2009	1,860,000	356,420	2,216,420
2010	1,930,000	283,670	2,213,670
2011	2,015,000	207,707	2,222,707
2012	2,125,000	110,020	2,235,020
2013	190,000	6,650	196,650
Total	<u>\$ 11,630,000</u>	<u>\$ 1,895,582</u>	<u>\$ 13,525,582</u>

Exhibit I-3

Warren 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 Executive	Section 8-24-102, <u>TCA</u>	\$ 64,734	\$ 50,000	Travelers Casualty and Surety Company
Superintendent of Roads	Section 8-24-102, <u>TCA</u>	61,652	100,000	"
Director of Accounts	County Commission	46,460	10,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	56,048	1,084,200	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,048	10,000	State Farm Fire and Casualty Company
County Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	Travelers Casualty and Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	64,954 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	56,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	62,171 (2)	50,000	Western Surety Company
Employee Dishonesty Bond Coverage:				
General County Employees			20,000	Western Surety Company
Ambulance Service Employees			50,000	American Alternative Insurance Corporation

(1) Includes special commissioner fees of \$8,906.

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

Exhibit I-4

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,753,959	\$ 303,444	\$ 202,296	\$ 0	\$ 0
Trustee's Collections - Prior Year	193,733	13,061	23,948	0	0
Circuit/Clerk & Master Collections - Prior Years	72,096	5,134	16,901	0	0
Interest and Penalty	38,340	2,462	1,973	0	0
Payments in-Lieu-of Taxes - T.V.A.	14,860	961	921	0	0
Payments in-Lieu-of Taxes - Local Utilities	39,205	2,524	2,157	0	0
Payments in-Lieu-of Taxes - Other	188,670	12,043	8,028	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	0
Hotel/Motel Tax	0	0	0	0	0
Wheel Tax	0	0	0	0	0
Litigation Tax - General	146,758	0	0	0	0
Litigation Tax - Special Purpose	11,100	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	49,529	0	0	0	0
Business Tax	285,210	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	60,758	3,878	2,585	0	0
Wholesale Beer Tax	80,883	131,408	0	0	0
Total Local Taxes	\$ 5,935,101	\$ 474,915	\$ 258,809	\$ 0	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 4,237	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	73,876	0	0	0	0
<u>Permits</u>					
Beer Permits	4,188	0	0	0	0
Total Licenses and Permits	\$ 82,301	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 43,910	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit I-4

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Officers Costs	\$ 19,059	\$ 0	\$ 0	\$ 0	0
Drug Control Fines	0	0	0	31,226	0
Drug Court Fees	4,736	0	0	0	0
Jail Fees	8,607	0	0	0	0
District Attorney General Fees	0	0	0	0	2,402
DUI Treatment Fines	2,725	0	0	0	0
Data Entry Fee - Circuit Court	7,214	0	0	0	0
<u>General Sessions Court</u>					
Fines	40,128	0	0	0	0
Fines for Littering	150	0	0	0	0
Officers Costs	66,086	0	0	0	0
Game and Fish Fines	207	0	0	0	0
Drug Control Fines	0	0	0	5,207	0
Drug Court Fees	6,228	0	0	0	0
Jail Fees	39,139	0	0	0	0
District Attorney General Fees	0	0	0	0	8,872
DUI Treatment Fines	10,669	0	0	0	0
Data Entry Fee - General Sessions Court	7,559	0	0	0	0
<u>Juvenile Court</u>					
Fines	11,061	0	0	0	0
Officers Costs	18,780	0	0	0	0
Jail Fees	13,613	0	0	0	0
Data Entry Fee - Juvenile Court	1,496	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	5,228	0	0	0	0
Data Entry Fee - Chancery Court	3,719	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	24,379	0
Total Fines, Forfeitures, and Penalties	\$ 310,314	\$ 0	\$ 0	\$ 60,812	\$ 11,274

(Continued)

Exhibit I-4

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 795	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Disposal Fees	0	1,715	0	0	0
Patient Charges	0	0	900,307	0	0
Other General Service Charges	24,633	0	0	0	0
<u>Fees</u>					
Engineer Review Fees	300	0	0	0	0
Copy Fees	20	0	0	0	0
Vending Machine Collections	355	0	115	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	16,228	0	0	0	0
Probation Fees	3,057	0	0	0	0
Data Processing Fee - Sheriff	7,355	0	0	0	0
Sexual Offender Registration Fees - Sheriff	2,130	0	0	0	0
Total Charges for Current Services	\$ 54,873	\$ 1,715	\$ 900,422	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	94,692	0	0	0	0
Commissary Sales	44,865	0	0	0	0
Sale of Gasoline	135,194	0	0	0	0
Sale of Recycled Materials	0	43,682	0	0	0
Miscellaneous Refunds	1,387	0	0	0	786
<u>Nonrecurring Items</u>					
Accrued Interest on Debt Issues	0	0	0	0	0
Sale of Equipment	3,100	0	0	0	0
Sale of Property	6,000	0	0	0	0
Damages Recovered from Individuals	1,210	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	0
Total Other Local Revenues	\$ 286,448	\$ 43,682	\$ 0	\$ 0	\$ 786

(Continued)

Exhibit I-4

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 130,050	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	141,676	0	0	0	0
Register	59,036	0	0	0	0
Trustee	401,531	0	0	0	0
<u>Fees-In-Lieu of Salary</u>					
Sheriff	39,287	0	0	0	0
Total Fees Received from County Officials	\$ 771,580	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	0
Airport Maintenance Program	128,017	0	0	0	0
State Reappraisal Grant	13,464	0	0	0	0
Solid Waste Grants	0	27,333	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	365,499	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	26,785	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	164,520	0	0	0	0
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	46,872	0	0	0	0
Mixed Drink Tax	21,861	0	0	0	0
State Revenue Sharing - T.V.A.	0	277,889	0	0	0
Contracted Prisoner Boarding	349,240	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Revenues	29,342	0	0	0	0
Total State of Tennessee	\$ 1,188,192	\$ 305,222	\$ 0	\$ 0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Federal Government</u>					
<u>Federal Through State</u>					
Civil Defense Reimbursement	\$ 0	\$ 0	\$ 13,470	\$ 0	\$ 0
Homeland Security Grants	107,875	0	24,445	0	0
Law Enforcement Grants	48,672	0	0	0	0
Other Federal through State	2,851	0	0	0	0
<u>Direct Federal Revenue</u>					
Forest Service	1,337	0	0	0	0
Medicare	11,000	0	0	0	0
Total Federal Government	\$ 171,735	\$ 0	\$ 37,915	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 138,839	\$ 0	\$ 2,500	\$ 3,000	\$ 0
Total Other Governments and Citizens Groups	\$ 138,839	\$ 0	\$ 2,500	\$ 3,000	\$ 0
Total	\$ 8,939,383	\$ 825,534	\$ 1,199,646	\$ 63,812	\$ 12,060

(Continued)

Exhibit I-4

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 480,547	\$ 2,503,452	\$ 0	\$ 8,243,698
Trustee's Collections - Prior Year	0	20,593	99,042	0	350,377
Circuit/Clerk & Master Collections - Prior Years	0	10,697	22,677	0	127,505
Interest and Penalty	0	3,899	20,125	0	66,799
Payments in-Lieu-of Taxes - T.V.A.	0	1,522	7,771	0	26,035
Payments in-Lieu-of Taxes - Local Utilities	0	3,986	20,553	0	68,425
Payments in-Lieu-of Taxes - Other	0	19,068	99,353	0	327,162
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	222,236	0	222,236
Hotel/Motel Tax	0	0	55,168	0	55,168
Wheel Tax	0	0	1,095,244	0	1,095,244
Litigation Tax - General	0	0	0	0	146,758
Litigation Tax - Special Purpose	0	0	0	0	11,100
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	49,529
Business Tax	0	0	0	0	285,210
Mineral Severance Tax	0	50,881	0	0	50,881
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	6,140	31,995	0	105,356
Wholesale Beer Tax	0	0	0	0	212,291
Total Local Taxes	\$ 0	\$ 597,333	\$ 4,177,616	\$ 0	\$ 11,443,774
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,237
Cable TV Franchise	0	0	0	0	73,876
<u>Permits</u>					
Beer Permits	0	0	0	0	4,188
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,301
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,910

(Continued)

Exhibit I-4

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

	Special Revenue Funds		Debt	Capital	Total
	Constitu- tional - Officers - Fees	Highway / Public Works	Service Fund General Debt Service	Projects Fund Education Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Officers Costs	\$ 0	\$ 0	\$ 0	\$ 0	19,059
Drug Control Fines	0	0	0	0	31,226
Drug Court Fees	0	0	0	0	4,736
Jail Fees	0	0	0	0	8,607
District Attorney General Fees	0	0	0	0	2,402
DUI Treatment Fines	0	0	0	0	2,725
Data Entry Fee - Circuit Court	0	0	0	0	7,214
<u>General Sessions Court</u>					
Fines	0	0	0	0	40,128
Fines for Littering	0	0	0	0	150
Officers Costs	0	0	0	0	66,086
Game and Fish Fines	0	0	0	0	207
Drug Control Fines	0	0	0	0	5,207
Drug Court Fees	0	0	0	0	6,228
Jail Fees	0	0	0	0	39,139
District Attorney General Fees	0	0	0	0	8,872
DUI Treatment Fines	0	0	0	0	10,669
Data Entry Fee - General Sessions Court	0	0	0	0	7,559
<u>Juvenile Court</u>					
Fines	0	0	0	0	11,061
Officers Costs	0	0	0	0	18,780
Jail Fees	0	0	0	0	13,613
Data Entry Fee - Juvenile Court	0	0	0	0	1,496
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	5,228
Data Entry Fee - Chancery Court	0	0	0	0	3,719
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	24,379
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	382,400

(Continued)

