

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

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**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**  
**WAYNE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

***DEPARTMENT OF AUDIT***  
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***Comptroller of the Treasury***

***DIVISION OF COUNTY AUDIT***  
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***State Auditors***

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# ***Audit Highlights***

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

## ***Results***

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

Our audit resulted in ten findings and recommendations, which we have reviewed with Wayne 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:

### **WAYNE COUNTY**

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

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### **OFFICE OF COUNTY MAYOR**

- ◆ Some purchase orders were issued after purchases were made while others were not issued for some required purchases. In several instances travel expenses were not adequately documented, and reimbursements for mileage varied from the approved rate.
  - ◆ Expenditures exceeded appropriations in two major categories of the General Fund and one major category in the General Capital Projects Fund.
  - ◆ The office had not implemented adequate controls to protect its information resources.
-

## **OFFICE OF SUPERINTENDENT OF HIGHWAYS**

- ◆ Expenditures exceeded appropriations in one major category of the Highway/Public Works Fund.
- 

## **OFFICE OF TRUSTEE**

- ◆ In several instances, the office did not allocate and/or code revenues to the proper accounts or funds.
- 

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ The circuit and general sessions courts clerk did not deposit collections within three days of receipt, as required by state statute.
- 

## **OFFICE OF SHERIFF**

- ◆ Internal controls over receiving and storing evidence and seized property were not adequate.
- 

## **OTHER FINDINGS**

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

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# INTRODUCTORY SECTION

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Wayne County Officials  
June 30, 2006

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**Officials**

Willard Pope, County Mayor  
Jeff Minatra, Superintendent of Highways  
Janice Smith, Trustee  
Billy Vencion, Assessor of Property  
Stan Horton, County Clerk  
Billy Crews, Circuit and General Sessions Courts Clerk  
Carolyn Mathis, Clerk and Master  
Ruth Butler, Register  
Carl Skelton, Sheriff

**Board of County Commissioners**

Willard Pope, Chairman	Bobby Andrews
James Haggard, Jr.	Paul Warren
Tom Mathis, Jr.	Warren Miller, III
Ernest Choate	James Tinin
Melba Copeland	Joshua Stults
O. C. Berry, Jr.	Barry Montgomery
Frank Quigley	Randy Whitten
	Randy McClain

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# FINANCIAL SECTION

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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**

**INDEPENDENT AUDITOR'S REPORT**

August 14, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Wayne County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 41, 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 Wayne 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, Wayne 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 Wayne 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 Wayne 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 August 14, 2006, on our consideration of Wayne 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 53 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 Wayne 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

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## **BASIC FINANCIAL STATEMENTS**

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Exhibit A

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

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	Other Governmental Funds	
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Equity in Pooled Cash and Investments	1,349,595	313,765	641,780	1,997,973	4,129,644	1,919,953	869,081	11,221,791
Accounts Receivable	116,500	16,644	0	41,981	0	0	0	175,125
Due from Other Governments	42,459	0	339,236	149,478	267,566	0	0	798,739
Property Taxes Receivable	1,380,462	440,147	40,014	260,088	0	0	0	2,120,711
Allowance for Uncollectible Property Taxes	(39,630)	(12,636)	(1,148)	(7,466)	0	0	0	(60,880)
<b>Total Assets</b>	<b>\$ 2,849,386</b>	<b>\$ 757,920</b>	<b>\$ 1,019,882</b>	<b>\$ 2,442,054</b>	<b>\$ 4,397,210</b>	<b>\$ 1,919,953</b>	<b>\$ 894,081</b>	<b>\$ 14,280,486</b>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 0	\$ 29,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,545
Payroll Deductions Payable	0	0	1,179	0	0	0	0	1,179
Deferred Revenue - Current Property Taxes	1,256,438	400,603	36,419	236,721	0	0	0	1,930,181
Deferred Revenue - Delinquent Property Taxes	76,344	24,341	2,213	14,384	0	0	0	117,282
Other Deferred Revenues	22,732	0	169,618	74,739	0	0	0	267,089
<b>Total Liabilities</b>	<b>\$ 1,355,514</b>	<b>\$ 454,489</b>	<b>\$ 209,429</b>	<b>\$ 325,844</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,345,276</b>
<u>Fund Balances</u>								
Reserved for Encumbrances	\$ 197,185	\$ 13,038	\$ 0	\$ 0	\$ 32,140	\$ 341,440	\$ 6,312	\$ 590,115
Reserved for Alcohol and Drug Treatment	30,009	0	0	0	0	0	0	30,009
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	227,331	0	0	0	0	0	0	227,331
Reserved for Computer System - Register	6,989	0	0	0	0	0	0	6,989
Reserved for Capital Outlay	0	0	0	0	4,052,830	1,508,413	16,776	5,578,019
Unreserved, Reported In:								
General Fund	1,032,358	0	0	0	0	0	0	1,032,358
Special Revenue Funds	0	290,393	810,453	0	0	0	383,503	1,484,349
Debt Service Fund	0	0	0	2,116,210	0	0	0	2,116,210
Capital Projects Funds	0	0	0	0	312,240	70,100	487,490	869,830
<b>Total Fund Balances</b>	<b>\$ 1,493,872</b>	<b>\$ 303,431</b>	<b>\$ 810,453</b>	<b>\$ 2,116,210</b>	<b>\$ 4,397,210</b>	<b>\$ 1,919,953</b>	<b>\$ 894,081</b>	<b>\$ 11,935,210</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,849,386</b>	<b>\$ 757,920</b>	<b>\$ 1,019,882</b>	<b>\$ 2,442,054</b>	<b>\$ 4,397,210</b>	<b>\$ 1,919,953</b>	<b>\$ 894,081</b>	<b>\$ 14,280,486</b>

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

Exhibit B

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

	Major Funds						Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	Other Governmental Funds	
<u>Revenues</u>								
Local Taxes	\$ 1,885,721	\$ 495,514	\$ 37,908	\$ 1,596,450	\$ 0	\$ 13,854	\$ 25,370	\$ 4,054,817
Licenses and Permits	2,783	0	0	0	0	0	0	2,783
Fines, Forfeitures, and Penalties	202,048	0	0	0	0	0	18,961	221,009
Charges for Current Services	20,966	0	0	0	0	0	93,780	114,746
Other Local Revenues	121,568	91,205	65,488	22,472	18,166	43,241	287,750	649,890
Fees Received from County Officials	508,464	0	0	0	0	0	0	508,464
State of Tennessee	325,085	125,719	2,663,652	0	100,789	0	201,578	3,416,823
Federal Government	77,634	0	430,079	0	267,566	0	0	775,279
Other Governments and Citizens Groups	0	0	0	200,000	0	0	172,124	372,124
<b>Total Revenues</b>	<b>\$ 3,144,269</b>	<b>\$ 712,438</b>	<b>\$ 3,197,127</b>	<b>\$ 1,818,922</b>	<b>\$ 386,521</b>	<b>\$ 57,095</b>	<b>\$ 799,563</b>	<b>\$ 10,115,935</b>
<u>Expenditures</u>								
Current:								
General Government	\$ 733,399	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	733,399
Finance	229,807	0	0	0	0	0	90,893	320,700
Administration of Justice	491,382	0	0	0	0	0	3,306	494,688
Public Safety	1,309,635	0	0	0	0	0	3,155	1,312,790
Public Health and Welfare	156,276	578,661	0	0	12,572	0	1,596,934	2,344,443
Social, Cultural, and Recreational Services	157,509	0	0	0	0	0	0	157,509
Agricultural and Natural Resources	88,818	0	0	0	0	0	0	88,818
Other Operations	371,930	26,620	0	0	0	0	0	398,550
Highways	39,022	0	2,754,982	0	0	493	0	2,794,497
Debt Service:								
Principal on Debt	0	0	0	884,337	0	0	0	884,337
Interest on Debt	0	0	0	696,034	0	0	0	696,034
Other Debt Service	0	0	0	18,036	0	0	0	18,036
Capital Projects	1,832	0	0	0	3,795,355	307,410	61,137	4,165,734
<b>Total Expenditures</b>	<b>\$ 3,579,610</b>	<b>\$ 605,281</b>	<b>\$ 2,754,982</b>	<b>\$ 1,598,407</b>	<b>\$ 3,807,927</b>	<b>\$ 307,903</b>	<b>\$ 1,755,425</b>	<b>\$ 14,409,535</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (435,341)	\$ 107,157	\$ 442,145	\$ 220,515	\$ (3,421,406)	\$ (250,808)	\$ (955,862)	\$ (4,293,600)
<u>Other Financing Sources (Uses)</u>								
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,450,000	\$ 0	\$ 0	\$ 9,450,000
Transfers In	0	0	0	0	0	1,473,199	603,915	2,077,114

(Continued)

Exhibit B

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

	Major Funds						Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Highway Capital Projects	Funds Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>								
Transfers Out	\$ 0	\$ 0	\$ (122,982)	\$ 0	\$ (1,954,132)	\$ 0	\$ 0	\$ (2,077,114)
Discounts on Debt Issued	0	0	0	0	(94,500)	0	0	(94,500)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ (122,982)	\$ 0	\$ 7,401,368	\$ 1,473,199	\$ 603,915	\$ 9,355,500
Net Change in Fund Balances	\$ (435,341)	\$ 107,157	\$ 319,163	\$ 220,515	\$ 3,979,962	\$ 1,222,391	\$ (351,947)	\$ 5,061,900
Fund Balance, July 1, 2005	1,929,213	196,274	491,290	1,895,695	417,248	697,562	1,246,028	6,873,310
Fund Balance, June 30, 2006	\$ 1,493,872	\$ 303,431	\$ 810,453	\$ 2,116,210	\$ 4,397,210	\$ 1,919,953	\$ 894,081	\$ 11,935,210

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

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

	Internal Service Fund
	Workers' Compensation Fund
	<hr/>
<u>ASSETS</u>	
Cash	\$ 63,351
Equity in Pooled Cash and Investments	197,290
Total Assets	<hr/> \$ 260,641 <hr/>
<u>NET ASSETS</u>	
Unrestricted	<hr/> \$ 260,641 <hr/>
Total Net Assets	<hr/> \$ 260,641 <hr/>

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

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

	Internal Service Fund
	Workers' Compensation Fund
	<hr/>
<u>Operating Expenses</u>	
Employee Benefits	\$ 350
Total Operating Expenses	<u>\$ 350</u>
Operating Income (Loss)	<u>\$ (350)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 1,950
Total Nonoperating Revenues (Expenses)	<u>\$ 1,950</u>
Change in Net Assets	\$ 1,600
Net Assets, July 1, 2005	<u>259,041</u>
Nets Assets, June 30, 2006	<u><u>\$ 260,641</u></u>

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

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

	Internal Service Fund
	Workers' Compensation Fund
	<hr/>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Payments For Employee Benefits	\$ (350)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ (350)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment Income	\$ 1,950
Net Cash Provided By (Used In) Investing Activities	<hr/> \$ 1,950
Net increase (decrease) in cash	\$ 1,600
Cash, July 1, 2005	<hr/> 259,041
Cash, June 30, 2006	<hr/> <hr/> \$ 260,641

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 578,023
Accounts Receivable	48
Due from Other Governments	<u>68,181</u>
Total Assets	<u>\$ 646,252</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 68,181
Due to Litigants, Heirs, and Others	<u>578,071</u>
Total Liabilities	<u>\$ 646,252</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Wayne 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.

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

Although Wayne 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 Wayne County:

**A. Reporting Entity**

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

**Blended Component Units** – There are no legally separate component units of Wayne 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 Wayne 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 Wayne County School Department operates the public school system in the county, and the voters of Wayne 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 Wayne County General Hospital Board of Trustees operates the Wayne County Nursing Home and the Wayne County Assisted Living Facility. The Board of Trustees is a component unit of Wayne County. The Board provides health care to the citizens of Wayne County, and the Wayne County Commission appoints its governing body. Patient charges provide the majority of the revenues for the Board. Before the issuance of debt instruments, the Board must obtain the County Commission's approval.

The Wayne County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Wayne County, and the Wayne 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 Wayne County School Department, Wayne County Nursing Home, Wayne County Assisted Living Facility, and the Wayne 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 Wayne County Nursing Home's, Wayne County Assisted Living Facility's, and Wayne County Emergency Communications District's financial statements are published as separate reports. Complete financial statements of the Wayne County Nursing Home, Wayne County Assisted Living Facility, and the Wayne County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Wayne County Nursing Home  
Highway 64 East  
Waynesboro, TN 38485

Wayne County Assisted Living Facility  
210 Fairlane Drive  
Waynesboro, TN 38485

Wayne County Emergency Communications District  
113 Hollis Street East  
P. O. Box 911  
Waynesboro, TN 38485

**Related Organization** – The Wayne County Industrial Development Board is a related organization of Wayne County. The County Commission appoints its board members, but the county’s accountability for the organization does not extend beyond making the appointments.

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

Fund financial statements of Wayne 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. Wayne County only reports one proprietary fund, an internal service fund. It has no enterprise funds to report. An emphasis is placed on major funds within the governmental and proprietary categories.

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

Wayne 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.

**Solid Waste/Sanitation Fund** – This fund accounts for transactions relating to the solid waste transfer station.

**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.

**General Capital Projects Fund** – This fund accounts for general capital expenditures of the county.

**Highway Capital Projects Fund** – This fund accounts for capital expenditures of the Highway Department.

Additionally, Wayne County reports the following fund types:

**Internal Service Fund** – The Workers’ Compensation Fund is used to pay residual employee medical claims which arose in prior periods. This fund is expected to be closed prior to June 30, 2007.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an internal service fund used to pay residual employee medical claims which arose in prior periods.

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

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

**1. Deposits and Investments**

For purposes of the Statement of Cash Flows, cash includes demand deposits and cash on deposit with the county trustee.

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 Wayne County and Wayne 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, Solid Waste/Sanitation, Special Purpose, and Community Development/Industrial Park Funds. Wayne County and the Wayne 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**

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

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

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

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

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

**3. Capital Assets**

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

**4. Compensated Absences**

It is the county's policy (except for the Highway Department, which closes the week of Christmas and the week of July 4th for vacation and has no sick leave policy) to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated vacation or sick leave since Wayne County does not have a policy to pay any amounts when employees separate from service with the government.

**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 are recognized to the extent that the liabilities have matured (come due for payment) each period.

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

**6. Net Assets and Fund Equity**

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

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

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

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2006.

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Library	\$ 8,489
Emergency Management	28,812
General Capital Projects:	
Solid Waste Capital Projects	27,277

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted, and most 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 Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Expenditures Exceeded Appropriations**

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

Fund	Major Category	Amount Overspent
General	Other General Administration	\$ 470
General	Miscellaneous	16,234
Highway/Public Works	Highway and Bridge Maintenance	6,272
General Capital Projects	Discounts on Debt Issued	94,500

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the Highway/Public Works Fund and by available fund balance in the General and the General Capital Projects Funds.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Wayne County and the Wayne County School Department participate in an internal cash and investment pool through the Office of Trustee. The Wayne County School Department meets the criteria for a discretely presented component unit of Wayne County. Since Wayne County is presenting fund financial statements only, the financial information for the Wayne 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, Wayne County had the following investments carried at fair value or cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Wayne County and the Wayne County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
State Treasurer's Investment Pool	Daily	\$ 11,702,238

**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. Wayne 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. Wayne County has no investment policy that would further limit its investment choices. As of June 30, 2006, Wayne County's investment in the State Treasurer's Investment Pool was unrated.

**B. Interfund Transfers**

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

Transfers Out	Transfers In	
	Highway Capital Projects Fund	Nonmajor Governmental Fund
Highway/Public Works Fund	\$ 122,982	\$ 0
General Capital Projects Fund	1,350,217	603,915
Total	\$ 1,473,199	\$ 603,915

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.

The county made a one-time transfer of \$122,982 from the Highway/Public Works Fund to the Highway Capital Projects Fund to fund operations. The county made one-time transfers from the General Capital Projects Fund to the Highway Capital Projects Fund (\$1,350,217) and the Nursing Home Capital Projects Fund (\$603,915), to fund capital expenditures.

**C. Long-term Debt**

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 24 years for bonds and up to 11 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service and Special Purpose Funds.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4.05 to 5.55 %	\$ 19,000,000	9,915,000
General Obligation Bonds - Refunding	3.2 to 4	16,935,000	16,475,000
Capital Outlay Notes	2.5 to 4.08	3,355,000	1,906,498

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 790,000	\$ 1,080,145	\$ 502,186	\$ 61,678
2008	950,000	951,421	223,856	49,197
2009	980,000	916,275	236,287	40,846
2010	1,015,000	880,423	243,790	32,125
2011	1,055,000	843,707	256,365	23,022
2012-2016	5,860,000	3,615,620	444,014	17,214

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2017-2021	\$ 7,100,000	\$ 2,399,831	\$ 0	\$ 0
2022-2026	5,925,000	994,696	0	0
2027-2031	2,715,000	283,600	0	0
Total	\$ 26,390,000	\$ 11,965,718	\$ 1,906,498	\$ 224,082

There is \$2,116,210 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$1,567, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$1,680, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

##### Governmental Activities:

	Bonds	Notes
Balance, July 1, 2005	\$ 17,545,000	\$ 2,395,031
Additions	9,450,000	0
Deductions	(605,000)	(488,533)
Balance, June 30, 2006	\$ 26,390,000	\$ 1,906,498
Balance Due Within One Year	\$ 790,000	\$ 502,186

#### Defeasance of Prior Debt

In prior years, Wayne County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2006, the following outstanding bonds are considered defeased:

	Amount
2000 School Bonds	\$ 3,820,000
2000 School Bonds	1,680,000
2000 School Bonds	2,210,000

#### IV. OTHER INFORMATION

##### A. Risk Management

Wayne County joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The county pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for property claims exceeding \$100,000, liability claims exceeding \$200,000, and workers' compensation claims exceeding \$500,000.