Exhibit I-4

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Capital Projects	Total
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	795
Solid Waste Disposal Fees	0	0	0	0	1,715
Patient Charges	0	0	0	0	900,307
Other General Service Charges	0	0	0	0	24,633
<u>Fees</u>					
Engineer Review Fees	0	0	0	0	300
Copy Fees	0	0	0	0	20
Vending Machine Collections	0	0	0	0	470
Constitutional Officers' Fees and Commissions	1,073,991	0	0	0	1,073,991
Data Processing Fee - Register	0	0	0	0	16,228
Probation Fees	0	0	0	0	3,057
Data Processing Fee - Sheriff	0	0	0	0	7,355
Sexual Offender Registration Fees - Sheriff	0	0	0	0	2,130
Total Charges for Current Services	\$ 1,073,991	\$ 0	\$ 0	\$ 0	2,031,001
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	512,520	\$ 0	512,520
Lease/Rentals	0	0	0	0	94,692
Commissary Sales	0	0	0	0	44,865
Sale of Gasoline	0	0	0	0	135,194
Sale of Recycled Materials	0	0	0	0	43,682
Miscellaneous Refunds	0	422	0	0	2,595
<u>Nonrecurring Items</u>					
Accrued Interest on Debt Issues	0	0	0	93,818	93,818
Sale of Equipment	0	0	0	0	3,100
Sale of Property	0	0	0	0	6,000
Damages Recovered from Individuals	0	0	0	0	1,210
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	1,373,523	0	1,373,523
Total Other Local Revenues	\$ 0	\$ 422	\$ 1,886,043	\$ 93,818	\$ 2,311,199

(Continued)

Exhibit I-4

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Capital Projects	Total
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	130,050
Circuit Court Clerk	0	0	0	0	141,676
Register	0	0	0	0	59,036
Trustee	0	0	0	0	401,531
<u>Fees-In-Lieu of Salary</u>					
Sheriff	0	0	0	0	39,287
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	771,580
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Airport Maintenance Program	0	0	0	0	128,017
State Reappraisal Grant	0	0	0	0	13,464
Solid Waste Grants	0	0	0	0	27,333
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	365,499
<u>Public Works Grants</u>					
State Aid Program	0	184,722	0	0	184,722
Litter Program	0	0	0	0	26,785
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	164,520
Beer Tax	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	46,872
Mixed Drink Tax	0	0	0	0	21,861
State Revenue Sharing - T.V.A.	0	17,017	0	0	294,906
Contracted Prisoner Boarding	0	0	0	0	349,240
Gasoline and Motor Fuel Tax	0	1,768,395	0	0	1,768,395
Petroleum Special Tax	0	30,787	0	0	30,787
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Revenues	0	0	0	0	29,342
Total State of Tennessee	\$ 0	\$ 2,000,921	\$ 0	\$ 0	3,494,335

(Continued)

Exhibit I-4

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Constitutional Officers - Fees</u>	<u>Highway / Public Works</u>	<u>General Debt Service</u>	<u>Education Capital Projects</u>	<u>Total</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
Civil Defense Reimbursement	\$ 0	\$ 0	\$ 0	\$ 0	13,470
Homeland Security Grants	0	0	0	0	132,320
Law Enforcement Grants	0	0	0	0	48,672
Other Federal through State	0	0	0	0	2,851
<u>Direct Federal Revenue</u>					
Forest Service	0	0	0	0	1,337
Medicare	0	0	0	0	11,000
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	209,650
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	332,994	\$ 0	477,333
Total Other Governments and Citizens Groups	\$ 0	\$ 0	332,994	\$ 0	477,333
Total	\$ 1,073,991	\$ 2,598,676	\$ 6,396,653	\$ 93,818	\$ 21,203,573

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	85,185	
Social Security		6,069	
State Retirement		7,167	
Medical Insurance		10,800	
Audit Services		39,057	
Dues and Memberships		3,983	
Other Charges		1,235	
Total County Commission			\$ 153,496

Board of Equalization

Board and Committee Members Fees	\$	7,440	
Social Security		569	
Travel		282	
Total Board of Equalization			8,291

County Mayor/Executive

County Official/Administrative Officer	\$	64,734	
Secretary(ies)		24,401	
Social Security		6,819	
State Retirement		7,845	
Travel		964	
Total County Mayor/Executive			104,763

County Attorney

Legal Services	\$	54,000	
Total County Attorney			54,000

Election Commission

County Official/Administrative Officer	\$	47,641	
Secretary(ies)		38,607	
Other Salaries & Wages		7,007	
Election Commission		12,025	
Election Workers		10,570	
Social Security		7,524	
State Retirement		10,466	
Medical Insurance		7,550	
Communication		2,360	
Data Processing Services		3,666	
Dues and Memberships		250	
Legal Notices, Recording, and Court Costs		3,718	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Maintenance Agreements	\$	4,569	
Maintenance & Repair Services - Office Equipment		127	
Postal Charges		4,353	
Printing, Stationery, and Forms		4,743	
Rentals		650	
Travel		5,305	
Office Supplies		2,156	
Other Supplies and Materials		4,641	
Data Processing Equipment		5,112	
Total Election Commission			\$ 183,040

Register of Deeds

Other Contracted Services	\$	4,950	
Data Processing Supplies		7,072	
Total Register of Deeds			12,022

Development

Other Charges	\$	70	
Total Development			70

Planning

Board and Committee Members Fees	\$	6,100	
Social Security		467	
Contracts with Government Agencies		10,500	
Total Planning			17,067

County Buildings

Custodial Personnel	\$	32,067	
Social Security		2,453	
State Retirement		2,471	
Maintenance & Repair Services - Buildings		23,065	
Custodial Supplies		8,248	
Utilities		65,749	
Other Supplies and Materials		1,192	
Communication Equipment		15,940	
Total County Buildings			151,185

Other Facilities

Maintenance Personnel	\$	27,516	
Social Security		2,025	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Other Facilities (Cont.)

State Retirement	\$	3,332	
Medical Insurance		2,700	
Maintenance & Repair Services - Buildings		56,913	
Total Other Facilities	\$		92,486

Other General Administration

Communication	\$	24,564	
Data Processing Services		60,590	
Legal Notices, Recording, and Court Costs		1,867	
Maintenance Agreements		3,072	
Maintenance & Repair Services - Office Equipment		1,020	
Postal Charges		23,953	
Printing, Stationery, and Forms		30,722	
Other Contracted Services		1,725	
Office Supplies		20,224	
Premiums on Corporate Surety Bonds		50	
Data Processing Equipment		6,653	
Office Equipment		309	
Total Other General Administration			174,749

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	46,460	
Assistant(s)		34,423	
Accountants/Bookkeepers		28,686	
In-Service Training		150	
Social Security		7,973	
State Retirement		13,271	
Medical Insurance		5,400	
Travel		416	
Total Accounting and Budgeting			136,779

Purchasing

Legal Notices, Recording, and Court Costs	\$	2,257	
Total Purchasing			2,257

Property Assessor's Office

County Official/Administrative Officer	\$	56,048	
Assistant(s)		115,415	
Social Security		12,160	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

State Retirement	\$	19,095	
Medical Insurance		7,988	
Data Processing Services		15,466	
Dues and Memberships		1,315	
Legal Notices, Recording, and Court Costs		112	
Postal Charges		2,255	
Travel		6,406	
Other Supplies and Materials		2,165	
Other Charges		1,390	
Office Equipment		618	
Total Property Assessor's Office			\$ 240,433

County Trustee's Office

Legal Notices, Recording, and Court Costs	\$	355	
Postal Charges		7,294	
Other Supplies and Materials		807	
Data Processing Equipment		10,473	
Total County Trustee's Office			18,929

Administration of Justice

Circuit Court

Jury and Witness Fees	\$	30,243	
Postal Charges		341	
Other Charges		11,417	
Total Circuit Court			42,001

General Sessions Court

Judge(s)	\$	112,140	
Secretary(ies)		24,777	
Other Salaries & Wages		11,957	
Other Per Diem & Fees		1,375	
Social Security		9,214	
State Retirement		16,599	
Medical Insurance		5,400	
Communication		1,652	
Postal Charges		87	
Travel		1,689	
Office Supplies		265	
Other Charges		1,571	
Data Processing Equipment		997	
Total General Sessions Court			187,723

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Probation Officer(s)	\$	40,327	
Social Security		2,598	
State Retirement		2,401	
Medical Insurance		2,588	
Unemployment Compensation		56	
Communication		1,670	
Postal Charges		76	
Printing, Stationery, and Forms		50	
Travel		4,469	
Other Contracted Services		592	
Other Supplies and Materials		4,230	
Total Drug Court			\$ 59,057

Chancery Court

Other Charges	\$	19,306	
Data Processing Equipment		8,848	
Total Chancery Court			28,154

Juvenile Court

Youth Service Officer(s)	\$	61,963	
Other Salaries & Wages		17,204	
Other Per Diem & Fees		1,375	
Social Security		6,094	
State Retirement		8,166	
Medical Insurance		1,800	
Communication		2,075	
Contracts with Government Agencies		1,925	
Postal Charges		393	
Travel		2,261	
Office Supplies		569	
Other Supplies and Materials		5,555	
Other Charges		64	
Data Processing Equipment		1,000	
Total Juvenile Court			110,444

Judicial Commissioners

County Official/Administrative Officer	\$	62,058	
In-Service Training		1,256	
Social Security		4,747	
Communication		791	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

Office Supplies	\$ 458	
Total Judicial Commissioners		\$ 69,310

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 61,652	
Deputy(ies)	769,966	
Investigator(s)	202,512	
Lieutenant(s)	123,707	
Salary Supplements	16,598	
Clerical Personnel	84,539	
Overtime Pay	34,763	
Other Salaries & Wages	31,691	
In-Service Training	9,181	
Social Security	99,897	
State Retirement	155,938	
Medical Insurance	56,250	
Communication	17,079	
Data Processing Services	110	
Maintenance & Repair Services - Office Equipment	1,959	
Maintenance & Repair Services - Vehicles	75,091	
Medical and Dental Services	1,964	
Postal Charges	1,079	
Printing, Stationery, and Forms	825	
Travel	1,236	
Gasoline	112,676	
Law Enforcement Supplies	4,959	
Office Supplies	5,700	
Tires and Tubes	7,379	
Uniforms	11,953	
Communication Equipment	8,105	
Furniture and Fixtures	54,606	
Law Enforcement Equipment	1,696	
Motor Vehicles	44,280	
Total Sheriff's Department		1,997,391

Jail

Supervisor/Director	\$ 29,479
Medical Personnel	85,550
Guards	852,217

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Clerical Personnel	\$	30,206	
Overtime Pay		11,555	
Other Salaries & Wages		25,530	
Social Security		76,107	
State Retirement		97,951	
Medical Insurance		53,000	
Contracts with Government Agencies		1,000	
Evaluation and Testing		3,026	
Maintenance & Repair Services - Equipment		806	
Medical and Dental Services		146,258	
Pest Control		885	
Printing, Stationery, and Forms		1,118	
Custodial Supplies		39,317	
Food Preparation Supplies		10,465	
Food Supplies		252,567	
Prisoners Clothing		2,066	
Utilities		114,834	
Other Supplies and Materials		8,975	
Office Equipment		450	
Total Jail			\$ 1,843,362

Juvenile Services

Other Charges	\$	38,659	
Total Juvenile Services			38,659

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	1,100	
Total County Coroner/Medical Examiner			1,100

Other Public Safety

Contributions	\$	126,000	
Total Other Public Safety			126,000

Public Health and Welfare

Local Health Center

Communication	\$	5,382	
Janitorial Services		8,400	
Utilities		23,096	
Other Charges		7,521	
Building Improvements		19,838	
Total Local Health Center			64,237

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control

Supervisor/Director	\$	12,414	
Part-time Personnel		2,546	
In-Service Training		320	
Social Security		1,144	
State Retirement		404	
Communication		1,344	
Maintenance & Repair Services - Vehicles		1,344	
Veterinary Services		1,384	
Animal Food and Supplies		532	
Custodial Supplies		27	
Gasoline		2,068	
Office Supplies		267	
Tires and Tubes		491	
Utilities		344	
Other Supplies and Materials		9,522	
Building Construction		55,412	
Data Processing Equipment		458	
Motor Vehicles		7,784	
Site Development		8,827	
Other Equipment		2,097	
Total Rabies and Animal Control			\$ 108,729

Other Local Health Services

Other Salaries & Wages	\$	287,483	
Social Security		21,335	
State Retirement		32,033	
Medical Insurance		8,887	
Travel		11,472	
Total Other Local Health Services			361,210

Appropriation to State

Contributions	\$	42,203	
Total Appropriation to State			42,203

General Welfare Assistance

Other Charges	\$	1,636	
Total General Welfare Assistance			1,636

Aid to Dependent Children

Other Contracted Services	\$	2,198	
Total Aid to Dependent Children			2,198

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services

Other Contracted Services	\$ 731	
Total Other Local Welfare Services		\$ 731

Other Public Health and Welfare

Social Security	\$ 667	
State Retirement	365	
Medical Insurance	1,125	
Contracts with Government Agencies	16,648	
Contributions	53,848	
Total Other Public Health and Welfare		72,653

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 19,250	
Total Senior Citizens Assistance		19,250

Libraries

Contributions	\$ 116,000	
Total Libraries		116,000

Agriculture & Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$ 60	
Communication	2,282	
Contributions	85,414	
Office Supplies	4,487	
Total Agriculture Extension Service		92,243

Forest Service

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

Soil Conservation

Clerical Personnel	\$ 25,936	
Other Salaries & Wages	23,526	
Social Security	3,392	
State Retirement	5,996	
Medical Insurance	5,400	
Contributions	3,000	
Total Soil Conservation		67,250

(Continued)

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

General Fund (Cont.)

Other Operations

Tourism

Other Charges	\$ 14,050	
Total Tourism		\$ 14,050

Industrial Development

Contributions	\$ 144,375	
Site Development	250,000	
Other Capital Outlay	140,000	
Total Industrial Development		534,375

Airport

Other Salaries & Wages	\$ 66,370	
Social Security	5,418	
State Retirement	3,858	
Unemployment Compensation	291	
Communication	6,810	
Maintenance Agreements	7,925	
Travel	1,888	
Gasoline	113,998	
Utilities	19,017	
Liability Insurance	9,425	
Other Charges	25,578	
Airport Improvement	93,265	
Total Airport		353,843

Veterans' Services

Supervisor/Director	\$ 12,757	
Social Security	976	
Communication	808	
Other Charges	3,038	
Total Veterans' Services		17,579

Other Charges

Building and Contents Insurance	\$ 11,796	
Liability Insurance	65,080	
Trustee's Commission	126,419	
Workers' Compensation Insurance	136,032	
Total Other Charges		339,327

Contributions to Other Agencies

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

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	72,563	
State Retirement		117,225	
Life Insurance		9,783	
Medical Insurance		53,100	
Unemployment Compensation		9,099	
Total Employee Benefits			\$ 261,770

Miscellaneous

Longevity Pay	\$	40,850	
Social Security		3,114	
Litter Enforcement Awards		250	
Other Charges		727	
Motor Vehicles		18,000	
Right-of-Way		881	
Total Miscellaneous			<u>63,822</u>

Total General Fund \$ 8,393,374

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$	40,433
Truck Drivers		66,689
Social Security		7,717
State Retirement		11,846
Life Insurance		220
Medical Insurance		6,075
Unemployment Compensation		303
Communication		745
Contracts with Government Agencies		46,639
Laundry Service		2,150
Maintenance & Repair Services - Equipment		987
Maintenance & Repair Services - Vehicles		15,242
Postal Charges		39
Diesel Fuel		25,033
Gasoline		2,492
Lubricants		2,362
Tires and Tubes		4,417
Utilities		1,435
Other Supplies and Materials		846

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Workers' Compensation Insurance	\$ 8,886	
Total Waste Pickup		\$ 244,556

Convenience Centers

Other Salaries & Wages	\$ 189,506	
Social Security	13,307	
State Retirement	9,508	
Life Insurance	409	
Medical Insurance	8,100	
Unemployment Compensation	1,045	
Communication	5,533	
Contracts with Private Agencies	318,741	
Maintenance & Repair Services - Equipment	3,976	
Rentals	7,425	
Utilities	7,734	
Workers' Compensation Insurance	14,498	
Solid Waste Equipment	28,260	
Other Equipment	2,252	
Total Convenience Centers		610,294

Other Waste Disposal

Liability Insurance	\$ 7,782	
Trustee's Commission	12,270	
Other Charges	3,258	
Total Other Waste Disposal		23,310

Other Operations

Miscellaneous

Longevity Pay	\$ 8,975	
Social Security	652	
Total Miscellaneous		9,627

Total Solid Waste/Sanitation Fund \$ 887,787

Ambulance Service Fund

Public Safety

Civil Defense

Assistant(s)	\$ 6,976
Supervisor/Director	22,600
Social Security	2,263

(Continued)

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

Ambulance Service Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

State Retirement	\$	2,740	
Unemployment Compensation		114	
Other Contracted Services		13,057	
Other Equipment		34,971	
Total Civil Defense			\$ 82,721

Rescue Squad

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

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$	42,436	
Accountants/Bookkeepers		47,360	
Medical Personnel		917,425	
In-Service Training		4,212	
Social Security		75,627	
State Retirement		99,838	
Life Insurance		1,620	
Medical Insurance		27,000	
Unemployment Compensation		2,108	
Communication		5,037	
Laundry Service		5	
Licenses		1,624	
Maintenance & Repair Services - Buildings		1,252	
Maintenance & Repair Services - Equipment		1,790	
Maintenance & Repair Services - Vehicles		8,046	
Postal Charges		2,249	
Printing, Stationery, and Forms		2,657	
Travel		46	
Other Contracted Services		8,000	
Custodial Supplies		1,061	
Diesel Fuel		21,173	
Drugs and Medical Supplies		57,996	
Gasoline		1,253	
Lubricants		149	
Office Supplies		1,303	
Tires and Tubes		2,720	
Uniforms		6,729	
Utilities		8,808	

(Continued)

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

Ambulance Service Fund (Cont.)
Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Other Supplies and Materials	\$	775	
Building and Contents Insurance		279	
Liability Insurance		48,543	
Refunds		10,833	
Trustee's Commission		15,251	
Workers' Compensation Insurance		76,032	
Other Charges		1,503	
Data Processing Equipment		1,437	
Furniture and Fixtures		1,014	
Office Equipment		52	
Health Equipment		27,259	
Other Equipment		6,680	
Total Ambulance/Emergency Medical Services			\$ 1,539,182

Other Operations

Miscellaneous

Longevity Pay	\$	16,125	
Social Security		1,234	
Building Construction		50,000	
Total Miscellaneous			<u>67,359</u>

Total Ambulance Service Fund \$ 1,712,762

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	11,254	
Social Security		979	
Dues and Memberships		380	
Maintenance Agreements		2,275	
Travel		369	
Remittance of Revenue Collected		1,652	
Other Contracted Services		2,330	
Fuel Oil		6,721	
Other Supplies and Materials		2,368	
Liability Insurance		5,250	
Trustee's Commission		613	
In Service/Staff Development		140	
Law Enforcement Equipment		6,900	
Motor Vehicles		13,225	
Total Drug Enforcement			\$ 54,456

(Continued)

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

Drug Control Fund (Cont.)