In prior years, the county had chosen to establish the Workers' Compensation Fund for risks associated with workers' compensation claims. Even though the county has purchased commercial insurance coverage for workers' compensation claims, the Workers' Compensation Fund has remained open to settle claims that were already in existence at July 1, 2002. The Workers' Compensation Fund is accounted for as an internal service fund in which assets are set aside for claim settlements administered by Brentwood Services Administrators, Inc. No further material claims that will be covered by self-insurance are expected to arise. Management intends to close the Workers' Compensation Fund prior to June 30, 2007.

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

### **C. Subsequent Events**

Jason Rich was elected the new county mayor and succeeds Willard Pope effective September 1, 2006. Ric Wilson was elected the new sheriff and succeeds Carl Skelton effective September 1, 2006.

**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.

To facilitate the construction of an assisted living facility, the Industrial Development Board of Wayne County, Tennessee, issued \$2,250,000 lease revenue and tax bonds dated October 1, 2001. Wayne County leased the facility site to the board pursuant to a ground lease, and the board constructed the facility thereon and leased the facility to Wayne County pursuant to a facilities sublease agreement. The facility is operated by the Wayne County General Hospital Board of Trustees. Wayne County is required to make payments under the sublease from the net revenues of the facility. If such revenues are insufficient, Wayne County is obligated to appropriate from legally available funds an amount sufficient to pay such rentals and, if necessary, levy additional ad valorem taxes on all taxable property located in the county.

**E. Joint Ventures**

The Joint Economic and Community Development Board is a joint venture between Wayne County and the Cities of Clifton, Collinwood, and Waynesboro. The board comprises 11 members as follows: The Wayne County Mayor; the mayors of the cities of Waynesboro, Clifton, and Collinwood; and seven appointed members from the private sector.

The purpose of the board is to expand and diversify the economy of the cities and county. The cities and county provide the majority of funding for the board based on the percentage of their population compared to the total census of the county. Wayne County did not appropriate any funds to the Joint Economic and Community Development Board during the 2005-06 year.

The Twenty-Second Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Second Judicial District, Wayne County, and various cities within the district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors that includes the district attorney general and the sheriffs and police chiefs of participating law enforcement agencies within the judicial district. Wayne County made no contributions to the DTF for the year ended June 30, 2006.

Wayne County does not have any equity interest in any of the above-noted joint ventures. Complete financial statements for the Joint Economic and Community Development Board and the Twenty-Second Judicial District Drug Task Force can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Joint Economic and Community Development Board  
Wayne County Mayor  
P. O. Box 848  
Waynesboro, TN 38485

District Attorney General's Office  
Twenty-Second Judicial District Drug Task Force  
P. O. Box 459  
Lawrenceburg, TN 38464

**F. Jointly Governed Organization**

The South Central Tennessee Railroad Authority (SCTRA) was created by Wayne County in conjunction with Hickman, Lewis, and Perry Counties and the Cities of Centerville, Linden, Hohenwald, and Waynesboro. The SCTRA's board comprises 16 members, who are the elected county mayor or city mayor and an appointed member of the County Commission or City Council from each of the respective counties or cities. Wayne County did not appropriate any funds for this operation during the year, and the county does not have any ongoing financial interest or responsibility for the entity. Funding sources for the SCTRA are lease payments, switching fees, interest earned, and grants. Complete financial statements for the Railroad Authority can be obtained from Keeton Turner, Attorneys, P.O. Box 789, Hohenwald, TN 38462.

**G. Retirement Commitments**

**Plan Description**

Employees of Wayne 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, Chapter 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Wayne 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](http://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**

Wayne County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 6.28 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Wayne County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, Wayne County's annual pension cost of \$444,952 to TCRS was equal to Wayne 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. Wayne County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 13 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$444,952	100%	\$0
6-30-05	405,871	100	0
6-30-04	151,767	100	0

Required Supplementary Information  
Schedule of Funding Progress for Wayne County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$11,284	\$11,284	\$0	100%	\$5,959	0%
6-30-01	10,181	10,181	0	100	5,027	0
6-30-99	8,445	8,445	0	100	4,583	0

**H. Purchasing Laws**

Office of County Mayor

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

Office of Superintendent of Highways

Purchasing procedures for the Highway Department are governed by provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Wayne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General 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	\$ 1,885,721	\$ 0	\$ 0	\$ 1,885,721	\$ 1,781,879	\$ 1,781,879	\$ 103,842
Licenses and Permits	2,783	0	0	2,783	3,645	3,645	(862)
Fines, Forfeitures, and Penalties	202,048	0	0	202,048	99,586	204,037	(1,989)
Charges for Current Services	20,966	0	0	20,966	11,141	20,019	947
Other Local Revenues	121,568	0	0	121,568	53,069	56,587	64,981
Fees Received from County Officials	508,464	0	0	508,464	526,468	526,468	(18,004)
State of Tennessee	325,085	0	0	325,085	279,076	295,385	29,700
Federal Government	77,634	0	0	77,634	119,051	284,651	(207,017)
<b>Total Revenues</b>	<b>\$ 3,144,269</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,144,269</b>	<b>\$ 2,873,915</b>	<b>\$ 3,172,671</b>	<b>\$ (28,402)</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 275,311	\$ (341)	\$ 96	\$ 275,066	\$ 196,293	\$ 278,364	\$ 3,298
County Mayor/Executive	115,476	0	117	115,593	115,441	119,941	4,348
Election Commission	73,737	0	167,240	240,977	74,021	242,260	1,283
Register of Deeds	111,303	(3,550)	2,393	110,146	97,080	114,721	4,575
County Buildings	119,027	(591)	300	118,736	114,694	119,328	592
Other General Administration	38,545	(11,753)	1,853	28,645	22,561	28,175	(470)
<u>Finance</u>							
Property Assessor's Office	105,843	(25)	0	105,818	108,002	108,002	2,184
Reappraisal Program	9,349	(26)	0	9,323	21,145	21,145	11,822
County Trustee's Office	11,878	(3,100)	80	8,858	12,358	12,358	3,500
County Clerk's Office	102,737	(979)	0	101,758	100,857	101,801	43
<u>Administration of Justice</u>							
Circuit Court	140,208	(1,052)	1,572	140,728	155,047	155,047	14,319
General Sessions Court	107,292	(48)	0	107,244	108,254	107,792	548
Drug Court	104,451	0	0	104,451	0	104,451	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Administration of Justice (Cont.)</u>							
Chancery Court	\$ 96,658	\$ (160)	\$ 777	\$ 97,275	\$ 97,605	\$ 97,605	\$ 330
Juvenile Court	28,696	0	0	28,696	29,550	47,109	18,413
Judicial Commissioners	14,077	0	0	14,077	18,500	18,500	4,423
<u>Public Safety</u>							
Sheriff's Department	506,102	(6,968)	7,891	507,025	486,760	566,972	59,947
Jail	604,992	(3,180)	7,548	609,360	386,077	609,592	232
Rural Fire Protection	60,653	(4,492)	2,877	59,038	62,650	63,750	4,712
Civil Defense	92,322	(3,860)	855	89,317	109,051	109,051	19,734
Other Emergency Management	21,673	(1,800)	0	19,873	20,775	20,774	901
County Coroner/Medical Examiner	21,628	0	0	21,628	6,000	21,628	0
Other Public Safety	2,265	0	0	2,265	2,000	2,265	0
<u>Public Health and Welfare</u>							
Local Health Center	48,764	(3,538)	1,227	46,453	40,620	49,629	3,176
Alcohol and Drug Programs	2,500	0	0	2,500	2,500	2,500	0
Other Local Health Services	39,022	(2,202)	0	36,820	41,000	46,300	9,480
Regional Mental Health Center	18,000	0	0	18,000	18,000	18,000	0
Other Local Welfare Services	3,000	0	0	3,000	3,000	3,000	0
Other Waste Collection	44,990	0	0	44,990	44,247	47,766	2,776
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	36,000	0	0	36,000	36,000	36,000	0
Libraries	102,553	(105)	1,983	104,431	98,051	104,432	1
Other Social, Cultural, and Recreational	18,956	0	0	18,956	18,975	18,975	19
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	50,235	0	70	50,305	51,055	51,055	750
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	25,000	0	0	25,000	25,000	25,000	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Agriculture &amp; Natural Resources (Cont.)</u>							
Other Agriculture & Natural Resources	\$ 11,583	\$ 0	\$ 0	\$ 11,583	\$ 11,583	\$ 11,583	\$ 0
<u>Other Operations</u>							
Tourism	350	0	0	350	350	350	0
Other Economic and Community Development	7,500	0	0	7,500	7,500	7,500	0
Veterans' Services	4,216	0	0	4,216	4,433	4,433	217
Other Charges	49,925	0	0	49,925	51,854	51,854	1,929
Contributions to Other Agencies	4,200	0	0	4,200	4,200	4,200	0
Employee Benefits	265,796	0	0	265,796	257,764	265,796	0
Miscellaneous	39,943	(115)	0	39,828	37,287	23,594	(16,234)
<u>Highways</u>							
Litter and Trash Collection	39,022	(199)	306	39,129	45,109	39,590	461
<u>Capital Projects</u>							
Public Utility Projects	1,832	0	0	1,832	0	1,832	0
Total Expenditures	\$ 3,579,610	\$ (48,084)	\$ 197,185	\$ 3,728,711	\$ 3,145,249	\$ 3,886,020	\$ 157,309
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (435,341)	\$ 48,084	\$ (197,185)	\$ (584,442)	\$ (271,334)	\$ (713,349)	\$ 128,907
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,929,213	(48,084)	0	1,881,129	1,767,305	1,767,305	113,824
Fund Balance, June 30, 2006	\$ 1,493,872	\$ 0	\$ (197,185)	\$ 1,296,687	\$ 1,495,971	\$ 1,053,956	\$ 242,731

Exhibit E-2

Wayne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 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	\$ 495,514	\$ 0	\$ 0	\$ 495,514	\$ 488,037	\$ 488,037	\$ 7,477
Charges for Current Services	0	0	0	0	6,540	6,540	(6,540)
Other Local Revenues	91,205	0	0	91,205	49,230	49,230	41,975
State of Tennessee	125,719	0	0	125,719	92,000	92,000	33,719
Total Revenues	\$ 712,438	\$ 0	\$ 0	\$ 712,438	\$ 635,807	\$ 635,807	\$ 76,631
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Landfill Operation and Maintenance	\$ 3,071	\$ 0	\$ 0	\$ 3,071	\$ 4,100	\$ 3,071	\$ 0
Other Waste Disposal	575,590	(890)	161	574,861	578,366	577,558	2,697
<u>Other Operations</u>							
Employee Benefits	26,620	0	0	26,620	24,783	26,620	0
<u>Capital Projects</u>							
Other General Government Projects	0	0	12,877	12,877	0	12,877	0
Total Expenditures	\$ 605,281	\$ (890)	\$ 13,038	\$ 617,429	\$ 607,249	\$ 620,126	\$ 2,697
Excess (Deficiency) of Revenues Over Expenditures	\$ 107,157	\$ 890	\$ (13,038)	\$ 95,009	\$ 28,558	\$ 15,681	\$ 79,328
Net Change in Fund Balance	\$ 107,157	\$ 890	\$ (13,038)	\$ 95,009	\$ 28,558	\$ 15,681	\$ 79,328
Fund Balance, July 1, 2005	196,274	(890)	0	195,384	266,885	266,885	(71,501)
Fund Balance, June 30, 2006	\$ 303,431	\$ 0	\$ (13,038)	\$ 290,393	\$ 295,443	\$ 282,566	\$ 7,827

Exhibit E-3

Wayne 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	\$ 37,908	\$ 36,920	\$ 36,920	\$ 988
Charges for Current Services	0	450	450	(450)
Other Local Revenues	65,488	12,700	16,529	48,959
State of Tennessee	2,663,652	2,473,841	2,741,241	(77,589)
Federal Government	430,079	0	198,992	231,087
<b>Total Revenues</b>	<b>\$ 3,197,127</b>	<b>\$ 2,523,911</b>	<b>\$ 2,994,132</b>	<b>\$ 202,995</b>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 143,693	\$ 137,202	\$ 151,581	\$ 7,888
Highway and Bridge Maintenance	985,218	1,110,000	978,946	(6,272)
Operation and Maintenance of Equipment	533,824	546,700	641,450	107,626
Other Charges	114,716	93,750	118,004	3,288
Employee Benefits	156,361	184,000	185,500	29,139
Capital Outlay	821,170	648,451	1,168,451	347,281
<b>Total Expenditures</b>	<b>\$ 2,754,982</b>	<b>\$ 2,720,103</b>	<b>\$ 3,243,932</b>	<b>\$ 488,950</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 442,145	\$ (196,192)	\$ (249,800)	\$ 691,945
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (122,982)	\$ 0	\$ (122,982)	\$ 0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (122,982)</b>	<b>\$ 0</b>	<b>\$ (122,982)</b>	<b>\$ 0</b>
Net Change in Fund Balance	\$ 319,163	\$ (196,192)	\$ (372,782)	\$ 691,945
Fund Balance, July 1, 2005	491,290	524,973	524,973	(33,683)
<b>Fund Balance, June 30, 2006</b>	<b>\$ 810,453</b>	<b>\$ 328,781</b>	<b>\$ 152,191</b>	<b>\$ 658,262</b>

Exhibit E-4

Wayne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Capital Projects Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 18,166	\$ 0	\$ 0	\$ 18,166	\$ 0	\$ 0	\$ 18,166
State of Tennessee	100,789	0	0	100,789	90,000	90,000	10,789
Federal Government	267,566	0	0	267,566	0	0	267,566
Total Revenues	<u>\$ 386,521</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 386,521</u>	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 296,521</u>
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Other Waste Disposal	\$ 12,572	\$ 0	\$ 16,875	\$ 29,447	\$ 0	\$ 29,447	\$ 0
<u>Capital Projects</u>							
General Administration Projects	432,211	(205,631)	14,745	241,325	335,130	545,036	303,711
Public Safety Projects	0	0	0	0	0	3,680,942	3,680,942
Other General Government Projects	14,606	(2,377)	520	12,749	0	13,250	501
Education Capital Projects	3,348,538	0	0	3,348,538	0	3,348,538	0
Total Expenditures	<u>\$ 3,807,927</u>	<u>\$ (208,008)</u>	<u>\$ 32,140</u>	<u>\$ 3,632,059</u>	<u>\$ 335,130</u>	<u>\$ 7,617,213</u>	<u>\$ 3,985,154</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,421,406)</u>	<u>\$ 208,008</u>	<u>\$ (32,140)</u>	<u>\$ (3,245,538)</u>	<u>\$ (245,130)</u>	<u>\$ (7,527,213)</u>	<u>\$ 4,281,675</u>
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 9,450,000	\$ 0	\$ 0	\$ 9,450,000	\$ 0	\$ 9,376,762	\$ 73,238
Transfers Out	(1,954,132)	0	0	(1,954,132)	0	(1,975,395)	21,263
Discounts on Debt Issued	(94,500)	0	0	(94,500)	0	0	(94,500)
Total Other Financing Sources (Uses)	<u>\$ 7,401,368</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,401,368</u>	<u>\$ 0</u>	<u>\$ 7,401,367</u>	<u>\$ 1</u>
Net Change in Fund Balance	<u>\$ 3,979,962</u>	<u>\$ 208,008</u>	<u>\$ (32,140)</u>	<u>\$ 4,155,830</u>	<u>\$ (245,130)</u>	<u>\$ (125,846)</u>	<u>\$ 4,281,676</u>
Fund Balance, July 1, 2005	<u>417,248</u>	<u>(208,008)</u>	<u>0</u>	<u>209,240</u>	<u>666,521</u>	<u>666,521</u>	<u>(457,281)</u>
Fund Balance, June 30, 2006	<u>\$ 4,397,210</u>	<u>\$ 0</u>	<u>\$ (32,140)</u>	<u>\$ 4,365,070</u>	<u>\$ 421,391</u>	<u>\$ 540,675</u>	<u>\$ 3,824,395</u>

Exhibit E-5

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 13,854	\$ 0	\$ 13,854	\$ 2,100	\$ 2,100	\$ 11,754
Other Local Revenues	43,241	0	43,241	485	485	42,756
Total Revenues	<u>\$ 57,095</u>	<u>\$ 0</u>	<u>\$ 57,095</u>	<u>\$ 2,585</u>	<u>\$ 2,585</u>	<u>\$ 54,510</u>
<u>Expenditures</u>						
<u>Highways</u>						
Other Charges	\$ 493	\$ 0	\$ 493	\$ 0	\$ 500	\$ 7
<u>Capital Projects</u>						
General Administration Projects	121,469	341,440	462,909	0	1,350,217	887,308
Highway & Street Capital Projects	185,941	0	185,941	650,078	772,560	586,619
Total Expenditures	<u>\$ 307,903</u>	<u>\$ 341,440</u>	<u>\$ 649,343</u>	<u>\$ 650,078</u>	<u>\$ 2,123,277</u>	<u>\$ 1,473,934</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (250,808)</u>	<u>\$ (341,440)</u>	<u>\$ (592,248)</u>	<u>\$ (647,493)</u>	<u>\$ (2,120,692)</u>	<u>\$ 1,528,444</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 1,473,199	\$ 0	\$ 1,473,199	\$ 0	\$ 1,473,199	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 1,473,199</u>	<u>\$ 0</u>	<u>\$ 1,473,199</u>	<u>\$ 0</u>	<u>\$ 1,473,199</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 1,222,391	\$ (341,440)	\$ 880,951	\$ (647,493)	\$ (647,493)	\$ 1,528,444
Fund Balance, July 1, 2005	697,562	0	697,562	713,200	713,200	(15,638)
Fund Balance, June 30, 2006	<u>\$ 1,919,953</u>	<u>\$ (341,440)</u>	<u>\$ 1,578,513</u>	<u>\$ 65,707</u>	<u>\$ 65,707</u>	<u>\$ 1,512,806</u>

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

**A. BUDGETARY INFORMATION**

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

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

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

Fund	Major Category	Amount Overspent
General	Other General Administration	\$ 470
General	Miscellaneous	16,234
Highway/Public Works	Highway and Bridge Maintenance	6,272
General Capital Projects	Discounts on Debt Issued	94,500

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the Highway/Public Works Fund and by available fund balance in the General and the General Capital Projects Funds.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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Special Purpose Fund – The Special Purpose Fund is used to account for transactions related to the leasing of the Wayne County Hospital, Ambulance Service, Nursing Home, Medical Office Buildings, and Home Health Care.