Public Health and Welfare

Alcohol and Drug Programs

Other Supplies and Materials	\$ 6,095	
Total Alcohol and Drug Programs		\$ 6,095

Total Drug Control Fund \$ 60,551

District Attorney General Fund

Administration of Justice

District Attorney General

Communication	\$ 965	
Dues and Memberships	654	
Janitorial Services	4,648	
Travel	180	
Office Supplies	3,851	
Other Supplies and Materials	1,959	
Trustee's Commission	110	
In Service/Staff Development	475	
Other Charges	293	
Office Equipment	6,314	
Total District Attorney General		\$ 19,449

Total District Attorney General Fund 19,449

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 138,296	
Total Register of Deeds		\$ 138,296

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 210,402	
Total County Trustee's Office		210,402

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 243,484	
Total County Clerk's Office		243,484

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$ 138,512	
Total Circuit Court		138,512

(Continued)

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Constitutional Officers' Operating Expenses	\$ 127,638	
Total General Sessions Court		\$ 127,638

Chancery Court

Constitutional Officers' Operating Expenses	\$ 144,420	
Total Chancery Court		144,420

Juvenile Court

Constitutional Officers' Operating Expenses	\$ 34,412	
Total Juvenile Court		<u>34,412</u>

Total Constitutional Officers - Fees Fund		\$ 1,037,164
---	--	--------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 61,652	
Assistant(s)	40,315	
Accountants/Bookkeepers	59,411	
Data Processing Services	6,508	
Dues and Memberships	2,723	
Maintenance & Repair Services - Office Equipment	229	
Postal Charges	448	
Printing, Stationery, and Forms	128	
Travel	704	
Office Supplies	1,442	
Other Charges	<u>25</u>	
Total Administration		\$ 173,585

Highway and Bridge Maintenance

Equipment Operators	\$ 245,083
Truck Drivers	77,836
Laborers	77,276
Rentals	1,192
Other Contracted Services	1,094,905
Asphalt - Liquid	199,491
Concrete	14,954
Crushed Stone	125,796
Other Road Supplies	2,526
Pipe	8,616

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Pipe - Metal	\$	9,190	
Road Signs		12,814	
Salt		5,365	
Other Charges		40	
Total Highway and Bridge Maintenance			\$ 1,875,084

Operation and Maintenance of Equipment

Maintenance & Repair Services - Equipment	\$	5,438	
Diesel Fuel		53,664	
Equipment and Machinery Parts		35,887	
Garage Supplies		5,537	
Gasoline		30,497	
Lubricants		4,667	
Tires and Tubes		11,166	
Other Charges		85	
Total Operation and Maintenance of Equipment			146,941

Other Charges

Communication	\$	5,188	
Contributions		4,000	
Janitorial Services		2,060	
Maintenance & Repair Services - Buildings		675	
Custodial Supplies		239	
Drugs and Medical Supplies		201	
Electricity		3,583	
Food Supplies		375	
Natural Gas		1,655	
Water and Sewer		224	
Building and Contents Insurance		609	
Liability Insurance		32,427	
Trustee's Commission		30,145	
Vehicle and Equipment Insurance		3,713	
Workers' Compensation Insurance		44,997	
Other Charges		2,301	
Total Other Charges			132,392

Employee Benefits

Longevity Pay	\$	8,325	
Social Security		41,663	
State Retirement		61,529	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Employee and Dependent Insurance	\$	29,925	
Life Insurance		1,107	
Unemployment Compensation		4,561	
Total Employee Benefits			\$ 147,110

Capital Outlay

Engineering Services	\$	39,050	
Bridge Construction		41,242	
Building Improvements		9,973	
Communication Equipment		699	
Highway Equipment		100,548	
Motor Vehicles		9,990	
State Aid Projects		224,408	
Total Capital Outlay			425,910

Total Highway/Public Works Fund \$ 2,901,022

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	1,810,000	
Principal on Notes		182,932	
Total General Government			\$ 1,992,932

Highways and Streets

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

Education

Principal on Bonds	\$	1,510,000	
Total Education			1,510,000

Interest on Debt

General Government

Interest on Bonds	\$	81,324	
Interest on Notes		7,128	
Interest on Other Loans		219,222	
Total General Government			307,674

(Continued)

Exhibit I-5

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Highways and Streets

Interest on Notes	\$ 2,327	
Total Highways and Streets		\$ 2,327

Education

Interest on Bonds	\$ 524,050	
Interest on Other Loans	154,830	
Total Education		678,880

Other Debt Service

General Government

Bank Charges	\$ 21,781	
Trustee's Commission	87,976	
Total General Government		109,757

Total General Debt Service Fund		\$ 4,658,042
---------------------------------	--	--------------

Education Capital Projects Fund

Capital Projects - Donated

Capital Projects Donated to School Department

Contributions	\$ 632,024	
Other Debt Issuance Charges	93,818	
Total Capital Projects Donated to School Department		\$ 725,842

Total Education Capital Projects Fund		725,842
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Other Capital Projects Fund

Capital Projects

Public Safety Projects

Building Construction	\$ 530,514	
Furniture and Fixtures	449	
Total Public Safety Projects		\$ 530,963

Total Other Capital Projects Fund		530,963
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Total Governmental Funds - Primary Government		<u>\$ 20,926,956</u>
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Exhibit I-6

Warren 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	\$ 1,913,110
Total Cash Receipts	<u>\$ 1,913,110</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,874,581
Trustee's Commission	38,529
Total Cash Disbursements	<u>\$ 1,913,110</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
WARREN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WARREN 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

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

JESSICA L. COX, CGFM
JAMES D. HODGES, CFE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

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

OTHER FINDINGS

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

INTRODUCTORY SECTION

Warren County School Officials
June 30, 2006

Official

Dr. Jerry Hale, Director of Schools

Board of Education

Dr. Deborah Watlington, Chairperson

Edd Cantrell

Mike Holland

Larry Judkins

John Turner

Bob Young

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 8, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Warren County School Department, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 29, which collectively comprise a portion of the Warren County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Warren County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

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

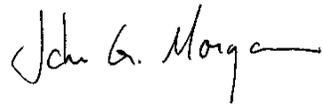
In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2007, on our consideration of the Warren County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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 35 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Other Governmental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 3,066	\$ 3,066
Equity in Pooled Cash and Investments	3,971,374	883,000	1,087,231	5,941,605
Inventories	0	0	73,621	73,621
Accounts Receivable	1,249	0	679	1,928
Due from Other Governments	1,526,397	0	267,366	1,793,763
Property Taxes Receivable	3,824,041	0	0	3,824,041
Allowance for Uncollectible Property Taxes	(140,647)	0	0	(140,647)
Total Assets	\$ 9,182,414	\$ 883,000	\$ 1,431,963	\$ 11,497,377
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 2,061	\$ 0	\$ 183,650	\$ 185,711
Payroll Deductions Payable	450,055	0	0	450,055
Contracts Payable	0	852,973	0	852,973
Retainage Payable	0	94,775	0	94,775
Due to Primary Government	31,122	0	0	31,122
Deferred Revenue - Current Property Taxes	3,515,272	0	0	3,515,272
Deferred Revenue - Delinquent Property Taxes	142,230	0	0	142,230
Other Deferred Revenues	667,479	0	6,442	673,921
Total Liabilities	\$ 4,808,219	\$ 947,748	\$ 190,092	\$ 5,946,059
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 892,533	\$ 5,803,228	\$ 0	\$ 6,695,761
Reserved for Inventories	0	0	73,621	73,621
Reserved for Driver Education	110,892	0	0	110,892
Reserved for Career Ladder - Extended Contract	174,150	0	0	174,150
Reserved for Career Ladder Program	15,002	0	0	15,002
Reserved for Basic Education Program	1,841,564	0	0	1,841,564
Reserved for Title I Grants to Local Education Agencies	0	0	16,611	16,611
Reserved for Innovative Education Program Strategies	0	0	3,107	3,107
Reserved for Special Education - Grants to States	0	0	128,527	128,527
Other Federal Reserves	0	0	43,164	43,164
Unreserved, Reported In:				
General Fund	1,340,054	0	0	1,340,054
Special Revenue Funds	0	0	976,841	976,841
Capital Projects Funds (Deficit)	0	(5,867,976)	0	(5,867,976)
Total Fund Balances	\$ 4,374,195	\$ (64,748)	\$ 1,241,871	\$ 5,551,318
Total Liabilities and Fund Balances	\$ 9,182,414	\$ 883,000	\$ 1,431,963	\$ 11,497,377

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

Exhibit B

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

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Funds Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 11,534,837	\$ 0	\$ 0	\$ 11,534,837
Charges for Current Services	361,669	0	1,047,926	1,409,595
Other Local Revenues	67,381	0	38,399	105,780
State of Tennessee	21,945,215	0	32,256	21,977,471
Federal Government	756,594	0	5,354,015	6,110,609
Other Governments and Citizens Groups	0	632,024	0	632,024
Total Revenues	<u>\$ 34,665,696</u>	<u>\$ 632,024</u>	<u>\$ 6,472,596</u>	<u>\$ 41,770,316</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 21,047,683	\$ 0	\$ 2,693,200	\$ 23,740,883
Support Services	11,734,790	0	1,345,896	13,080,686
Operation of Non-Instructional Services	301,943	0	2,412,491	2,714,434
Capital Outlay	2,430,124	0	0	2,430,124
Capital Projects	0	1,579,772	0	1,579,772
Total Expenditures	<u>\$ 35,514,540</u>	<u>\$ 1,579,772</u>	<u>\$ 6,451,587</u>	<u>\$ 43,545,899</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (848,844)	\$ (947,748)	\$ 21,009	\$ (1,775,583)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 4,766	\$ 883,000	\$ 0	\$ 887,766
Transfers Out	(733,000)	0	(154,766)	(887,766)
Total Other Financing Sources (Uses)	<u>\$ (728,234)</u>	<u>\$ 883,000</u>	<u>\$ (154,766)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (1,577,078)	\$ (64,748)	\$ (133,757)	\$ (1,775,583)
Fund Balance, July 1, 2005	5,951,273	0	1,375,628	7,326,901
Fund Balance, June 30, 2006	<u>\$ 4,374,195</u>	<u>\$ (64,748)</u>	<u>\$ 1,241,871</u>	<u>\$ 5,551,318</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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 is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

Education Capital Projects – This fund is used by the School Department to account for building construction and renovation projects.

Additionally, the School Department reports the following fund type:

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

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

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Warren County and Warren County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Warren County and the Warren County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. 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 property taxes receivable allowance is equal to 1.94 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 Education Capital Projects Fund represents amounts withheld for payments made on construction contracts pending completion of the projects.

3. Inventories

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

4. Capital Assets

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

5. Compensated Absences

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

6. Fund Equity

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

II. 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

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

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

The School Department's budgetary basis of accounting is consistent with 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. Fund Deficit

The Education Capital Projects Fund had a fund deficit of \$5,867,976 at June 30, 2006. This fund deficit resulted from the unperformed portion of construction contracts of \$5,803,228 being reserved as encumbrances, and the recognition of current liabilities for contracts payable (\$852,973) and retainage payable (\$94,775) at June 30, 2006. Funding for these future expenditures is expected to be received from the issuance of debt.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Warren County and the School Department participate in an internal cash and investment pool through the 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 the purposes of credit risk disclosure.