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

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

# Capital Projects Funds

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

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Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for revenues provided for community development and industrial park projects.

Nursing Home Projects Fund – The Nursing Home Projects Fund is used to account for capital expenditures of the nursing home.

Exhibit F-1

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

	<u>Special Revenue Funds</u>				<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Special Purpose</u>	<u>Drug Control</u>	<u>Constitu - tional Officers - Fees</u>	<u>Total</u>	<u>Community Development/ Industrial Park</u>	<u>Nursing Home Projects</u>	<u>Total</u>	
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 25,000	\$ 25,000	\$ 0	\$ 0	\$ 0	25,000
Equity in Pooled Cash and Investments	301,553	63,262	0	364,815	487,353	16,913	504,266	869,081
<b>Total Assets</b>	<b>\$ 301,553</b>	<b>\$ 63,262</b>	<b>\$ 25,000</b>	<b>\$ 389,815</b>	<b>\$ 487,353</b>	<b>\$ 16,913</b>	<b>\$ 504,266</b>	<b>\$ 894,081</b>
<u>FUND BALANCES</u>								
Reserved for Encumbrances	\$ 0	\$ 6,312	\$ 0	\$ 6,312	\$ 0	\$ 0	\$ 0	6,312
Reserved for Capital Outlay	0	0	0	0	0	16,776	16,776	16,776
Unreserved	301,553	56,950	25,000	383,503	487,353	137	487,490	870,993
<b>Total Fund Balances</b>	<b>\$ 301,553</b>	<b>\$ 63,262</b>	<b>\$ 25,000</b>	<b>\$ 389,815</b>	<b>\$ 487,353</b>	<b>\$ 16,913</b>	<b>\$ 504,266</b>	<b>\$ 894,081</b>

Exhibit F-2

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

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	Nursing Home Projects	Total	
<u>Revenues</u>								
Local Taxes	\$ 12,667	\$ 0	\$ 0	\$ 12,667	\$ 12,703	\$ 0	\$ 12,703	\$ 25,370
Fines, Forfeitures, and Penalties	0	18,961	0	18,961	0	0	0	18,961
Charges for Current Services	0	0	93,780	93,780	0	0	0	93,780
Other Local Revenues	230,807	0	0	230,807	56,806	137	56,943	287,750
State of Tennessee	100,789	0	0	100,789	100,789	0	100,789	201,578
Other Governments and Citizens Groups	126,741	0	0	126,741	45,383	0	45,383	172,124
<b>Total Revenues</b>	<b>\$ 471,004</b>	<b>\$ 18,961</b>	<b>\$ 93,780</b>	<b>\$ 583,745</b>	<b>\$ 215,681</b>	<b>\$ 137</b>	<b>\$ 215,818</b>	<b>\$ 799,563</b>
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 90,893	\$ 90,893	\$ 0	\$ 0	\$ 0	\$ 90,893
Administration of Justice	0	0	3,306	3,306	0	0	0	3,306
Public Safety	0	3,155	0	3,155	0	0	0	3,155
Public Health and Welfare	448,486	0	0	448,486	0	1,148,448	1,148,448	1,596,934
Capital Projects	0	0	0	0	61,137	0	61,137	61,137
<b>Total Expenditures</b>	<b>\$ 448,486</b>	<b>\$ 3,155</b>	<b>\$ 94,199</b>	<b>\$ 545,840</b>	<b>\$ 61,137</b>	<b>\$ 1,148,448</b>	<b>\$ 1,209,585</b>	<b>\$ 1,755,425</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,518	\$ 15,806	\$ (419)	\$ 37,905	\$ 154,544	\$ (1,148,311)	\$ (993,767)	\$ (955,862)
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 603,915	\$ 603,915	\$ 603,915
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 603,915</b>	<b>\$ 603,915</b>	<b>\$ 603,915</b>
Net Change in Fund Balances	\$ 22,518	\$ 15,806	\$ (419)	\$ 37,905	\$ 154,544	\$ (544,396)	\$ (389,852)	\$ (351,947)
Fund Balance, July 1, 2005	279,035	47,456	25,419	351,910	332,809	561,309	894,118	1,246,028
<b>Fund Balance, June 30, 2006</b>	<b>\$ 301,553</b>	<b>\$ 63,262</b>	<b>\$ 25,000</b>	<b>\$ 389,815</b>	<b>\$ 487,353</b>	<b>\$ 16,913</b>	<b>\$ 504,266</b>	<b>\$ 894,081</b>

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 12,667	\$ 12,667	\$ 12,667	\$ 0
Other Local Revenues	230,807	210,000	210,000	20,807
State of Tennessee	100,789	90,000	90,000	10,789
Other Governments and Citizens Groups	126,741	126,741	126,741	0
Total Revenues	<u>\$ 471,004</u>	<u>\$ 439,408</u>	<u>\$ 439,408</u>	<u>\$ 31,596</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Local Health Services	\$ 448,486	\$ 449,161	\$ 449,161	\$ 675
Total Expenditures	<u>\$ 448,486</u>	<u>\$ 449,161</u>	<u>\$ 449,161</u>	<u>\$ 675</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 22,518</u>	<u>\$ (9,753)</u>	<u>\$ (9,753)</u>	<u>\$ 32,271</u>
Net Change in Fund Balance	\$ 22,518	\$ (9,753)	\$ (9,753)	\$ 32,271
Fund Balance, July 1, 2005	<u>279,035</u>	<u>313,342</u>	<u>313,342</u>	<u>(34,307)</u>
Fund Balance, June 30, 2006	<u>\$ 301,553</u>	<u>\$ 303,589</u>	<u>\$ 303,589</u>	<u>\$ (2,036)</u>

Exhibit F-4

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 18,961	\$ 0	\$ 18,961	\$ 2,500	\$ 2,500	\$ 16,461
Other Local Revenues	0	0	0	500	500	(500)
Total Revenues	<u>\$ 18,961</u>	<u>\$ 0</u>	<u>\$ 18,961</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 15,961</u>
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 3,155	\$ 6,312	\$ 9,467	\$ 2,865	\$ 9,497	\$ 30
Total Expenditures	<u>\$ 3,155</u>	<u>\$ 6,312</u>	<u>\$ 9,467</u>	<u>\$ 2,865</u>	<u>\$ 9,497</u>	<u>\$ 30</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 15,806</u>	<u>\$ (6,312)</u>	<u>\$ 9,494</u>	<u>\$ 135</u>	<u>\$ (6,497)</u>	<u>\$ 15,991</u>
Net Change in Fund Balance	\$ 15,806	\$ (6,312)	\$ 9,494	\$ 135	\$ (6,497)	\$ 15,991
Fund Balance, July 1, 2005	<u>47,456</u>	<u>0</u>	<u>47,456</u>	<u>34,830</u>	<u>34,830</u>	<u>12,626</u>
Fund Balance, June 30, 2006	<u>\$ 63,262</u>	<u>\$ (6,312)</u>	<u>\$ 56,950</u>	<u>\$ 34,965</u>	<u>\$ 28,333</u>	<u>\$ 28,617</u>

Exhibit F-5

Wayne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Community Development/Industrial Park Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 12,703	\$ 7,200	\$ 7,200	\$ 5,503
Other Local Revenues	56,806	35,000	35,000	21,806
State of Tennessee	100,789	90,000	90,000	10,789
Other Governments and Citizens Groups	45,383	44,383	44,383	1,000
Total Revenues	<u>\$ 215,681</u>	<u>\$ 176,583</u>	<u>\$ 176,583</u>	<u>\$ 39,098</u>
<u>Expenditures</u>				
<u>Capital Projects</u>				
Social, Cultural, and Recreation Projects	\$ 61,137	\$ 168,732	\$ 168,732	\$ 107,595
Total Expenditures	<u>\$ 61,137</u>	<u>\$ 168,732</u>	<u>\$ 168,732</u>	<u>\$ 107,595</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 154,544</u>	<u>\$ 7,851</u>	<u>\$ 7,851</u>	<u>\$ 146,693</u>
Net Change in Fund Balance	\$ 154,544	\$ 7,851	\$ 7,851	\$ 146,693
Fund Balance, July 1, 2005	<u>332,809</u>	<u>0</u>	<u>0</u>	<u>332,809</u>
Fund Balance, June 30, 2006	<u>\$ 487,353</u>	<u>\$ 7,851</u>	<u>\$ 7,851</u>	<u>\$ 479,502</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit G

Wayne 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	\$ 1,596,450	\$ 1,577,742	\$ 1,577,742	\$ 18,708
Other Local Revenues	22,472	0	0	22,472
Other Governments and Citizens Groups	200,000	200,000	200,000	0
Total Revenues	<u>\$ 1,818,922</u>	<u>\$ 1,777,742</u>	<u>\$ 1,777,742</u>	<u>\$ 41,180</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 86,137	\$ 279,337	\$ 86,137	\$ 0
Highways and Streets	193,200	0	193,200	0
Education	605,000	605,000	605,000	0
<u>Interest on Debt</u>				
General Government	4,187	11,853	4,207	20
Highways and Streets	7,646	0	7,646	0
Education	684,201	689,697	689,697	5,496
<u>Other Debt Service</u>				
General Government	18,036	37,205	37,205	19,169
Highways and Streets	0	5,000	5,000	5,000
Total Expenditures	<u>\$ 1,598,407</u>	<u>\$ 1,628,092</u>	<u>\$ 1,628,092</u>	<u>\$ 29,685</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 220,515</u>	<u>\$ 149,650</u>	<u>\$ 149,650</u>	<u>\$ 70,865</u>
Net Change in Fund Balance	\$ 220,515	\$ 149,650	\$ 149,650	\$ 70,865
Fund Balance, July 1, 2005	<u>1,895,695</u>	<u>1,794,338</u>	<u>1,794,338</u>	<u>101,357</u>
Fund Balance, June 30, 2006	<u>\$ 2,116,210</u>	<u>\$ 1,943,988</u>	<u>\$ 1,943,988</u>	<u>\$ 172,222</u>

# Fiduciary Funds

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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.

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

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

Exhibit H-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu - tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 578,023	\$ 578,023
Accounts Receivable	0	48	48
Due from Other Governments	68,181	0	68,181
Total Assets	<u>\$ 68,181</u>	<u>\$ 578,071</u>	<u>\$ 646,252</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 68,181	\$ 0	\$ 68,181
Due to Litigants, Heirs, and Others	0	578,071	578,071
Total Liabilities	<u>\$ 68,181</u>	<u>\$ 578,071</u>	<u>\$ 646,252</u>

Wayne 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	\$ 423,172	\$ 423,172	\$ 0
Due From Other Governments	71,387	68,181	71,387	68,181
Total Assets	\$ 71,387	\$ 491,353	\$ 494,559	\$ 68,181
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 71,387	\$ 491,353	\$ 494,559	\$ 68,181
Total Liabilities	\$ 71,387	\$ 491,353	\$ 494,559	\$ 68,181
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 708,618	\$ 4,245,425	\$ 4,376,020	\$ 578,023
Accounts Receivable	0	48	0	48
Total Assets	\$ 708,618	\$ 4,245,473	\$ 4,376,020	\$ 578,071
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 708,618	\$ 4,245,473	\$ 4,376,020	\$ 578,071
Total Liabilities	\$ 708,618	\$ 4,245,473	\$ 4,376,020	\$ 578,071
<u>Total - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 423,172	\$ 423,172	\$ 0
Cash	708,618	4,245,425	4,376,020	578,023
Accounts Receivable	0	48	0	48
Due from Other Governments	71,387	68,181	71,387	68,181
Total Assets	\$ 780,005	\$ 4,736,826	\$ 4,870,579	\$ 646,252
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 71,387	\$ 491,353	\$ 494,559	\$ 68,181
Due to Litigants, Heirs, and Others	708,618	4,245,473	4,376,020	578,071
Total Liabilities	\$ 780,005	\$ 4,736,826	\$ 4,870,579	\$ 646,252

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## MISCELLANEOUS SCHEDULES

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Exhibit I-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Roads, Bridges, and Vehicles	\$ 900,000	2.5 to 3.1 %	12-1-02	11-1-06	\$ 465,000	\$ 0	\$ 230,000	\$ 235,000
Courthouse, Vehicles, and Equipment	150,000	2.75	8-26-04	3-1-07	100,031	0	49,337	50,694
Total Payable through General Debt Service Fund					<u>\$ 565,031</u>	<u>\$ 0</u>	<u>\$ 279,337</u>	<u>\$ 285,694</u>
<u>Payable through Special Purpose Fund</u>								
Hospital Improvements and Additions	1,700,000	4.08	4-1-01	9-1-12	\$ 1,225,000	\$ 0	\$ 130,000	\$ 1,095,000
Nursing Home Renovations	605,000	2.9	2-1-05	2-1-12	605,000	0	79,196	525,804
Total Payable through Special Purpose Fund					<u>\$ 1,830,000</u>	<u>\$ 0</u>	<u>\$ 209,196</u>	<u>\$ 1,620,804</u>
Total Notes Payable					<u>\$ 2,395,031</u>	<u>\$ 0</u>	<u>\$ 488,533</u>	<u>\$ 1,906,498</u>
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Bonds	6,700,000	5 to 5.55	6-1-00	6-1-24	\$ 380,000	\$ 0	\$ 185,000	\$ 195,000
School Bonds	2,850,000	5.23	12-1-00	12-1-23	350,000	0	80,000	270,000
School Refunding Bonds	9,495,000	3.72	6-3-03	12-1-23	9,375,000	0	65,000	9,310,000
School Refunding Bonds	5,085,000	3.2	3-10-05	6-1-14	5,085,000	0	275,000	4,810,000
School Refunding Bonds	2,355,000	4	3-31-05	12-1-23	2,355,000	0	0	2,355,000
General Obligation Bond Series 2006	9,450,000	4.05	3-1-06	12-1-30	0	9,450,000	0	9,450,000
Total Bonds Payable					<u>\$ 17,545,000</u>	<u>\$ 9,450,000</u>	<u>\$ 605,000</u>	<u>\$ 26,390,000</u>

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 790,000	\$ 1,080,145	\$ 1,870,145
2008	950,000	951,421	1,901,421
2009	980,000	916,275	1,896,275
2010	1,015,000	880,423	1,895,423
2011	1,055,000	843,707	1,898,707
2012	1,090,000	805,654	1,895,654
2013	1,135,000	766,182	1,901,182
2014	1,175,000	725,199	1,900,199
2015	1,195,000	682,404	1,877,404
2016	1,265,000	636,181	1,901,181
2017	1,310,000	586,760	1,896,760
2018	1,365,000	535,418	1,900,418
2019	1,415,000	482,059	1,897,059
2020	1,470,000	426,683	1,896,683
2021	1,540,000	368,911	1,908,911
2022	1,600,000	308,652	1,908,652
2023	1,665,000	246,003	1,911,003
2024	1,710,000	181,246	1,891,246
2025	465,000	139,016	604,016
2026	485,000	119,779	604,779
2027	500,000	99,832	599,832
2028	520,000	79,177	599,177
2029	545,000	57,611	602,611
2030	565,000	35,134	600,134
2031	585,000	11,846	596,846
<b>Total</b>	<b>\$ 26,390,000</b>	<b>\$ 11,965,718</b>	<b>\$ 38,355,718</b>

Exhibit I-3

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

<u>To Fund</u>	<u>From Fund</u>	<u>Purpose</u>	<u>Amount</u>
Highway Capital Projects	General Capital Projects	Provide funds for project	\$ 1,350,217
Nursing Home Projects	General Capital Projects	Provide funds for project	603,915
Highway Capital Projects	Highway/Public Works	Provide funds for project	<u>122,982</u>
Total Transfers			<u>\$ 2,077,114</u>

Exhibit I-4

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

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 57,804	\$ 50,000	State Automobile Mutual Insurance Company
Superintendent of Highways	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	50,048	526,400	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	60,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	50,048	25,000	Auto Owners Mutual Insurance Company
Clerk and Master	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	State Automobile Mutual Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (1)	50,000	Auto Owners Mutual Insurance Company
<u>Other Bonds</u>				
Wayne County Employees			150,000	Tennessee School Boards Risk Management Trust

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

Exhibit I-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constituti - tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,163,858	\$ 371,086	\$ 0	\$ 0	\$ 0	\$ 33,647
Trustee's Collections - Prior Year	93,918	32,186	0	0	0	2,822
Circuit/Clerk & Master Collections - Prior Years	41,305	8,501	0	0	0	793
Interest and Penalty	14,382	4,586	0	0	0	417
Payments in-Lieu-of Taxes - T.V.A.	7,890	2,516	0	0	0	229
Payments in-Lieu-of Taxes - Other	0	0	12,667	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	0
Wheel Tax	147,124	0	0	0	0	0
Litigation Tax - General	65,899	0	0	0	0	0
Litigation Tax - Special Purpose	23,392	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	65,707	0	0	0	0	0
Litigation Tax - Victim/Offender Mediation Center	2,754	0	0	0	0	0
Business Tax	77,535	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	104,226	0	0	0	0	0
Wholesale Beer Tax	75,862	76,639	0	0	0	0
Interstate Telecommunications Tax	1,869	0	0	0	0	0
<u>City Local Option Taxes</u>						
Hotel/Motel Tax	0	0	0	0	0	0
<b>Total Local Taxes</b>	<b>\$ 1,885,721</b>	<b>\$ 495,514</b>	<b>\$ 12,667</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 37,908</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 585	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>						
Beer Permits	2,198	0	0	0	0	0
<b>Total Licenses and Permits</b>	<b>\$ 2,783</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<b>Fines, Forfeitures, and Penalties</b>						
<u>Circuit Court</u>						
Fines	\$ 23,327	\$ 0	\$ 0	\$ 0	\$ 0	0
Drug Court Fees	104,451	0	0	0	0	0
Jail Fees	5,491	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	19,904	0	0	0	0	0
Officers Costs	16,279	0	0	0	0	0
Drug Control Fines	0	0	0	6,178	0	0
Jail Fees	3,794	0	0	0	0	0
DUI Treatment Fines	4,997	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,323	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	1,810	0	0	0	0	0
DUI Treatment Fines	150	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	3,622	0	0	0	0	0
Data Entry Fee - Chancery Court	326	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	8,833	0	0	0	0	0
Officers Costs	927	0	0	0	0	0
Drug Court Fees	4,133	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	3,903	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	2,681	0	0	8,880	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 202,048</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,961</b>	<b>\$ 0</b>	<b>0</b>
<b>Charges for Current Services</b>						
<u>General Service Charges</u>						
Water Sales	\$ 1,183	\$ 0	\$ 0	\$ 0	\$ 0	0
Water Tap Sales	2,760	0	0	0	0	0
<u>Fees</u>						
Copy Fees	105	0	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Library Fees	\$ 8,878	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vending Machine Collections	108	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	93,780	0
Data Processing Fee - Register	7,534	0	0	0	0	0
Data Processing Fee - Sheriff	38	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	360	0	0	0	0	0
<b>Total Charges for Current Services</b>	<b>\$ 20,966</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 93,780</b>	<b>\$ 0</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 101,249	\$ 53,475	\$ 55,807	\$ 0	\$ 0	\$ 0
Lease/Rentals	3,850	0	175,000	0	0	0
Sale of Gasoline	0	0	0	0	0	41,800
Sale of Recycled Materials	0	37,730	0	0	0	852
Miscellaneous Refunds	5,614	0	0	0	0	22,816
Expenditure Credits	6,400	0	0	0	0	0
<u>Nonrecurring Items</u>						
Accrued Interest on Debt Issues	0	0	0	0	0	0
Insurance Recovery	4,155	0	0	0	0	0
Sale of Property	0	0	0	0	0	0
Damages Recovered from Individuals	0	0	0	0	0	20
Contributions & Gifts	300	0	0	0	0	0
<b>Total Other Local Revenues</b>	<b>\$ 121,568</b>	<b>\$ 91,205</b>	<b>\$ 230,807</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 65,488</b>
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Trustee	\$ 86,668	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees-In-Lieu of Salary</u>						
County Clerk	152,315	0	0	0	0	0
Circuit Court Clerk	29,428	0	0	0	0	0
General Sessions Court Clerk	102,445	0	0	0	0	0
Clerk and Master	50,873	0	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees-In-Lieu of Salary (Cont.)</u>						
Register	\$ 78,785	\$ 0	\$ 0	\$ 0	\$ 0	0
Sheriff	7,950	0	0	0	0	0
Total Fees Received from County Officials	\$ 508,464	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	0
State Reappraisal Grant	7,591	0	0	0	0	0
Solid Waste Grants	0	24,930	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	13,747	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	36,320	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	179,257
State Aid Program	0	0	0	0	0	523,255
Litter Program	30,998	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	24,236	0	0	0	0	0
Beer Tax	17,212	0	0	0	0	0
Alcoholic Beverage Tax	40,770	0	0	0	0	0
Mixed Drink Tax	180	0	0	0	0	0
State Revenue Sharing - T.V.A.	100,789	100,789	100,789	0	0	0
Contracted Prisoner Boarding	14,854	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,947,592
Petroleum Special Tax	0	0	0	0	0	13,548
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	4,000	0	0	0	0	0
Other State Revenues	9,008	0	0	0	0	0
Total State of Tennessee	\$ 325,085	\$ 125,719	\$ 100,789	\$ 0	\$ 0	2,663,652

(Continued)

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,279
Homeland Security Grants	70,134	0	0	0	0	0
Other Federal through State	0	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	7,500	0	0	0	0	336,800
Total Federal Government	\$ 77,634	\$ 0	\$ 0	\$ 0	\$ 0	\$ 430,079
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 126,741	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 126,741	\$ 0	\$ 0	\$ 0
Total	\$ 3,144,269	\$ 712,438	\$ 471,004	\$ 18,961	\$ 93,780	\$ 3,197,127

(Continued)

Exhibit I-5

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

	Debt	Capital Projects Funds				Total
	Service Fund	Community				
	General Debt Service	General Capital Projects	Development/Industrial Park	Nursing Home Projects	Highway Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 219,282	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,787,873
Trustee's Collections - Prior Year	17,375	0	0	0	0	146,301
Circuit/Clerk & Master Collections - Prior Years	4,341	0	0	0	0	54,940
Interest and Penalty	2,710	0	0	0	0	22,095
Payments in-Lieu-of Taxes - T.V.A.	1,487	0	0	0	0	12,122
Payments in-Lieu-of Taxes - Other	0	0	0	0	0	12,667
<u>County Local Option Taxes</u>						
Local Option Sales Tax	865,500	0	0	0	0	865,500
Wheel Tax	485,755	0	0	0	0	632,879
Litigation Tax - General	0	0	0	0	0	65,899
Litigation Tax - Special Purpose	0	0	0	0	0	23,392
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	65,707
Litigation Tax - Victim/Offender Mediation Center	0	0	0	0	0	2,754
Business Tax	0	0	0	0	0	77,535
Mineral Severance Tax	0	0	0	0	13,854	13,854
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	0	104,226
Wholesale Beer Tax	0	0	0	0	0	152,501
Interstate Telecommunications Tax	0	0	0	0	0	1,869
<u>City Local Option Taxes</u>						
Hotel/Motel Tax	0	0	12,703	0	0	12,703
Total Local Taxes	\$ 1,596,450	\$ 0	\$ 12,703	\$ 0	\$ 13,854	\$ 4,054,817
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 585
<u>Permits</u>						
Beer Permits	0	0	0	0	0	2,198
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,783

(Continued)

Exhibit I-5

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	General Capital Projects	Community Development/Industrial Park	Nursing Home Projects	Highway Capital Projects	
<b>Fines, Forfeitures, and Penalties</b>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	23,327
Drug Court Fees	0	0	0	0	0	104,451
Jail Fees	0	0	0	0	0	5,491
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	19,904
Officers Costs	0	0	0	0	0	16,279
Drug Control Fines	0	0	0	0	0	6,178
Jail Fees	0	0	0	0	0	3,794
DUI Treatment Fines	0	0	0	0	0	4,997
Data Entry Fee - General Sessions Court	0	0	0	0	0	1,323
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	1,810
DUI Treatment Fines	0	0	0	0	0	150
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	3,622
Data Entry Fee - Chancery Court	0	0	0	0	0	326
<u>Other Courts - In-county</u>						
Fines	0	0	0	0	0	8,833
Officers Costs	0	0	0	0	0	927
Drug Court Fees	0	0	0	0	0	4,133
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	0	0	3,903
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	11,561
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	221,009
<b>Charges for Current Services</b>						
<u>General Service Charges</u>						
Water Sales	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,183
Water Tap Sales	0	0	0	0	0	2,760
<u>Fees</u>						
Copy Fees	0	0	0	0	0	105

(Continued)

Exhibit I-5

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

	Capital Projects Funds					Total
	Debt Service Fund	General Capital Projects	Community Development/Industrial Park	Nursing Home Projects	Highway Capital Projects	
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Library Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	8,878
Vending Machine Collections	0	0	0	0	0	108
Constitutional Officers' Fees and Commissions	0	0	0	0	0	93,780
Data Processing Fee - Register	0	0	0	0	0	7,534
Data Processing Fee - Sheriff	0	0	0	0	0	38
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	360
<b>Total Charges for Current Services</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>114,746</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 1,210	\$ 0	\$ 55,806	\$ 137	\$ 43,241	\$ 310,925
Lease/Rentals	0	0	1,000	0	0	179,850
Sale of Gasoline	0	0	0	0	0	41,800
Sale of Recycled Materials	0	0	0	0	0	38,582
Miscellaneous Refunds	0	0	0	0	0	28,430
Expenditure Credits	0	0	0	0	0	6,400
<u>Nonrecurring Items</u>						
Accrued Interest on Debt Issues	21,262	0	0	0	0	21,262
Insurance Recovery	0	0	0	0	0	4,155
Sale of Property	0	18,166	0	0	0	18,166
Damages Recovered from Individuals	0	0	0	0	0	20
Contributions & Gifts	0	0	0	0	0	300
<b>Total Other Local Revenues</b>	<b>\$ 22,472</b>	<b>\$ 18,166</b>	<b>\$ 56,806</b>	<b>\$ 137</b>	<b>\$ 43,241</b>	<b>\$ 649,890</b>
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Trustee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	86,668
<u>Fees-In-Lieu of Salary</u>						
County Clerk	0	0	0	0	0	152,315
Circuit Court Clerk	0	0	0	0	0	29,428
General Sessions Court Clerk	0	0	0	0	0	102,445
Clerk and Master	0	0	0	0	0	50,873

(Continued)

Exhibit I-5

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

	Debt Service Fund		Capital Projects Funds				Total
	General Debt Service	General Capital Projects	Community Development/Industrial Park	Nursing Home Projects	Highway Capital Projects		
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees-In-Lieu of Salary (Cont.)</u>							
Register	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	78,785
Sheriff	0	0	0	0	0	0	7,950
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	508,464
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	0	0	0	0	0	0	7,591
Solid Waste Grants	0	0	0	0	0	0	24,930
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	0	0	0	0	0	0	13,747
<u>Health and Welfare Grants</u>							
Health Department Programs	0	0	0	0	0	0	36,320
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	0	0	179,257
State Aid Program	0	0	0	0	0	0	523,255
Litter Program	0	0	0	0	0	0	30,998
<u>Other State Revenues</u>							
Income Tax	0	0	0	0	0	0	24,236
Beer Tax	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	0	40,770
Mixed Drink Tax	0	0	0	0	0	0	180
State Revenue Sharing - T.V.A.	0	100,789	100,789	0	0	0	503,945
Contracted Prisoner Boarding	0	0	0	0	0	0	14,854
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,947,592
Petroleum Special Tax	0	0	0	0	0	0	13,548
Registrar's Salary Supplement	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	0	4,000
Other State Revenues	0	0	0	0	0	0	9,008
Total State of Tennessee	\$ 0	\$ 100,789	\$ 100,789	\$ 0	\$ 0	\$ 0	3,416,823

(Continued)

Exhibit I-5

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	General Capital Projects	Community Development/ Industrial Park	Nursing Home Projects	
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,279
Homeland Security Grants	0	0	0	0	0	70,134
Other Federal through State	0	267,566	0	0	0	267,566
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	0	0	0	0	344,300
Total Federal Government	\$ 0	\$ 267,566	\$ 0	\$ 0	\$ 0	\$ 775,279
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 200,000	\$ 0	\$ 45,383	\$ 0	\$ 0	\$ 372,124
Total Other Governments and Citizens Groups	\$ 200,000	\$ 0	\$ 45,383	\$ 0	\$ 0	\$ 372,124
Total	\$ 1,818,922	\$ 386,521	\$ 215,681	\$ 137	\$ 57,095	\$ 10,115,935

Exhibit I-6

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

General Fund

General Government

County Commission

Other Salaries & Wages	\$	1,500	
Board and Committee Members Fees		11,592	
In-Service Training		495	
Advertising		1,411	
Audit Services		11,305	
Communication		4,204	
Legal Services		6,120	
Postal Charges		17,338	
Printing, Stationery, and Forms		643	
Travel		1,017	
Other Supplies and Materials		450	
Judgments		88,975	
Liability Insurance		130,099	
Other Charges		162	
Total County Commission			\$ 275,311

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Accountants/Bookkeepers		18,412	
Purchasing Personnel		18,412	
Other Salaries & Wages		8,862	
In-Service Training		296	
Communication		2,697	
Data Processing Services		7,313	
Printing, Stationery, and Forms		296	
Travel		1,060	
Gasoline		284	
Other Supplies and Materials		40	
Total County Mayor/Executive			115,476

Election Commission

County Official/Administrative Officer	\$	42,541	
Clerical Personnel		17,383	
Part-time Personnel		51	
Board and Committee Members Fees		125	
Election Commission		2,000	
Election Workers		4,025	
In-Service Training		1,035	
Advertising		140	
Communication		1,181	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Data Processing Services	\$	2,197	
Dues and Memberships		50	
Maintenance & Repair Services - Equipment		306	
Travel		1,712	
Office Supplies		514	
Office Equipment		477	
Total Election Commission			\$ 73,737

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Clerical Personnel		32,575	
Part-time Personnel		3,045	
Communication		1,916	
Data Processing Services		13,933	
Dues and Memberships		448	
Printing, Stationery, and Forms		1,284	
Rentals		45	
Other Contracted Services		7,250	
Office Supplies		759	
Total Register of Deeds			111,303

County Buildings

Supervisor/Director	\$	22,594	
Custodial Personnel		19,900	
Contracts with Private Agencies		8,406	
Maintenance & Repair Services - Buildings		5,702	
Maintenance & Repair Services - Equipment		1,404	
Maintenance & Repair Services - Vehicles		191	
Custodial Supplies		3,735	
Electricity		46,401	
Gasoline		1,714	
Water and Sewer		7,953	
Other Supplies and Materials		433	
Other Equipment		594	
Total County Buildings			119,027

Other General Administration

Dues and Memberships	\$	6,993	
Maintenance & Repair Services - Office Equipment		4,853	
Office Supplies		15,785	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Office Equipment	\$ 10,914	
Total Other General Administration		\$ 38,545

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 50,048	
Clerical Personnel	36,718	
Part-time Personnel	972	
Board and Committee Members Fees	1,050	
Communication	738	
Contracts with Government Agencies	8,491	
Contracts with Private Agencies	6,030	
Dues and Memberships	1,159	
Printing, Stationery, and Forms	142	
Travel	495	
Total Property Assessor's Office		105,843

Reappraisal Program

Other Salaries & Wages	\$ 248	
Contracts with Private Agencies	8,760	
Travel	315	
Other Charges	26	
Total Reappraisal Program		9,349

County Trustee's Office

Advertising	\$ 394	
Communication	1,679	
Data Processing Services	3,508	
Printing, Stationery, and Forms	125	
Office Supplies	58	
Other Supplies and Materials	253	
Premiums on Corporate Surety Bonds	2,656	
Office Equipment	3,205	
Total County Trustee's Office		11,878