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

Investments

Legal Provisions. Warren 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.

Investment Balances. As of June 30, 2006, Warren County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Warren County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 11,110,372</u>
Total		<u><u>\$ 11,110,372</u></u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit

the maturities of certain investments as previously disclosed. Warren County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Warren County has no investment policy that would further limit its investment choices. As of June 30, 2006, Warren County’s investment in the State Treasurer’s Investment Pool was unrated.

B. Construction Commitments

At June 30, 2006, the School Department had uncompleted construction contracts of approximately \$5,803,228 for the renovation of a school building. Funding for these expenditures is expected to be received from the issuance of debt.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government:	Component unit:	
General	Warren County School Department:	
	General Purpose School	\$ 31,122
Total		<u>\$ 31,122</u>

Interfund Transfers:

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

Transfers Out	Transfers In	
	General Purpose School Fund	Education Capital Projects Fund
General Purpose School Fund	\$ 0	\$ 733,000
Nonmajor governmental funds	4,766	150,000
Total	\$ 4,766	\$ 883,000

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

IV. OTHER INFORMATION

A. Risk Management

The School Department's risk of loss relating to property, general liability, automobile liability, and workers' compensation are covered through a self-insurance program administered by the primary government of Warren County, and by the purchase of commercial insurance to cover losses exceeding certain limits. The county is self-insured for individual property losses up to \$250,000. The county carries excess commercial coverage on buildings and contents totaling \$151,283,957. The county is self-insured up to the liability limits of \$250,000 per person, \$600,000 per occurrence for bodily injury, and \$85,000 for property damage. Warren County self-insures workers' compensation losses of \$250,000 per accident or disease with an aggregate liability of \$1,000,000. The county carries commercial liability insurance coverage for losses up to \$10,000,000, with a \$250,000 deductible. Warren County maintains the Self-Insurance Fund, which is shown as an internal service fund, to account for transactions pertaining to the county's self-insured group liability and property plan. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The fund establishes the claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Year Liability	Claims and Estimates Incurred	Payments	End of Year Liability
2004-2005	\$ 817,565	\$ 452,174	\$ (293,517)	\$ 976,222
2005-2006	976,222	489,769	(264,843)	1,201,148

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

B. Accounting 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 Warren 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 Warren 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. Contingent Liabilities

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

D. Retirement Commitments

Plan Description

Employees of Warren County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as

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

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

Since the School Department participates in Warren County's plan, retirement information for the School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.G. of the Annual Financial Report of Warren County, Tennessee.

Plan Description

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service.

Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$1,041,406, \$1,026,166, and \$604,150, respectively, equal to the required contributions for each year.

E. Purchasing Law

Purchasing procedures for the School Department are governed by Chapter 16, Private Acts of 1951, as amended and purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. The Private Acts of 1951, as amended, also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Warren County School Department
General Purpose School Fund
For the Year Ended June 30, 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>							
Local Taxes	\$ 11,534,837	\$ 0	\$ 0	\$ 11,534,837	\$ 11,550,900	\$ 11,550,900	\$ (16,063)
Charges for Current Services	361,669	0	0	361,669	411,000	411,000	(49,331)
Other Local Revenues	67,381	0	0	67,381	208,500	208,500	(141,119)
State of Tennessee	21,945,215	0	0	21,945,215	21,863,800	22,077,900	(132,685)
Federal Government	756,594	0	0	756,594	541,000	691,300	65,294
Total Revenues	\$ 34,665,696	\$ 0	\$ 0	\$ 34,665,696	\$ 34,575,200	\$ 34,939,600	\$ (273,904)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 16,775,757	\$ (308,424)	\$ 333,430	\$ 16,800,763	\$ 17,075,700	\$ 17,059,700	\$ 258,937
Alternative Instruction Program	230,733	0	0	230,733	218,700	234,700	3,967
Special Education Program	2,455,198	(2,374)	1,040	2,453,864	2,628,300	2,658,600	204,736
Vocational Education Program	1,376,957	0	24,529	1,401,486	1,435,600	1,435,600	34,114
Adult Education Program	209,038	0	0	209,038	246,000	286,000	76,962
<u>Support Services</u>							
Attendance	328,029	0	0	328,029	362,100	362,100	34,071
Health Services	392,704	(1,602)	796	391,898	390,300	450,300	58,402
Other Student Support	1,258,311	(44,423)	19,470	1,233,358	1,369,500	1,369,500	136,142
Regular Instruction Program	1,200,297	(1,237)	1,716	1,200,776	1,220,700	1,280,700	79,924
Alternative Instruction Program	74,603	0	0	74,603	77,700	77,700	3,097
Special Education Program	398,542	0	0	398,542	427,600	427,600	29,058
Vocational Education Program	32,559	0	13,523	46,082	72,000	72,000	25,918
Adult Programs	65,013	(932)	0	64,081	68,500	68,500	4,419
Board of Education	670,576	(7,891)	8,800	671,485	794,700	794,700	123,215
Director of Schools	155,588	0	0	155,588	164,200	164,200	8,612
Office of the Principal	1,685,698	(3,160)	0	1,682,538	1,714,800	1,714,800	32,262

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>							
Fiscal Services	\$ 334,920	\$ (170)	\$ 7,573	\$ 342,323	\$ 434,200	\$ 434,200	\$ 91,877
Operation of Plant	2,656,452	0	18,141	2,674,593	2,911,200	2,911,200	236,607
Maintenance of Plant	1,076,640	(3,741)	0	1,072,899	1,074,200	1,074,200	1,301
Transportation	1,404,858	(21,471)	381,034	1,764,421	1,894,500	1,894,500	130,079
<u>Operation of Non-Instructional Services</u>							
Food Service	1,134	0	0	1,134	1,400	1,400	266
Community Services	161,873	(3,834)	0	158,039	200,000	200,000	41,961
Early Childhood Education	138,936	0	0	138,936	0	174,100	35,164
<u>Capital Outlay</u>							
Regular Capital Outlay	2,430,124	(1,597,592)	82,481	915,013	900,000	1,107,000	191,987
Total Expenditures	\$ 35,514,540	\$ (1,996,851)	\$ 892,533	\$ 34,410,222	\$ 35,681,900	\$ 36,253,300	\$ 1,843,078
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (848,844)	\$ 1,996,851	\$ (892,533)	\$ 255,474	\$ (1,106,700)	\$ (1,313,700)	\$ 1,569,174
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 4,766	\$ 0	\$ 0	\$ 4,766	\$ 4,800	\$ 4,800	\$ (34)
Transfers Out	(733,000)	0	0	(733,000)	0	(733,000)	0
Total Other Financing Sources (Uses)	\$ (728,234)	\$ 0	\$ 0	\$ (728,234)	\$ 4,800	\$ (728,200)	\$ (34)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ (1,577,078)	\$ 1,996,851	\$ (892,533)	\$ (472,760)	\$ (1,101,900)	\$ (2,041,900)	\$ 1,569,140
	5,951,273	(1,996,851)	0	3,954,422	2,204,282	2,204,282	1,750,140
Fund Balance, June 30, 2006							
	\$ 4,374,195	\$ 0	\$ (892,533)	\$ 3,481,662	\$ 1,102,382	\$ 162,382	\$ 3,319,280

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

BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction, Special Education Program, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Warren County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Exhibit D-1

Warren County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Warren County School Department
June 30, 2006

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 3,066	\$ 3,066
Equity in Pooled Cash and Investments	65,267	1,021,964	1,087,231
Inventories	0	73,621	73,621
Accounts Receivable	0	679	679
Due from Other Governments	251,801	15,565	267,366
Total Assets	<u>\$ 317,068</u>	<u>\$ 1,114,895</u>	<u>\$ 1,431,963</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 119,217	\$ 64,433	\$ 183,650
Other Deferred Revenues	6,442	0	6,442
Total Liabilities	<u>\$ 125,659</u>	<u>\$ 64,433</u>	<u>\$ 190,092</u>
<u>Fund Balances</u>			
Reserved for Inventories	\$ 0	\$ 73,621	\$ 73,621
Reserved for Title I Grants to Local Education Agencies	16,611	0	16,611
Reserved for Innovative Education Program Strategies	3,107	0	3,107
Reserved for Special Education - Grants to States	128,527	0	128,527
Other Federal Reserves	43,164	0	43,164
Unreserved	0	976,841	976,841
Total Fund Balances	<u>\$ 191,409</u>	<u>\$ 1,050,462</u>	<u>\$ 1,241,871</u>
Total Liabilities and Fund Balances	<u>\$ 317,068</u>	<u>\$ 1,114,895</u>	<u>\$ 1,431,963</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 1,047,926	\$ 1,047,926
Other Local Revenues	1,040	37,359	38,399
State of Tennessee	0	32,256	32,256
Federal Government	3,982,967	1,371,048	5,354,015
Total Revenues	<u>\$ 3,984,007</u>	<u>\$ 2,488,589</u>	<u>\$ 6,472,596</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,693,200	\$ 0	\$ 2,693,200
Support Services	1,345,896	0	1,345,896
Operation of Non-Instructional Services	0	2,412,491	2,412,491
Total Expenditures	<u>\$ 4,039,096</u>	<u>\$ 2,412,491</u>	<u>\$ 6,451,587</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (55,089)</u>	<u>\$ 76,098</u>	<u>\$ 21,009</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (4,766)	\$ (150,000)	\$ (154,766)
Total Other Financing Sources (Uses)	<u>\$ (4,766)</u>	<u>\$ (150,000)</u>	<u>\$ (154,766)</u>
Net Change in Fund Balances	\$ (59,855)	\$ (73,902)	\$ (133,757)
Fund Balance, July 1, 2005	251,264	1,124,364	1,375,628
Fund Balance, June 30, 2006	<u>\$ 191,409</u>	<u>\$ 1,050,462</u>	<u>\$ 1,241,871</u>

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,040	\$ 0	\$ 38,657	\$ (37,617)
Federal Government	3,982,967	3,590,850	5,076,047	(1,093,080)
Total Revenues	<u>\$ 3,984,007</u>	<u>\$ 3,590,850</u>	<u>\$ 5,114,704</u>	<u>\$ (1,130,697)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,996,164	\$ 1,591,827	\$ 2,162,577	\$ 166,413
Special Education Program	520,562	466,115	632,389	111,827
Vocational Education Program	176,474	180,801	180,794	4,320
<u>Support Services</u>				
Regular Instruction Program	444,620	417,292	831,423	386,803
Special Education Program	890,987	923,950	1,280,814	389,827
Vocational Education Program	10,289	6,065	10,289	0
Total Expenditures	<u>\$ 4,039,096</u>	<u>\$ 3,586,050</u>	<u>\$ 5,098,286</u>	<u>\$ 1,059,190</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (55,089)</u>	<u>\$ 4,800</u>	<u>\$ 16,418</u>	<u>\$ (71,507)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (4,766)	\$ (4,800)	\$ (82,081)	\$ 77,315
Total Other Financing Sources (Uses)	<u>\$ (4,766)</u>	<u>\$ (4,800)</u>	<u>\$ (82,081)</u>	<u>\$ 77,315</u>
Net Change in Fund Balance	\$ (59,855)	\$ 0	\$ (65,663)	\$ 5,808
Fund Balance, July 1, 2005	<u>251,264</u>	<u>378,082</u>	<u>378,082</u>	<u>(126,818)</u>
Fund Balance, June 30, 2006	<u>\$ 191,409</u>	<u>\$ 378,082</u>	<u>\$ 312,419</u>	<u>\$ (121,010)</u>

Exhibit D-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,047,926	\$ 1,025,000	\$ 1,025,000	\$ 22,926
Other Local Revenues	37,359	31,000	31,000	6,359
State of Tennessee	32,256	32,000	32,000	256
Federal Government	1,371,048	1,350,000	1,350,000	21,048
Total Revenues	<u>\$ 2,488,589</u>	<u>\$ 2,438,000</u>	<u>\$ 2,438,000</u>	<u>\$ 50,589</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,412,491	\$ 2,903,700	\$ 2,753,700	\$ 341,209
Total Expenditures	<u>\$ 2,412,491</u>	<u>\$ 2,903,700</u>	<u>\$ 2,753,700</u>	<u>\$ 341,209</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 76,098</u>	<u>\$ (465,700)</u>	<u>\$ (315,700)</u>	<u>\$ 391,798</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (150,000)	\$ 0	\$ (150,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (150,000)</u>	<u>\$ 0</u>	<u>\$ (150,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (73,902)	\$ (465,700)	\$ (465,700)	\$ 391,798
Fund Balance, July 1, 2005	<u>1,124,364</u>	<u>1,045,676</u>	<u>1,045,676</u>	<u>78,688</u>
Fund Balance, June 30, 2006	<u>\$ 1,050,462</u>	<u>\$ 579,976</u>	<u>\$ 579,976</u>	<u>\$ 470,486</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

Warren County, Tennessee
Schedule of Transfers
Warren 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	\$ 4,766
General Purpose School	Education Capital Projects	Building project	733,000
Central Cafeteria	Education Capital Projects	Building project	<u>150,000</u>
Total Transfers			<u>\$ 887,766</u>

Exhibit E-2

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Warren County Board of Education	\$ 92,217 (1)	\$ 100,000	Travelers Casualty and Surety Company
Other Bonds:				
Public Employee Dishonesty			10,000	Travelers Casualty and Surety Company

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

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,439,676	\$ 0	\$ 0	\$ 0	\$ 3,439,676
Trustee's Collections - Prior Year	151,739	0	0	0	151,739
Circuit/Clerk & Master Collections - Prior Years	88,997	0	0	0	88,997
Interest and Penalty	28,001	0	0	0	28,001
Payments in-Lieu-of Taxes - T.V.A.	10,975	0	0	0	10,975
Payments in-Lieu-of Taxes - Local Utilities	28,737	0	0	0	28,737
Payments in-Lieu-of Taxes - Other	136,484	0	0	0	136,484
<u>County Local Option Taxes</u>					
Local Option Sales Tax	7,606,276	0	0	0	7,606,276
<u>Statutory Local Taxes</u>					
Bank Excise Tax	43,952	0	0	0	43,952
Total Local Taxes	\$ 11,534,837	\$ 0	\$ 0	\$ 0	\$ 11,534,837
<u>Charges for Current Services</u>					
<u>Fees</u>					
Telephone Commissions	\$ 10,860	\$ 0	\$ 0	\$ 0	\$ 10,860
<u>Education Charges</u>					
Tuition - Adult Education	1,500	0	0	0	1,500
Tuition - Other	158,735	0	0	0	158,735
Lunch Payments - Children	0	0	440,502	0	440,502
Lunch Payments - Adults	0	0	93,242	0	93,242
Income from Breakfast	0	0	50,812	0	50,812
A la carte Sales	0	0	463,370	0	463,370
Receipts from Individual Schools	141,872	0	0	0	141,872
<u>Other Charges for Services</u>					
Other Charges for Services	48,702	0	0	0	48,702
Total Charges for Current Services	\$ 361,669	\$ 0	\$ 1,047,926	\$ 0	\$ 1,409,595
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 31,651	\$ 0	\$ 31,651
Miscellaneous Refunds	65,500	1,040	5,708	0	72,248
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	210	0	0	0	210
Contributions & Gifts	1,671	0	0	0	1,671
Total Other Local Revenues	\$ 67,381	\$ 1,040	\$ 37,359	\$ 0	\$ 105,780
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 20,810,287	\$ 0	\$ 0	\$ 0	\$ 20,810,287
School Food Service	0	0	32,256	0	32,256
Driver Education	17,258	0	0	0	17,258
Other State Education Funds	1,196	0	0	0	1,196
Career Ladder Program	419,894	0	0	0	419,894
Career Ladder - Extended Contract	195,397	0	0	0	195,397
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	172,605	0	0	0	172,605
Other State Grants	328,578	0	0	0	328,578
Total State of Tennessee	\$ 21,945,215	\$ 0	\$ 32,256	\$ 0	\$ 21,977,471

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,016,958	\$ 0	\$ 1,016,958
Breakfast	0	0	349,070	0	349,070
USDA - Other	0	0	5,020	0	5,020
Adult Education State Grant Program	168,352	0	0	0	168,352
Vocational Education - Basic Grants to States	0	187,321	0	0	187,321
Title I Grants to Local Education Agencies	0	1,749,252	0	0	1,749,252
Innovative Education Program Strategies	0	22,100	0	0	22,100
Special Education - Grants to States	32,101	1,450,565	0	0	1,482,666
Special Education Preschool Grants	0	53,000	0	0	53,000
Eisenhower Professional Development State Grants	0	287,787	0	0	287,787
Other Federal through State	503,196	232,942	0	0	736,138
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	52,945	0	0	0	52,945
Total Federal Government	\$ 756,594	\$ 3,982,967	\$ 1,371,048	\$ 0	\$ 6,110,609
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 632,024	\$ 632,024
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 632,024	\$ 632,024
Total	\$ 34,665,696	\$ 3,984,007	\$ 2,488,589	\$ 632,024	\$ 41,770,316

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 11,493,093	
Career Ladder Program	257,018	
Career Ladder Extended Contracts	102,500	
Homebound Teachers	19,399	
Educational Assistants	595,580	
Other Salaries & Wages	184,937	
Social Security	729,354	
State Retirement	723,829	
Medical Insurance	773,317	
Unemployment Compensation	8,787	
Employer Medicare	170,574	
Other Contracted Services	380,783	
Instructional Supplies and Materials	95,502	
Textbooks	941,950	
Other Supplies and Materials	13,928	
Other Charges	59,470	
Regular Instruction Equipment	225,736	
Total Regular Instruction Program		\$ 16,775,757

Alternative Instruction Program

Teachers	\$ 147,925	
Educational Assistants	45,196	
Social Security	11,306	
State Retirement	12,926	
Medical Insurance	10,546	
Unemployment Compensation	190	
Employer Medicare	2,644	
Total Alternative Instruction Program		230,733

Special Education Program

Teachers	\$ 1,564,261	
Career Ladder Program	24,945	
Career Ladder Extended Contracts	5,000	
Homebound Teachers	80,196	
Educational Assistants	319,758	
Social Security	115,875	
State Retirement	125,037	
Medical Insurance	119,877	
Unemployment Compensation	1,633	

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$ 27,100	
Instructional Supplies and Materials	44,925	
Special Education Equipment	26,591	
Total Special Education Program		\$ 2,455,198

Vocational Education Program

Teachers	\$ 1,087,897	
Career Ladder Program	21,105	
Career Ladder Extended Contracts	2,600	
Social Security	63,799	
State Retirement	60,366	
Medical Insurance	79,396	
Unemployment Compensation	723	
Employer Medicare	14,921	
Instructional Supplies and Materials	24,597	
T&I Construction Materials	20,005	
Vocational Instruction Equipment	1,548	
Total Vocational Education Program		1,376,957

Adult Education Program

Teachers	\$ 172,554	
Social Security	10,545	
State Retirement	8,252	
Medical Insurance	2,932	
Unemployment Compensation	214	
Employer Medicare	2,466	
Instructional Supplies and Materials	12,075	
Total Adult Education Program		209,038

Support Services

Attendance

Supervisor/Director	\$ 63,045	
Career Ladder Program	1,000	
Clerical Personnel	26,598	
Other Salaries & Wages	141,489	
Social Security	14,205	
State Retirement	22,535	
Medical Insurance	2,521	
Unemployment Compensation	253	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Employer Medicare	\$	3,322	
Travel		100	
Other Contracted Services		28,711	
Other Supplies and Materials		3,345	
Other Charges		3,061	
Attendance Equipment		17,844	
Total Attendance			\$ 328,029

Health Services

Medical Personnel	\$	214,833	
Other Salaries & Wages		26,483	
Social Security		14,958	
State Retirement		20,741	
Unemployment Compensation		262	
Employer Medicare		3,498	
Travel		5,825	
Other Contracted Services		18,206	
Drugs and Medical Supplies		12,054	
Other Supplies and Materials		3,908	
Other Charges		68,462	
Health Equipment		3,474	
Total Health Services			392,704