County Clerk's Office

County Official/Administrative Officer	\$ 50,048
Deputy(ies)	36,421
Part-time Personnel	3,963
Communication	1,773

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Licenses	\$	1,143	
Maintenance Agreements		7,201	
Printing, Stationery, and Forms		998	
Rentals		15	
Office Supplies		18	
Other Supplies and Materials		308	
Other Charges		668	
Office Equipment		181	
Total County Clerk's Office			\$ 102,737

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		50,563	
Board and Committee Members Fees		340	
Jury and Witness Fees		21,332	
Communication		2,948	
Contracts with Other Public Agencies		2,562	
Data Processing Services		9,478	
Printing, Stationery, and Forms		2,599	
Rentals		28	
Office Supplies		81	
Other Supplies and Materials		229	
Total Circuit Court			140,208

General Sessions Court

Judge(s)	\$	61,620	
Secretary(ies)		20,212	
Attendants		17,312	
Communication		1,579	
Contracts with Private Agencies		2,942	
Dues and Memberships		90	
Printing, Stationery, and Forms		92	
Travel		2,412	
Uniforms		450	
Premiums on Corporate Surety Bonds		290	
Other Charges		293	
Total General Sessions Court			107,292

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Drug Treatment	\$ 104,451	
Total Drug Court		\$ 104,451

Chancery Court

County Official/Administrative Officer	\$ 50,048	
Deputy(ies)	36,824	
Communication	1,254	
Data Processing Services	6,383	
Dues and Memberships	36	
Printing, Stationery, and Forms	1,622	
Data Processing Supplies	100	
Office Supplies	6	
Premiums on Corporate Surety Bonds	135	
Other Charges	250	
Total Chancery Court		96,658

Juvenile Court

Youth Service Officer(s)	\$ 18,000	
In-Service Training	1,249	
Communication	697	
Contracts with Private Agencies	8,750	
Total Juvenile Court		28,696

Judicial Commissioners

County Official/Administrative Officer	\$ 14,077	
Total Judicial Commissioners		14,077

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 55,052	
Deputy(ies)	244,618	
Investigator(s)	59,600	
Sergeant(s)	24,900	
Salary Supplements	4,150	
In-Service Training	10,999	
Communication	2,777	
Evaluation and Testing	540	
Maintenance Agreements	5,740	
Maintenance & Repair Services - Vehicles	17,174	
Printing, Stationery, and Forms	719	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Rentals	\$	1,186	
Travel		3,048	
Data Processing Supplies		2,014	
Gasoline		59,759	
Office Supplies		1,564	
Uniforms		6,503	
Other Supplies and Materials		391	
Judgments		5,000	
Premiums on Corporate Surety Bonds		300	
Other Charges		68	
Total Sheriff's Department			\$ 506,102

Jail

Supervisor/Director	\$	25,153	
Medical Personnel		8,404	
Dispatchers/Radio Operators		118,645	
Guards		167,355	
Clerical Personnel		18,400	
Cafeteria Personnel		21,389	
Other Salaries & Wages		40,204	
Advertising		141	
Communication		9,355	
Contracts with Government Agencies		90,535	
Maintenance & Repair Services - Buildings		1,312	
Maintenance & Repair Services - Equipment		620	
Printing, Stationery, and Forms		886	
Rentals		300	
Transportation - Other than Students		551	
Travel		494	
Custodial Supplies		1,724	
Drugs and Medical Supplies		37,434	
Electricity		12,560	
Food Supplies		25,762	
Office Supplies		2,394	
Uniforms		3,621	
Water and Sewer		8,708	
Other Supplies and Materials		2,855	
Premiums on Corporate Surety Bonds		2,235	
Other Charges		1,165	
Other Equipment		2,790	
Total Jail			604,992

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Rural Fire Protection

Maintenance & Repair Services - Buildings	\$	290	
Maintenance & Repair Services - Equipment		922	
Maintenance & Repair Services - Vehicles		21,821	
Fuel Oil		557	
Gasoline		13,789	
Liability Insurance		23,274	
Total Rural Fire Protection			\$ 60,653

Civil Defense

Other Equipment	\$	92,322	
Total Civil Defense			92,322

Other Emergency Management

Other Salaries & Wages	\$	1,443	
Other Fringe Benefits		134	
Advertising		31	
Communication		12,232	
Electricity		1,741	
Office Supplies		1,800	
Water and Sewer		265	
Other Charges		4,027	
Total Other Emergency Management			21,673

County Coroner/Medical Examiner

Medical and Dental Services	\$	19,172	
Other Supplies and Materials		2,456	
Total County Coroner/Medical Examiner			21,628

Other Public Safety

Communication	\$	2,265	
Total Other Public Safety			2,265

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,200	
Advertising		236	
Communication		3,357	
Contracts with Government Agencies		18,570	
Dues and Memberships		100	
Custodial Supplies		180	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Electricity	\$	9,084	
Office Supplies		36	
Water and Sewer		417	
Other Supplies and Materials		8,522	
Other Charges		404	
Office Equipment		120	
Other Equipment		3,538	
Total Local Health Center			\$ 48,764

Alcohol and Drug Programs

Contributions	\$	2,500	
Total Alcohol and Drug Programs			2,500

Other Local Health Services

Other Salaries & Wages	\$	28,569	
Other Fringe Benefits		4,124	
Travel		2,628	
Other Supplies and Materials		3,701	
Total Other Local Health Services			39,022

Regional Mental Health Center

Contributions	\$	18,000	
Total Regional Mental Health Center			18,000

Other Local Welfare Services

Contributions	\$	3,000	
Total Other Local Welfare Services			3,000

Other Waste Collection

Truck Drivers	\$	31,693	
Laborers		13,297	
Total Other Waste Collection			44,990

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	36,000	
Total Senior Citizens Assistance			36,000

Libraries

Supervisor/Director	\$	23,872	
---------------------	----	--------	--

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Deputy(ies)	\$	12,314	
Part-time Personnel		38,348	
In-Service Training		793	
Communication		3,709	
Data Processing Services		1,275	
Dues and Memberships		95	
Maintenance & Repair Services - Office Equipment		420	
Matching Share		1,439	
Postal Charges		557	
Travel		1,333	
Electricity		3,856	
Library Books/Media		9,061	
Periodicals		328	
Water and Sewer		964	
Other Supplies and Materials		1,156	
Office Equipment		3,033	
Total Libraries			\$ 102,553

Other Social, Cultural, and Recreational

Communication	\$	556	
Contributions		16,000	
Rentals		2,400	
Total Other Social, Cultural, and Recreational			18,956

Agriculture & Natural Resources

Agriculture Extension Service

Custodial Personnel	\$	2,250	
Other Salaries & Wages		36,698	
Other Fringe Benefits		4,751	
Communication		2,026	
Dues and Memberships		230	
Travel		30	
Custodial Supplies		130	
Electricity		1,035	
Water and Sewer		1,414	
Other Supplies and Materials		1,329	
Other Charges		342	
Total Agriculture Extension Service			50,235

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Forest Service

Forest Resource Services	\$ 2,000	
Total Forest Service		\$ 2,000

Soil Conservation

Clerical Personnel	\$ 20,500	
Other Fringe Benefits	3,097	
Contributions	1,403	
Total Soil Conservation		25,000

Other Agriculture & Natural Resources

Contracts with Private Agencies	\$ 11,583	
Total Other Agriculture & Natural Resources		11,583

Other Operations

Tourism

Contributions	\$ 350	
Total Tourism		350

Other Economic and Community Development

Contributions	\$ 7,500	
Total Other Economic and Community Development		7,500

Veterans' Services

Supervisor/Director	\$ 3,383	
Communication	570	
Data Processing Services	99	
Travel	164	
Total Veterans' Services		4,216

Other Charges

Workers' Compensation Insurance	\$ 49,925	
Total Other Charges		49,925

Contributions to Other Agencies

Contributions	\$ 4,200	
Total Contributions to Other Agencies		4,200

Employee Benefits

Other Salaries & Wages	\$ 3,092	
Social Security	118,889	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

State Retirement	\$ 98,848	
Employee and Dependent Insurance	13,396	
Unemployment Compensation	3,767	
Employer Medicare	27,804	
Total Employee Benefits	\$ 265,796	

Miscellaneous

Other Supplies and Materials	\$ 128	
Trustee's Commission	37,520	
Other Charges	2,295	
Total Miscellaneous	39,943	

Highways

Litter and Trash Collection

Foremen	\$ 17,790	
Handling Charges & Administrative Costs	1,500	
Maintenance & Repair Services - Vehicles	2,177	
Gasoline	5,685	
Instructional Supplies and Materials	7,993	
Other Supplies and Materials	3,691	
Other Charges	186	
Total Litter and Trash Collection	39,022	

Capital Projects

Public Utility Projects

Contracts with Government Agencies	\$ 115	
Maintenance Agreements	94	
Other Charges	1,623	
Total Public Utility Projects	1,832	

Total General Fund \$ 3,579,610

Solid Waste/Sanitation Fund

Public Health and Welfare

Landfill Operation and Maintenance

Contracts with Private Agencies	\$ 1,135	
Fertilizer, Lime, and Seed	1,936	
Total Landfill Operation and Maintenance	\$ 3,071	

(Continued)

Exhibit I-6

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

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

Other Waste Disposal

Supervisor/Director	\$	25,939	
Overtime Pay		3,027	
Other Salaries & Wages		123,567	
In-Service Training		275	
Other Per Diem & Fees		52	
Advertising		972	
Communication		1,783	
Contracts with Private Agencies		345,522	
Evaluation and Testing		665	
Maintenance & Repair Services - Buildings		2,430	
Maintenance & Repair Services - Equipment		14,103	
Maintenance & Repair Services - Vehicles		9,841	
Travel		611	
Permits		1,000	
Custodial Supplies		1,674	
Electricity		9,838	
Fuel Oil		2,699	
Gasoline		11,210	
Lubricants		1,551	
Uniforms		4,626	
Water and Sewer		561	
Other Supplies and Materials		1,532	
Trustee's Commission		10,577	
Other Charges		1,535	
Total Other Waste Disposal			\$ 575,590

Other Operations

Employee Benefits

Other Salaries & Wages	\$	5,220	
Social Security		12,145	
State Retirement		7,070	
Employee and Dependent Insurance		1,776	
Unemployment Compensation		409	
Total Employee Benefits			26,620

Total Solid Waste/Sanitation Fund \$ 605,281

(Continued)

Exhibit I-6

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

Special Purpose Fund

Public Health and Welfare

Other Local Health Services

Operating Lease Payments	\$	169,818	
Trustee's Commission		3,404	
Principal on Notes		209,196	
Interest on Notes		65,068	
Other Debt Service		1,000	
Total Other Local Health Services			\$ 448,486

Total Special Purpose Fund \$ 448,486

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	500	
Other Supplies and Materials		1,685	
Trustee's Commission		260	
Other Charges		710	
Total Drug Enforcement			\$ 3,155

Total Drug Control Fund 3,155

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	90,893	
Total County Trustee's Office			\$ 90,893

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	3,306	
Total Chancery Court			3,306

Total Constitutional Officers - Fees Fund 94,199

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Secretary(ies)		55,285	
Dues and Memberships		2,788	
Legal Notices, Recording, and Court Costs		13	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Maintenance & Repair Services - Buildings	\$	3,637	
Maintenance & Repair Services - Office Equipment		50	
Postal Charges		416	
Printing, Stationery, and Forms		774	
Travel		269	
Other Contracted Services		10,938	
Custodial Supplies		198	
Office Supplies		3,551	
Other Supplies and Materials		50	
Other Charges		4,417	
Data Processing Equipment		1,583	
Other Equipment		4,672	
Total Administration			\$ 143,693

Highway and Bridge Maintenance

Foremen	\$	55,435	
Equipment Operators		186,674	
Truck Drivers		89,133	
Laborers		130,464	
Freight Expenses		190	
Rentals		2,550	
Other Contracted Services		33,339	
Asphalt		171,509	
Asphalt - Cold Mix		14,679	
Asphalt - Liquid		62,299	
Concrete		6,427	
Crushed Stone		156,326	
General Construction Materials		5,772	
Pipe - Metal		42,408	
Road Signs		7,320	
Structural Steel		523	
Wood Products		15,915	
Other Supplies and Materials		1,244	
Other Charges		3,011	
Total Highway and Bridge Maintenance			985,218

Operation and Maintenance of Equipment

Mechanic(s)	\$	111,083
Freight Expenses		1,839
Maintenance & Repair Services - Equipment		10,268

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Maintenance & Repair Services - Vehicles	\$	26,239	
Diesel Fuel		144,819	
Equipment Parts - Light		3,998	
Equipment and Machinery Parts		99,643	
Garage Supplies		7,776	
Gasoline		73,831	
Lubricants		14,214	
Tires and Tubes		36,767	
Other Supplies and Materials		3,347	
Total Operation and Maintenance of Equipment	\$		533,824

Other Charges

Communication	\$	12,142	
Electricity		4,783	
Food Supplies		3,463	
Water and Sewer		1,132	
Trustee's Commission		20,279	
Vehicle and Equipment Insurance		70,054	
Other Charges		2,863	
Total Other Charges			114,716

Employee Benefits

Social Security	\$	52,382	
State Retirement		41,256	
Unemployment Compensation		8,604	
Workers' Compensation Insurance		54,119	
Total Employee Benefits			156,361

Capital Outlay

Engineering Services	\$	28,556	
Other Road Supplies		604,886	
Bridge Construction		184,026	
Highway Equipment		3,702	
Total Capital Outlay			821,170

Total Highway/Public Works Fund \$ 2,754,982

(Continued)

Exhibit I-6

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 86,137	
Total General Government		\$ 86,137

Highways and Streets

Principal on Notes	\$ 193,200	
Total Highways and Streets		193,200

Education

Principal on Bonds	\$ 605,000	
Total Education		605,000

Interest on Debt

General Government

Interest on Notes	\$ 4,187	
Total General Government		4,187

Highways and Streets

Interest on Notes	\$ 7,646	
Total Highways and Streets		7,646

Education

Interest on Bonds	\$ 682,576	
Other Debt Service	1,625	
Total Education		684,201

Other Debt Service

General Government

Trustee's Commission	\$ 17,263	
Other Debt Service	773	
Total General Government		18,036

Total General Debt Service Fund		\$ 1,598,407
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General Capital Projects Fund

Public Health and Welfare

Other Waste Disposal

Maintenance & Repair Services - Equipment	\$ 3,572	
Motor Vehicles	9,000	
Total Other Waste Disposal		\$ 12,572

(Continued)

Exhibit I-6

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

General Capital Projects Fund (Cont.)

Capital Projects

General Administration Projects

Trustee's Commission	\$	1,008	
Other Debt Issuance Charges		75,826	
Building Improvements		111,836	
Land		23,340	
Maintenance Equipment		6,164	
Motor Vehicles		3,700	
Office Equipment		29,292	
Other Equipment		1,415	
Other Construction		179,630	
Total General Administration Projects			\$ 432,211

Other General Government Projects

Maintenance & Repair Services - Buildings	\$	5,000	
Motor Vehicles		9,606	
Total Other General Government Projects			14,606

Education Capital Projects

Contributions	\$	3,348,538	
Total Education Capital Projects			3,348,538

Total General Capital Projects Fund \$ 3,807,927

Community Development/Industrial Park Fund

Capital Projects

Social, Cultural, and Recreation Projects

Consultants	\$	29,445	
Contributions		12,000	
Road Signs		712	
Trustee's Commission		1,668	
Other Construction		17,312	
Total Social, Cultural, and Recreation Projects			\$ 61,137

Total Community Development/Industrial Park Fund 61,137

Nursing Home Projects Fund

Public Health and Welfare

Nursing Home

Building Improvements	\$	1,148,448	
Total Nursing Home			\$ 1,148,448

Total Nursing Home Projects Fund 1,148,448

(Continued)

Exhibit I-6

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

<u>Highway Capital Projects Fund</u>		
<u>Highways</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 493	
Total Other Charges		\$ 493
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Highway Construction	\$ 30,222	
Highway Equipment	41,247	
Land	20,000	
Building Purchases	<u>30,000</u>	
Total General Administration Projects		121,469
<u>Highway &amp; Street Capital Projects</u>		
Bridge Construction	\$ 63,460	
Highway Equipment	<u>122,481</u>	
Total Highway & Street Capital Projects		<u>185,941</u>
Total Highway Capital Projects Fund		<u>\$ 307,903</u>
Total Governmental Funds - Primary Government		<u>\$ 14,409,535</u>

Wayne County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund Type  
For the Year Ended June 30, 2006

	<u>Internal Service Fund</u> <u>Workers' Compensation Fund</u>
<u>Nonoperating Revenues</u>	
<u>Recurring Items</u>	
Investment Income	\$ 1,950
Total Revenues	<u>\$ 1,950</u>
<u>Operating Expenses</u>	
<u>Other Operations</u>	
<u>Employee Benefits</u>	
Other Self-Insured Claims	\$ 350
Total Expenses	<u>\$ 350</u>

Wayne 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	\$ 423,172
Total Cash Receipts	<u>\$ 423,172</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 419,023
Trustee's Commission	4,149
Total Cash Disbursements	<u>\$ 423,172</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**  
**WAYNE COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF WAYNE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*JERRY DURHAM, CPA, CGFM, CFE*  
*Auditor 4*

*KENT WHITE, CPA, CGFM, CFE*  
*RHONDA DAVIS, CFE*  
*WENDY HEATH, CFE*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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

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

## ***Scope***

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

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **WAYNE COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Purchase orders were not issued for some required purchases.
- ◆ The School Federal Projects Fund had a cash overdraft of \$97,992 and a fund deficit of \$81,151 at June 30, 2006. Additionally, accounting personnel did not calculate reserve balances for the various grants administered through the School Federal Projects Fund. Purchase orders were not issued for some required purchases under the Early Reading First federal program, and several programs had cash management deficiencies.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

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# INTRODUCTORY SECTION

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Wayne County School Officials  
June 30, 2006

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**Official**

Jerry Pigg, Director of Schools

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Joe Treece, Chairman  
Andy Yarbrough  
Robert Bevis

Patrick Blackburn  
Pat Brewer  
Barry Hanback

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## **FINANCIAL SECTION**

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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**

**INDEPENDENT AUDITOR'S REPORT**

August 14, 2006

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of each major fund of the Wayne County School Department, a component unit of Wayne County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 28, which collectively comprise a portion of the Wayne 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 Wayne 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 Wayne 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 Wayne 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 of the Wayne 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.