Other Student Support

Career Ladder Program	\$	10,030	
Guidance Personnel		555,691	
Career Ladder Extended Contracts		500	
Attendants		56,855	
Other Salaries & Wages		185,657	
Social Security		47,102	
State Retirement		48,795	
Medical Insurance		40,255	
Unemployment Compensation		694	
Employer Medicare		11,016	
Contracts with Government Agencies		112,806	
Evaluation and Testing		80,846	
Other Contracted Services		107,859	
Other Charges		205	
Total Other Student Support			1,258,311

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	173,829	
Career Ladder Program		16,000	
Career Ladder Extended Contracts		10,500	
Librarians		414,300	
Instructional Computer Personnel		61,189	
Social Security		40,135	
State Retirement		40,605	
Medical Insurance		23,099	
Unemployment Compensation		326	
Employer Medicare		9,386	
Travel		12,509	
Other Contracted Services		309,539	
Library Books/Media		63,244	
Other Supplies and Materials		1,017	
In Service/Staff Development		4,529	
Other Charges		19,767	
Other Equipment		323	
Total Regular Instruction Program			\$ 1,200,297

Alternative Instruction Program

Supervisor/Director	\$	43,941	
Secretary(ies)		16,423	
Social Security		3,358	
State Retirement		4,343	
Medical Insurance		5,705	
Unemployment Compensation		48	
Employer Medicare		785	
Total Alternative Instruction Program			74,603

Special Education Program

Supervisor/Director	\$	63,013	
Career Ladder Program		4,000	
Psychological Personnel		151,120	
Career Ladder Extended Contracts		4,000	
Clerical Personnel		27,378	
Other Salaries & Wages		26,918	
Social Security		15,206	
State Retirement		18,586	
Medical Insurance		21,181	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	167	
Employer Medicare		3,556	
Travel		11,346	
Other Contracted Services		49,056	
Other Equipment		3,015	
Total Special Education Program			\$ 398,542

Vocational Education Program

Supervisor/Director	\$	25,388	
Career Ladder Program		1,500	
Social Security		1,569	
Unemployment Compensation		24	
Employer Medicare		367	
Travel		1,863	
Other Charges		1,848	
Total Vocational Education Program			32,559

Adult Programs

Supervisor/Director	\$	56,021	
Social Security		3,418	
State Retirement		3,081	
Unemployment Compensation		12	
Employer Medicare		799	
Travel		750	
Other Charges		932	
Total Adult Programs			65,013

Board of Education

Board and Committee Members Fees	\$	22,720	
Social Security		1,567	
Employer Medicare		366	
Audit Services		7,500	
Dues and Memberships		6,207	
Legal Services		3,200	
Travel		9,151	
Liability Insurance		76,266	
Premiums on Corporate Surety Bonds		1,007	
Trustee's Commission		300,500	
Workers' Compensation Insurance		230,523	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Charges	\$ 11,569	
Total Board of Education		\$ 670,576

Director of Schools

County Official/Administrative Officer	\$ 91,217	
Career Ladder Program	1,000	
Social Security	5,648	
State Retirement	5,072	
Unemployment Compensation	24	
Employer Medicare	1,337	
Communication	38,639	
Dues and Memberships	3,208	
Postal Charges	6,803	
Travel	2,600	
Other Charges	40	
Total Director of Schools		155,588

Office of the Principal

Principals	\$ 579,427	
Career Ladder Program	22,000	
Career Ladder Extended Contracts	24,000	
Assistant Principals	335,812	
Secretary(ies)	308,838	
Social Security	73,653	
State Retirement	88,582	
Medical Insurance	52,311	
Unemployment Compensation	783	
Employer Medicare	17,225	
Communication	172,371	
Other Supplies and Materials	419	
Administration Equipment	10,277	
Total Office of the Principal		1,685,698

Fiscal Services

Accountants/Bookkeepers	\$ 203,041
Secretary(ies)	41,154
Social Security	14,243
State Retirement	28,641
Medical Insurance	2,580

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Unemployment Compensation	\$	151	
Employer Medicare		3,331	
Travel		1,503	
Other Contracted Services		11,219	
Data Processing Supplies		310	
Office Supplies		13,408	
Administration Equipment		15,339	
Total Fiscal Services			\$ 334,920

Operation of Plant

Custodial Personnel	\$	677,934	
Other Salaries & Wages		6,529	
Social Security		41,869	
State Retirement		72,631	
Medical Insurance		4,769	
Unemployment Compensation		1,134	
Employer Medicare		9,792	
Janitorial Services		3,080	
Rentals		762	
Other Contracted Services		39,114	
Custodial Supplies		118,134	
Electricity		1,053,693	
Natural Gas		342,113	
Water and Sewer		120,822	
Other Supplies and Materials		27,992	
Building and Contents Insurance		127,799	
Other Charges		55	
Plant Operation Equipment		8,230	
Total Operation of Plant			2,656,452

Maintenance of Plant

Supervisor/Director	\$	105,508	
Secretary(ies)		26,088	
Other Salaries & Wages		433,875	
Social Security		34,873	
State Retirement		63,979	
Medical Insurance		1,572	
Unemployment Compensation		524	
Employer Medicare		8,156	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Laundry Service	\$	12,720	
Other Contracted Services		101,045	
Gasoline		20,000	
Other Supplies and Materials		201,730	
Other Charges		245	
Maintenance Equipment		66,325	
Total Maintenance of Plant			\$ 1,076,640

Transportation

Supervisor/Director	\$	34,436	
Mechanic(s)		110,424	
Bus Drivers		578,436	
Clerical Personnel		45,148	
Other Salaries & Wages		76,653	
Social Security		51,789	
State Retirement		87,936	
Medical Insurance		2,670	
Unemployment Compensation		1,670	
Employer Medicare		12,112	
Contracts with Parents		496	
Laundry Service		6,235	
Medical and Dental Services		10,478	
Travel		1,139	
Diesel Fuel		213,448	
Gasoline		38,456	
Lubricants		4,087	
Tires and Tubes		24,930	
Vehicle Parts		78,310	
Other Charges		13,465	
Transportation Equipment		12,540	
Total Transportation			1,404,858

Operation of Non-Instructional Services

Food Service

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

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Other Salaries & Wages	\$ 131,112	
Social Security	8,069	
Unemployment Compensation	410	
Employer Medicare	1,887	
Other Supplies and Materials	20,395	
Total Community Services		\$ 161,873

Early Childhood Education

Teachers	\$ 62,844	
Educational Assistants	16,067	
Social Security	4,575	
State Retirement	4,676	
Medical Insurance	10,982	
Unemployment Compensation	77	
Employer Medicare	1,070	
Travel	883	
Other Contracted Services	3,138	
Instructional Supplies and Materials	10,915	
Other Supplies and Materials	5,330	
Other Charges	1,285	
Other Equipment	17,094	
Total Early Childhood Education		138,936

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 2,430,124	
Total Regular Capital Outlay		<u>2,430,124</u>

Total General Purpose School Fund \$ 35,514,540

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,046,418	
Educational Assistants	37,419	
Other Salaries & Wages	34,353	
Social Security	65,427	
State Retirement	51,910	
Medical Insurance	53,472	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Unemployment Compensation	\$	836	
Employer Medicare		15,302	
Maintenance & Repair Services - Equipment		119	
Other Contracted Services		38,813	
Instructional Supplies and Materials		225,598	
Other Charges		14,262	
Regular Instruction Equipment		412,235	
Total Regular Instruction Program			\$ 1,996,164

Special Education Program

Teachers	\$	114,277	
Clerical Personnel		19,247	
Educational Assistants		212,758	
Social Security		20,664	
State Retirement		33,317	
Medical Insurance		9,170	
Unemployment Compensation		522	
Employer Medicare		5,154	
Other Contracted Services		21,951	
Instructional Supplies and Materials		69,497	
Special Education Equipment		14,005	
Total Special Education Program			520,562

Vocational Education Program

Educational Assistants	\$	13,850	
Other Salaries & Wages		3,000	
Social Security		1,045	
State Retirement		1,790	
Unemployment Compensation		24	
Employer Medicare		244	
Instructional Supplies and Materials		9,981	
Other Charges		2,366	
Vocational Instruction Equipment		144,174	
Total Vocational Education Program			176,474

Support Services

Regular Instruction Program

Supervisor/Director	\$	115,419	
Clerical Personnel		19,752	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Salaries & Wages	\$	68,095	
Social Security		12,159	
State Retirement		12,103	
Medical Insurance		7,251	
Unemployment Compensation		120	
Employer Medicare		2,844	
Travel		51,394	
Other Contracted Services		5,619	
Other Supplies and Materials		3,389	
In Service/Staff Development		93,137	
Other Charges		50,165	
Other Equipment		3,173	
Total Regular Instruction Program			\$ 444,620

Special Education Program

Psychological Personnel	\$	44,115	
Clerical Personnel		19,195	
Other Salaries & Wages		50,021	
Social Security		7,131	
State Retirement		10,526	
Medical Insurance		5,336	
Unemployment Compensation		100	
Employer Medicare		1,643	
Travel		18,352	
Other Contracted Services		683,989	
Other Supplies and Materials		20,678	
In Service/Staff Development		29,901	
Total Special Education Program			890,987

Vocational Education Program

Other Salaries & Wages	\$	1,060	
Social Security		47	
State Retirement		42	
Employer Medicare		11	
Travel		4,179	
In Service/Staff Development		4,950	
Total Vocational Education Program			10,289

Total School Federal Projects Fund \$ 4,039,096

(Continued)

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	49,790	
Accountants/Bookkeepers		100,677	
Cafeteria Personnel		796,252	
Other Salaries & Wages		26,130	
In-Service Training		7,588	
Social Security		60,328	
State Retirement		89,654	
Unemployment Compensation		1,228	
Employer Medicare		14,109	
Communication		2,797	
Maintenance & Repair Services - Equipment		43,217	
Travel		5,847	
Other Contracted Services		14,791	
Food Preparation Supplies		76,571	
Food Supplies		969,427	
Office Supplies		5,147	
Other Supplies and Materials		799	
In Service/Staff Development		4,007	
Other Charges		11,893	
Food Service Equipment		132,239	
Total Food Service			\$ 2,412,491

Total Central Cafeteria Fund \$ 2,412,491

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Improvements	\$	1,579,772	
Total Education Capital Projects			\$ 1,579,772

Total Education Capital Projects Fund 1,579,772

Total Governmental Funds - Warren County School Department \$ 43,545,899

SINGLE AUDIT REPORT
WARREN COUNTY, TENNESSEE
AND
WARREN 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

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

JESSICA L. COX, CGFM
JAMES D. HODGES, CFE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

SINGLE AUDIT REPORT TABLE OF CONTENTS

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

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

January 8, 2007

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Warren County, Tennessee, and the Warren County School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Warren County's and the Warren County School Department's basic financial statements and have issued our reports thereon dated January 8, 2007. Our reports on the financial statements of Warren County, Tennessee, and the Warren County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County's and the Warren County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting

and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Warren County's and the Warren County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03, 06.07, and 06.08.

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 none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County's and the Warren County School Department's financial statements are free of material misstatement, we performed tests of 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 are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.04, 06.05, and 06.06.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



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

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

January 8, 2007

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

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

Compliance

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

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

evidence about Warren County's and the Warren County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Warren County's and the Warren County School Department's compliance with those requirements.

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

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Warren County and the Warren County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.08 and 06.09.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Warren County, Tennessee, and the Warren County School Department, as of and for the year ended June 30, 2006, and have issued our reports thereon dated January 8, 2007. Our reports on the financial statements of Warren County and the Warren County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental

Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture: Food Donation (Noncash Assistance)	10.550	N/A	\$ 164,989
Passed-through State Department of Education: Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 1,016,958
National School Lunch Program	10.555	N/A	354,090
Total Passed-through State Department of Education			\$ 1,371,048
Total U.S. Department of Agriculture			\$ 1,536,037
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development: Community Development Block Grant/State's Program	14.228	(3)	\$ 1,679,777
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth: Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	GG-0511374-00	\$ 2,851
Passed-through Upper Cumberland Development District: Byrne Formula Grant Program	16.579	(2)	48,672
Total U.S. Department of Justice			\$ 51,523
U.S. Department of Labor:			
Passed-through Workforce Solutions: WIA Youth Activities	17.259	(4)	\$ 60,213
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development: Adult Education - State Grant Program	84.002	(5)	\$ 168,352
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,775,735
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,397,497
Special Education - Preschool Grants	84.173	N/A	45,352
Vocational Education - Basic Grants to States	84.048	N/A	187,321
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	32,863
Education for Homeless Children and Youth	84.196	(2)	44,519
Even Start - State Educational Agencies	84.213	(2)	100,000
Fund for the Improvement of Education	84.215	(2)	319,460
State Grants for Innovative Programs	84.298	N/A	141,357
Education Technology State Grants	84.318	(2)	25,079
English Language Acquisition Grants	84.365	N/A	43,432
Improving Teacher Quality State Grants	84.367	N/A	242,457
Total Passed-through State Department of Education			\$ 4,355,072
Total U.S. Department of Education			\$ 4,523,424
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Abstinence Education	93.235	Z-06-002669-00	\$ 60,600
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG-06-12321-00	40,000
Total Passed-through State Department of Health			\$ 100,600
Passed-through State Department of Labor and Workforce Development: Temporary Assistance for Needy Families	93.558	Z-06-027232-00	\$ 22,923
Total U.S. Department of Health and Human Services			\$ 123,523

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Corporation for National and Community Service: Passed-through State Department of Education: Learn and Serve America - School and Community Based Programs	94.004	(2)	\$ 13,221
U.S. Department of Homeland Security: Passed-through State Department of Military: State Domestic Preparedness Equipment Support Program	97.004	Z-04-022503-01	\$ 17,014
Hazard Mitigation Grant	97.039	GG-05-11379-01	107,875
Emergency Management Performance Grants	97.042	(6)	13,470
Homeland Security Grant Program	97.067	Z-05-025218-00	7,431
Total U.S. Department of Homeland Security			\$ 145,790
Total Expenditures of Federal Awards			\$ 8,133,508
<u>State Grants</u>		Contract Number	
ESL Civics Grant - University of Tennessee	N/A	(2)	\$ 10,000
Family Preservation and Support Services - State Department of Education	N/A	Z-06-120600-00	33,300
Coordinated School Health Program - State Department of Health	N/A	(2)	103,971
Juvenile Services Program - State Department of Children's Services	N/A	(2)	9,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	13,464
Litter Program - State Department of Transportation	N/A	(2)	26,785
Rural Local Health Services - State Department of Health	N/A	Z-05-020514	365,499
Touching the Lives of Children - State Department of Education	N/A	(2)	6,980
Airport Maintenance Program - State Department of Transportation	N/A	(2)	128,017
FastTrack Infrastructure Development Program - State Department of Economic & Community Development	N/A	(7)	562,534
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	138,936
Safe Schools Act - State Department of Education	N/A	(2)	35,391
Total State Grants			\$ 1,433,877

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) GG-05-11630-01: \$263,369; GG-05-11662-00: \$666,430; GG-06-12028-00: \$749,976
- (4) 06-06-177-807-YOUTH: \$60,213
- (5) Z-05-022278-00: \$7,559; Z-06-027831-00: \$160,795
- (6) Z-05-025399-00: \$2,236; Z-06-032863-00: \$11,234
- (7) GG-05-11632-00: \$235,491; GG-05-11933-00: \$327,045

Warren County, Tennessee, and the Warren 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 Warren County, Tennessee, and the Warren County School Department for the year ended June 30, 2005, which have not been corrected.

WARREN COUNTY AND WARREN 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 EXECUTIVE

Finding Number	Page Number	Subject
05.03	13	The write-off policy of uncollectible accounts of the Ambulance Service gives sole authority for the write-off to one individual

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
05.07(C,D,E)	16	The office had deficiencies in the operation of the commissary
05.08	17	Confiscated cash awarded to the office was not deposited in compliance with state statute

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

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.09	17	A central system of accounting, budgeting, and purchasing had not been adopted
05.10	18	Duties were not segregated adequately in the Offices of County Executive; Superintendent of Roads; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Warren County and the Warren County School Department.
2. The audit of the financial statements of Warren County and the Warren County School Department disclosed reportable conditions in internal control. 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 Warren County and the Warren County School Department.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Development Block Grant/State's Program (CFDA No. 14.228), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Fund for the Improvement of Education (CFDA No. 84.215) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Warren County and Warren County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

WARREN COUNTY AND WARREN COUNTY SCHOOL DEPARTMENT

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

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

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

RECOMMENDATION

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

OFFICE OF COUNTY EXECUTIVE

FINDING 06.02 **THE WRITE-OFF POLICY OF UNCOLLECTIBLE ACCOUNTS OF THE AMBULANCE SERVICE GIVES SOLE AUTHORITY FOR THE WRITE-OFF TO ONE INDIVIDUAL**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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



FINDING 06.03 **THE OFFICE DID NOT PROPERLY MAINTAIN ITS INVENTORY RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office maintained inventory records of assets owned by the county. However, some assets were not tagged or otherwise clearly identified as county property. Generally accepted accounting principles require accountability for all department-owned assets, such as equipment, furniture, and vehicles. If assets are not identified as department property, the department’s inventory controls are weakened.

RECOMMENDATION

All assets should be tagged or otherwise identified as county property.



OFFICE OF SUPERINTENDENT OF ROADS

FINDING 06.04 A COMPLETE COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL
(Noncompliance Under Government Auditing Standards)

The superintendent of roads submitted a list of county road names to the County Commission; however, this list did not include the required classification, width of each county road, nor the summary of changes from the prior year. Section 54-10-103, Tennessee Code Annotated, requires the superintendent of roads to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department officials need a current approved list of county roads to determine roads the department is authorized to work.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 06.05 THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY
(Noncompliance Under Government Auditing Standards)

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

- A. Receipts were not issued for some commissary collections. Section 9-2-103, Tennessee Code Annotated (TCA), requires receipts to be issued for all collections of public funds.
- B. Some commissary funds were not deposited to the office bank account within three days of collection as required by Section 5-8-207, TCA. This statute requires that county officials deposit all funds within three days of collection.
- C. Prenumbered checks were not issued for some disbursements as required by Section 5-8-207, TCA. In some instances, cash was returned to the inmate if the inmate was released before funds were deposited to the commissary bank account.

RECOMMENDATION

Receipts should be issued for all collections, and all funds should be deposited to the office bank account within three days of collection. Also, all disbursements should be made by official prenumbered checks.

FINDING 06.06 **CONFISCATED CASH AWARDED TO THE OFFICE WAS NOT DEPOSITED IN COMPLIANCE WITH STATE STATUTE**
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.07 **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 the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

FINDING 06.08

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

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

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

MANAGEMENT'S RESPONSE – CURRENT COUNTY EXECUTIVE (DIRECT QUOTE)

Warren County, Tennessee, will continually do everything possible to meet the segregation of duties requirement; however, due to limited resources and personnel, we are unable to properly segregate duties within the various offices at this time.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

We have split the duties of most of our employees, where we can, so that no one employee is doing all of any one task. We do not have enough money to hire more employees to split more of the duties. If the state will give us more money, then we could hire more people.

REBUTTAL TO DIRECTOR OF SCHOOL'S MANAGEMENT'S RESPONSE

We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, as noted above, our professional standards require that we bring this matter to your attention.

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

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education:	06.09		Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.08 - Duties were not adequately segregated in the Offices of County Executive and Director of Schools	\$ 0
Child Nutrition Cluster:					
School Breakfast Program		10.553			
School Lunch Program		10.555			
U.S. Department of Housing and Urban Development: Passed-through State Department of Economic and Community Development:					
Community Development Block Grant/ State's Program		14.228			
U.S. Department of Education: Passed-through State Department of Education:					
Title 1 Grant to Local Educational Agencies		84.010			
Special Education Cluster:					
Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			
Fund for the Improvement of Education		84.215			

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

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

Office of County Executive – Corrective Action Plan for Current Year Findings

FINDINGS 06.08 and 06.09

Contact Person: John Pelham (Current County Executive)

Corrective Action Planned: Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: None

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

FINDINGS 06.08 and 06.09

Contact Person: Dr. Jerry Hale

Corrective Action Planned: Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: None