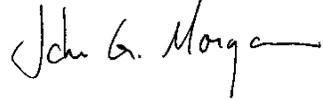
In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2006, on our consideration of the Wayne County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 31 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 Wayne County School Department's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Education Capital Projects	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 805,630	\$ 0	\$ 3,236,138	\$ 4,041,768
Due from Other Governments	489,852	118,982	0	608,834
Property Taxes Receivable	1,860,623	0	0	1,860,623
Allowance for Uncollectible Property Taxes	(53,416)	0	0	(53,416)
<b>Total Assets</b>	<b>\$ 3,102,689</b>	<b>\$ 118,982</b>	<b>\$ 3,236,138</b>	<b>\$ 6,457,809</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 218,346	\$ 25,364	\$ 0	\$ 243,710
Cash Overdraft	0	97,992	0	97,992
Deferred Revenue - Current Property Taxes	1,693,460	0	0	1,693,460
Deferred Revenue - Delinquent Property Taxes	102,897	0	0	102,897
Other Deferred Revenues	50,948	0	0	50,948
<b>Total Liabilities</b>	<b>\$ 2,065,651</b>	<b>\$ 123,356</b>	<b>\$ 0</b>	<b>\$ 2,189,007</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 220,647	\$ 75,670	\$ 545,928	\$ 842,245
Reserved for Career Ladder - Extended Contract	33,419	0	0	33,419
Reserved for Innovative Education Program Strategies	0	1,107	0	1,107
Unreserved, Reported In:				
General Fund	782,972	0	0	782,972
Special Revenue Funds	0	(81,151)	0	(81,151)
Capital Projects Funds	0	0	2,690,210	2,690,210
<b>Total Fund Balances</b>	<b>\$ 1,037,038</b>	<b>\$ (4,374)</b>	<b>\$ 3,236,138</b>	<b>\$ 4,268,802</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,102,689</b>	<b>\$ 118,982</b>	<b>\$ 3,236,138</b>	<b>\$ 6,457,809</b>

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

Exhibit B

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

	Major Funds			
	General Purpose School	School Federal Projects	Education Capital Projects	Total Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 2,424,152	\$ 0	\$ 0	\$ 2,424,152
Licenses and Permits	535	0	0	535
Charges for Current Services	172,079	0	0	172,079
Other Local Revenues	126,303	0	0	126,303
State of Tennessee	12,358,163	0	0	12,358,163
Federal Government	1,483,211	2,990,259	0	4,473,470
Other Governments and Citizens Groups	0	0	3,348,538	3,348,538
<b>Total Revenues</b>	<b>\$ 16,564,443</b>	<b>\$ 2,990,259</b>	<b>\$ 3,348,538</b>	<b>\$ 22,903,240</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,891,163	\$ 1,543,012	\$ 0	\$ 11,434,175
Support Services	4,968,400	324,946	0	5,293,346
Operation of Non-Instructional Services	1,369,590	1,170,874	0	2,540,464
Capital Outlay	10,047	48,597	0	58,644
Debt Service:				
Other Debt Service	200,000	0	0	200,000
Capital Projects	0	0	112,400	112,400
<b>Total Expenditures</b>	<b>\$ 16,439,200</b>	<b>\$ 3,087,429</b>	<b>\$ 112,400</b>	<b>\$ 19,639,029</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 125,243	\$ (97,170)	\$ 3,236,138	\$ 3,264,211
Net Change in Fund Balances	\$ 125,243	\$ (97,170)	\$ 3,236,138	\$ 3,264,211
Fund Balance, July 1, 2005	911,795	92,796	0	1,004,591
<b>Fund Balance, June 30, 2006</b>	<b>\$ 1,037,038</b>	<b>\$ (4,374)</b>	<b>\$ 3,236,138</b>	<b>\$ 4,268,802</b>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. Reporting Entity**

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

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

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

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

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

**Education Capital Projects Fund** – This fund accounts for debt issued by Wayne County that is subsequently contributed to the Wayne County School Department for building construction and renovations.

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

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Wayne County and Wayne 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, Solid Waste/Sanitation, Special Purpose, and Community Development/Industrial Park Funds. Wayne County and the Wayne 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**

All property taxes are shown with an allowance for uncollectibles. This allowance for uncollectible property taxes is equal to two percent of the 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. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**4. Compensated Absences**

The School Department does not have a policy to permit employees to accumulate earned but unused vacation leave. General policy of the School Department for all professional personnel (teachers) permits the unlimited accumulation (maximum of 20 days for support

personnel) of unused sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. Fund Equity**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the capital projects fund, which adopts project length budgets. 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 Wayne County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Instruction-Regular Instruction Program, Support Services-Attendance, Operation of Non-Instructional Services-Food Service, etc.). Management may make revisions within major categories, but only the Wayne 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 statement.

**B. Fund Deficit**

The School Federal Projects Fund (special revenue fund) had an undesignated fund deficit of \$81,151 at June 30, 2006. This fund deficit resulted from expenditures exceeding available funds. The fund deficit was liquidated subsequent to June 30, 2006.

**C. Cash Overdraft**

The School Federal Projects Fund had a cash overdraft of \$97,992 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2006.

**III. DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

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

**Deposits**

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

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

**Investments**

**Legal Provisions.** Wayne 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, Wayne County had the following investments carried at fair value or cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Wayne County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	\$ 11,702,238

**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. The School Department 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. The School Department has no investment policy that would further limit its investment choices. As of June 30, 2006, Wayne County’s investment in the State Treasurer’s Investment Pool was unrated.

#### IV. OTHER INFORMATION

##### A. Risk Management

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, casualty insurance, and workers’ compensation coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for property claims exceeding \$100,000, liability claims exceeding \$200,000, and workers’ compensation claims exceeding \$500,000.

In prior years, Wayne County and the School Department had chosen to establish the Workers' Compensation Fund for risks associated with workers' compensation claims. Even though Wayne County and the School Department have purchased commercial insurance coverage for workers' compensation claims, the Workers' Compensation Fund remains open to settle claims that were already in existence at July 1, 2002. The Workers' Compensation Fund is accounted for as an Internal Service Fund of the primary government in which assets are set aside for claim settlements administered by Brentwood Services Administrators, Inc. No further material claims that will be covered by self-insurance are expected to arise. Management intends to close the Workers' Compensation Fund prior to June 30, 2007.

**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 Wayne 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 Wayne 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**

The School Department is involved in several pending lawsuits. The county attorney estimates that the potential claims against the School Department 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 Wayne 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 Wayne 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](http://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 Wayne County School Department participates in Wayne County's plan, retirement information for the Wayne County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.G. of the Annual Financial Report of Wayne County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

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

Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://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 Wayne County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Wayne County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$571,936, \$555,051, and \$302,416, respectively, equal to the required contributions for each year.

### **E. Other Post-employment Benefits**

In addition to the retirement benefits described in Note IV. (D), the School Department provides employees the option of receiving post-retirement health care benefits or the payment of a retirement incentive based on accumulated sick leave at the rate of 50 percent of the regular daily salary for each day of sick leave. The post-retirement health care benefits are in accordance with contract provisions, to employees who retire with 30 years of service in the Wayne County School System, or who are age 60, until the employee is eligible for Medicare. Employees must be eligible for full retirement under Tennessee Consolidated Retirement System rules, not retired from another school system, and enrolled in the Wayne County Board of Education sponsored medical insurance plan prior to retirement. Currently, seven school retirees meet those eligibility requirements. The state pays for 45 percent of medical insurance coverage for retirees with 30 years of service. The School Department's post-retirement health care benefit plan will pay the remaining cost. Expenditures for post-retirement health care benefits are recognized as retirees report claims. Current-year expenditures of \$33,997 were recognized for post-employment health care.

**F. Purchasing Law**

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C-1

Wayne County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Wayne 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	
<b>Revenues</b>							
Local Taxes	\$ 2,424,152	\$ 0	\$ 0	\$ 2,424,152	\$ 2,410,400	\$ 2,410,400	\$ 13,752
Licenses and Permits	535	0	0	535	550	550	(15)
Charges for Current Services	172,079	0	0	172,079	206,250	206,250	(34,171)
Other Local Revenues	126,303	0	0	126,303	32,500	77,172	49,131
State of Tennessee	12,358,163	0	0	12,358,163	11,697,247	12,452,822	(94,659)
Federal Government	1,483,211	0	0	1,483,211	922,858	1,424,399	58,812
<b>Total Revenues</b>	<b>\$ 16,564,443</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 16,564,443</b>	<b>\$ 15,269,805</b>	<b>\$ 16,571,593</b>	<b>\$ (7,150)</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Regular Instruction Program	\$ 7,983,389	\$ (101,186)	\$ 77,080	\$ 7,959,283	\$ 7,516,457	\$ 8,042,024	\$ 82,741
Alternative Instruction Program	84,872	0	0	84,872	88,014	85,736	864
Special Education Program	1,102,307	(179)	29,284	1,131,412	1,089,339	1,131,412	0
Vocational Education Program	633,661	(2,256)	3,799	635,204	640,744	635,844	640
Adult Education Program	86,934	(10,249)	21,975	98,660	63,881	98,982	322
<b>Support Services</b>							
Attendance	71,877	0	90	71,967	56,646	72,803	836
Health Services	78,415	(2,738)	8,294	83,971	87,155	87,155	3,184
Other Student Support	330,010	(290)	971	330,691	334,829	337,486	6,795
Regular Instruction Program	641,361	(11,614)	16,447	646,194	585,375	650,558	4,364
Special Education Program	234,128	(159)	4,691	238,660	236,607	238,660	0
Vocational Education Program	104,506	(292)	292	104,506	100,899	104,591	85
Adult Programs	110,726	(2,547)	7,387	115,566	104,076	115,926	360
Board of Education	229,387	0	0	229,387	157,789	232,658	3,271
Director of Schools	128,508	(286)	279	128,501	132,089	130,330	1,829
Office of the Principal	611,514	0	0	611,514	608,802	625,322	13,808

(Continued)

Exhibit C-1

Wayne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Wayne 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	\$ 49,386	\$ (105)	\$ 0	\$ 49,281	\$ 50,153	\$ 50,303	\$ 1,022
Operation of Plant	1,304,138	0	3,262	1,307,400	1,149,870	1,307,431	31
Maintenance of Plant	252,847	(20,062)	22,447	255,232	264,287	259,837	4,605
Transportation	821,597	(8,342)	9,390	822,645	794,060	857,191	34,546
<u>Operation of Non-Instructional Services</u>							
Food Service	822,155	(3,954)	6,074	824,275	789,853	825,200	925
Community Services	170,678	(117)	75	170,636	163,880	170,780	144
Early Childhood Education	376,757	0	3,735	380,492	0	385,205	4,713
<u>Capital Outlay</u>							
Regular Capital Outlay	10,047	(5,075)	5,075	10,047	55,000	10,047	0
<u>Other Debt Service</u>							
Education	200,000	0	0	200,000	200,000	200,000	0
Total Expenditures	\$ 16,439,200	\$ (169,451)	\$ 220,647	\$ 16,490,396	\$ 15,269,805	\$ 16,655,481	\$ 165,085
Excess (Deficiency) of Revenues Over Expenditures							
	\$ 125,243	\$ 169,451	\$ (220,647)	\$ 74,047	\$ 0	\$ (83,888)	\$ 157,935
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 911,795	(169,451)	0	742,344	600,000	600,000	142,344
Fund Balance, June 30, 2006	\$ 1,037,038	\$ 0	\$ (220,647)	\$ 816,391	\$ 600,000	\$ 516,112	\$ 300,279

Exhibit C-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 2,990,259	\$ 0	\$ 0	\$ 2,990,259	\$ 3,542,123	\$ 3,609,920	\$ (619,661)
Total Revenues	\$ 2,990,259	\$ 0	\$ 0	\$ 2,990,259	\$ 3,542,123	\$ 3,609,920	\$ (619,661)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,028,151	\$ (2,321)	\$ 2,553	\$ 1,028,383	\$ 1,035,868	\$ 1,084,864	\$ 56,481
Special Education Program	456,871	(1,930)	4,146	459,087	549,412	549,257	90,170
Vocational Education Program	57,990	(783)	4,373	61,580	61,584	61,584	4
<u>Support Services</u>							
Other Student Support	13,902	0	0	13,902	13,991	13,991	89
Regular Instruction Program	211,630	(327)	158	211,461	232,858	214,239	2,778
Special Education Program	70,285	(455)	1,361	71,191	99,308	94,401	23,210
Vocational Education Program	748	0	252	1,000	1,000	1,000	0
Operation of Plant	588	0	0	588	3,753	588	0
Transportation	27,793	0	0	27,793	41,989	36,739	8,946
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	1,170,874	0	62,827	1,233,701	1,500,000	1,532,291	298,590
<u>Capital Outlay</u>							
Regular Capital Outlay	48,597	(29,875)	0	18,722	2,360	20,966	2,244
Total Expenditures	\$ 3,087,429	\$ (35,691)	\$ 75,670	\$ 3,127,408	\$ 3,542,123	\$ 3,609,920	\$ 482,512
Excess (Deficiency) of Revenues Over Expenditures							
	\$ (97,170)	\$ 35,691	\$ (75,670)	\$ (137,149)	\$ 0	\$ 0	\$ (137,149)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 92,796	(35,691)	0	57,105	0	0	57,105
Fund Balance, June 30, 2006	\$ (4,374)	\$ 0	\$ (75,670)	\$ (80,044)	\$ 0	\$ 0	\$ (80,044)

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

**A. BUDGETARY INFORMATION**

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

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

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

**B. FUND DEFICIT**

The School Federal Projects Fund (special revenue fund) had an undesignated fund deficit of \$81,151 at June 30, 2006. This fund deficit resulted from expenditures exceeding available funds. The deficit was liquidated subsequent to June 30, 2006.

**C. CASH OVERDRAFT**

The School Federal Projects Fund had a cash overdraft of \$97,992 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2006.

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## MISCELLANEOUS SCHEDULES

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Wayne County, Tennessee  
Schedule of Salary and Official Bond of Principal Official  
Wayne 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 Local Board of Education	\$ 79,517 (1) \$	50,000	State Automobile Mutual Insurance Company
<u>Other Bonds</u>				
Employees			150,000	Tennessee School Boards Risk Management Trust

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

Exhibit D-2

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

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,568,679	\$ 0	\$ 0	\$ 1,568,679
Trustee's Collections - Prior Year	126,267	0	0	126,267
Circuit/Clerk & Master Collections - Prior Years	36,172	0	0	36,172
Interest and Penalty	19,384	0	0	19,384
Payments in-Lieu-of Taxes - T.V.A.	10,635	0	0	10,635
<u>County Local Option Taxes</u>				
Local Option Sales Tax	596,749	0	0	596,749
Other County Local Option Taxes	63,393	0	0	63,393
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	2,873	0	0	2,873
Total Local Taxes	\$ 2,424,152	\$ 0	\$ 0	\$ 2,424,152
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 535	\$ 0	\$ 0	\$ 535
Total Licenses and Permits	\$ 535	\$ 0	\$ 0	\$ 535
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 100	\$ 0	\$ 0	\$ 100
School Based Health Services - FFS	12	0	0	12
Receipts from Individual Schools	52,694	0	0	52,694
Community Service Fees - Children	88,322	0	0	88,322
Community Service Fees - Adults	24,930	0	0	24,930
<u>Other Charges for Services</u>				
Other Charges for Services	6,021	0	0	6,021
Total Charges for Current Services	\$ 172,079	\$ 0	\$ 0	\$ 172,079
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 45,085	\$ 0	\$ 0	\$ 45,085
Lease/Rentals	5,230	0	0	5,230
<u>Nonrecurring Items</u>				
Insurance Recovery	25,653	0	0	25,653
Sale of Equipment	6,479	0	0	6,479
Damages Recovered from Individuals	108	0	0	108
Contributions & Gifts	43,286	0	0	43,286
<u>Other Local Revenues</u>				
Other Local Revenues	462	0	0	462
Total Other Local Revenues	\$ 126,303	\$ 0	\$ 0	\$ 126,303
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 11,433,791	\$ 0	\$ 0	\$ 11,433,791
School Food Service	14,449	0	0	14,449
Driver Education	9,000	0	0	9,000
Other State Education Funds	559,893	0	0	559,893
Career Ladder Program	218,608	0	0	218,608

(Continued)

Exhibit D-2

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

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 121,702	\$ 0	\$ 0	\$ 121,702
<u>Other State Revenues</u>				
Mixed Drink Tax	485	0	0	485
Other State Revenues	235	0	0	235
Total State of Tennessee	\$ 12,358,163	\$ 0	\$ 0	\$ 12,358,163
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 488,439	\$ 0	\$ 0	\$ 488,439
Breakfast	194,668	0	0	194,668
USDA - Other	74,634	0	0	74,634
Adult Education State Grant Program	131,697	0	0	131,697
Vocational Education - Basic Grants to States	0	76,575	0	76,575
Title I Grants to Local Education Agencies	0	581,097	0	581,097
Innovative Education Program Strategies	0	111,844	0	111,844
Special Education - Grants to States	29,596	498,906	0	528,502
Special Education Preschool Grants	0	13,471	0	13,471
Eisenhower Professional Development State Grants	0	172,207	0	172,207
Other Federal through State	564,177	1,536,159	0	2,100,336
Total Federal Government	\$ 1,483,211	\$ 2,990,259	\$ 0	\$ 4,473,470
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 0	\$ 0	\$ 3,348,538	\$ 3,348,538
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 3,348,538	\$ 3,348,538
Total	\$ 16,564,443	\$ 2,990,259	\$ 3,348,538	\$ 22,903,240

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,641,572	
Career Ladder Program	139,875	
Career Ladder Extended Contracts	49,000	
Homebound Teachers	1,906	
Educational Assistants	171,946	
Other Salaries & Wages	45,619	
Certified Substitute Teachers	14,258	
Non-certified Substitute Teachers	100,290	
Social Security	355,470	
State Retirement	336,395	
Medical Insurance	434,390	
Unemployment Compensation	14,114	
Employer Medicare	83,138	
Maintenance & Repair Services - Equipment	847	
Instructional Supplies and Materials	279,240	
Textbooks	127,043	
Other Supplies and Materials	29,566	
Other Charges	10,546	
Regular Instruction Equipment	148,174	
Total Regular Instruction Program		\$ 7,983,389

Alternative Instruction Program

Teachers	\$ 66,920	
Career Ladder Program	2,000	
Career Ladder Extended Contracts	2,000	
Social Security	4,079	
State Retirement	3,901	
Medical Insurance	4,515	
Unemployment Compensation	103	
Employer Medicare	954	
Other Supplies and Materials	400	
Total Alternative Instruction Program		84,872

Special Education Program

Teachers	\$ 859,948
Career Ladder Program	10,000
Homebound Teachers	9,893
Educational Assistants	35,039
Certified Substitute Teachers	573

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$ 12,700	
Social Security	54,952	
State Retirement	50,276	
Medical Insurance	49,235	
Unemployment Compensation	1,928	
Employer Medicare	12,852	
Other Supplies and Materials	4,911	
Total Special Education Program		\$ 1,102,307

Vocational Education Program

Teachers	\$ 475,341	
Career Ladder Program	9,500	
Career Ladder Extended Contracts	2,000	
Certified Substitute Teachers	225	
Non-certified Substitute Teachers	9,000	
Social Security	28,215	
State Retirement	26,611	
Medical Insurance	39,902	
Unemployment Compensation	976	
Employer Medicare	6,599	
Instructional Supplies and Materials	16,696	
Textbooks	3,194	
Other Supplies and Materials	2,400	
Vocational Instruction Equipment	13,002	
Total Vocational Education Program		633,661

Adult Education Program

Teachers	\$ 48,274	
Social Security	2,895	
State Retirement	2,287	
Medical Insurance	1,389	
Unemployment Compensation	195	
Employer Medicare	677	
Instructional Supplies and Materials	23,615	
Other Equipment	7,602	
Total Adult Education Program		86,934

(Continued)

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	53,735	
Other Salaries & Wages		2,000	
Social Security		3,071	
State Retirement		3,065	
Medical Insurance		5,593	
Unemployment Compensation		70	
Employer Medicare		718	
Travel		764	
Other Supplies and Materials		2,861	
Total Attendance			\$ 71,877

Health Services

Medical Personnel	\$	14,743	
Other Salaries & Wages		45,487	
Social Security		3,313	
State Retirement		2,808	
Medical Insurance		3,939	
Unemployment Compensation		320	
Employer Medicare		775	
Travel		628	
Drugs and Medical Supplies		3,763	
Other Supplies and Materials		2,639	
Total Health Services			78,415

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		238,491	
Career Ladder Extended Contracts		4,000	
Social Workers		16,988	
Social Security		14,988	
State Retirement		14,601	
Medical Insurance		22,096	
Unemployment Compensation		455	
Employer Medicare		3,505	
Evaluation and Testing		3,572	
Other Supplies and Materials		1,200	
Other Charges		4,114	
Total Other Student Support			330,010

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	70,486	
Career Ladder Program		15,000	
Career Ladder Extended Contracts		12,923	
Librarians		275,268	
Instructional Computer Personnel		54,858	
Clerical Personnel		5,836	
Social Security		24,883	
State Retirement		24,086	
Medical Insurance		31,405	
Unemployment Compensation		657	
Employer Medicare		5,819	
Consultants		5,000	
Travel		45,470	
Library Books/Media		36,529	
Other Supplies and Materials		2,144	
In Service/Staff Development		17,263	
Other Equipment		13,734	
Total Regular Instruction Program			\$ 641,361

Special Education Program

Supervisor/Director	\$	54,153	
Career Ladder Program		5,000	
Psychological Personnel		47,115	
Career Ladder Extended Contracts		2,000	
Assessment Personnel		88,265	
Social Security		11,341	
State Retirement		10,809	
Medical Insurance		10,293	
Unemployment Compensation		280	
Employer Medicare		2,652	
Travel		2,061	
Other Supplies and Materials		159	
Total Special Education Program			234,128

Vocational Education Program

Supervisor/Director	\$	54,996	
Secretary(ies)		13,841	
Other Salaries & Wages		13,747	
Social Security		4,990	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

State Retirement	\$	4,618	
Medical Insurance		2,939	
Unemployment Compensation		204	
Employer Medicare		1,167	
Travel		3,575	
Other Charges		4,429	
Total Vocational Education Program			\$ 104,506

Adult Programs

Supervisor/Director	\$	53,304	
Career Ladder Program		1,250	
Other Salaries & Wages		15,344	
Social Security		4,311	
State Retirement		3,866	
Medical Insurance		5,463	
Unemployment Compensation		131	
Employer Medicare		1,008	
Travel		4,295	
Other Contracted Services		5,129	
In Service/Staff Development		3,613	
Other Charges		13,012	
Total Adult Programs			110,726

Board of Education

Board and Committee Members Fees	\$	3,438	
Social Security		213	
Unemployment Compensation		34	
Employer Medicare		50	
Audit Services		15,000	
Dues and Memberships		6,846	
Legal Services		78	
Travel		1,410	
Trustee's Commission		80,520	
Workers' Compensation Insurance		119,457	
In Service/Staff Development		519	
Criminal Investigation of Applicants - TBI		1,104	
Other Charges		718	
Total Board of Education			229,387

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	79,517	
Secretary(ies)		15,600	
Social Security		5,506	
State Retirement		5,298	
Medical Insurance		5,936	
Unemployment Compensation		127	
Employer Medicare		1,288	
Other Fringe Benefits		1,355	
Communication		5,550	
Dues and Memberships		1,169	
Maintenance & Repair Services - Equipment		1,885	
Postal Charges		2,025	
Travel		570	
Office Supplies		2,682	
Total Director of Schools			\$ 128,508

Office of the Principal

Principals	\$	402,941	
Career Ladder Program		9,000	
Career Ladder Extended Contracts		4,000	
Secretary(ies)		89,709	
Other Salaries & Wages		423	
Social Security		29,632	
State Retirement		28,064	
Medical Insurance		26,921	
Unemployment Compensation		1,047	
Employer Medicare		6,930	
Communication		8,300	
Dues and Memberships		3,500	
Office Supplies		657	
Other Supplies and Materials		390	
Total Office of the Principal			611,514

Fiscal Services

Accountants/Bookkeepers	\$	24,607	
Social Security		1,509	
State Retirement		1,417	
Medical Insurance		12,127	
Unemployment Compensation		60	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Employer Medicare	\$	353	
Data Processing Services		5,477	
Data Processing Supplies		3,731	
Administration Equipment		105	
Total Fiscal Services			\$ 49,386

Operation of Plant

Custodial Personnel	\$	261,028	
Other Salaries & Wages		1,442	
Social Security		15,837	
State Retirement		11,978	
Medical Insurance		5,747	
Unemployment Compensation		1,672	
Employer Medicare		3,704	
Other Contracted Services		75,827	
Custodial Supplies		45,790	
Electricity		513,421	
Natural Gas		215,716	
Water and Sewer		43,306	
Other Supplies and Materials		583	
Building and Contents Insurance		108,087	
Total Operation of Plant			1,304,138

Maintenance of Plant

Maintenance Personnel	\$	130,347	
Social Security		7,403	
State Retirement		7,498	
Medical Insurance		1,627	
Unemployment Compensation		330	
Employer Medicare		1,731	
Communication		332	
Maintenance & Repair Services - Buildings		42,666	
Maintenance & Repair Services - Equipment		41,885	
Maintenance & Repair Services - Vehicles		235	
Travel		3	
Other Contracted Services		16,621	
Gasoline		30	
Other Supplies and Materials		1,529	
Other Charges		610	
Total Maintenance of Plant			252,847

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Mechanic(s)	\$	84,324	
Bus Drivers		382,869	
Other Salaries & Wages		21,005	
Social Security		28,451	
State Retirement		25,398	
Medical Insurance		12,975	
Unemployment Compensation		2,883	
Employer Medicare		6,654	
Communication		1,689	
Contracts with Parents		329	
Medical and Dental Services		2,584	
Other Contracted Services		23,764	
Diesel Fuel		147,385	
Garage Supplies		3,152	
Gasoline		35,119	
Lubricants		2,868	
Tires and Tubes		16,013	
Vehicle Parts		21,830	
In Service/Staff Development		912	
Other Charges		1,393	
Total Transportation			\$ 821,597

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	36,031
Accountants/Bookkeepers		1,404
Cafeteria Personnel		14,201
Other Salaries & Wages		10,411
Social Security		3,847
State Retirement		3,355
Medical Insurance		550
Unemployment Compensation		173
Employer Medicare		900
Maintenance & Repair Services - Equipment		5,250
Payments to Schools - Breakfast		194,668
Payments to Schools - Lunch		488,439
Payments to Schools - Other		13,882
Transportation - Other than Students		8,936
Travel		1,098

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Food Supplies	\$	28,223	
Office Supplies		1,309	
Utilities		8,765	
Other Charges		386	
Food Service Equipment		327	
Total Food Service			\$ 822,155

Community Services

Teachers	\$	47,708	
Other Salaries & Wages		97,541	
Social Security		8,858	
State Retirement		7,851	
Medical Insurance		4,500	
Unemployment Compensation		803	
Employer Medicare		2,072	
Travel		482	
Other Supplies and Materials		717	
Other Charges		146	
Total Community Services			170,678

Early Childhood Education

Teachers	\$	190,287	
Educational Assistants		87,850	
Other Salaries & Wages		9,525	
Non-certified Substitute Teachers		5,675	
Social Security		17,383	
State Retirement		16,140	
Medical Insurance		13,996	
Unemployment Compensation		834	
Employer Medicare		4,065	
Other Contracted Services		1,001	
Instructional Supplies and Materials		15,376	
In Service/Staff Development		14,625	
Total Early Childhood Education			376,757

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	8,840	
Site Development		1,207	
Total Regular Capital Outlay			10,047

(Continued)

Exhibit D-3

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 200,000	
Total Education		<u>\$ 200,000</u>

Total General Purpose School Fund \$ 16,439,200

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 749,411	
Educational Assistants	52,493	
Other Salaries & Wages	121	
Non-certified Substitute Teachers	14,354	
Social Security	47,342	
State Retirement	44,830	
Medical Insurance	53,605	
Unemployment Compensation	2,471	
Employer Medicare	11,207	
Other Contracted Services	3,750	
Instructional Supplies and Materials	38,665	
Other Supplies and Materials	7,333	
Regular Instruction Equipment	<u>2,569</u>	
Total Regular Instruction Program		\$ 1,028,151

Special Education Program

Teachers	\$ 37,726
Educational Assistants	206,510
Other Salaries & Wages	43,801
Certified Substitute Teachers	98
Non-certified Substitute Teachers	10,361
Social Security	18,172
State Retirement	17,180
Medical Insurance	15,151
Unemployment Compensation	1,638
Employer Medicare	4,251
Contracts with Private Agencies	2,804
Maintenance & Repair Services - Equipment	1,746
Other Contracted Services	26,224
Instructional Supplies and Materials	22,050
Textbooks	5,079

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	30,049	
Other Charges		12,334	
Special Education Equipment		1,697	
Total Special Education Program			\$ 456,871

Vocational Education Program

Travel	\$	3,000	
Instructional Supplies and Materials		5,047	
Vocational Instruction Equipment		49,943	
Total Vocational Education Program			57,990

Support Services

Other Student Support

Social Security	\$	414	
State Retirement		380	
Unemployment Compensation		13	
Employer Medicare		97	
Travel		4,998	
Other Contracted Services		7,000	
In Service/Staff Development		1,000	
Total Other Student Support			13,902

Regular Instruction Program

Supervisor/Director	\$	92,878	
Secretary(ies)		3,068	
Social Security		5,961	
State Retirement		5,649	
Medical Insurance		479	
Unemployment Compensation		106	
Employer Medicare		1,394	
Consultants		27,722	
Travel		3,354	
Other Contracted Services		1,013	
In Service/Staff Development		70,006	
Total Regular Instruction Program			211,630

Special Education Program

Supervisor/Director	\$	4,923	
Secretary(ies)		19,690	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Clerical Personnel	\$	429	
Social Security		1,650	
State Retirement		1,639	
Unemployment Compensation		74	
Employer Medicare		386	
Consultants		1,030	
Travel		11,986	
Other Supplies and Materials		3,237	
In Service/Staff Development		7,975	
Other Charges		3,010	
Other Equipment		14,256	
Total Special Education Program			\$ 70,285

Vocational Education Program

Other Charges	\$	748	
Total Vocational Education Program			748

Operation of Plant

Electricity	\$	588	
Total Operation of Plant			588

Transportation

Bus Drivers	\$	11,360	
Social Security		584	
State Retirement		1,343	
Unemployment Compensation		35	
Employer Medicare		137	
Transportation Equipment		14,334	
Total Transportation			27,793

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	399,853	
Clerical Personnel		15,338	
Educational Assistants		164,577	
Other Salaries & Wages		78,610	
Non-certified Substitute Teachers		13,811	
Social Security		37,993	
State Retirement		37,109	

(Continued)

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

School Federal Projects Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Medical Insurance	\$	15,071	
Unemployment Compensation		1,658	
Employer Medicare		9,563	
Contracts with Other School Systems		10,000	
Contracts with Private Agencies		203,017	
Maintenance & Repair Services - Equipment		14,360	
Travel		13,883	
Other Contracted Services		10,088	
Instructional Supplies and Materials		30,423	
In Service/Staff Development		16,094	
Other Charges		10,071	
Other Equipment		<u>89,355</u>	
Total Early Childhood Education			\$ 1,170,874

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	<u>48,597</u>	
Total Regular Capital Outlay			<u>48,597</u>

Total School Federal Projects Fund \$ 3,087,429

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	98,567	
Other Contracted Services		3,836	
Building Improvements		<u>9,997</u>	
Total Education Capital Projects			\$ <u>112,400</u>

Total Education Capital Projects Fund 112,400

Total Governmental Funds - Wayne County School Department \$ 19,639,029

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

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*JERRY DURHAM, CPA, CGFM, CFE*  
*Auditor 4*

*KENT WHITE, CPA, CGFM, CFE*  
*RHONDA DAVIS, CFE*  
*WENDY HEATH, CFE*  
*State Auditors*

This report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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

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

August 14, 2006

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Wayne County, Tennessee, and the Wayne County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Wayne County's and the Wayne County School Department's basic financial statements and have issued our reports thereon dated August 14, 2006. Our reports on the financial statements of Wayne County, Tennessee, and the Wayne County School Department express adverse opinions because 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 Wayne County's and the Wayne 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 Wayne County's and the Wayne 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, 06.04, 06.06, 06.07, 06.08, 06.10, 06.11, and 06.12.

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

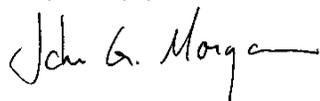
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County's and the Wayne County School Department's statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.03, 06.05, and 06.09.

We also noted certain matters that we reported to the management of Wayne County and the Wayne 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

August 14, 2006

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

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

Compliance

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

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

#### Internal Control Over Compliance

Wayne County's and the Wayne County School Department's management are 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 Wayne County's and the Wayne 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 matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Wayne County School Department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. These reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.07 and 06.13.

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

#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Wayne County, Tennessee, and the Wayne County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated August 14, 2006. Our reports on the financial statements of Wayne County and the Wayne County School Department express adverse opinions because 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

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Watershed Surveys and Planning	10.906	N/A	\$ 272,927
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	N/A	75,598
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	194,668
National School Lunch Program	10.555	N/A	488,439
Summer Food Service Program for Children	10.559	N/A	74,634
Total U.S. Department of Agriculture			\$ 1,106,266
U.S. Department of the Interior:			
Direct Program:			
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228	N/A	\$ 7,500
Total U.S. Department of the Interior			\$ 7,500
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-13(19)	\$ 267,566
Total U.S. Department of Transportation			\$ 267,566
U.S. Department of Education:			
Direct Program:			
Early Reading First	84.359B	N/A	\$ 1,402,776
Passed-through The University of Tennessee:			
Adult Education - State Grant Program	84.002	(2)	2,350 (3)
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	(4)	131,697 (3)
Title 1 Grants to Local Educational Agencies	84.010	N/A	656,087
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	564,037
Special Education - Preschool Grants	84.173	N/A	17,499
Vocational Education - Basic Grants to States	84.048	N/A	72,641
Safe and Drug Free Schools and Communities - State Grant	84.186	(2)	15,664
Even Start State Educational Agencies	84.213C	(2)	109,179
Twenty-First Century Community Learning Centers	84.287C	(2)	222,719
State Grants for Innovative Programs	84.298	N/A	8,617
Educational Technology State Grants	84.318	(2)	12,836
Reading First State Grants	84.357	(2)	250,641
Rural Education	84.358	N/A	105,119
Improving Teacher Quality State Grants	84.367	N/A	152,570
Total U.S. Department of Education			\$ 3,724,432
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-06-027233-00	\$ 16,149
Passed-through State Department of Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	GG-06-11773-00	19,362
Total U.S. Department of Health and Human Services			\$ 35,511
U.S. Department of Homeland Security:			
Passed-through Lawrence County, Tennessee:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	GG-05-11617-00	\$ 11,908 (5)

(Continued)

Wayne County, Tennessee, and the Wayne 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. Department of Homeland Security (Cont.):			
Passed-through State Department of Military:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	(6)	\$ 66,050 (5)
Homeland Security Grant Program	97.067	Z-05-025220-00	3,295
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z-03-017995-00	93,279
Emergency Management Performance Grants	97.042	Z-06-032864-00	789
Total U.S. Department of Homeland Security			<u>\$ 175,321</u>
Total Expenditures of Federal Awards			<u>\$ 5,316,596</u>

<u>State Grants</u>		<u>Contract Number</u>	Expenditures
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 7,591
Rural Local Health Services - State Department of Health	N/A	(7)	36,320
Litter Program - State Department of Transportation	N/A	Z-06-028021-00	30,998
Gates Library Computer Grants - State Department of State	N/A	Z-06-033633-00	4,000
Early Childhood Education - State Department of Education	N/A	(2)	195,000
Adult Basic Education - State Department of Education	N/A	(8)	35,008
SSMS Regional User Group Grant - State Department of Education	N/A	GG-06-11929-00	4,151
Family Resource Center - State Department of Education	N/A	(2)	33,300
Families First - State Department of Education	N/A	Z-06-027233-00	8,691
Model Dropout Prevention Grant - State Department of Education	N/A	(2)	9,500
Safe Schools Act of 2001 - State Department of Education	N/A	(2)	17,395
Lottery for Education Afterschool Program - State Department of Education	N/A	(2)	72,000
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	24,930
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-06-002657-00	9,000
Total State Grants			<u>\$ 487,884</u>

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

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.  
(2) - Information not available.  
(3) - Total Adult Education State Grant Program (CFDA No. 84.002) from the U.S. Department of Education \$134,047.  
(4) - Z-06-027832-00: \$111,680; Z-05-022279-00: \$20,017  
(5) - Total Homeland Security Grant Program (CFDA No. 97.004) from the U.S. Department of Homeland Security \$77,958.  
(6) - Z-04-022505-00: \$21,598; Z-04-022505-02: \$44,452  
(7) - Z-05-020525-01: \$6,029; Z-06-025993-00: \$30,291  
(8) - Z-06-027832-00: \$29,687; Z-05-022279-00: \$5,321

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

**WAYNE COUNTY AND WAYNE COUNTY SCHOOL DEPARTMENT**

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

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
05.03(A,B)	14	The office had deficiencies in its purchasing procedures
05.04	14	The office had deficiencies in budget operations
05.05	15	The office had not implemented adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
05.17(A)	28	The office had deficiencies in its purchasing procedures
05.18(A)	29	The office had deficiencies in the administration of federal grants

**OFFICE OF TRUSTEE**

Finding Number	Page Number	Subject
05.19(A,B)	30	Revenues were not placed in the proper accounts

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
05.20	31	The office did not deposit funds within three days of collection

**OFFICE OF SHERIFF**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
05.21	31	Internal controls over receiving and storing evidence and seized property were not adequate

**OTHER FINDINGS**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
05.24	33	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
05.25	33	A central system of accounting, budgeting, and purchasing had not been adopted

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Adverse opinions were issued on the financial statements of Wayne County and the Wayne County School Department.
2. The audit of the financial statements of Wayne County and the Wayne County School Department disclosed reportable conditions in internal control.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Wayne County, and one instance of noncompliance that is material to the financial statements of the Wayne 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, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, 10.559); the Early Reading First (CFDA No. 84.359B); and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Wayne County and the Wayne 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 director of schools and the sheriff 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.

### WAYNE COUNTY AND WAYNE 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)

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

### RECOMMENDATION

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

**OFFICE OF COUNTY MAYOR**

**FINDING 06.02      THE OFFICE HAD DEFICIENCIES IN ITS PURCHASING PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit disclosed the following deficiencies in purchasing procedures:

- A. Purchase orders were not issued for some required purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In a few instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.
- C. Wayne County operates under the State of Tennessee’s Comprehensive Travel Regulations to govern travel by county employees. In several instances travel expenses were not adequately documented, and reimbursements for mileage varied from the approved state rate.

**RECOMMENDATION**

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made. Travel claims should be adequately documented and reimbursed at the authorized rates.

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**FINDING 06.03      EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Other General Administration and Miscellaneous major appropriation categories (the legal level of control) of the General Fund by \$470 and \$16,234, respectively, and in the Discounts on Debt Issued major appropriation category of the General Capital Projects Fund by \$94,500.

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission, as required by state statute.

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FINDING 06.04      **THE OFFICE HAS NOT IMPLEMENTED ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES AGAINST UNAUTHORIZED ACCESS, MODIFICATION, DESTRUCTION, OR DISCLOSURE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of County Mayor has not implemented adequate controls to protect its information resources against unauthorized access. The failure to provide such controls increases the risk that individuals could inappropriately access and manipulate the county’s sensitive information.

This finding does not identify specific vulnerabilities that could allow someone to exploit the office’s information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. We provided the official with detailed information regarding the specific vulnerabilities we identified, as well as our recommendation for improvement.

RECOMMENDATION

The Office of County Mayor should ensure that adequate controls over information systems and the resources associated with those systems are implemented. The office should take steps to establish or improve any compensating controls until these conditions are remedied.

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**OFFICE OF SUPERINTENDENT OF HIGHWAYS**

FINDING 06.05      **EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Highway and Bridge Maintenance major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$6,272.

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments,

commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

**RECOMMENDATION**

Expenditures should be held within appropriations approved by the County Commission, as required by state statute.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 06.06      THE OFFICE DID NOT ALWAYS ISSUE PURCHASE ORDERS  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Purchase orders were not issued for some required purchases. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments.

**RECOMMENDATION**

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases.

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**FINDING 06.07      THE OFFICE HAD DEFICIENCIES IN THE  
ADMINISTRATION OF FEDERAL GRANTS  
(Internal Control – Reportable Condition Under Government Auditing Standards and Under OMB Circular A-133)**

Our audit disclosed the following deficiencies in the School Federal Projects Fund related to the administration of federal grants:

- A. The School Federal Projects Fund had a cash overdraft of \$97,992 at June 30, 2006. This cash overdraft resulted from the issuance of warrants that exceeded cash on deposit with the county trustee.
  
- B. Four of the nine federal programs had individual project fund deficits at June 30, 2006. The School Federal Projects Fund had a total fund deficit of \$81,151 at June 30, 2006. This fund deficit occurred because School Department personnel had not requested grant reimbursements on a timely basis. The fund deficit reflected in this report is less than the fund deficit reflected on School Department records. This is attributable to school records not reflecting a grant receivable of \$65,042 at June 30, 2006. This grant

receivable has been properly reflected in the financial statements of this report.

- C. Accounting personnel did not calculate reserve balances for the various grants administered through the School Federal Projects Fund. It is important to calculate year-end reserve balances since these amounts can be carried forward and expended in future periods.
- D. Purchase orders were not issued for some required purchases under the Early Reading First grant (CFDA No. 84.359B). Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments. Other documentation was on file to support the purchasing process, and the purchases in question were allowable under the program.
- E. The School Department does not designate a person to be responsible for monitoring the request and subsequent receipt of grant reimbursements. This resulted in a December 2005 reimbursement payment (\$15,937) for the Improving Teacher Quality State Grants program (CFDA No. 84.367) being mistakenly deposited into the Education Technology State Grants program (CFDA No. 84.318). This error went undetected until discovered by auditors in July 2006. The posting error caused grant administrators to assume the Improving Teacher Quality State Grants program was short of funds; therefore, a second request for reimbursement was made. The second reimbursement was received, properly deposited, and expended from the Improving Teacher Quality State Grants program. However, the Education Technology State Grants program had excess funds in the amount of \$12,469 at June 30, 2006. OMB Circular A-133 requires that the time between the requests for federal funds and the disbursement of federal funds be minimized.

#### RECOMMENDATION

- A. The office should liquidate the cash overdraft and should not issue warrants in excess of cash on deposit with the county trustee.
- B. Management should liquidate the fund deficit in the School Federal Projects Fund. Requests for reimbursements of grant funds should be filed on a timely basis, and grant receivables should be properly posted.
- C. Accounting personnel should compare revenues and expenditures for legally restricted federal revenues to determine the correct amount of reserves that should be recorded at year-end.
- D. To strengthen internal controls over the purchasing process and to document purchasing commitments, the department should issue purchase orders for all applicable purchases.

- E. Requests and reimbursements for federal funds should be monitored by grant administrators to ensure proper accountability. The time between the requests for federal funds and the disbursement of federal funds should be minimized in accordance with OMB Circular A-133 guidelines.

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

- A. Checks for the July and August payrolls are written in June but not issued until July and August. The FACTS system requires funds to be expended within 72 hours of receipt. Although funds for reimbursement were not requested in June, a cash overdraft did not actually occur because the checks, though written, were not issued and the funds were requested prior to issuing the checks.
- B. School Department personnel will request reimbursement of federal projects in a more timely manner.
- C. Accounting personnel will calculate reserve balances for the various federal projects administered by the school system.
- D. The school system met the requirement to utilize purchase orders in eight of the nine federal projects administered by the system and will increase our efforts to issue purchase orders to document purchasing commitments in all federal projects.
- E. Requests for federal funds will be monitored by grant administrators to make certain funds are received and placed in the proper category.

**REBUTTAL TO MANAGEMENT'S RESPONSE - 06.07(A)**

A cash overdraft did occur because the July and August checks were written and charged against the fund's cash on deposit with the trustee account prior to cash being received from the state to cover these checks.

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**OFFICE OF TRUSTEE**

**FINDING 06.08      **REVENUES WERE NOT RECORDED IN THE PROPER ACCOUNTS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Our examination disclosed several instances where revenues were not allocated and/or coded to the proper revenue accounts and funds:

- A. A Health Department Grant (\$21,904) was improperly coded to the General Purpose School Fund rather than the General Fund.

- B. Wheel tax collections (\$74,653) were improperly allocated between the General Debt Service Fund and the General Fund.
- C. The trustee did not allocate July 2005 investment earnings (\$5,102) in accordance with the budget resolution.
- D. The trustee used the 2003 tax levy to allocate delinquent tax collections for the months of July 2005 through February 2006. The 2005 tax levy should have been used according to the county's appropriating resolution.
- E. The trustee did not set computer allocation parameters correctly for certain taxes. Therefore, some prior-year tax, interest, and penalty categories were improperly allocated to current property taxes.

Neither the trustee nor officials who administer the funds involved were aware of the above errors. After auditors brought these errors to the attention of the trustee, the trustee corrected the errors for financial statement presentation in this report.

**RECOMMENDATION**

The trustee should refer to the budget resolutions and the detailed breakdown of revenues within the county's budget document to determine the proper method of allocation, proper fund, and the proper revenue account code for county revenues. If the trustee cannot readily determine where to code revenues from these sources, the trustee should contact the county department that generated the revenue to determine the type of funds and the proper classification.

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**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**FINDING 06.09**      **THE OFFICE DID NOT DEPOSIT FUNDS WITHIN THREE DAYS OF COLLECTION**  
 (Noncompliance Under Government Auditing Standards)

The circuit and general sessions courts clerk did not deposit funds within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days after receipt of the funds.

**RECOMMENDATION**

The circuit and general sessions courts clerk should ensure that all funds are deposited to the office bank account within three days of collection, as required by state statute.

**OFFICE OF SHERIFF**

**FINDING 06.10**      **INTERNAL CONTROLS OVER RECEIVING AND STORING EVIDENCE AND SEIZED PROPERTY WERE NOT ADEQUATE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

We noted the following deficiencies in internal controls over receiving and storing evidence and seized property:

- A.      The office did not maintain a perpetual log for evidence and seized property.
- B.      Evidence and seized property were stored in more than one location, and several people had access to those areas.
- C.      The office did not maintain records of confiscated property reported to and awarded by the Department of Safety.

**RECOMMENDATION**

- A.      A perpetual log should be maintained for all evidence and seized property. At a minimum, the log should include the following: date received, defendant, case number, description, location, signature areas for signing in and out, and disposition.
- B.      If possible, evidence and seized property should be stored at a single secure location under the control of one person. This person should maintain the log, control access to the evidence and seized property, and ensure that evidence and seized property are identified properly and filed in an organized manner.
- C.      All state Department of Safety reports of confiscated property and awards should be maintained.

**MANAGEMENT’S RESPONSE – SHERIFF (DIRECT QUOTE)**

- A.      At this time all evidence and seized property are logged when it is put into the evidence room.
- B.      All property and evidence are in one location, and there is only one key in circulation at this time.
- C.      The evidence custodian has maintained records for all confiscated property.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.11**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds.

**RECOMMENDATION**

To strengthen internal controls, officials of these offices should segregate duties adequately among employees.

**MANAGEMENT’S RESPONSE – SHERIFF (DIRECT QUOTE)**

The duties for receipting, depositing and/or disbursing funds have been segregated among employees.

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**FINDING 06.12**      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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**

Officials should consider adopting either 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.

**PART III, FINDINGS AND QUESTIONED  
COSTS FOR FEDERAL AWARDS  
For the Year Ended June 30, 2006**

Federal/Pass-through Agency	Finding Number	Federal CFDA Numbers	Criteria	Explanation	Amount Questioned
U.S. Department of Education:					
Direct Program:					
Early Reading First	06.13	84.359B	Circular A-133, Section 300 ( b), ( c)	Reportable condition in internal control, See Finding No. 06.07: Fund cash overdraft, fund deficit, failure to calculate reserves, failure to issue purchase orders in some required instances, failure to designate a person to monitor the request and subsequent receipt of grant reimbursements	\$ 0
U.S. Department of Education:					
Passed through the State					
Department of Education:					
Special Education Cluster:					
Special Education - Grants to States	06.13	84.027	(See criteria noted above)	(See Above Explanation)	0
Special Education - Preschool Grants	06.13	84.173	(See criteria noted above)	(See Above Explanation)	0

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

There were two audit findings relative to federal awards presented in the current year audit's Schedule of Findings and Questioned Costs. There were two audit findings relative to federal awards in the prior audit's Schedule of Findings and Questioned Costs.

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

Contact Person: Jerry Pigg, Director of Schools

**FINDINGS 06.07 and 06.13**

Checks will not be written in advance, department personnel will request reimbursements of federal projects in a timely manner, accounting personnel will calculate reserve balances for the various federal projects, purchase orders will be issued in all applicable instances, and grant administrators will monitor the requests of federal funds for proper accounting.

Anticipated completion date: 2006-07

**Director of Schools – Summary Schedule of Prior Year Findings**

**FINDINGS 05.18, 05.26, and 05.27**

The department required competitive bids on purchases exceeding \$5,000; however, purchase orders were still not issued in all applicable instances. The department will again stress the issuance of purchase orders.